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# Report on the Condition of the U.S. Banking Industry: First Quarter, 2004

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Assets at reporting bank holding companies rose \$325 billion (or 3.7 percent) in the first quarter, primarily because the fifty large bank holding companies were active acquirers of investment securities during the period.<sup>1</sup> Aggregate securities and money market assets increased \$260 billion, with nearly all of that increase occurring at the fifty large bank holding companies. Growth in investment securities at large institutions was associated with broader efforts, including derivatives transactions, intended to adjust interest rate sensitivity. The notional value of derivatives outstanding rose \$6.3 trillion, or nearly 9 percent.

Loans grew only \$75 billion, influenced by growth in holdings of mortgage loans but also by continuing softness in the commercial and industrial loan category. Unused commitments to lend grew more significantly (\$100 billion, or 2.5 percent), with most of the growth occurring in credit cards and home equity lines of credit at large institutions.

Deposits grew \$140 billion, a healthy 3 percent, but not sufficient to fund the quarter's asset growth. Accordingly, nondeposit borrowings rose \$125 billion, or nearly 5 percent. Robust asset growth also contributed to a small decline in the total risk-based

and leverage capital ratios, which nonetheless remain well above regulatory minimum standards.

Net income of reporting bank holding companies reached nearly \$30 billion for the quarter, an increase of \$1.6 billion from the fourth quarter of 2003. Stronger net interest income (fueled by asset growth) and lower provisions for loan losses provided much of the improvement, along with \$2.0 billion in gains associated with the sale of investment securities. Nonperforming assets and net charge-offs continued their sustained decline—falling to roughly 1 percent of loans and 0.63 percent of average loans, respectively—allowing for the lower provisions. Non-interest income rose only modestly for the quarter as revenues generated by the origination and sale of new residential mortgage loans fell, influenced by earlier increases in mortgage interest rates and the corresponding slowdown in residential mortgage refinancings. However, market-sensitive revenues and fees from servicing existing mortgages provided some support.

More than one-third of the quarterly increase in net income was provided by other bank holding companies, as shown in table 3. Profits at these other (smaller) bank holding companies improved \$0.6 billion, or 14 percent, in the first quarter after two quarters of declining earnings. Much of this improvement was attributable to dramatically lower provisions for loan losses—down nearly 30 percent, which in turn reflected seasonal influences more than it reflected the credit cycle. Provisions for loan losses declined a similar proportion in the first quarter of 2003.

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1. The panel of fifty large bank holding companies has been updated on the basis of year-end 2003 data. Data contained in this report do not reflect administrative changes in the organizational structure of HSBC and its U.S. affiliates made during the first quarter of 2004. Therefore, these data do not reflect the ownership of Household International (total assets of about \$140 billion) by HSBC's U.S. affiliates. These administrative changes will be fully incorporated into subsequent reports.

