Report on the Condition of the U.S. Banking Industry: Second Quarter, 2005

Assets at reporting bank holding companies rose $234.6 billion in the second quarter, with loan growth accounting for $163.5 billion, or almost 70 percent of the increase in assets over the period. Aggregate assets of reporting bank holding companies reached $10.9 trillion, 2.2 percent higher than in the first quarter. Figures for the second quarter do not reflect any possible repercussions of the summer Gulf Coast hurricanes, which occurred after June 2005.

The strong 3.2 percent increase in loans occurred mostly in mortgage-related categories, both residential and commercial, and in commercial and industrial loans. A sizable portion of the growth in residential mortgage loans at some institutions was reportedly in adjustable-rate mortgages (ARMs). A significant portion of the growth in residential mortgages reportedly included conventional ARMs and such nontraditional products as “option ARMs” (which allow the borrower to select from a range of payment amounts each month) as well as fixed-rate interest-only loans. To some extent, the recently heightened prominence of these nontraditional types of mortgage loans has been associated with recent and significant increases in home values coupled with efforts by lenders and marginally qualified households to arrange financing for home purchases. Bank holding companies continued to favor these adjustable-rate loans amid market expectations of future increases in interest rates. The growth in commercial real estate lending included substantial increases in construction and land development loans, some of which were used to finance the construction of new homes. Unused commitments to lend rose somewhat more slowly, at 2.6 percent.

Securities and money market assets increased $31.0 billion, or 0.8 percent, much less rapidly than loans. At the fifty large bank holding companies, holdings of these assets rose $66.7 billion (2.2 percent), with much of the increase occurring in short-term instruments. Securities and money market assets declined at all other reporting bank holding companies (down $7.5 billion, or 1.6 percent). Most of the decline occurred in mortgage-related securities as these institutions reduced their holdings of fixed-rate securities and used the proceeds of sold and maturing securities to fund loan growth. Declines were also evident at five large bank holding companies for which banking operations represent only a small component of the consolidated entity (not shown separately), and were accompanied by a comparable decrease in borrowings.[1]

A large portion of the growth in total assets at reporting bank holding companies was funded by borrowings rather than deposits, although the pattern of funding growth differed markedly across industry segments. At the fifty large bank holding companies, nondeposit borrowings rose some $128.3 billion, roughly twice as much as deposits ($62.9 billion). In contrast, at all other bank holding companies, which are predominantly smaller firms, deposits rose about $29.7 billion, but borrowings rose only $5.2 billion. These smaller firms appeared to be more willing to reduce their securities holdings than to seek significantly more nondeposit funding to accommodate their asset growth.

Shareholders’ equity at reporting bank holding companies rose 3.3 percent ($29.5 billion), outpacing the rate of growth in total assets. Accordingly, regulatory leverage capital ratios improved a few basis points. Total risk-based capital ratios declined, however, as the mix of assets shifted slightly toward loans and away from mortgage securities that are assigned low risk weights in bank capital regulations. Notwithstanding these small changes, regulatory capital ratios overall remained strong for the industry.

Credit quality continued to improve in the second quarter. Nonperforming assets fell to a remarkably low 0.71 percent of loans and related assets, a reduction of 5 basis points from the first quarter. Net chargeoffs declined to 0.52 percent of average loans,

1. Three of these five large bank holding companies are insurance-oriented and two are brokerage-oriented. At the end of the second quarter these five firms had combined assets of $748.3 billion, more than half in the securities and money market assets category. Financial information for these five firms is included in the all reporting bank holding company data shown in table 1, but not in the data for the fifty large bank holding companies (table 2) or in the all other reporting bank holding companies (table 3). For further background on the institutions included in each table’s data, see the “Report on the Condition of the U.S. Banking Industry: Third Quarter 2003,” *Federal Reserve Bulletin* 90:1, Winter 2004.

also down 5 basis points. Spurred by these further improvements in asset quality, reporting bank holding companies reduced the size of their allowance for loan losses $493 million, or 0.7 percent.

