Report on the Condition of the U.S. Banking Industry: Third Quarter, 2003

Beginning with this issue, the *Federal Reserve Bulletin* will include a new quarterly report summarizing the condition of the banking industry from its broadest perspective, that of the bank holding company. The report presents financial and nonfinancial data drawn primarily from regulatory filings with the Federal Reserve, along with a brief summary of key developments.

Bank holding companies gained prominence after the passage of the Bank Holding Company Act of 1956 and have helped enhance the efficiency of the U.S. banking system in a manner consistent with protecting the federal safety net and the financial system. The specific opportunities and restrictions faced by bank holding companies have evolved considerably over the years, largely in response to changing market forces. By owning banks, and in some cases nonbanking subsidiaries, bank holding companies have long been able to conduct a broad range of banking and nonbanking activities in a broad range of geographic markets. They currently control 97 percent of commercial banking assets in the United States—roughly $7.0 trillion. Increasingly, bank holding companies have responded to the growing integration of markets for financial services by linking banking and nonbanking activities into larger and more diverse financial enterprises. As a result, bank holding companies now control another $2.0 trillion in nonbanking financial services assets. Net of intercompany claims, bank holding company assets totaled $8.7 trillion at the end of September 2003. With nearly $700 billion in equity, bank holding companies are able to mobilize capital in financial markets to support both banking and nonbanking operations. The bank holding company structure has also allowed institutions to call upon a broad array of deposit and nondeposit funding sources.

Development of this new report reflects both the Federal Reserve's perspective as the supervisor of bank holding companies in the United States and its broader interest in the overall soundness and stability of the U.S. financial system. The report also responds to frequent public requests for aggregate data on bank holding companies, in particular for large institutions.

The Data

This new report presents aggregate time-series data drawn primarily from regulatory reports submitted to the Federal Reserve each quarter by individual bank holding companies (the FR Y-9C and the FR Y-9LP). The data exclude smaller bank holding companies, generally those with consolidated assets less than $150 million, that are not obliged to file these reports. For those institutions with a multitiered structure, only the top-tier bank holding company is included to avoid double-counting.

Data in the tables provide information for three groups of reporting bank holding companies:

- Financial Characteristics of All Reporting Bank Holding Companies (table 1) presents data for the overall population of bank holding companies that is required to file regulatory reports, that is, all but the smallest bank holding companies.
- Financial Characteristics of Fifty Large Bank Holding Companies (table 2) describes the condition of the largest institutions within the overall population.
- Financial Characteristics of All Other Reporting Bank Holding Companies (table 3) summarizes the condition of smaller reporting bank holding companies.

The data for the fifty large bank holding companies—at both the institutional and aggregate level—have been analyzed internally at the Federal Reserve for many years as part of its ongoing supervisory monitoring processes. Experience with this analysis suggests that sole reliance on the raw information from regulatory reports can have certain significant drawbacks. In particular, trends and developments can be obscured by transitory changes in the panel of large institutions, by large mergers or divestitures, and by significant restatements of published historical financial results without corresponding amendments to regulatory reports. To address these shortcomings, although the basic information used to generate these internal data is drawn from regulatory reports, the data in table 2 are presented on a *fixed-panel*, *merger-adjusted*, and *as-restated* basis:

- The data presented in this table are for the same fifty institutions across all periods covered by the report. These institutions are, by and large, the fifty largest companies in terms of consolidated assets as of the most recent period shown. This group excludes a few large bank holding companies at which banking operations account for only a small portion of assets and earnings, because these institutions have different financial characteristics that would distort the aggregates.[1]
- In order to present data for the same institutions over time, the underlying data for historical periods are merger-adjusted to include the fifty large bank holding companies as they existed during those periods as well as entities that subsequently merged with them. The merger adjustments are generally made by combining the information for predecessor institutions regardless of the accounting treatment applied to the transactions, although in some cases other information is required. Large divestitures have also been incorporated into this data.
- The data used to generate table 2 reflect revisions and restatements to public financial statements for those fifty institutions that have not necessarily been captured by regulatory reports.[2] When available, restatements that present financial results for historical periods on a merger-adjusted basis were used in lieu of simply combining historical data.

This approach to presenting data for the fifty large bank holding companies has ramifications for the data for ''all reporting companies'' and ''all other reporting companies.'' Merger adjustments and restatements have had little effect on the aggregate information for ''all'' companies, in part because most mergers and acquisitions have involved other bank holding companies; the most significant effects were for 1998 and 1999, for which these adjustments increased the total assets of all reporting bank holding companies about 1.7 percent. The data for ''all other'' companies excludes historical data for those bank holding companies that were predecessors to the current panel of fifty large companies and thus were added to the totals for that group. Mergers and changes in the panel of fifty large companies have more pronounced effects for data for the fifty large companies and ''all other'' companies than for the total population, primarily because the merger adjustments have the effect of moving institutions from one panel into the other.