*Tables start on page 324.*

## 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 <sup>1, 2</sup>	1999	2000	2001	2002	2003	2002		2003				2004
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
<i>Balance sheet</i>												
<b>Total assets</b>	<b>6,223,385</b>	<b>6,716,552</b>	<b>7,448,060</b>	<b>7,941,074</b>	<b>8,819,602</b>	<b>7,787,276</b>	<b>7,941,074</b>	<b>8,176,833</b>	<b>8,672,207</b>	<b>8,693,939</b>	<b>8,819,602</b>	<b>9,144,284</b>
Loans	3,383,994	3,703,287	3,804,665	4,044,385	4,393,737	3,912,145	4,044,385	4,112,536	4,265,235	4,336,327	4,393,737	4,469,919
Securities and money market	2,082,339	2,190,998	2,558,749	2,853,808	3,285,958	2,854,868	2,853,808	3,007,215	3,214,738	3,172,498	3,285,958	3,544,192
Allowance for loan losses	-54,361	-58,811	-66,746	-71,958	-72,217	-70,307	-71,958	-71,713	-72,001	-71,413	-72,217	-71,474
Other	811,413	881,078	1,151,392	1,114,840	1,212,124	1,090,570	1,114,840	1,128,796	1,264,236	1,256,527	1,212,124	1,201,647
<b>Total liabilities</b>	<b>5,757,257</b>	<b>6,201,603</b>	<b>6,866,719</b>	<b>7,305,988</b>	<b>8,123,754</b>	<b>7,166,274</b>	<b>7,305,988</b>	<b>7,527,389</b>	<b>7,998,682</b>	<b>8,013,405</b>	<b>8,123,754</b>	<b>8,425,004</b>
Deposits	3,499,625	3,754,638	4,005,863	4,332,313	4,674,254	4,162,946	4,332,313	4,426,401	4,571,789	4,576,474	4,674,254	4,814,070
Borrowings	1,776,050	1,983,017	2,061,127	2,228,020	2,610,397	2,264,667	2,228,020	2,315,467	2,508,601	2,553,019	2,610,397	2,735,280
Other <sup>3</sup>	481,583	463,948	799,729	745,655	839,103	738,661	745,655	785,521	918,292	883,912	839,103	875,655
<b>Total equity</b>	<b>466,129</b>	<b>514,949</b>	<b>581,341</b>	<b>635,087</b>	<b>695,848</b>	<b>621,002</b>	<b>635,087</b>	<b>649,444</b>	<b>673,525</b>	<b>680,534</b>	<b>695,848</b>	<b>719,280</b>
<i>Off-balance-sheet</i>												
Unused commitments to lend <sup>4</sup>	3,093,729	3,297,511	3,481,744	3,650,670	4,097,529	3,610,928	3,650,670	3,714,160	3,756,486	3,887,356	4,097,529	4,201,380