Earnings totaled $32.7 billion for the second quarter, a little lower than in the previous period despite an increase of $1.2 billion in investment securities gains. This small decline was attributable to a 1.3 percent drop in non-interest income—primarily in trading and investment banking revenues—and a 3.6 percent increase in provisions for loan losses to a level that was still slightly below total net chargeoffs.

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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]	2000	2001	2002	2003	2004	2003	2004				2005	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
Balance sheet												
Total assets	**6,745,836**	**7,486,951**	**7,990,945**	**8,880,547**	**10,339,738**	**8,880,547**	**9,358,869**	**9,712,116**	**9,960,475**	**10,339,738**	**10,709,587**	**10,944,213**
Loans	3,728,569	3,832,553	4,080,049	4,435,863	5,109,786	4,435,863	4,615,601	4,803,610	4,949,500	5,109,786	5,184,670	5,348,195
Securities and money market	2,197,434	2,568,705	2,866,857	3,302,240	3,799,442	3,302,240	3,542,873	3,580,345	3,628,275	3,803,711	4,064,142	4,095,179
Allowance for loan losses	−60,376	−68,833	−74,798	−73,835	−74,623	−73,835	−76,629	−76,416	−75,918	−74,623	−73,399	−72,905
Other	880,209	1,154,528	1,118,837	1,216,279	1,505,133	1,216,279	1,277,024	1,404,588	1,458,618	1,500,864	1,534,174	1,573,744
Total liabilities	**6,227,975**	**6,901,281**	**7,350,200**	**8,177,563**	**9,453,154**	**8,177,563**	**8,614,689**	**8,938,434**	**9,108,359**	**9,453,154**	**9,819,118**	**10,024,216**
Deposits	3,771,749	4,025,769	4,357,245	4,705,043	5,249,506	4,705,043	4,847,914	5,005,099	5,064,773	5,249,506	5,348,711	5,442,346
Borrowings	1,991,564	2,073,770	2,244,331	2,630,168	3,088,887	2,630,168	2,902,949	2,955,221	3,054,677	3,158,450	3,422,850	3,520,267
Other[3]	464,662	801,742	748,624	842,352	1,114,761	842,352	863,826	978,114	988,910	1,045,197	1,047,557	1,061,603
Total equity	**517,861**	**585,670**	**640,745**	**702,984**	**886,584**	**702,984**	**744,180**	**773,682**	**852,116**	**886,584**	**890,469**	**919,997**
Off-balance-sheet												
