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

Total assets of reporting bank holding companies increased slightly (0.7 percent, or \$77.8 billion) over the fourth quarter of 2005, to \$11.3 trillion, as robust growth in loans—particularly real estate loans—was nearly offset by a scaling back of money market assets and investment securities portfolios. Non-interest income fell somewhat after a particularly strong third quarter, contributing to a modest decline in earnings. However, profitability ratios remained high and the nonperforming assets ratio held steady at a low level.

Loans continued to grow briskly, increasing 2.5 percent, or \$135 billion, over the quarter. Real estate loans accounted for almost two-thirds of that expansion. Single-family mortgage loans increased \$50 billion, or 3.4 percent (compared with 4.7 percent in the preceding quarter), with most of the growth reported to have been in fixed-rate products. Home equity lines of credit (most of which take the form of variable-rate loans) fell for the first time since early 1999 as short-term rates escalated. Commercial real estate lending increased \$41 billion, spurred by a sharp rise in construction and land development loans up (7.7 percent, or \$27 billion). Commercial and industrial (C&I) loans advanced (up 3.4 percent, or \$33 billion), while unused commitments to lend grew 3.6 percent (\$191 billion), to \$5.4 trillion.

Reporting bank holding companies reduced their holdings of securities and money market assets \$89 billion over the quarter. The declines in money market assets (down \$70 billion) and money market liabilities (down \$61 billion) were due mostly to changes at one of the four large bank holding companies at which banking operations account for a small proportion of the consolidated entity.¹ Downsized investment securities portfolios reflected the adverse

effect of interest rate hikes on the market value of available-for-sale securities and efforts by bank holding companies to restructure their interest rate risk positions.

Banking organizations funded asset growth with deposits (mainly time deposits), which increased 2.5 percent (\$138.5 billion). They reduced borrowings \$80 billion over the same period, to \$3.6 trillion. Tier 1 and total risk-based capital ratios remained largely unchanged at 9.14 percent and 11.86 percent respectively. The leverage ratio was also stable at 6.50 percent.

Net income for the fourth quarter was \$33 billion, 5 percent less than for the third quarter, as trading revenues at large bank holding companies dropped modestly after a strong third quarter. Net interest income edged up somewhat despite a 2 basis point drop in the net interest margin—a decline attributable to further flattening in the term structure, increased reliance on higher cost deposits, and competitive loan pricing. Reflecting overall strong asset quality, loan-loss provisions declined moderately despite the effects of a spike in personal bankruptcy filings in October related to changes in the bankruptcy code. For 2005 as a whole, net income grew 16.8 percent, to a record \$133.5 billion.

The nonperforming assets ratio improved for the sixth consecutive quarter, falling 1 basis point, to 0.69 percent, in the fourth quarter of 2005 despite a modest increase in nonaccrual loans. The rise of nonaccrual loans largely reflected a midyear clarification of regulatory reporting instructions such that bank holding companies were required to recognize on their balance sheets certain delinquent and nonaccruing residential mortgage loans that had been previously securitized and sold in connection with the issuance of Government National Mortgage Association (GNMA) mortgage-backed securities. Excluding the effect of the rebuked GNMA loans, nonaccrual loans would have fallen.

1. Financial information for four large bank holding companies (BHCs) at which banking operations represent only a small component of the consolidated entity is included in the data for all reporting bank holding companies shown in table 1 but not in the data for the fifty large bank holding companies (table 2) or for all other reporting bank holding companies (table 3). For background information on the institutions included in each table, see Board of Governors of the Federal Reserve System (2004), "Report on the Condition of the

Banking Industry: Third Quarter, 2003," *Federal Reserve Bulletin*, vol. 90 (Winter), pp. 47–51.