Securitizations outstanding <sup>5</sup>	n.a.	n.a.	276,717	295,001	298,348	287,846	295,001	284,429	285,286	290,328	298,348	293,705
Derivatives (notional value, billions) <sup>6</sup>	37,924	43,599	48,261	57,864	72,870	55,464	57,864	64,116	68,330	69,411	72,870	79,188
<i>Income statement</i>												
Net income <sup>7</sup>	76,961	72,557	65,488	84,678	106,603	21,535	18,732	24,777	26,348	27,265	28,321	29,905
Net interest income	187,552	195,769	221,626	242,923	254,199	60,163	61,700	62,279	63,168	63,899	65,038	66,367
Provisions for loan losses	20,071	26,874	39,522	42,928	31,535	11,150	11,545	8,574	8,428	7,110	7,425	6,006
Non-interest income	174,461	197,724	214,093	215,879	245,080	53,645	56,758	57,426	61,698	61,379	64,610	65,038
Non-interest expense	225,390	254,820	297,197	292,050	311,087	71,545	79,033	74,222	77,554	78,017	81,360	81,457
Security gains or losses	3,117	-614	4,297	4,503	5,764	1,772	1,644	1,854	2,675	583	664	1,973
<i>Ratios (percent)</i>												
Return on average equity	17.44	15.14	11.76	14.05	16.23	14.18	12.13	15.65	16.13	16.42	16.70	17.19
Return on average assets	1.30	1.12	.90	1.10	1.26	1.12	.94	1.22	1.25	1.26	1.29	1.33
Net interest margin <sup>8</sup>	3.71	3.56	3.58	3.72	3.49	3.68	3.63	3.58	3.50	3.43	3.46	3.42
Efficiency ratio <sup>7</sup>	60.91	62.61	65.75	62.40	61.52	62.72	65.65	62.01	62.59	62.20	62.39	62.17
Nonperforming assets to loans and related assets	.85	1.09	1.45	1.46	1.16	1.65	1.46	1.43	1.34	1.24	1.16	1.04
Net charge-offs to average loans	.54	.65	.89	1.02	.81	1.08	1.02	.84	.80	.75	.83	.63
Loans to deposits	96.70	98.63	94.98	93.35	94.00	93.98	93.35	92.91	93.29	94.75	94.00	92.85
<i>Regulatory capital ratios</i>												
Tier 1 risk-based	8.80	8.83	8.91	9.21	9.55	9.33	9.21	9.33	9.29	9.51	9.55	9.55
Total risk-based	11.73	11.80	11.91	12.29	12.58	12.37	12.29	12.42	12.30	12.52	12.58	12.52
Leverage	7.00	6.80	6.66	6.70	6.84	6.79	6.70	6.72	6.75	6.74	6.84	6.83
Number of reporting bank holding companies	1,647	1,727	1,842	1,979	2,134	1,946	1,979	2,036	2,064	2,120	2,134	2,191