Unused commitments to lend[4]	3,297,511	3,481,745	3,650,669	4,097,531	4,823,334	4,097,531	4,350,963	4,420,773	4,569,881	4,823,334	4,909,895	5,039,143
Securitizations outstanding[5]	n.a.	276,717	295,001	298,348	353,978	298,348	308,543	314,258	313,436	353,978	366,430	367,755
Derivatives (notional value, billions)[6]	43,608	48,276	57,886	72,914	89,115	72,914	79,273	83,109	84,723	89,115	92,623	96,656
Income statement												
Net income[7]	73,168	66,510	85,731	107,949	113,475	29,545	30,673	25,892	29,096	28,903	32,938	32,678
Net interest income	197,695	224,470	246,048	257,537	281,434	68,072	67,441	71,815	72,436	71,482	72,990	72,894
Provisions for loan losses	27,604	40,661	45,107	33,075	28,792	8,944	7,165	6,994	7,489	7,847	6,578	6,815
Non-interest income	200,872	218,984	221,532	250,639	272,286	69,991	67,370	73,358	67,314	68,035	73,227	72,306
Non-interest expense	258,213	302,140	296,964	316,330	360,288	86,323	82,984	101,031	89,144	90,053	91,389	91,416
Security gains or losses	606	4,338	4,598	5,771	5,521	655	1,978	1,011	1,980	480	371	1,526
Ratios (percent)												
Return on average equity	15.19	11.86	14.11	16.28	14.28	17.25	17.05	13.52	14.04	13.40	14.87	14.60
Return on average assets	1.13	.91	1.11	1.26	1.16	1.34	1.33	1.07	1.18	1.12	1.24	1.20
Net interest margin[8]	3.58	3.61	3.74	3.51	3.39	3.59	3.42	3.49	3.46	3.28	3.18	3.08
Efficiency ratio[9]	63.95	66.92	62.38	61.72	63.71	62.62	61.35	67.10	63.42	64.30	60.47	61.34
Nonperforming assets to loans and related assets	1.09	1.44	1.44	1.15	.82	1.15	1.09	.96	.89	.82	.76	.71
Net charge-offs to average loans	.64	.89	1.04	.84	.67	.98	.72	.66	.61	.71	.57	.52
Loans to deposits	98.86	95.20	93.64	94.28	97.34	94.28	95.21	95.97	97.72	97.34	96.93	98.27
Regulatory capital ratios												
Tier 1 risk-based	8.84	8.92	9.22	9.58	9.37	9.58	9.55	9.40	9.35	9.37	9.31	9.30
Total risk-based	11.80	11.92	12.28	12.60	12.24	12.60	12.47	12.26	12.18	12.24	12.18	12.06
Leverage	6.81	6.68	6.72	6.87	6.61	6.87	6.88	6.67	6.73	6.61	6.51	6.54
Number of reporting bank holding companies	1,727	1,842	1,979	2,134	2,254	2,134	2,193	2,211	2,240	2,254	2,281	2,295