The data for ''all other'' reporting bank holding companies exclude not only the fifty large companies and their predecessors but also the handful of large bank holding companies whose banking operations represent only a small component of the overall enterprise. Excluding the latter companies from the ''all other'' group allows table 3 to provide a clearer picture of developments at smaller institutions.[3]

Financial Characteristics

Using these data, the first three tables display principal balance sheet, off-balance-sheet, and income statement items, along with key financial ratios for each of the three groups of bank holding companies. Taken together, the line items describe the condition of the industry from a longer-term and more aggregate perspective than, for example, an investment analyst focused on near-term returns might provide. The financial ratios have been chosen from a broader set of conventional indicators used by supervisors and others to assess the condition of banking organizations. The ratios have been calculated for the aggregates and thus represent overall measures rather than averages (unweighted) of ratios for individual bank holding companies.[4]

1. The composition of the panel is revisited each spring to address changes in the asset-size rankings, and more frequently as necessary to maintain a full panel of fifty institutions when mergers occur between institutions already in the panel.

2. The Federal Reserve may require a bank holding company to file amended regulatory reports under certain circumstances, including instances in which there are differences in interpretation of generally accepted accounting principles (GAAP), if previous reports contained significant errors, or if restatements occur as a result of internal or external audits. Institutions may also choose to submit revised reports for earlier historical periods, if they restate their financial results for any reason.

3. Because neither table 2 nor table 3 includes the few large bank holding companies whose commercial banking operations represent a small part of consolidated operations, the figures reported in these two tables sum to something less than the total figures presented in table 1.

4. The manner in which these ratios are calculated may differ slightly from conventions used in the Bank Holding Company Performance Report (BHCPR). In general, these differences arise because information in tables 1, 2, and 3 incorporates data from published financial statements as well as regulatory filings with the Federal Reserve.

NONFINANCIAL CHARACTERISTICS

Nonfinancial characteristics of all reporting bank holding companies (table 4) reports key information on several other areas, including the structure, range of activities, and ownership of reporting bank holding companies. The data in table 4 do not incorporate merger adjustments or restatements; indeed, such items are rarely included in published financial statements.

Structure and Financial Holding Company Status

Table 4 displays the number and total assets of those reporting bank holding companies that qualify as financial holding companies under the Gramm–Leach–Bliley Act.[5] As of the end of September 2003, some 457 bank holding companies qualified as financial holding companies, accounting for more than 80 percent of the assets of all reporting bank holding companies. These figures include eleven institutions that are majority-owned by foreign entities, comprising 10 percent of the indicated financial holding company assets and 8 percent of total bank holding company assets.

Glossary of Ratios

Financial ratio	Importance and derivation
Return on average equity and return on average assets	Measures the rate of profitability (net income) relative to the average size of the bank holding company as stated in the balance sheet and the book value of the owners' interest, respectively, annually adjusted.
Net interest margin	Measures the net return on direct, financial intermediation activities—that is, interest income earned on interest-bearing assets of the bank holding company minus interest expense paid on its interest-bearing liabilities—as a percentage of average interest bearing assets, annually adjusted. Because some assets have preferred treatment under tax law, the net interest margin is presented on a fully taxable-equivalent basis.
Efficiency ratio	Measures the non-interest expense needed to generate each dollar of revenue, where the latter is measured as the sum of net interest income and non-interest income. Nonrecurring income and expense items are excluded from this ratio.
Net charge-offs to loans	Measures the overall rate of credit losses incurred during the period, showing loan losses (net of any recoveries) as a percentage of average loans for the period, annually adjusted.
Nonperforming assets as a percentage of loans and related assets	Measures the portion of the loan portfolio for which there is significant risk of credit loss, showing nonperforming assets (non-accrual assets, loans restructured at preferential terms, and foreclosed real estate or other assets) as a percentage of loans and foreclosed assets.
Loans to deposits	Measures the extent to which loans, the least liquid of earning assets, are funded with bank deposits. Bank deposits are considered a more stable source of funding than nondeposit funding categories.
Regulatory capital ratios	Tier 1 risk-based capital ratio, showing qualifying capital items as a percentage of risk-weighted assets.
	Total risk-based capital ratio, showing a broader set of qualifying capital items, including a portion of the allowance for credit losses, certain subordinated debt, and similar items as a percentage of risk-weighted assets.
	Leverage ratio, showing qualifying tier 1 capital as a percentage of average (unweighted) assets for the quarter.

Banking and Nonbanking Activities

As a measure of the volume of banking activities at these bank holding companies, table 4 reports the total assets of insured commercial banks in the United States owned by bank holding companies. These statistics identify separately the assets of banks that are owned by reporting bank holding companies (those bank holding companies included in the figures reported in table 1, generally those with consolidated assets exceeding $150 million), those owned by smaller bank holding companies (bank holding companies not required to provide consolidated financial information in regulatory filings), and those commercial banks not affiliated with a bank holding company (independent banks). As of the end of September 2003, more than 97 percent of commercial banking assets were owned by reporting bank holding companies.