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} | 2001 | 2002 | 2003 | 2004 | 2005 | 2004 | | | 2005 | | | |
|---|------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | | | | | | | |
| <i>Balance sheet</i> | | | | | | | | | | | | |
| Total assets | 7,486,952 | 7,991,161 | 8,880,661 | 10,339,840 | 11,335,031 | 9,711,532 | 9,959,686 | 10,339,840 | 10,710,585 | 10,956,178 | 11,257,216 | 11,335,031 |
| Loans | 3,832,553 | 4,079,878 | 4,435,683 | 5,109,517 | 5,661,179 | 4,802,958 | 4,948,873 | 5,109,517 | 5,187,006 | 5,357,361 | 5,525,769 | 5,661,179 |
| Securities and money market | 2,566,252 | 2,863,294 | 3,297,932 | 3,804,003 | 4,157,644 | 3,576,044 | 3,622,986 | 3,804,003 | 4,115,227 | 4,144,578 | 4,246,879 | 4,157,644 |
| Allowance for loan losses | -68,833 | -74,784 | -73,817 | -74,589 | -73,048 | -76,533 | -76,045 | -74,589 | -73,384 | -72,954 | -74,091 | -73,048 |
| Other | 1,156,980 | 1,122,774 | 1,220,864 | 1,500,910 | 1,589,256 | 1,409,065 | 1,463,872 | 1,500,910 | 1,481,737 | 1,527,193 | 1,558,659 | 1,589,256 |
| Total liabilities | 6,901,281 | 7,350,380 | 8,177,651 | 9,453,247 | 10,395,315 | 8,938,467 | 9,107,754 | 9,453,247 | 9,820,042 | 10,035,271 | 10,328,190 | 10,395,315 |
| Deposits | 4,025,769 | 4,357,245 | 4,705,043 | 5,249,489 | 5,702,150 | 5,005,101 | 5,064,670 | 5,249,489 | 5,349,232 | 5,447,870 | 5,563,613 | 5,702,150 |
| Borrowings | 2,073,869 | 2,245,146 | 2,630,386 | 3,158,539 | 3,587,786 | 2,956,594 | 3,055,917 | 3,158,539 | 3,424,839 | 3,526,569 | 3,668,250 | 3,587,786 |
| Other ³ | 801,644 | 747,990 | 842,222 | 1,045,219 | 1,105,378 | 976,771 | 987,168 | 1,045,219 | 1,045,972 | 1,060,833 | 1,096,328 | 1,105,378 |
| Total equity | 585,671 | 640,781 | 703,010 | 886,594 | 939,716 | 773,066 | 851,931 | 886,594 | 890,543 | 920,907 | 929,026 | 939,716 |
| <i>Off-balance-sheet</i> | | | | | | | | | | | | |
| Unused commitments to lend ⁴ | 3,481,744 | 3,650,670 | 4,097,531 | 4,823,334 | 5,438,639 | 4,426,497 | 4,574,267 | 4,823,334 | 4,930,902 | 5,065,563 | 5,247,569 | 5,438,639 |
| Securitizations outstanding ⁵ | 276,717 | 295,001 | 298,348 | 353,978 | 389,504 | 314,258 | 313,436 | 353,978 | 366,430 | 367,639 | 374,909 | 389,504 |
| Derivatives (notional value, billions) ⁶ | 48,261 | 57,865 | 72,883 | 89,115 | 99,072 | 83,079 | 84,693 | 89,115 | 92,623 | 96,658 | 98,282 | 99,072 |
