THE FINANCIAL SERVICES FACT BOOK 2006

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Insurance Information Institute

The Financial Services Roundtable

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TO THE READER

As the Financial Services Fact Book, a partnership between the Insurance Information Institute and The Financial Services Roundtable, expands each year, we increasingly see how broadly the financial services industry impacts people’s lives, from making it possible for more people to buy homes through the creation of an ever broader array of mortgage options to the development of products designed to improve the quality of older people’s lives such as long term care insurance.

In this our fifth edition, there are new charts on the following:

- Banks’ financial literacy programs to help consumers improve personal finance skills
- Transfer mechanisms for remittances — money immigrants send to their families overseas
- Government-sponsored enterprises such as Fannie Mae
- Interest-only and reverse mortgages
- Long-term care insurance and medical savings accounts
- Defined benefit plan formulas, including cash balance plans
- Online payments
- Hedge funds

In addition, we have added new information on thrifts owned by insurance companies, title insurance, identity theft, credit cards, consumer debt and the Pension Benefits Guaranty Corporation.

This endeavor could not succeed without the help of many organizations, consultants and others who collect industry data and who have generously given permission to use their data in this book. However, the bulk of the work involved in collecting, integrating and interpreting the material was done by the Insurance Information Institute, which accepts editorial responsibility for the book.

The Financial Services Roundtable and the Insurance Information Institute actively seek your advice, comments and suggestions for next year’s edition.

With best wishes,

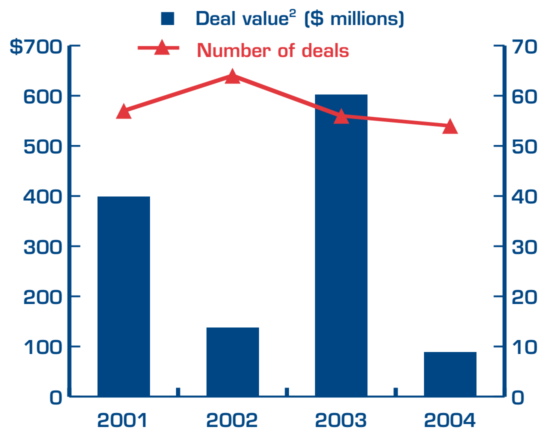
Gordon Stewart,
President
Insurance Information Institute

Steve Bartlett,
President and Chief Executive Officer
The Financial Services Roundtable

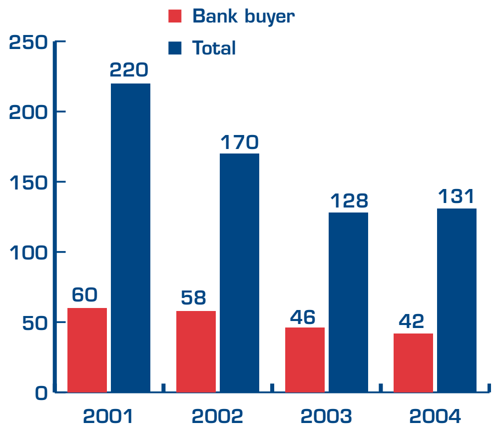
Contents

- **The assets of the financial services sector grew 8.8 percent, from $41.6 trillion in 2003 to $45.3 trillion in 2004.**
- **Excluding real estate, the financial services sector's contribution to the gross domestic product totaled 8.0 percent in 2003.**
- **U.S. households' financial assets doubled from $16.2 trillion in 1994 to $32.9 trillion in 2004.**
- **Household debt rose 11.2 percent and business debt rose 4.8 percent from 2003 to 2004.**
- **Insurance fee income reported by banks rose to $4.3 billion in 2004 from $3.6 billion in 2003.**
- **Investment fee income reported by banks fell from $10.2 billion in 2003 to $9.8 billion in 2004.**

BANK PURCHASES OF INSURANCE AGENCIES, 2001-2004[1]



MERGERS AND ACQUISITIONS OF U.S. SECURITIES FIRMS, 2001-2004[1]



[1]Does not include terminated deals.
[2]At announcement.