Assets associated with nonbanking activities, and the number of bank holding companies reporting such assets, provide a view of the degree of diversification in bank holding company activities. They are best understood as broad indications rather than precise measures because, following the conventions of the regulatory reports filed with the Federal Reserve, the line items are not strictly comparable across activities. For three of the activities (''thrift institutions,'' ''foreign nonbank institutions,'' and ''other nonbank institutions''), the assets shown are those of the nonbank subsidiaries of bank holding companies conducting the respective activity. For the remaining two activities (''insurance'' and ''securities broker–dealers''), the figures represent the total assets associated with the activity as drawn directly from the bank holding company's consolidated balance sheet.

5. In addition to reporting bank holding companies, other types of entities can qualify for financial holding company status, including small (nonreporting) bank holding companies and foreign banking organizations. As of December 2002, about 190 such institutions qualified as financial holding companies.

Assets associated with nonbanking activities have experienced some volatility over the period shown, sometimes influenced by a large single transaction or change in legal status. For example, the aggregate assets of thrift subsidiaries were affected significantly ($37 billion) by the conversion of Charter One's thrift subsidiary to a commercial bank in the second quarter of 2002 and the acquisition by Citigroup of a large thrift institution (Golden State Bancorp, with assets of $55 billion) in the fourth quarter of 2002.

Foreign Ownership

Table 4 also presents information on the number and total assets of foreign-owned U.S. bank holding companies. As of the end of September 2003, there were twenty-eight such companies controlling roughly $950 billion of total assets. These data include the foreign-owned financial bank holding companies reported above in table 4, but do not include U.S. branches and agencies of foreign institutions.

Other Data

Total employment at reporting bank holding companies, shown on a full-time-equivalent basis, provides a point of reference both for analyzing trends in productivity and for comparing growth in the banking industry with that experienced by other sectors of the economy.

To provide an indication of whether large institutions have accounted for a growing proportion of the industry's assets over time, table 4 shows both the combined assets of the current set of fifty large institutions (as shown in table 2) with the combined assets of the institutions that would have been the fifty large institutions *at each historical point in time, and as they existed at that time*. Large differences in these total asset figures for each period result primarily from mergers or acquisitions by the largest bank holding companies.

As an aid to analyzing these figures, table 4 reports the proportion of total assets at all reporting bank holding companies that were controlled by each "historical point in time" set of fifty large institutions. Overall there is evidence that the proportion of assets controlled by the fifty large institutions has declined modestly in recent years. For example, at year-end 1998 the then-current panel of fifty large institutions controlled 78 percent of the assets of reporting bank holding company assets, although the current panel (as of the end of September 2003) represented a little more than 76 percent. Had current ownership patterns been in place in 1998, however, the large institutions would have controlled a larger share of total assets—nearly 82 percent—rather than the 78 percent shown in the table for that period.

Summary of Current Developments

Integral to this new quarterly report is a brief commentary on the most recent data, key industry developments, and current industry conditions from the perspective of a central banker and bank supervisor.

U.S. Banking Industry Developments in the Third Quarter 2003

Assets of all reporting bank holding companies grew only slightly ($22 billion, or 0.3 percent) during the quarter ending on September 30, 2003. This result follows five consecutive quarters with growth of at least 2 percent and an increase of more than 6 percent in the second quarter of 2003. Institutions continued to acquire loans, residential mortgage loans in particular, at a pace more than sufficient to offset continued declines in commercial and industrial loans. Unused commitments to lend rose $124 billion, twice the pace of $40 billion to $60 billion per quarter seen since the beginning of 2002.

The modest pace of asset growth was influenced significantly by declines in holdings of securities and other earning assets, which fell $39 billion (1.2 percent) in the third quarter. Declines occurred primarily in longer-maturity and mortgage-backed securities. The notional value of derivatives contracts held by bank holding companies, most of which are contracts tied to changes in interest rates, rose a comparatively small amount (about $1.2 trillion, or 1.7 percent) during the quarter.

Deposits overall did not grow in the third quarter, although declines in demand deposit accounts were offset by continued strong growth in interest-bearing consumer deposits. Partly because of slower deposit growth, the ratio of loans to deposits—one conventional indicator of bank liquidity—has increased materially since March 2003, after declining steadily for more than a year.

Earnings remained strong by historical standards. Net income of reporting bank holding companies totaled $27.3 billion in the third quarter, for a return on average assets of 1.26 percent and a return on common equity of 16.46 percent, both at annualized rates. Bank holding companies reduced their provisions for loan losses to $7.1 billion, down substantially from the $11.1 billion recorded a year earlier, as asset quality and the rate of net charge-offs improved. Net interest income grew with the rise in interest-bearing assets, but the net interest margin—the rate of pretax profitability on earning assets, net of funding costs—continued to contract. Gains realized on the sale of investment securities fell to about $0.1 billion. Such gains had contributed $8.1 billion to pretax earnings over the previous four quarters, including $2.6 billion in the second quarter of 2003. Non-interest income rose only slightly, and non-interest expense increased about $1 billion. Efficiency, measured as operating revenue per dollar of expense, nonetheless improved slightly.