| <i>Income statement</i> | | | | | | | | | | | | |
| Net income ⁷ | 66,510 | 85,732 | 107,939 | 114,291 | 133,536 | 25,414 | 29,303 | 28,853 | 32,909 | 32,708 | 34,834 | 33,085 |
| Net interest income | 224,470 | 246,048 | 257,537 | 280,621 | 296,375 | 70,719 | 70,594 | 71,675 | 72,815 | 73,179 | 74,899 | 75,483 |
| Provisions for loan losses | 40,661 | 45,086 | 33,052 | 28,605 | 32,618 | 6,750 | 6,897 | 7,792 | 6,577 | 6,823 | 9,969 | 9,249 |
| Non-interest income | 218,984 | 221,516 | 250,608 | 271,467 | 295,263 | 72,269 | 64,150 | 67,661 | 73,557 | 71,933 | 77,484 | 72,290 |
| Non-interest expense | 302,141 | 296,966 | 316,338 | 357,711 | 370,959 | 99,804 | 84,759 | 90,009 | 91,505 | 91,436 | 94,062 | 93,957 |
| <i>MEMO</i> | | | | | | | | | | | | |
| Realized security gains or losses | 4,338 | 4,598 | 5,771 | 5,491 | 1,333 | 1,012 | 2,022 | 480 | 417 | 1,478 | 484 | -1,046 |
| <i>Ratios (percent)</i> | | | | | | | | | | | | |
| Return on average equity | 11.86 | 14.11 | 16.28 | 14.48 | 14.73 | 13.26 | 14.13 | 13.37 | 14.86 | 14.58 | 15.18 | 14.32 |
| Return on average assets | .91 | 1.11 | 1.26 | 1.17 | 1.21 | 1.05 | 1.19 | 1.12 | 1.24 | 1.20 | 1.25 | 1.16 |
| Net interest margin ⁸ | 3.61 | 3.74 | 3.51 | 3.39 | 3.09 | 3.44 | 3.37 | 3.29 | 3.16 | 3.08 | 3.07 | 3.05 |
| Efficiency ratio ⁷ | 66.93 | 62.41 | 61.76 | 63.45 | 61.69 | 67.26 | 62.50 | 64.34 | 60.50 | 61.72 | 61.64 | 63.82 |
| Nonperforming assets to loans and related assets | 1.44 | 1.44 | 1.15 | .82 | .69 | .96 | .89 | .82 | .76 | .71 | .70 | .69 |
| Net charge-offs to average loans | .91 | 1.04 | .84 | .67 | .62 | .66 | .60 | .71 | .57 | .52 | .65 | .72 |
| Loans to deposits | 95.20 | 93.63 | 94.28 | 97.33 | 99.28 | 95.96 | 97.71 | 97.33 | 96.97 | 98.34 | 99.32 | 99.28 |
| <i>Regulatory capital ratios</i> | | | | | | | | | | | | |
| Tier 1 risk-based | 8.92 | 9.22 | 9.58 | 9.33 | 9.14 | 9.39 | 9.34 | 9.33 | 9.27 | 9.26 | 9.17 | 9.14 |
| Total risk-based | 11.92 | 12.28 | 12.60 | 12.21 | 11.86 | 12.25 | 12.17 | 12.21 | 12.14 | 12.02 | 11.90 | 11.86 |
| Leverage | 6.68 | 6.72 | 6.87 | 6.58 | 6.50 | 6.67 | 6.72 | 6.58 | 6.48 | 6.52 | 6.53 | 6.50 |
| Number of reporting bank holding companies | 1,842 | 1,979 | 2,134 | 2,254 | 2,269 | 2,211 | 2,240 | 2,254 | 2,282 | 2,296 | 2,290 | 2,269 |