Source: SNL Financial LC.

OVERVIEW

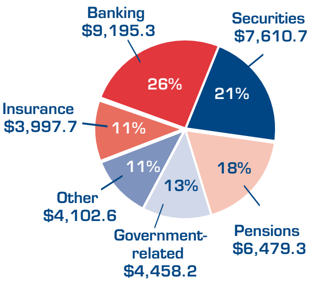
Before the Gramm-Leach-Bliley Financial Services Modernization Act (GLB) was passed six years ago, competition among the various segments of the financial services industry was strictly limited by law. GLB removed many of the Depression-era barriers that restricted competition. Now many of the leading financial services companies are doing business across sectors as the convergence of products and services that began in the 1970s continues to gather momentum. However, others have chosen different paths. Some have elected to become specialists in their fields, in some cases shedding segments of the financial services business they owned before the Act was passed. Today, financial services consumers have much the same kind of choice as they do in other industries. They can select from an ever broadening array of financial tools and a wide spectrum of financial services distributors, from companies that aim to serve their customers' multiple needs to those that specialize in one or two types of products.

When the Act passed it was expected to spur massive cross-sector mergers. Mergers did occur but for the most part not among leading players. Banks bought specialized securities firms, accounting for 32 percent of securities industry mergers between 1998 and 2004. Banks also bought insurance agencies and brokers, rather than insurance companies as had been predicted. Some of the largest insurance brokerages now belong to banks. Insurance companies applied for new thrift charters to open banks instead of buying existing ones. Moreover, the arrangement that provided the major impetus for the passage of GLB, Citigroup's merger with Travelers Insurance Group, has been dissolved. In 2002 the bank spun off the property/casualty insurance unit of Travelers, which was bought by the St. Paul Companies in 2003, and sold the life unit to MetLife in 2005.

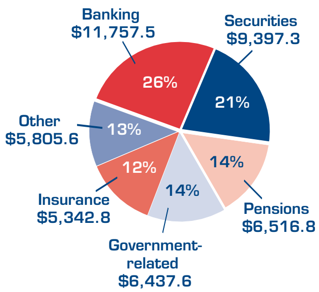
- **1916 National Bank Act limiting bank insurance sales except in small towns**
- **1933 Glass-Steagall Act prohibiting commercial banks and securities firms from engaging in each other's business**
- **1956 Bank Holding Company Act restricting bank holding company activities**
- **1995 VALIC U.S. Supreme Court decision allowing banks to sell annuities**
- **1996 Barnett Bank U.S. Supreme Court decision allowing banks to sell insurance nationwide**
- **1999 Gramm-Leach-Bliley Act allowing banks, insurance companies and securities firms to affiliate and sell each other's products**
- **2001 U.S. House of Representatives Banking Committee becomes the Financial Services Committee**
- **2002 Citigroup spins off its Travelers' property/casualty insurance unit**
- **2005 Citigroup sells its Travelers' life units**

ASSETS

ASSETS OF FINANCIAL SERVICES SECTORS, 2000
($ billions)



2004
($ billions)



Source: Board of Governors of the Federal Reserve System.

ASSETS OF FINANCIAL SERVICES SECTORS BY INDUSTRY, 2004
($ billions, end of year)

Sector	Assets
Banking	
Commercial banking[1]	$8,487.0
Savings institutions[2]	1,691.2
Credit unions	654.7
Bank personal trusts and estates	924.6
Total	**$11,757.5**
Insurance	
Life insurance companies	$4,159.9
All other insurers	1,182.9
Total	**$5,342.8**
Securities	
Mutual and closed-end funds	$7,561.3
Securities broker/dealers[3]	1,836.0
Total	**$9,397.3**
Pensions	
Private pension funds[4]	$4,444.4
State and local government pension funds	2,072.4
Total	**$6,516.8**
Government-related	
Government lending enterprises	$2,895.0
Federally-related mortgage pools	3,542.6
Total	**$6,437.6**
Other	
Finance companies	$1,458.0
Real estate investment trusts	222.8
Mortgage companies[5]	32.1
Asset-backed securities issuers	2,817.2
Funding corporations	1,275.5
Total	**$5,805.6**
Total All Sectors	**$45,257.6**