Regulatory risk-based capital ratios improved in the quarter, continuing a modest upward trend since early 2002. The leverage ratio has remained within a narrow band around 6.75 percent over this period.

1. Financial characteristics of all reporting bank holding companies in the United States

Millions of dollars, except as noted, not seasonally adjusted

Account or ratio[1, 2]	1998	1999	2000	2001	2002	2002				2003		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Balance sheet												
Total assets	**5,697,652**	**6,203,489**	**6,682,174**	**7,437,596**	**7,928,334**	**7,451,594**	**7,622,211**	**7,774,589**	**7,928,334**	**8,163,880**	**8,659,585**	**8,681,392**
Loans	3,113,858	3,381,185	3,693,932	3,800,969	4,041,486	3,789,784	3,828,071	3,908,876	4,041,486	4,109,280	4,261,743	4,330,285
Securities and money market	1,902,230	2,075,522	2,177,612	2,554,072	2,845,886	2,652,269	2,761,633	2,847,792	2,845,886	2,999,458	3,207,324	3,167,860
Allowance for loan losses	−54,588	−55,958	−60,424	−68,506	−73,576	−70,395	−70,898	−71,990	−73,576	−73,430	−73,689	−72,935
Other	736,152	802,740	871,053	1,151,062	1,114,538	1,079,937	1,103,405	1,089,912	1,114,538	1,128,572	1,264,207	1,256,183
Total liabilities	**5,261,842**	**5,740,507**	**6,170,537**	**6,856,758**	**7,294,029**	**6,860,537**	**7,011,607**	**7,154,781**	**7,294,029**	**7,515,262**	**7,986,903**	**8,002,034**
Deposits	3,357,625	3,500,705	3,748,468	4,001,377	4,326,601	3,976,428	4,050,023	4,157,680	4,326,601	4,420,203	4,565,966	4,567,312
Borrowings	1,474,684	1,762,963	1,964,881	2,057,603	2,221,052	2,121,082	2,176,897	2,260,184	2,221,052	2,311,501	2,504,690	2,532,945
Other[3]	429,533	476,839	457,188	797,778	746,376	763,027	784,687	736,918	746,376	783,559	916,247	901,777
Total equity	**435,810**	**462,981**	**511,637**	**580,838**	**634,304**	**591,056**	**610,604**	**619,808**	**634,304**	**648,619**	**672,682**	**679,358**
Off-balance-sheet												
Unused commitments to lend[4]	2,755,975	3,016,346	3,216,547	3,394,101	3,558,787	3,395,525	3,457,688	3,518,506	3,558,787	3,620,450	3,656,787	3,780,873
Securitizations outstanding[5]	n.a.	n.a.	n.a.	276,717	295,001	274,727	282,556	287,846	295,001	298,258	285,290	290,332
Derivatives (notional value, billions)[6]	37,050	37,786	43,483	48,261	57,734	49,548	52,614	55,464	57,734	63,993	68,222	69,412
Income statement												
Net income[7]	59,076	76,649	71,994	65,385	84,875	22,995	21,424	21,575	18,886	24,617	26,377	27,273
Net interest income	175,711	187,143	194,950	221,442	242,656	60,135	60,773	60,083	61,666	62,210	63,157	63,763
Provisions for loan losses	27,586	20,067	26,859	39,522	42,922	9,860	10,372	11,149	11,541	8,573	8,429	7,102
Non-interest income	145,330	173,012	195,943	214,163	216,785	52,980	52,853	53,830	57,121	57,403	61,969	62,130
Non-interest expense	211,226	224,044	253,076	297,140	292,423	70,341	71,312	71,574	79,178	74,384	77,760	78,601
Security gains or losses	5,438	3,114	−580	4,294	4,549	520	467	1,936	1,672	1,848	2,669	123
Ratios (percent)												
Return on average equity	13.64	17.50	15.13	11.79	14.12	15.77	14.29	14.24	12.27	15.59	16.24	16.46
Return on average assets	1.03	1.30	1.12	.91	1.11	1.23	1.13	1.12	.95	1.22	1.26	1.26
Net interest margin[8]	3.61	3.72	3.57	3.59	3.72	3.80	3.77	3.68	3.64	3.57	3.48	3.41
Efficiency ratio[7]	62.72	60.88	62.57	65.75	62.39	61.02	62.14	62.72	65.53	62.19	62.62	62.45
Nonperforming assets to loans and related assets	.88	.84	1.07	1.45	1.45	1.51	1.53	1.55	1.45	1.44	1.34	1.23
Net charge-offs to average loans	.56	.54	.65	.89	1.02	.94	1.01	1.09	1.04	.84	.80	.75
Loans to deposits	92.74	96.59	98.55	94.99	93.41	95.31	94.52	94.02	93.41	92.97	93.34	94.81
Regulatory capital ratios												
Tier 1 risk-based	8.90	8.78	8.81	8.91	9.22	9.23	9.30	9.33	9.22	9.33	9.33	9.50
Total risk-based	12.09	11.71	11.78	11.91	12.30	12.28	12.35	12.38	12.30	12.43	12.35	12.51
Leverage	6.91	7.00	6.80	6.65	6.69	6.82	6.84	6.79	6.69	6.72	6.75	6.73
Number of reporting bank holding companies	1,544	1,647	1,727	1,842	1,979	1,884	1,907	1,946	1,979	2,036	2,064	2,099