Footnotes appear on p. 492.

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[1, 2]	2000	2001	2002	2003	2004	2003	2004				2005	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
Balance sheet												
Total assets	**5,509,329**	**5,883,032**	**6,244,695**	**6,903,426**	**7,940,887**	**6,903,426**	**7,348,179**	**7,539,139**	**7,741,040**	**7,940,887**	**8,206,462**	**8,417,847**
Loans	2,936,756	2,956,272	3,140,427	3,387,295	3,929,885	3,387,295	3,548,140	3,683,748	3,791,894	3,929,885	3,979,933	4,097,920
Securities and money market	1,849,393	2,053,128	2,282,894	2,629,416	2,909,296	2,629,416	2,855,674	2,841,338	2,880,574	2,909,296	3,094,734	3,161,422
Allowance for loan losses	49,234	56,575	61,180	59,343	59,484	59,343	61,854	61,434	60,811	59,484	58,123	57,422
Other	772,404	930,207	882,553	946,058	1,161,189	946,058	1,006,218	1,075,487	1,129,382	1,161,189	1,189,918	1,215,926
Total liabilities	**5,098,769**	**5,434,925**	**5,758,200**	**6,373,455**	**7,252,392**	**6,373,455**	**6,781,436**	**6,949,713**	**7,084,305**	**7,252,392**	**7,513,951**	**7,706,688**
Deposits	2,847,117	3,022,829	3,261,241	3,512,801	3,948,310	3,512,801	3,629,595	3,759,012	3,793,285	3,948,310	4,019,042	4,081,979
Borrowings	1,814,179	1,878,346	2,040,891	2,358,645	2,713,445	2,358,645	2,614,743	2,642,532	2,742,512	2,713,445	2,896,853	3,025,103
Other[3]	437,474	533,750	456,068	502,010	590,637	502,010	537,099	548,170	548,509	590,637	598,057	599,607
Total equity	**410,560**	**448,107**	**486,496**	**529,971**	**688,495**	**529,971**	**566,743**	**589,426**	**656,735**	**688,495**	**692,511**	**711,159**
Off-balance-sheet												
Unused commitments to lend[4]	3,072,864	3,235,807	3,385,143	3,800,219	4,485,138	3,800,219	4,047,520	4,104,527	4,236,822	4,485,138	4,557,059	4,672,311
Securitizations outstanding[5]	n.a.	271,825	289,905	293,046	348,986	293,046	304,545	307,878	307,325	348,986	361,524	362,973
Derivatives (notional value, billions)[6]	43,544	48,159	57,768	72,725	88,675	72,725	79,044	82,844	84,463	88,675	92,140	96,307
Income statement												
Net income[7]	60,388	52,530	68,308	87,644	90,155	24,422	25,159	19,494	22,998	23,595	26,402	24,977
Net interest income	153,455	166,652	183,796	192,298	209,097	51,232	50,689	52,809	54,067	53,262	53,632	53,316
Provisions for loan losses	24,013	35,786	39,416	28,587	25,360	7,877	6,396	6,212	6,704	6,752	5,770	6,037
Non-interest income	181,585	174,378	172,642	195,668	211,896	55,543	53,378	56,126	51,540	54,644	57,507	54,869
Non-interest expense	216,983	224,502	215,915	229,336	263,397	63,226	60,792	74,478	64,415	66,635	66,232	65,574
Security gains or losses	−603	4,319	5,039	5,186	4,626	632	1,608	697	1,723	524	174	1,470
Ratios (percent)												
Return on average equity	15.86	12.22	14.71	17.49	14.73	18.85	18.31	13.34	14.33	14.05	15.30	14.35
Return on average assets	1.14	.91	1.13	1.31	1.18	1.42	1.39	1.03	1.19	1.19	1.29	1.19
Net interest margin[8]	3.44	3.39	3.56	3.35	3.23	3.47	3.26	3.29	3.31	3.16	3.04	2.92
Efficiency ratio[9]	64.09	64.61	59.55	58.70	61.00	59.40	58.30	65.01	60.38	61.61	57.16	58.57
Nonperforming assets to loans and related assets	1.17	1.57	1.56	1.23	.84	1.22	1.14	1.00	.91	.84	.78	.72
Net charge-offs to average loans	.73	1.01	1.21	.97	.80	1.13	.88	.78	.72	.83	.70	.63
Loans to deposits	103.15	97.80	96.30	96.43	99.53	96.43	97.76	98.00	99.96	99.53	99.03	100.39
Regulatory capital ratios												
Tier 1 risk-based	8.20	8.22	8.51	8.80	8.57	8.80	8.77	8.63	8.60	8.57	8.52	8.45
Total risk-based	11.45	11.57	11.94	12.18	11.84	12.18	12.05	11.88	11.82	11.84	11.79	11.59
Leverage	6.43	6.24	6.25	6.36	6.16	6.36	6.36	6.14	6.22	6.16	6.09	6.06

Footnotes appear on p. 492.