Footnotes appear on p. 327.

## 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 <sup>2, 9</sup>	1999	2000	2001	2002	2003	2002		2003				2004
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
<i>Balance sheet</i>												
<b>Total assets</b>	<b>5,044,007</b>	<b>5,415,534</b>	<b>5,771,881</b>	<b>6,113,304</b>	<b>6,754,540</b>	<b>6,003,515</b>	<b>6,113,304</b>	<b>6,283,387</b>	<b>6,670,009</b>	<b>6,682,600</b>	<b>6,754,540</b>	<b>7,045,844</b>
Loans	2,638,594	2,869,704	2,882,304	3,052,011	3,289,320	2,938,492	3,052,011	3,099,399	3,204,451	3,258,498	3,289,320	3,347,029
Securities and money market	1,744,617	1,827,922	2,025,282	2,249,617	2,589,207	2,267,847	2,249,617	2,362,594	2,527,960	2,493,425	2,589,207	2,832,561
Allowance for loan losses	-43,972	-47,022	-53,709	-57,499	-56,862	-56,209	-57,499	-56,839	-56,748	-55,951	-56,862	-55,742
Other	704,768	764,930	918,005	869,175	932,875	853,385	869,175	878,234	994,346	986,628	932,875	921,996
<b>Total liabilities</b>	<b>4,677,788</b>	<b>5,012,301</b>	<b>5,332,921</b>	<b>5,638,416</b>	<b>6,238,516</b>	<b>5,539,009</b>	<b>5,638,416</b>	<b>5,799,916</b>	<b>6,170,671</b>	<b>6,176,065</b>	<b>6,238,516</b>	<b>6,511,119</b>
Deposits	2,627,896	2,788,209	2,959,554	3,186,709	3,427,557	3,044,933	3,186,709	3,244,626	3,359,696	3,353,369	3,427,557	3,543,238
Borrowings	1,596,140	1,788,955	1,843,867	2,001,008	2,314,793	2,040,619	2,001,008	2,075,842	2,225,926	2,271,690	2,314,793	2,451,353
Other <sup>3</sup>	453,752	435,138	529,501	450,699	496,166	453,456	450,699	479,448	585,050	551,006	496,166	516,528
<b>Total equity</b>	<b>366,220</b>	<b>403,233</b>	<b>438,960</b>	<b>474,889</b>	<b>516,024</b>	<b>464,506</b>	<b>474,889</b>	<b>483,472</b>	<b>499,338</b>	<b>506,535</b>	<b>516,024</b>	<b>534,726</b>
<i>Off-balance-sheet</i>												
Unused commitments to lend <sup>4</sup>	2,866,318	3,061,455	3,223,389	3,368,731	3,781,780	3,330,997	3,368,731	3,420,124	3,451,764	3,574,976	3,781,780	3,878,766
Securitized assets outstanding <sup>5</sup>	n.a.	n.a.	271,522	289,125	292,178	282,997	289,125	278,455	278,920	283,990	292,178	289,460
Derivatives (notional value, billions) <sup>6</sup>	37,876	43,521	48,130	57,731	72,663	55,315	57,731	63,959	68,144	69,220	72,663	78,941
<i>Income statement</i>												
Net income <sup>7</sup>	63,918	59,154	50,885	66,424	85,402	16,779	14,247	19,688	20,863	21,969	22,990	24,124
Net interest income	145,090	149,712	161,777	178,377	186,654	43,504	45,830	45,721	46,238	47,170	47,710	48,895
Provisions for loan losses	17,050	22,980	34,231	36,912	26,710	9,649	9,822	7,430	7,140	5,874	6,266	5,175
Non-interest income	155,301	177,094	168,028	165,358	188,222	41,425	42,421	44,170	47,292	47,221	49,571	50,649
Non-interest expense	186,077	211,635	217,391	208,612	221,559	51,005	56,518	52,831	55,210	55,983	57,601	58,579
Security gains or losses	2,224	-611	4,229	4,863	5,122	1,951	1,753	1,727	2,308	469	631	1,585
<i>Ratios (percent)</i>												
Return on average equity	18.61	15.81	12.09	14.64	17.49	14.71	12.33	16.68	17.24	17.78	18.22	18.61
Return on average assets	1.33	1.13	.90	1.12	1.31	1.13	.93	1.26	1.29	1.31	1.37	1.39
Net interest margin <sup>8</sup>	3.58	3.42	3.35	3.53	3.33	3.44	3.48	3.41	3.32	3.28	3.31	3.26
Efficiency ratio <sup>7</sup>	60.46	62.51	63.03	59.49	58.35	60.21	62.85	59.07	59.46	59.24	58.80	59.23
Nonperforming assets to loans and related assets	.90	1.19	1.59	1.59	1.24	1.84	1.59	1.52	1.42	1.31	1.24	1.08
Net charge-offs to average loans	.61	.74	1.02	1.18	.94	1.28	1.18	1.01	.94	.86	.94	.76
Loans to deposits	100.41	102.92	97.39	95.77	95.97	96.50	95.77	95.52	95.38	97.17	95.97	94.46
<i>Regulatory capital ratios</i>												
Tier 1 risk-based	8.09	8.17	8.19	8.47	8.74	8.63	8.47	8.57	8.50	8.76	8.74	8.74
Total risk-based	11.32	11.45	11.56	11.94	12.14	12.09	11.94	12.05	11.89	12.14	12.14	12.06
Leverage	6.61	6.40	6.20	6.20	6.29	6.32	6.20	6.21	6.23	6.23	6.29	6.27