Footnotes appear on p. 54.

2. Financial characteristics of fifty large bank holding companies in the United States

Millions of dollars, except as noted, not seasonally adjusted

Account or ratio [2, 9]	1998	1999	2000	2001	2002	2002				2003		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Balance sheet												
Total assets	**4,659,300**	**5,036,242**	**5,403,677**	**5,744,978**	**6,064,763**	**5,745,176**	**5,876,226**	**5,967,990**	**6,064,763**	**6,218,488**	**6,587,358**	**6,602,255**
Loans	2,491,066	2,642,645	2,874,605	2,878,582	3,044,217	2,867,961	2,884,545	2,937,869	3,044,217	3,076,496	3,169,051	3,222,303
Securities and money market	1,565,234	1,739,572	1,818,384	2,009,620	2,219,849	2,091,269	2,185,677	2,242,620	2,219,849	2,330,538	2,491,611	2,463,266
Allowance for loan losses	–45,405	–45,676	–48,886	–55,705	–59,304	–57,256	–57,451	–58,089	–59,304	–58,811	–58,671	–57,738
Other	648,405	699,701	759,574	912,480	860,002	843,202	863,455	845,589	860,002	870,265	985,367	974,423
Total liabilities	**4,315,619**	**4,672,539**	**5,002,366**	**5,309,929**	**5,595,206**	**5,301,457**	**5,420,451**	**5,508,907**	**5,595,206**	**5,740,910**	**6,094,577**	**6,103,322**
Deposits	2,547,090	2,635,918	2,795,936	2,966,151	3,191,827	2,928,301	2,978,617	3,049,852	3,191,827	3,247,658	3,360,811	3,353,428
Borrowings	1,359,006	1,586,963	1,777,223	1,821,140	1,958,071	1,888,772	1,937,981	2,014,019	1,958,071	2,023,682	2,161,137	2,188,266
Other [3]	409,523	449,657	429,207	522,638	445,308	484,384	503,853	445,037	445,308	469,571	572,628	561,629
Total equity	**343,680**	**363,703**	**401,310**	**435,049**	**469,557**	**443,719**	**455,776**	**459,083**	**469,557**	**477,579**	**492,782**	**498,933**
Off-balance-sheet												
Unused commitments to lend [4]	2,633,035	2,870,114	3,065,766	3,228,396	3,376,837	3,225,671	3,284,565	3,335,157	3,376,837	3,428,029	3,454,070	3,574,947
Securitizations outstanding [5]	n.a.	n.a.	n.a.	269,056	279,632	264,341	270,738	274,012	279,632	280,938	271,626	274,294
Derivatives (notional value, billions) [6]	36,830	37,746	43,416	47,833	57,320	49,195	52,220	55,011	57,320	63,536	67,636	68,800
Income statement												
Net income [7]	47,920	63,666	58,740	50,209	65,774	18,396	16,662	16,589	14,132	19,196	20,488	20,898
Net interest income	137,759	144,899	149,469	160,633	176,025	44,054	44,037	42,886	45,048	44,897	45,229	46,018
Provisions for loan losses	25,057	17,173	23,163	34,434	36,981	8,441	9,041	9,660	9,839	7,438	7,198	5,871
Non-interest income	131,304	154,432	176,086	167,237	165,028	40,798	40,561	41,238	42,431	43,654	47,134	46,331
Non-interest expense	178,174	185,306	210,813	216,247	206,919	50,087	50,382	50,472	55,961	52,268	54,583	55,653
Security gains or losses	5,028	2,219	–577	4,099	4,530	550	501	1,815	1,711	1,774	2,351	–4
Ratios (percent)												
Return on average equity	14.46	18.68	15.80	12.01	14.66	16.82	14.81	14.71	12.39	16.48	17.18	17.18
Return on average assets	1.06	1.33	1.13	.89	1.11	1.27	1.14	1.13	.93	1.24	1.28	1.26
Net interest margin [8]	3.62	3.59	3.42	3.34	3.51	3.61	3.56	3.42	3.46	3.36	3.27	3.23
Efficiency ratio [7]	62.76	60.46	62.49	63.03	59.39	57.92	58.81	59.97	62.64	59.35	59.56	60.29
Nonperforming assets to loans and related assets	.90	.89	1.16	1.53	1.55	1.59	1.64	1.67	1.55	1.52	1.44	1.30
Net charge-offs to average loans	.65	.61	.74	1.03	1.19	1.09	1.20	1.29	1.21	1.01	.95	.87
Loans to deposits	97.80	100.26	102.81	97.05	95.38	97.94	96.84	96.33	95.38	94.73	94.29	96.09
Regulatory capital ratios												
Tier 1 risk-based	8.18	8.06	8.14	8.17	8.44	8.53	8.56	8.58	8.44	8.54	8.50	8.69
Total risk-based	11.63	11.29	11.42	11.55	11.93	11.98	12.01	12.05	11.93	12.05	11.93	12.11
Leverage	6.53	6.61	6.40	6.19	6.18	6.41	6.38	6.30	6.18	6.19	6.20	6.20