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

Millions of dollars except as noted, not seasonally adjusted

Account[1, 10]	2000	2001	2002	2003	2004	2003	2004				2005	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
Balance sheet												
Total assets	**1,178,273**	**1,290,686**	**1,414,391**	**1,549,979**	**1,709,090**	**1,549,979**	**1,590,705**	**1,636,305**	**1,674,215**	**1,709,090**	**1,738,128**	**1,778,206**
Loans	767,464	822,127	885,466	969,249	1,097,600	969,249	996,874	1,034,676	1,069,967	1,097,600	1,123,765	1,164,103
Securities and money market	319,514	359,293	408,750	449,241	474,035	449,241	465,449	463,381	465,577	474,035	471,150	463,669
Allowance for loan losses	10,884	11,894	13,181	14,075	14,740	14,075	14,383	14,628	14,800	14,740	14,851	15,030
Other	102,179	121,160	133,355	145,565	152,194	145,565	142,766	152,875	153,471	152,194	158,065	165,463
Total liabilities	**1,076,381**	**1,174,315**	**1,283,635**	**1,407,777**	**1,550,889**	**1,407,777**	**1,444,384**	**1,490,587**	**1,519,327**	**1,550,889**	**1,580,087**	**1,614,877**
Deposits	912,804	988,825	1,078,022	1,169,677	1,281,284	1,169,677	1,202,669	1,228,499	1,253,522	1,281,284	1,310,496	1,340,212
Borrowings	142,782	159,804	174,398	203,755	228,930	203,755	201,409	223,675	224,912	228,930	227,218	232,457
Other[3]	20,794	25,687	31,214	34,345	40,675	34,345	40,306	38,413	40,893	40,675	42,373	42,208
Total equity	**101,892**	**116,371**	**130,756**	**142,202**	**158,201**	**142,202**	**146,321**	**145,718**	**154,888**	**158,201**	**158,041**	**163,328**
Off-balance-sheet												
Unused commitments to lend[4]	215,583	235,764	253,620	284,399	324,825	284,399	290,060	301,229	315,742	324,825	338,581	351,250
Securitizations outstanding[5]	n.a.	4,567	4,358	4,159	2,877	4,159	2,875	3,000	2,757	2,877	2,792	2,667
Derivatives (notional value, billions)[6]	47	87	86	92	140	92	118	109	117	140	95	95
Income statement												
Net income[7]	12,485	13,841	16,634	17,904	19,654	4,220	4,826	4,846	5,042	4,941	5,260	5,489
Net interest income	43,509	46,215	51,029	53,139	57,386	13,639	13,867	14,014	14,539	14,965	15,268	15,576
Provisions for loan losses	3,420	4,438	5,059	4,271	3,200	1,127	802	786	798	813	678	724
Non-interest income	16,181	22,434	24,591	27,754	26,650	6,754	6,768	6,707	6,615	6,560	6,708	6,664
Non-interest expense	38,118	44,389	46,957	51,486	53,586	13,440	13,159	13,145	13,319	13,962	13,998	13,947
Security gains or losses	−9	729	639	993	558	187	310	111	133	5	105	64
Ratios (percent)												
Return on average equity	13.09	12.53	13.53	13.10	13.23	12.06	13.52	13.28	13.45	12.69	13.31	13.45
Return on average assets	1.12	1.13	1.25	1.21	1.21	1.10	1.24	1.21	1.22	1.17	1.23	1.23
Net interest margin[8]	4.31	4.20	4.26	4.00	3.93	3.97	3.97	3.89	3.92	3.95	3.97	3.97
Efficiency ratio[9]	62.24	63.80	61.12	62.94	62.68	65.72	63.02	62.81	62.91	63.88	62.57	61.97
Nonperforming assets to loans and related assets	.77	.97	1.02	.98	.76	.98	.96	.87	.84	.76	.74	.70
Net charge-offs to average loans	.32	.43	.46	.39	.25	.51	.23	.25	.23	.31	.17	.18
Loans to deposits	84.08	83.14	82.14	82.86	85.66	82.86	82.89	84.22	85.36	85.66	85.75	86.86
Regulatory capital ratios												
Tier 1 risk-based	11.83	12.27	12.50	12.59	12.45	12.59	12.62	12.48	12.46	12.45	12.33	12.15
Total risk-based	13.29	13.83	14.11	14.30	14.09	14.30	14.31	14.15	14.11	14.09	13.95	13.75
Leverage	8.52	8.81	8.93	9.06	9.16	9.06	9.12	9.10	9.15	9.16	9.14	9.13
Number of other reporting bank holding companies	1,652	1,779	1,916	2,071	2,199	2,071	2,131	2,149	2,182	2,199	2,227	2,240

Footnotes appear on p. 492.