Footnotes appear on p. B11.

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} | 2001 | 2002 | 2003 | 2004 | 2005 | 2004 | | | 2005 | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| <i>Balance sheet</i> | | | | | | | | | | | | |
| Total assets | 5,896,628 | 6,258,073 | 6,917,002 | 7,952,942 | 8,631,229 | 7,551,049 | 7,752,394 | 7,952,942 | 8,217,299 | 8,429,140 | 8,504,118 | 8,631,229 |
| Loans | 2,966,220 | 3,149,737 | 3,397,895 | 3,940,022 | 4,345,561 | 3,693,983 | 3,801,975 | 3,940,022 | 3,990,831 | 4,109,294 | 4,235,596 | 4,345,561 |
| Securities and money market | 2,052,602 | 2,281,310 | 2,625,476 | 2,909,448 | 3,180,371 | 2,836,307 | 2,874,450 | 2,909,448 | 3,144,864 | 3,206,210 | 3,196,071 | 3,180,371 |
| Allowance for loan losses | -56,742 | -61,326 | -59,501 | -59,632 | -57,200 | -61,709 | -61,098 | -59,632 | -58,262 | -57,568 | -58,340 | -57,200 |
| Other | 934,547 | 888,352 | 953,131 | 1,163,104 | 1,162,497 | 1,082,468 | 1,137,067 | 1,163,104 | 1,139,866 | 1,171,205 | 1,130,792 | 1,162,497 |
| Total liabilities | 5,447,009 | 5,770,085 | 6,385,249 | 7,262,665 | 7,904,519 | 6,960,480 | 7,094,073 | 7,262,665 | 7,522,981 | 7,716,021 | 7,787,215 | 7,904,519 |
| Deposits | 3,036,139 | 3,274,459 | 3,527,010 | 3,962,539 | 4,287,130 | 3,773,663 | 3,807,661 | 3,962,539 | 4,032,396 | 4,094,428 | 4,163,829 | 4,287,130 |
| Borrowings | 1,876,798 | 2,039,878 | 2,356,069 | 2,709,429 | 3,074,410 | 2,640,035 | 2,739,587 | 2,709,429 | 2,894,633 | 3,023,279 | 3,096,579 | 3,074,410 |
| Other ³ | 534,072 | 455,748 | 502,170 | 590,698 | 542,979 | 546,782 | 546,825 | 590,698 | 595,952 | 598,314 | 526,807 | 542,979 |
| Total equity | 449,619 | 487,988 | 531,753 | 690,277 | 726,710 | 590,569 | 658,321 | 690,277 | 694,318 | 713,120 | 716,903 | 726,710 |
| <i>Off-balance-sheet</i> | | | | | | | | | | | | |
| Unused commitments to lend ⁴ | 3,241,683 | 3,391,297 | 3,807,416 | 4,490,154 | 5,049,642 | 4,117,409 | 4,245,962 | 4,490,154 | 4,583,393 | 4,703,627 | 4,868,253 | 5,049,642 |
| Securitizations outstanding ⁵ | 271,825 | 289,905 | 293,046 | 348,986 | 384,774 | 307,878 | 307,325 | 348,986 | 361,524 | 362,973 | 370,284 | 384,774 |
| Derivatives (notional value, billions) ⁶ .. | 48,143 | 57,745 | 72,692 | 88,671 | 98,742 | 82,812 | 84,429 | 88,671 | 92,136 | 96,303 | 97,994 | 98,742 |