[1]Commercial banking includes U.S.-chartered commercial banks, foreign banking offices in the United States, bank holding companies, and banks in U.S.-affiliated areas.
[2]Savings institutions include savings and loan associations, mutual savings banks and federal banks.
[3]Securities broker/dealers include investment banks.
[4]Private pension funds include defined benefit and defined contribution plans [including 401(k)s] and the Federal Employees Retirement Thrift Savings Plan.
[5]Data are for 1997 (lastest data available).

Source: Board of Governors of the Federal Reserve System.

NUMBER AND VALUE OF ANNOUNCED FINANCIAL SERVICES MERGERS AND ACQUISITIONS, 2000-2004

($ billions)

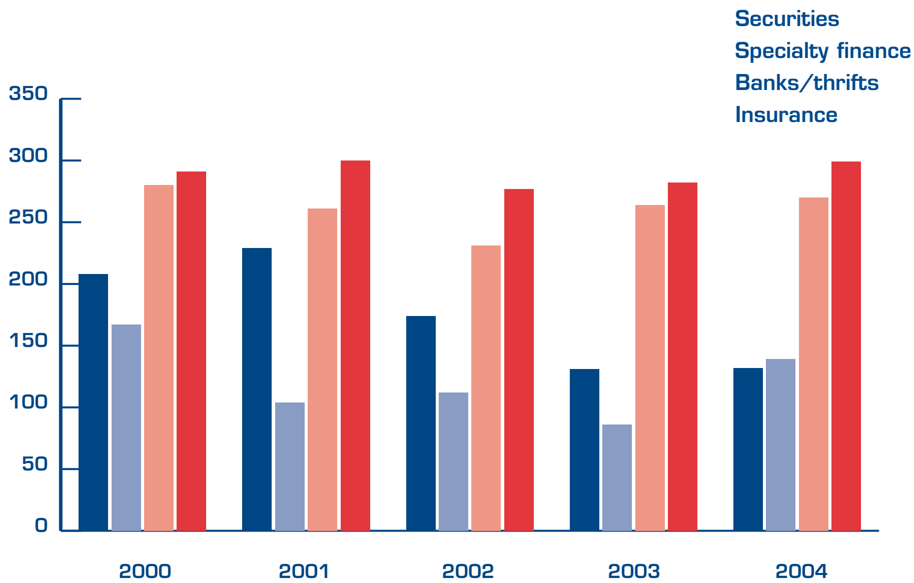
	2000		2001		2002		2003		2004	
	Deals	Value	Deals	Value	Deals	Value	Deals	Value	Deals	Value
Securities[1]	206	$67.8	229	$14.5	174	$8.3	131	$12.5	132	$5.9
Specialty finance[2]	167	37.6	104	24.1	112	24.5	86	20.3	139	17.6
Banks	213	90.2	206	32.1	179	8.6	214	63.7	215	117.9
Thrifts	67	4.4	55	8.5	52	9.0	50	8.7	55	13.6
Insurance	291	21.9	300	65.2	277	9.2	282	59.6	299	14.2
Life/health	43	12.4	40	58.6	20	2.7	27	14.1	23	3.5
Property/casualty	57	8.9	55	2.3	42	0.4	50	22.5	22	0.5
Brokers and agents	180	0.4	192	1.1	202	1.3	195	1.2	237	1.4
Managed care	11	0.2	13	3.2	13	4.8	10	21.8	17	8.8
Total	**944**	**221.9**	**894**	**144.4**	**794**	**59.6**	**763**	**164.8**	**840**	**169.2**

[1]Includes securities and investment companies, broker/dealers and asset managers.

[2]Specialty finance firms range from small finance companies to issuers of major credit cards.