Footnotes appear on p. 54.

3. Financial characteristics of all other reporting bank holding companies in the United States

Millions of dollars, except as noted, not seasonally adjusted

Account or ratio [1,10]	1998	1999	2000	2001	2002	2002				2003		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Balance sheet												
Total assets	**1,038,352**	**1,129,948**	**1,235,593**	**1,342,168**	**1,473,676**	**1,351,276**	**1,387,618**	**1,438,498**	**1,473,676**	**1,524,324**	**1,573,027**	**1,579,127**
Loans	622,792	722,963	801,476	854,003	922,058	854,910	877,183	903,958	922,058	942,132	970,420	982,695
Securities and money market	336,996	315,986	336,210	374,251	426,518	388,488	395,584	414,560	426,518	455,722	469,932	463,122
Allowance for loan losses	–9,183	–10,085	–11,306	–12,350	–13,725	–12,634	–12,962	–13,433	–13,725	–14,133	–14,437	–14,660
Other	87,747	101,084	109,214	126,264	138,825	120,511	127,812	133,414	138,825	140,603	147,112	147,969
Total liabilities	**946,223**	**1,033,372**	**1,128,097**	**1,221,660**	**1,337,584**	**1,228,367**	**1,258,645**	**1,304,736**	**1,337,584**	**1,383,241**	**1,427,604**	**1,434,463**
Deposits	810,535	858,101	945,865	1,020,435	1,113,678	1,031,305	1,053,692	1,089,210	1,113,678	1,148,153	1,176,226	1,183,022
Borrowings	115,678	154,126	156,719	174,059	191,264	169,856	175,970	182,908	191,264	199,814	214,372	216,293
Other [3]	20,010	21,145	25,513	27,166	32,643	27,206	28,984	32,619	32,643	35,275	37,006	35,148
Total equity	**92,129**	**96,576**	**107,497**	**120,508**	**136,092**	**122,908**	**128,973**	**133,762**	**136,092**	**141,082**	**145,423**	**144,664**
Off-balance-sheet												
Unused commitments to lend [4]	122,940	134,742	142,244	157,841	173,370	160,139	163,515	173,637	173,370	182,842	190,487	193,821
Securitizations outstanding [5]	n.a.	n.a.	n.a.	4,567	4,942	4,313	4,350	4,178	4,942	4,998	5,208	5,119
Derivatives (notional value, billions) [6]	220	28	54	92	92	91	94	111	92	103	109	104
Income statement												
Net income [7]	11,156	12,777	13,173	14,449	17,471	4,333	4,313	4,546	4,279	4,688	4,916	4,773
Net interest income	37,952	41,923	45,233	47,754	52,925	12,702	13,291	13,601	13,331	13,581	13,775	13,578
Provisions for loan losses	2,529	2,798	3,552	4,599	5,246	1,172	1,194	1,394	1,486	1,051	1,137	1,087
Non-interest income	14,026	16,774	17,921	23,142	25,422	6,161	6,005	6,425	6,831	6,877	7,561	7,230
Non-interest expense	33,052	37,103	40,393	45,581	48,298	11,512	11,982	12,083	12,721	12,690	13,328	12,993
Security gains or losses	410	826	–10	796	729	117	164	263	185	301	431	130
Ratios (percent)												
Return on average equity	10.97	13.26	13.03	12.45	13.68	14.26	13.78	13.93	12.82	13.54	13.81	13.49
Return on average assets	.93	1.17	1.12	1.13	1.26	1.30	1.26	1.29	1.18	1.26	1.28	1.22
Net interest margin [8]	3.59	4.28	4.26	4.16	4.25	4.25	4.27	4.35	4.12	4.06	4.01	3.88
Efficiency ratio [7]	62.53	62.47	62.36	63.45	60.72	59.78	62.37	59.89	62.70	61.50	63.05	62.18
Nonperforming assets to loans and related assets	.80	.68	.76	.96	1.02	.99	.97	1.02	1.02	1.13	1.09	1.02
Net charge-offs to average loans	.26	.30	.32	.43	.46	.42	.42	.45	.53	.32	.37	.36
Loans to deposits	76.84	84.25	84.73	83.69	82.79	82.90	83.25	82.99	82.79	82.06	82.50	83.07
Regulatory capital ratios												
Tier 1 risk-based	12.71	12.19	11.85	12.18	12.42	12.42	12.53	12.53	12.42	12.57	12.53	12.53
Total risk-based	14.56	13.64	13.32	13.77	14.06	14.01	14.15	14.16	14.06	14.25	14.23	14.24
Leverage	8.58	8.59	8.54	8.74	8.87	8.84	8.96	8.97	8.87	8.96	8.94	8.94
Number of other reporting bank holding companies	1,450	1,569	1,661	1,786	1,923	1,828	1,851	1,890	1,923	1,980	2,008	2,043