| <i>Income statement</i> | | | | | | | | | | | | |
| Net income ⁷ | 52,713 | 68,483 | 87,764 | 91,114 | 106,471 | 19,049 | 23,227 | 23,598 | 26,418 | 24,955 | 28,019 | 27,079 |
| Net interest income | 167,191 | 184,340 | 192,829 | 208,826 | 215,608 | 51,844 | 52,366 | 53,599 | 53,595 | 53,617 | 54,178 | 54,218 |
| Provisions for loan losses | 35,763 | 39,397 | 28,567 | 25,218 | 29,132 | 5,967 | 6,110 | 6,747 | 5,764 | 6,034 | 9,030 | 8,304 |
| Non-interest income | 174,694 | 172,960 | 195,988 | 211,609 | 231,103 | 55,141 | 48,477 | 54,501 | 57,940 | 54,527 | 60,388 | 58,248 |
| Non-interest expense | 225,064 | 216,487 | 229,974 | 261,557 | 266,632 | 73,420 | 60,203 | 66,816 | 66,508 | 65,638 | 66,637 | 67,848 |
| <i>MEMO</i> | | | | | | | | | | | | |
| Realized security gains or losses | 4,320 | 5,027 | 5,159 | 4,589 | 1,678 | 698 | 1,765 | 520 | 211 | 1,426 | 464 | -423 |
| <i>Ratios (percent)</i> | | | | | | | | | | | | |
| Return on average equity | 12.23 | 14.70 | 17.46 | 14.97 | 15.11 | 12.99 | 14.42 | 14.01 | 15.27 | 14.28 | 15.74 | 15.15 |
| Return on average assets | .92 | 1.13 | 1.31 | 1.20 | 1.26 | 1.00 | 1.20 | 1.19 | 1.29 | 1.18 | 1.32 | 1.25 |
| Net interest margin ⁸ | 3.39 | 3.56 | 3.36 | 3.23 | 2.92 | 3.23 | 3.20 | 3.17 | 3.01 | 2.91 | 2.89 | 2.85 |
| Efficiency ratio ⁷ | 64.64 | 59.60 | 58.78 | 60.68 | 58.70 | 65.20 | 59.04 | 61.67 | 57.23 | 59.12 | 58.15 | 61.19 |
| Nonperforming assets to loans and related assets | 1.56 | 1.56 | 1.21 | .84 | .70 | 1.00 | .90 | .84 | .78 | .72 | .71 | .70 |
| Net charge-offs to average loans | 1.04 | 1.20 | .97 | .80 | .74 | .78 | .71 | .83 | .69 | .62 | .78 | .86 |
| Loans to deposits | 97.70 | 96.19 | 96.34 | 99.43 | 101.36 | 97.89 | 99.85 | 99.43 | 98.97 | 100.36 | 101.72 | 101.36 |
| <i>Regulatory capital ratios</i> | | | | | | | | | | | | |
| Tier 1 risk-based | 8.24 | 8.52 | 8.81 | 8.57 | 8.44 | 8.62 | 8.59 | 8.57 | 8.53 | 8.46 | 8.47 | 8.44 |
| Total risk-based | 11.58 | 11.95 | 12.19 | 11.84 | 11.56 | 11.87 | 11.81 | 11.84 | 11.80 | 11.60 | 11.61 | 11.56 |
| Leverage | 6.25 | 6.26 | 6.37 | 6.17 | 6.15 | 6.15 | 6.22 | 6.17 | 6.09 | 6.07 | 6.16 | 6.15 |

Footnotes appear on p. B11.