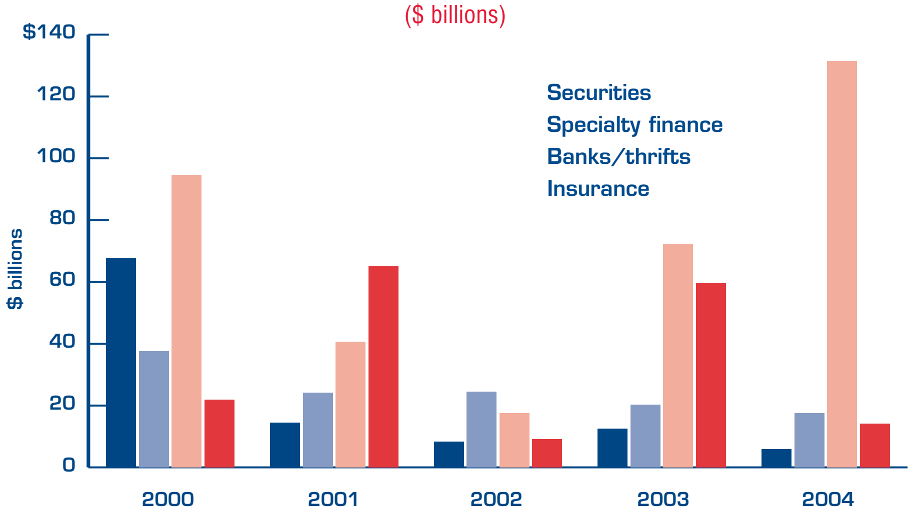
Source: SNL Financial LC.

NUMBER OF ANNOUNCED FINANCIAL SERVICES MERGERS AND ACQUISITIONS, 2000-2004



Source: SNL Financial LC.

VALUE OF ANNOUNCED FINANCIAL SERVICES MERGERS AND ACQUISITIONS, 2000-2004
($ billions)



Source: SNL Financial LC.

TOP TEN FINANCIAL SERVICES MERGER AND ACQUISITIONS ANNOUNCED IN 2004, UNITED STATES[1]

Rank	Buyer	Industry	Country	Target	Industry	Country	Deal value[2] ($ millions)
1	J.P. Morgan Chase & Co.	Bank	U.S.	Bank One Corporation	Bank	U.S.	$58,783.3
2	Wachovia Corporation	Bank	U.S.	SouthTrust Corporation	Bank	U.S.	14,365.4
3	Royal Bank of Scotland Group, plc	Bank	U.K.	Charter One Financial, Inc.	Bank	U.S.	10,526.9
4	SunTrust Banks, Inc.	Bank	U.S.	National Commerce Financial Corp.	Bank	U.S.	7,432.5
5	North Fork Bancorporation, Inc.	Bank	U.S.	GreenPoint Financial Corp.	Thrift	U.S.	6,396.3
6	Regions Financial Corporation	Bank	U.S.	Union Planters Corporation	Bank	U.S.	6,000.8
7	UnitedHealth Group Inc.	Insurance	U.S.	Oxford Health Plans, Inc.	Insurance	U.S.	5,002.1
8	General Electric Company	Not Classified	U.S.	Citigroup's Transportation finance business	Specialty lender	U.S.	4,400.0
9	TD Bank Financial Group	Bank	Canada	Banknorth Group, Inc.	Bank	U.S.	3,818.1
10	Royal Bank of Scotland Group, plc	Bank	U.K.	People's Bank credit card operations	Specialty lender	U.S.	2,435.2

[1]At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals.

[2]At announcement.

Source: SNL Financial LC.