Footnotes appear on p. 327.

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

Millions of dollars except as noted, not seasonally adjusted

Account <sup>1, 10</sup>	1999	2000	2001	2002	2003	2002		2003				2004
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
<i>Balance sheet</i>												
<b>Total assets</b>	<b>1,150,598</b>	<b>1,267,495</b>	<b>1,374,372</b>	<b>1,510,055</b>	<b>1,654,954</b>	<b>1,474,065</b>	<b>1,510,055</b>	<b>1,560,906</b>	<b>1,610,240</b>	<b>1,619,654</b>	<b>1,654,954</b>	<b>1,678,459</b>
Loans	734,118	820,595	874,164	945,177	1,033,891	925,905	945,177	964,523	993,042	1,008,162	1,033,891	1,052,311
Securities and money market	321,785	344,394	382,380	435,754	480,900	424,233	435,754	466,110	480,658	474,675	480,900	489,879
Allowance for loan losses	-10,212	-11,580	-12,697	-14,047	-14,964	-13,759	-14,047	-14,458	-14,746	-15,003	-14,964	-15,347
Other	104,907	114,086	130,525	143,171	155,128	137,686	143,171	144,731	151,287	151,820	155,128	151,616
<b>Total liabilities</b>	<b>1,052,605</b>	<b>1,157,787</b>	<b>1,252,341</b>	<b>1,372,425</b>	<b>1,504,937</b>	<b>1,338,734</b>	<b>1,372,425</b>	<b>1,418,270</b>	<b>1,463,155</b>	<b>1,472,908</b>	<b>1,504,937</b>	<b>1,525,064</b>
Deposits	871,728	966,346	1,040,061	1,136,674	1,234,440	1,111,248	1,136,674	1,172,534	1,201,071	1,211,527	1,234,440	1,256,851
Borrowings	158,337	164,375	183,790	201,571	232,986	193,152	201,571	208,955	223,476	224,492	232,986	224,877
Other <sup>3</sup>	22,540	27,066	28,491	34,179	37,510	34,333	34,179	36,781	38,607	36,889	37,510	43,336
<b>Total equity</b>	<b>97,994</b>	<b>109,708</b>	<b>122,031</b>	<b>137,630</b>	<b>150,017</b>	<b>135,332</b>	<b>137,630</b>	<b>142,636</b>	<b>147,085</b>	<b>146,746</b>	<b>150,017</b>	<b>153,395</b>
<i>Off-balance-sheet</i>												
Unused commitments to lend <sup>4</sup>	216,083	227,707	248,671	270,590	303,309	268,346	270,590	282,775	293,012	300,237	303,309	309,232
Securitizations outstanding <sup>5</sup>	n.a.	n.a.	4,871	5,137	5,026	4,398	5,137	5,172	5,368	5,260	5,026	3,121
Derivatives (notional value, billions) <sup>6</sup>	35	65	102	101	110	120	101	113	119	114	110	137
<i>Income statement</i>												
Net income <sup>7</sup>	12,895	13,383	14,546	17,586	18,929	4,576	4,297	4,714	4,928	4,825	4,462	5,088
Net interest income	42,379	46,063	48,534	53,713	55,847	13,796	13,531	13,775	13,966	13,873	14,233	14,456
Provisions for loan losses	2,927	3,751	4,856	5,386	4,609	1,424	1,519	1,077	1,199	1,116	1,218	866
Non-interest income	17,359	18,696	23,897	26,230	29,671	6,633	7,031	7,084	7,791	7,447	7,349	7,221
Non-interest expense	37,797	41,444	46,689	49,510	54,195	12,391	13,037	13,010	13,651	13,389	14,145	13,772
Security gains or losses	825	-9	777	722	1,074	261	188	302	432	140	201	328
<i>Ratios (percent)</i>												
Return on average equity	13.26	12.99	12.32	13.60	13.15	13.86	12.72	13.46	13.69	13.42	12.08	13.59
Return on average assets	1.16	1.11	1.11	1.24	1.20	1.27	1.16	1.24	1.25	1.21	1.09	1.23
Net interest margin <sup>8</sup>	4.27	4.24	4.12	4.21	3.94	4.31	4.08	4.03	3.97	3.87	3.89	3.92
Efficiency ratio <sup>7</sup>	62.47	62.35	63.53	60.91	62.59	60.31	63.13	61.72	63.42	62.56	65.45	62.84
Nonperforming assets to loans and related assets	.69	.76	.97	1.02	.97	1.03	1.02	1.13	1.08	1.02	.97	.96
Net charge-offs to average loans	.30	.32	.44	.47	.40	.46	.53	.32	.39	.36	.52	.24
Loans to deposits	84.21	84.92	84.05	83.15	83.75	83.32	83.15	82.26	82.68	83.21	83.75	83.73
<i>Regulatory capital ratios</i>												
Tier 1 risk-based	12.24	11.90	12.16	12.39	12.53	12.50	12.39	12.55	12.49	12.51	12.53	12.51
Total risk-based	13.71	13.39	13.79	14.06	14.27	14.15	14.06	14.24	14.21	14.25	14.27	14.24
Leverage	8.65	8.57	8.74	8.86	9.00	8.97	8.86	8.95	8.91	8.92	9.00	9.06
Number of other reporting bank holding companies	1,570	1,663	1,788	1,925	2,080	1,892	1,925	1,982	2,010	2,066	2,080	2,137

Footnotes appear on p. 327.