Footnotes appear on p. 54.

4. Nonfinancial characteristics of all reporting bank holding companies in the United States

Millions of dollars, except as noted, not seasonally adjusted

Account	1998	1999	2000	2001	2002	2002				2003		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Bank holding companies that qualify as financial holding companies[11, 12]												
Domestic												
Number	n.a.	n.a.	299	388	434	408	411	415	434	437	440	446
Total assets	n.a.	n.a.	4,494,331	5,436,691	5,916,901	5,464,392	5,643,297	5,707,041	5,916,901	6,061,528	6,433,656	6,450,389
Foreign-owned[13]												
Number	n.a.	n.a.	9	10	11	10	11	11	11	11	11	11
Total assets	n.a.	n.a.	502,506	621,442	616,254	642,143	656,344	689,804	616,254	648,017	732,695	729,244
Total U.S. commercial bank assets[14]	**5,391,206**	**5,673,702**	**6,129,534**	**6,415,909**	**6,897,447**	**6,327,268**	**6,572,090**	**6,762,780**	**6,897,447**	**7,031,480**	**7,325,659**	**7,296,533**
By ownership												
Reporting bank holding companies	4,947,929	5,226,027	5,657,210	5,942,575	6,429,738	5,862,784	6,107,717	6,296,385	6,429,738	6,578,067	6,863,642	6,845,365
Other bank holding companies	234,260	226,916	229,274	230,464	227,017	225,000	226,558	226,602	227,017	222,670	222,997	217,039
Independent banks	209,017	220,759	243,050	242,870	240,692	239,483	237,815	239,793	240,692	230,743	239,020	234,130
Assets associated with nonbanking activities[12, 15]												
Insurance	n.a.	n.a.	n.a.	426,462	350,709	381,860	386,590	338,384	350,709	360,056	384,182	398,533
Securities broker–dealers	n.a.	n.a.	n.a.	n.a.	630,851	693,080	695,814	703,738	630,851	709,839	656,919	667,512
Thrift institutions	121,640	117,699	102,218	91,170	107,422	92,954	53,938	56,063	107,422	126,375	124,640	143,578
Foreign nonbank institutions	169,851	78,712	132,629	138,977	145,344	144,175	149,674	144,814	145,344	154,812	160,515	162,789
Other nonbank institutions	758,668	879,793	1,234,714	1,674,267	561,636	506,276	466,371	493,780	561,636	524,610	740,129	755,999
Number of bank holding companies engaged in nonbanking activities[12, 15]												
Insurance	n.a.	n.a.	n.a.	143	86	91	92	91	86	94	96	104
Securities broker–dealers	n.a.	n.a.	n.a.	n.a.	47	47	47	47	47	48	50	48
Thrift institutions	58	57	50	38	32	40	37	37	32	31	31	29
Foreign nonbank institutions	21	25	25	32	37	33	35	38	37	38	40	39
Other nonbank institutions	514	559	633	743	880	748	798	835	880	911	944	988
Foreign-owned bank holding companies[13]												
Number	19	18	21	23	26	24	24	24	26	26	27	28
Total assets	296,852	535,024	636,669	764,411	762,901	785,199	787,998	827,867	762,901	799,540	946,847	947,932
Employees of reporting bank holding companies (full-time equivalent)	1,748,549	1,775,418	1,859,930	1,985,981	1,992,559	1,990,550	2,000,084	1,979,260	1,992,559	2,000,168	2,019,953	2,029,709
Assets of fifty large bank holding companies[9, 17]												
Fixed panel (from table 2)	4,632,892	5,036,242	5,403,677	5,744,978	6,064,763	5,745,176	5,876,226	5,967,990	6,064,763	6,218,488	6,587,358	6,602,255
Fifty large as of reporting date	4,442,175	4,809,785	5,319,129	5,732,621	6,032,000	5,732,131	5,861,542	5,951,115	6,032,000	6,203,000	6,587,000	6,602,255
Percent of all reporting bank holding companies	78.00	77.50	79.60	77.10	76.10	76.90	76.90	76.50	76.10	76.00	76.10	76.10

NOTE. All data are as of the most recent period shown. The historical figures may not match those in earlier versions of this table because of mergers, significant acquisitions or divestitures, or revisions of bank holding company restatements to financial reports. Data for the most recent period may not include all late-filing institutions.