EMPLOYMENT

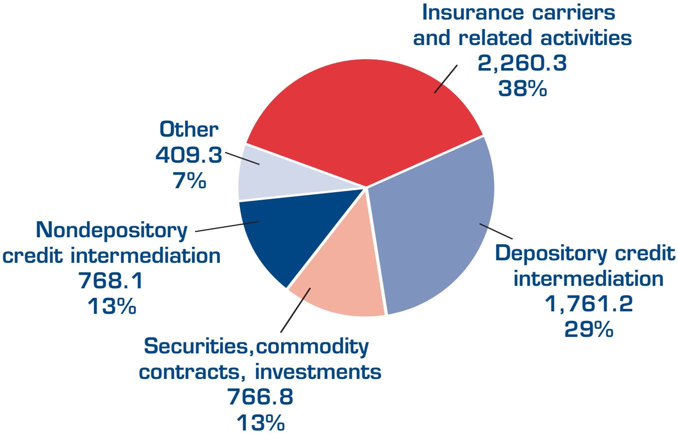
From 2000 to 2004, employment in the financial services industry averaged 5.3 percent of total U.S. employment.

EMPLOYMENT IN THE FINANCIAL SERVICES INDUSTRY, 2000-2004
(000)

Year	Monetary authorities	Depository credit intermediation	Non-depository credit intermediation	Activities related to credit intermediation	Securities, commodity contracts, investments	Insurance carriers and related activities	Funds/ trusts	Total
2000	22.8	1,681.2	644.4	222.3	804.5	2,220.6	84.8	5,680.6
2001	23.0	1,701.2	660.7	235.7	830.5	2,233.7	88.3	5,773.1
2002	23.4	1,733.0	694.9	258.0	789.4	2,233.2	85.4	5,817.3
2003	22.6	1,748.5	749.9	294.0	757.7	2,266.0	83.9	5,922.6
2004	21.6	1,761.2	768.1	303.0	766.8	2,260.3	84.7	5,965.7

Source: U.S. Department of Labor, Bureau of Labor Statistics.

FINANCIAL SERVICES EMPLOYMENT BY INDUSTRY, 2004
(000)



- The Department of Labor does not include real estate in financial activities.

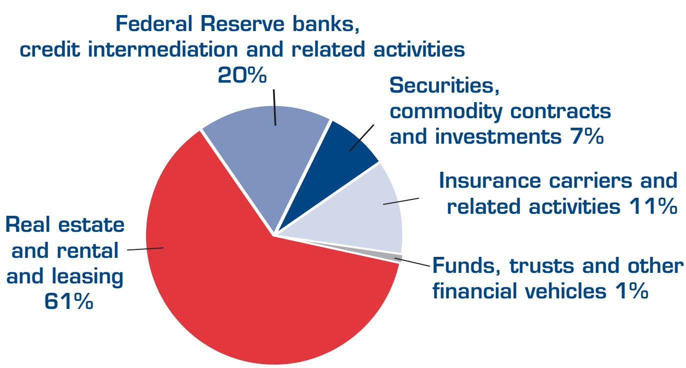
Source: U.S. Department of Labor, Bureau of Labor Statistics.

FINANCIAL SERVICES CONTRIBUTION TO GROSS DOMESTIC PRODUCT

Gross domestic product (GDP) is the total value of all final goods and services produced in the economy. The GDP growth rate is the primary indicator of the state of the economy.

- When real estate transactions (e.g., development, mortgages and related services, property sales and rentals) are included, financial services accounted for 20.4 percent of the GDP in 2003, compared with 20.5 percent in 2002.

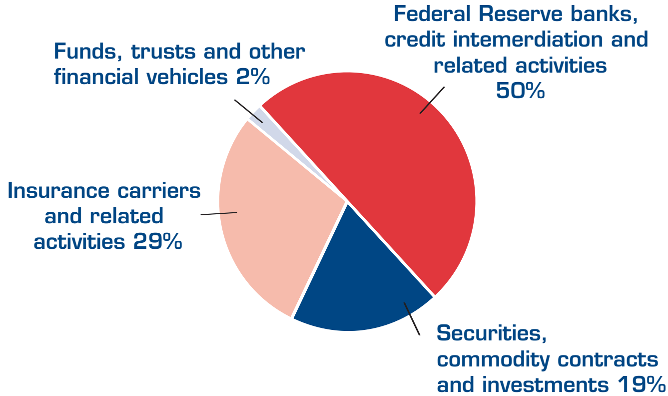
GROSS DOMESTIC PRODUCT OF FINANCIAL SERVICES, SHARES BY COMPONENT, INCLUDING REAL ESTATE, 2003



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

- With real estate excluded, the remaining financial services industries contributed 8.0 percent to the GDP in 2003, compared with 7.8 percent in 2002.