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} | 2001 | 2002 | 2003 | 2004 | 2005 | 2004 | | | 2005 | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| <i>Balance sheet</i> | | | | | | | | | | | | |
| Total assets | 1,277,090 | 1,401,228 | 1,536,518 | 1,697,136 | 1,863,085 | 1,623,811 | 1,662,071 | 1,697,136 | 1,727,381 | 1,778,877 | 1,827,312 | 1,863,085 |
| Loans | 812,179 | 875,986 | 958,468 | 1,087,194 | 1,230,065 | 1,023,789 | 1,059,260 | 1,087,194 | 1,114,556 | 1,161,896 | 1,200,814 | 1,230,065 |
| Securities and money market | 357,366 | 406,771 | 448,872 | 474,175 | 474,176 | 464,121 | 466,412 | 474,175 | 471,898 | 468,280 | 472,613 | 474,176 |
| Allowance for loan losses | -11,727 | -13,021 | -13,900 | -14,558 | -15,380 | -14,470 | -14,639 | -14,558 | -14,686 | -14,932 | -15,274 | -15,380 |
| Other | 119,273 | 131,492 | 143,077 | 150,325 | 174,223 | 150,371 | 151,038 | 150,325 | 155,613 | 163,634 | 169,159 | 174,223 |
| Total liabilities | 1,162,232 | 1,271,930 | 1,396,070 | 1,540,709 | 1,694,289 | 1,479,852 | 1,508,954 | 1,540,709 | 1,571,149 | 1,616,599 | 1,661,621 | 1,694,289 |
| Deposits | 975,514 | 1,064,805 | 1,155,468 | 1,267,038 | 1,408,702 | 1,213,850 | 1,239,043 | 1,267,038 | 1,297,151 | 1,333,287 | 1,379,003 | 1,408,702 |
| Borrowings | 161,450 | 176,225 | 206,549 | 233,036 | 238,985 | 227,544 | 229,077 | 233,036 | 231,121 | 240,583 | 236,361 | 238,985 |
| Other ³ | 25,267 | 30,900 | 34,054 | 40,635 | 46,602 | 38,458 | 40,835 | 40,635 | 42,877 | 42,729 | 46,256 | 46,602 |
| Total equity | 114,859 | 129,299 | 140,447 | 156,427 | 168,795 | 143,958 | 153,117 | 156,427 | 156,232 | 162,278 | 165,691 | 168,795 |
| <i>Off-balance-sheet</i> | | | | | | | | | | | | |
| Unused commitments to lend ⁴ | 229,887 | 247,466 | 277,202 | 319,808 | 368,764 | 294,070 | 310,987 | 319,808 | 333,109 | 346,354 | 360,557 | 368,764 |
| Securitizations outstanding ⁵ | 4,567 | 4,358 | 4,159 | 2,877 | 2,885 | 3,000 | 2,757 | 2,877 | 2,792 | 2,667 | 2,697 | 2,885 |
| Derivatives (notional value, billions) ⁶ | 89 | 88 | 95 | 144 | 104 | 112 | 121 | 144 | 99 | 101 | 102 | 104 |
| <i>Income statement</i> | | | | | | | | | | | | |
| Net income ⁷ | 13,659 | 16,460 | 17,774 | 19,512 | 21,457 | 4,812 | 5,018 | 4,888 | 5,214 | 5,440 | 5,650 | 5,153 |
| Net interest income | 45,676 | 50,485 | 52,608 | 56,844 | 63,028 | 13,883 | 14,408 | 14,821 | 15,124 | 15,560 | 16,189 | 16,155 |
| Provisions for loan losses | 4,461 | 5,058 | 4,268 | 3,156 | 3,188 | 787 | 801 | 763 | 683 | 735 | 890 | 880 |
| Non-interest income | 22,118 | 24,257 | 27,403 | 26,119 | 26,500 | 6,603 | 6,514 | 6,329 | 6,603 | 6,633 | 6,957 | 6,307 |
| Non-interest expense | 43,828 | 46,388 | 50,855 | 52,848 | 56,583 | 12,977 | 13,146 | 13,737 | 13,835 | 13,902 | 14,386 | 14,460 |
| <i>MEMO</i> | | | | | | | | | | | | |
| Realized security gains or losses | 727 | 651 | 1,020 | 564 | 61 | 111 | 133 | 9 | 114 | 61 | 72 | -186 |
| <i>Ratios (percent)</i> | | | | | | | | | | | | |
| Return on average equity | 12.54 | 13.55 | 13.16 | 13.29 | 13.27 | 13.35 | 13.55 | 12.70 | 13.35 | 13.67 | 13.76 | 12.35 |
| Return on average assets | 1.13 | 1.25 | 1.21 | 1.21 | 1.21 | 1.21 | 1.23 | 1.17 | 1.22 | 1.24 | 1.26 | 1.12 |
| Net interest margin ⁸ | 4.20 | 4.26 | 3.99 | 3.93 | 3.96 | 3.89 | 3.92 | 3.94 | 3.96 | 3.97 | 3.99 | 3.93 |
| Efficiency ratio ⁷ | 63.75 | 61.06 | 62.85 | 62.56 | 61.88 | 62.66 | 62.72 | 63.93 | 62.54 | 61.84 | 61.53 | 62.68 |
| Nonperforming assets to loans and related assets | .99 | 1.04 | .99 | .78 | .69 | .88 | .86 | .78 | .75 | .72 | .70 | .69 |
| Net charge-offs to average loans | .44 | .46 | .39 | .25 | .20 | .25 | .24 | .29 | .17 | .18 | .21 | .24 |
| Loans to deposits | 83.26 | 82.27 | 82.95 | 85.81 | 87.32 | 84.34 | 85.49 | 85.81 | 85.92 | 87.15 | 87.08 | 87.32 |
| <i>Regulatory capital ratios</i> | | | | | | | | | | | | |
| Tier 1 risk-based | 12.24 | 12.47 | 12.60 | 12.46 | 12.16 | 12.50 | 12.48 | 12.46 | 12.33 | 12.16 | 12.12 | 12.16 |
| Total risk-based | 13.80 | 14.08 | 14.28 | 14.08 | 13.71 | 14.15 | 14.11 | 14.08 | 13.92 | 13.72 | 13.67 | 13.71 |
| Leverage | 8.78 | 8.91 | 9.05 | 9.15 | 9.18 | 9.09 | 9.14 | 9.15 | 9.12 | 9.11 | 9.14 | 9.18 |
| Number of other reporting bank holding companies | 1,778 | 1,915 | 2,070 | 2,198 | 2,215 | 2,148 | 2,181 | 2,198 | 2,226 | 2,240 | 2,234 | 2,215 |