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

Millions of dollars except as noted, not seasonally adjusted

Account	1999	2000	2001	2002	2003	2002		2003				2004
						Q3	Q4	Q1	Q2	Q3	Q4	
<i>Bank holding companies that qualify as financial holding companies<sup>11,12</sup></i>												
<i>Domestic</i>												
Number	n.a.	299	388	434	451	415	434	437	440	448	451	462
Total assets	n.a.	4,494,270	5,436,785	5,916,859	6,605,638	5,706,966	5,916,859	6,061,696	6,433,736	6,447,130	6,605,638	6,839,802
<i>Foreign-owned<sup>13</sup></i>												
Number	n.a.	9	10	11	12	11	11	11	11	11	12	13
Total assets	n.a.	502,506	621,442	616,254	710,441	689,804	616,254	648,017	732,695	729,244	710,441	856,185
<b>Total U.S. commercial bank assets<sup>14</sup></b>	<b>5,673,702</b>	<b>6,129,534</b>	<b>6,415,909</b>	<b>6,897,447</b>	<b>7,397,878</b>	<b>6,762,780</b>	<b>6,897,447</b>	<b>7,031,274</b>	<b>7,325,357</b>	<b>7,293,984</b>	<b>7,397,878</b>	<b>7,614,338</b>
<i>By ownership</i>												
Reporting bank holding companies	5,226,027	5,657,210	5,942,575	6,429,738	6,941,083	6,296,385	6,429,738	6,577,712	6,863,188	6,842,825	6,941,083	7,165,394
Other bank holding companies	226,916	229,274	230,464	227,017	219,223	226,602	227,017	222,670	222,997	217,036	219,223	213,356
Independent banks	220,759	243,050	242,870	240,692	237,572	239,793	240,692	230,893	239,172	234,122	237,572	235,589
<i>Assets associated with nonbanking activities<sup>12,15</sup></i>												
Insurance	n.a.	n.a.	426,462	350,633	411,926	338,384	350,633	359,968	383,999	398,378	411,926	428,085
Securities broker-dealers	n.a.	n.a.	n.a.	630,851	656,775	703,738	630,851	709,839	659,701	686,049	656,775	713,794
Thrift institutions	117,699	102,218	91,170	107,422	133,056	56,063	107,422	126,375	124,640	143,578	133,056	139,713
Foreign nonbank institutions	78,712	132,629	138,977	145,344	170,600	144,814	145,344	154,812	160,515	162,789	170,600	195,472
Other nonbank institutions	879,793	1,234,714	1,674,267	561,712	686,423	493,777	561,712	524,709	737,434	736,515	686,423	698,281
<i>Number of bank holding companies engaged in nonbanking activities<sup>12,15</sup></i>												
Insurance	n.a.	n.a.	143	86	101	91	86	90	91	100	101	99
Securities broker-dealers	n.a.	n.a.	n.a.	47	50	47	47	48	50	46	50	49
Thrift institutions	57	50	38	32	27	37	32	31	31	29	27	29
Foreign nonbank institutions	25	25	32	37	41	38	37	38	40	39	41	41
Other nonbank institutions	559	633	743	880	1,043	835	880	913	945	992	1,043	1,031
<i>Foreign-owned bank holding companies<sup>13</sup></i>												
Number	18	21	23	26	28	24	26	26	27	28	28	28
Total assets	535,024	636,669	764,411	762,901	934,781	827,867	762,901	799,540	946,847	947,932	934,781	1,007,694
Employees of reporting bank holding companies (full-time equivalent)	1,775,418	1,859,930	1,985,981	1,992,559	2,034,358	1,979,260	1,992,559	2,000,168	2,019,953	2,031,029	2,034,358	2,099,709
<i>Assets of fifty large bank holding companies<sup>9,17</sup></i>												
Fixed panel (from table 2)	5,044,007	5,415,534	5,771,881	6,113,304	6,754,540	6,003,515	6,113,304	6,283,387	6,670,009	6,682,600	6,754,540	7,045,844
Fifty large as of reporting date	4,809,785	5,319,129	5,732,621	6,032,000	6,666,488	5,951,115	6,032,000	6,203,000	6,587,000	6,602,255	6,666,488	7,045,844
Percent of all reporting bank holding companies	77.30	79.20	77.00	76.00	75.60	76.40	76.00	75.90	76.00	75.90	75.60	77.10

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 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.