GROSS DOMESTIC PRODUCT OF FINANCIAL SERVICES, SHARES BY COMPONENT, EXCLUDING REAL ESTATE, 2003



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

GROSS DOMESTIC PRODUCT OF THE FINANCIAL SERVICES INDUSTRY, 1999-2003[1]

($ billions)

	1999	2000	2001	2002	2003
Total GDP	**$9,268.4**	**$9,817.0**	**$10,128.0**	**$10,487.0**	**$11,004.0**
Total financial services industry	**1,798.4**	**1,931.0**	**2,059.2**	**2,148.2**	**2,250.3**
Industry percent of total GDP	19.4%	19.7%	20.3%	20.5%	20.4%
Finance and insurance	$679.8	$740.5	$782.6	$818.2	$882.9
Insurance carriers and related activities	216.9	238.3	234.4	234.8	256.0
Federal Reserve banks, credit intermediation and related activities	308.0	319.0	360.1	413.9	440.4
Securities, commodity contracts and investments	139.9	167.7	170.2	151.2	168.1
Funds, trusts and other financial vehicles	15.0	15.5	18.0	18.2	18.4
Total real estate and rental and leasing	1,118.6	1,190.5	1,276.6	1,330.0	1,367.4
Real estate	1,017.9	1,082.1	1,169.7	1,227.5	1,260.7
Rental and leasing services and lessors of intangible assets	100.6	108.3	106.9	102.5	106.7

[1]Includes real estate and rental and leasing.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

FINANCIAL SERVICES SECTOR'S SHARE OF GROSS DOMESTIC PRODUCT, 1999-2003[1]

	Percent of total gross domestic product				
	1999	2000	2001	2002	2003
Finance, insurance, real estate, and rental and leasing	**19.4%**	**19.7%**	**20.3%**	**20.5%**	**20.4%**
Finance and insurance	7.3	7.5	7.7	7.8	8.0
Federal Reserve banks, credit intermediation and related activities	3.3	3.2	3.6	3.9	4.0
Insurance carriers and related activities	2.3	2.4	2.3	2.2	2.3
Securities, commodity contracts and investments	1.5	1.7	1.7	1.4	1.5
Funds, trusts and other financial vehicles	0.2	0.2	0.2	0.2	0.2
Total real estate, and rental and leasing	12.1	12.1	12.6	12.7	12.4

[1]Includes real estate, and rental and leasing.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

GROSS DOMESTIC PRODUCT

FINANCIAL SERVICES VS. TOTAL U.S. GROSS DOMESTIC PRODUCT GROWTH, 1999-2003

($ billions)

Year	Total U.S. gross domestic product	Percent change from prior year	Finance, insurance, real estate and rental and leasing	Percent change from prior year	Finance and insurance	Percent change from prior year
1999	$9,268.4	6.0%	$1,798.4	6.8%	$679.8	6.0%
2000	9,817.0	5.9	1,931.0	7.4	740.5	8.9
2001	10,128.0	3.2	2,059.2	6.6	782.6	5.7
2002	10,487.0	3.5	2,148.2	4.3	818.2	4.5
2003	11,004.0	4.9	2,250.3	4.8	882.9	7.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

FINANCIAL SERVICES PERCENTAGE SHARE OF GROSS STATE PRODUCT, 2003[1]