Footnotes appear on p. B11.

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

Millions of dollars except as noted, not seasonally adjusted

| Account | 2001 | 2002 | 2003 | 2004 | 2005 | 2004 | | | 2005 | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| <i>Bank holding companies that qualify as financial holding companies^{11, 12}</i> | | | | | | | | | | | | |
| Domestic | | | | | | | | | | | | |
| Number | 389 | 435 | 452 | 474 | 462 | 471 | 477 | 474 | 472 | 470 | 472 | 462 |
| Total assets | 5,440,842 | 5,921,493 | 6,610,429 | 7,462,622 | 8,191,459 | 7,082,367 | 7,279,238 | 7,462,622 | 7,650,658 | 7,905,412 | 8,075,295 | 8,191,459 |
| Foreign-owned ¹³ | | | | | | | | | | | | |
| Number | 10 | 11 | 12 | 14 | 14 | 14 | 14 | 14 | 15 | 15 | 15 | 14 |
| Total assets | 621,442 | 616,254 | 710,441 | 1,376,333 | 1,561,559 | 1,117,266 | 1,193,984 | 1,376,333 | 1,526,168 | 1,516,408 | 1,625,281 | 1,561,559 |
| Total U.S. commercial bank assets¹⁴ | 6,416,080 | 6,897,215 | 7,397,903 | 8,207,714 | 8,843,309 | 7,850,587 | 8,041,199 | 8,207,714 | 8,403,920 | 8,534,534 | 8,715,545 | 8,843,309 |
| <i>By ownership</i> | | | | | | | | | | | | |
| Reporting bank holding companies | 5,942,670 | 6,429,231 | 6,941,106 | 7,785,988 | 8,420,308 | 7,409,187 | 7,599,697 | 7,785,988 | 7,991,887 | 8,119,026 | 8,293,342 | 8,420,308 |
| Other bank holding companies | 230,467 | 227,016 | 219,222 | 209,115 | 219,983 | 211,725 | 208,697 | 209,115 | 204,739 | 206,203 | 211,674 | 219,983 |
| Independent banks | 242,944 | 240,968 | 237,575 | 212,611 | 203,018 | 229,675 | 232,805 | 212,611 | 207,294 | 209,306 | 210,529 | 203,018 |
| <i>Assets associated with nonbanking activities^{12, 15}</i> | | | | | | | | | | | | |
| Insurance | 426,462 | 372,405 | 437,503 | 579,111 | 594,847 | 583,073 | 579,785 | 579,111 | 574,466 | 582,023 | 594,068 | 594,847 |
| Securities broker-dealers | n.a. | 630,851 | 656,775 | 892,571 | 1,170,659 | 710,485 | 756,869 | 892,571 | 1,168,482 | 1,165,688 | 1,231,410 | 1,170,659 |
| Thrift institutions | 91,170 | 107,422 | 133,056 | 191,201 | 220,819 | 156,033 | 162,396 | 191,201 | 194,267 | 201,317 | 210,811 | 220,819 |
| Foreign nonbank institutions | 138,977 | 145,344 | 170,630 | 216,758 | 242,408 | 226,094 | 230,569 | 216,758 | 219,829 | 231,566 | 242,333 | 242,408 |
| Other nonbank institutions | 1,674,267 | 561,712 | 678,088 | 954,849 | 976,208 | 862,230 | 887,848 | 954,849 | 898,420 | 927,425 | 961,269 | 976,208 |
| <i>Number of bank holding companies engaged in nonbanking activities^{12, 15}</i> | | | | | | | | | | | | |
| Insurance | 143 | 96 | 102 | 97 | 97 | 101 | 98 | 97 | 97 | 99 | 98 | 97 |
| Securities broker-dealers | n.a. | 47 | 50 | 44 | 46 | 48 | 45 | 44 | 43 | 45 | 46 | 46 |
| Thrift institutions | 38 | 32 | 27 | 27 | 26 | 27 | 25 | 27 | 27 | 27 | 25 | 26 |
| Foreign nonbank institutions | 32 | 37 | 42 | 39 | 35 | 41 | 40 | 39 | 38 | 37 | 38 | 35 |
| Other nonbank institutions | 743 | 880 | 1,042 | 1,026 | 845 | 1,030 | 1,050 | 1,026 | 926 | 886 | 873 | 845 |
| <i>Foreign-owned bank holding companies¹³</i> | | | | | | | | | | | | |
| Number | 23 | 26 | 27 | 29 | 29 | 28 | 28 | 29 | 29 | 30 | 30 | 29 |
| Total assets | 764,411 | 762,901 | 934,085 | 1,537,208 | 1,747,765 | 1,271,378 | 1,349,900 | 1,537,208 | 1,690,119 | 1,698,197 | 1,811,451 | 1,747,765 |
| Employees of reporting bank holding companies (full-time equivalent) | 1,985,981 | 1,992,559 | 2,034,358 | 2,162,179 | 2,241,443 | 2,085,733 | 2,133,299 | 2,162,179 | 2,168,165 | 2,199,910 | 2,221,004 | 2,241,443 |
| <i>Assets of fifty large bank holding companies¹⁶</i> | | | | | | | | | | | | |
| Fixed panel (from table 2) | 5,896,628 | 6,258,073 | 6,917,002 | 7,952,942 | 8,631,229 | 7,551,049 | 7,752,394 | 7,952,942 | 8,217,299 | 8,429,140 | 8,504,118 | 8,631,229 |
| Fifty large as of reporting date | 5,732,621 | 6,032,000 | 6,666,488 | 7,940,955 | 8,631,229 | 7,385,384 | 7,644,504 | 7,940,955 | 8,206,462 | 8,417,847 | 8,489,633 | 8,631,229 |
| Percent of all reporting bank holding companies | 76.60 | 75.50 | 75.10 | 76.80 | 76.10 | 76.00 | 76.80 | 76.80 | 76.60 | 76.80 | 75.40 | 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 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. 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.