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

Millions of dollars except as noted, not seasonally adjusted

Account	2000	2001	2002	2003	2004	2003	2004				2005	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
Bank holding companies that qualify as financial holding companies [11,12]												
Domestic												
Number	300	389	435	452	474	452	465	471	477	474	472	469
Total assets	4,497,781	5,440,842	5,921,277	6,610,314	7,462,507	6,610,314	6,856,173	7,082,367	7,279,238	7,462,507	7,650,556	7,893,437
Foreign-owned [13]												
Number	9	10	11	12	14	12	13	14	14	14	15	15
Total assets	502,506	621,442	616,254	710,441	1,376,333	710,441	994,672	1,117,266	1,193,984	1,376,333	1,526,168	1,516,573
Total U.S. commercial bank assets [14]	**6,130,086**	**6,416,080**	**6,897,142**	**7,397,839**	**8,207,673**	**7,397,839**	**7,614,478**	**7,850,587**	**8,041,198**	**8,207,673**	**8,403,885**	**8,534,505**
By ownership												
Reporting bank holding companies	5,657,210	5,942,670	6,429,158	6,941,042	7,785,991	6,941,042	7,173,463	7,409,187	7,599,697	7,785,991	7,991,901	8,119,047
Other bank holding companies	229,274	230,467	227,016	219,223	209,177	219,223	205,391	211,725	208,696	209,177	204,795	206,259
Independent banks	243,603	242,944	240,968	237,575	212,505	237,575	235,623	229,675	232,805	212,505	207,189	209,200
Assets associated with nonbanking activities [12,15]												
Insurance	n.a.	426,462	372,405	437,503	579,111	437,503	468,168	583,073	579,785	579,111	574,466	582,023
Securities broker dealers	n.a.	n.a.	630,851	656,775	719,242	656,775	713,794	710,485	756,869	892,571	1,168,482	1,165,603
Thrift institutions	102,218	91,170	107,422	133,056	191,201	133,056	139,713	156,033	162,396	191,201	194,267	198,290
Foreign nonbank institutions	132,629	138,977	145,344	170,630	216,758	170,630	184,366	226,094	230,569	216,758	219,828	231,564
Other nonbank institutions	1,234,714	1,674,267	561,712	678,088	1,128,179	678,088	844,638	862,230	887,848	1,128,179	1,045,116	836,733
Number of bank holding companies engaged in nonbanking activities [12,15]												
Insurance	n.a.	143	96	102	97	102	100	101	98	97	97	99
Securities broker dealers	n.a.	n.a.	47	50	44	50	49	48	45	44	43	45
Thrift institutions	50	38	32	27	27	27	29	27	25	27	27	26
Foreign nonbank institutions	25	32	37	42	39	42	42	41	40	39	38	37
Other nonbank institutions	633	743	880	1,042	1,026	1,042	1,010	1,030	1,050	1,026	926	886
Foreign-owned bank holding companies [13]												
Number	21	23	26	27	29	27	27	28	28	29	29	30
Total assets	636,669	764,411	762,901	934,085	1,537,208	934,085	1,145,476	1,271,378	1,349,900	1,537,208	1,690,119	1,698,361
Employees of reporting bank holding companies (full-time equivalent)	1,859,930	1,985,981	1,992,559	2,034,358	2,162,179	2,034,358	2,099,126	2,085,733	2,133,299	2,162,179	2,168,024	2,196,793
Assets of fifty large bank holding companies [9,17]												
Fixed panel (from table 2)	5,509,329	5,883,032	6,244,695	6,903,426	7,940,887	6,903,426	7,348,179	7,539,139	7,741,040	7,940,887	8,206,462	8,417,847
Fifty large as of reporting date	5,319,129	5,732,621	6,032,000	6,666,488	7,940,955	6,666,488	7,045,844	7,385,384	7,644,504	7,940,955	8,206,462	8,417,847
Percent of all reporting bank holding companies	78.90	76.60	75.50	75.10	76.80	75.10	75.30	76.00	76.70	76.80	76.60	76.90

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 or restatements to bank holding company 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. Exclude 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 FRY-9C and FR Y-9LP, Federal Reserve National Information Center, and published financial reports.