1. Covers top-tier bank holding companies except (1) those with consolidated assets of less than $150 million and with only one subsidiary bank and (2) multibank holding companies with consolidated assets of less than $150 million, with no debt outstanding to the general public and not engaged in certain nonbanking activities.

2. Data for all reporting bank holding companies and the fifty large bank holding companies reflect merger adjustments to the fifty large bank holding companies. Merger adjustments account for mergers, acquisitions, other business combinations and large divestitures that occurred during the time period covered in the tables so that the historical information on each of the fifty underlying institutions depicts, to the greatest extent possible, the institutions as they exist in the most recent period. In general, adjustments for mergers among bank holding companies reflect the combination of historical data from predecessor bank holding companies.

The data for the fifty large bank holding companies have also been adjusted as necessary to match the historical figures in each company's most recently available financial statement.

In general, the data are not adjusted for changes in generally accepted accounting principles.

3. Includes minority interests in consolidated subsidiaries.

4. Includes credit card lines of credit as well as commercial lines of credit.

5. Includes loans sold to securitization vehicles in which bank holding companies retain some interest, whether through recourse or seller-provided credit enhancements or by servicing the underlying assets. Securitization data were first collected on the FR Y-9C report for June 2001.

6. The notional value of a derivative is the reference amount of an asset on which an interest rate or price differential is calculated. The total notional value of a bank holding company's derivatives holdings is the sum of the notional values of each derivative contract regardless of whether the bank holding company is a payor or recipient of payments under the contract. The actual cash flows and fair market values associated with these derivative contracts are generally only a small fraction of the contract's notional value.

7. Income statement subtotals for all reporting bank holding companies and the fifty large bank holding companies exclude extraordinary items, the cumulative effects of changes in accounting principles, and discontinued operations at the fifty large institutions and therefore will not sum to Net income. The efficiency ratio is calculated excluding nonrecurring income and expenses.

8. Calculated on a fully-taxable-equivalent basis.

9. In general, the fifty large bank holding companies are the fifty largest bank holding companies as measured by total consolidated assets for the latest period shown. Excludes a few large bank holding companies whose commercial banking operations account for only a small portion of assets and earnings.

10. Excludes predecessor bank holding companies that were subsequently merged into other bank holding companies in the panel of fifty large bank holding companies. Also excludes those bank holding companies excluded from the panel of fifty large bank holding companies because commercial banking operations represent only a small part of their consolidated operations.

11. Excludes qualifying institutions that are not reporting bank holding companies.

12. No data related to financial holding companies and only some data on nonbanking activities were collected on the FR Y-9C report before implementation of the Gramm–Leach–Bliley Act in 2000.

13. A bank holding company is considered "foreign-owned" if it is majority-owned by a foreign entity. Data for foreign-owned companies do not include data for branches and agencies of foreign banks operating in the United States.

14. Total assets of insured commercial banks in the United States as reported in the commercial bank Call Report (FFIEC 031 or 041, Reports of Condition and Income). Excludes data for a small number of commercial banks owned by other commercial banks that file separate call reports yet are also covered by the reports filed by their parent banks. Also excludes data for mutual savings banks.

15. Data for thrift, foreign nonbank, and other nonbank institutions are total assets of each type of subsidiary as reported in the FR Y-9LP report. Data cover those subsidiaries in which the top-tier bank holding company directly or indirectly owns or controls more than 50 percent of the outstanding voting stock and that has been consolidated using generally accepted accounting principles. Data for securities broker–dealers are net assets (that is, total assets, excluding intercompany transactions) of broker–dealer subsidiaries engaged in activities pursuant to the Gramm–Leach–Bliley Act, as reported on schedule HC-M of the FR Y-9C report. Data for insurance activities are all insurance-related assets held by the bank holding company as reported on schedule HC-I of the FR Y-9C report.

Beginning in 2002:Q1, insurance totals exclude intercompany transactions and subsidiaries engaged in credit-related insurance or those engaged principally in insurance agency activities. Beginning in 2002:Q2, insurance totals include only newly authorized insurance activities under the Gramm–Leach–Bliley Act.

16. Aggregate assets of thrift subsidiaries were affected significantly by the conversion of Charter One's thrift subsidiary (with assets of $37 billion) to a commercial bank in the second quarter of 2002 and the acquisition by Citigroup of Golden State Bancorp (a thrift institution with assets of $55 billion) in the fourth quarter of 2002.

17. Changes over time in the total assets of the time-varying panel of fifty large bank holding companies are attributable to (1) changes in the companies that make up the panel and (2) to a small extent, restatements of financial reports between periods.

n.a. Not available.

SOURCE. Federal Reserve Reports FR Y-9C and FR Y-9LP, Federal Reserve National Information Center, and published financial reports.