State	Percent
Alabama	5.5%
Alaska	3.5
Arizona	8.5
Arkansas	4.5
California	6.9
Colorado	6.8
Connecticut	16.0
Delaware	32.9
District of Columbia	5.3
Florida	7.1
Georgia	6.2
Hawaii	4.7
Idaho	4.3
Illinois	9.7
Indiana	6.1
Iowa	10.6
Kansas	6.3
Kentucky	4.9
Louisiana	3.9%
Maine	6.9
Maryland	6.9
Massachusetts	11.1
Michigan	5.9
Minnesota	10.4
Mississippi	4.5
Missouri	6.3
Montana	5.1
Nebraska	8.2
Nevada	8.1
New Hampshire	8.6
New Jersey	8.3
New Mexico	3.8
New York	15.5
North Carolina	10.0
North Dakota	6.3
Ohio	7.5
Oklahoma	5.2%
Oregon	5.7
Pennsylvania	7.5
Rhode Island	13.4
South Carolina	4.9
South Dakota	17.6
Tennessee	6.2
Texas	6.5
Utah	9.4
Vermont	6.0
Virginia	6.7
Washington	6.0
West Virginia	4.0
Wisconsin	7.3
Wyoming	2.8
Total U.S.	**8.1**[2]

[1]Excludes real estate.

[2]Differs from data shown elsewhere for total United States due to rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

LARGEST U.S. FINANCIAL SERVICES FIRMS BY REVENUES, 2004[1]
($ millions)

Rank	Company	Revenues	Profits	Profits as a percent of Revenues	Profits as a percent of Assets	Industry	Employees
1	General Electric	$152,363	$16,593	11%	2%	Diversified financial	307,000
2	Citigroup	108,276	17,046	16	1	Banking	290,500
3	American Intl. Group	98,610	11,050	11	1	Insurance	92,000
4	Berkshire Hathaway	74,382	7,308	10	4	Insurance	180,176
5	Bank of America Corp.	63,324	14,143	22	1	Banking	175,742
6	State Farm Insurance Cos.	58,819	5,309	9	4	Insurance	68,681
7	J.P. Morgan Chase & Co.	56,931	4,466	8	0	Banking	160,968
8	Morgan Stanley	39,549	4,486	11	1	Securities	53,284
9	MetLife	39,535	2,758	7	1	Insurance	53,920
10	Allstate	33,936	3,181	9	2	Insurance	38,700
11	Wells Fargo	33,876	7,014	21	2	Banking	145,500
12	Merrill Lynch	32,467	4,436	14	1	Securities	50,600
13	Goldman Sachs Group	29,839	4,553	15	1	Securities	20,722
14	American Express	29,115	3,445	12	2	Diversified financial	77,500
15	Prudential Financial	28,348	2,256	8	1	Insurance	39,418
16	Wachovia Corp.	28,067	5,214	19	1	Banking	96,030
17	New York Life Insurance	27,176	1,213	5	1	Insurance	12,650
18	TIAA-CREF	23,411	541	2	0	Insurance	5,607
19	Mass. Mutual Life Ins.	23,159	677	3	1	Insurance	11,334
20	St. Paul Travelers Cos.	22,934	955	4	1	Insurance	29,700
21	Hartford Financial Services	22,693	2,115	9	1	Insurance	30,000
22	Lehman Brothers Holdings	21,250	2,369	11	1	Securities	19,579
23	Nationwide	20,558	1,010	5	1	Insurance	32,933
24	Liberty Mutual Insurance Group	19,754	1,245	6	2	Insurance	38,283
25	Northwestern Mutual	17,806	817	5	1	Insurance	4,572

Source: Fortune.

LEADING COMPANIES

There are 131 financial services firms among the Fortune 500. Together they had revenues of $1.6 trillion and profits of $192.0 millions.

LARGEST FINANCIAL SERVICES COMPANIES BY SECTOR, 2004[1]

Industry	Number of Fortune 500 companies	Revenues ($ millions)	Share of total financial services sector revenues (percent)[1]	Profits ($ millions)	Share of total financial services sector profits (percent)[1]
Banks					
Savings	4	$24,528	1.5%	$4,820	2.5%
Commercial	34	432,632	26.9	77,352	40.3
Insurance					
Life and health	30	268,610	16.7	15,852	8.3
Property/casualty	41	496,972	31.0	48,250	25.1
Diversified financials	11	234,803	14.6	26,680	13.9
Securities	11	148,100	9.2	19,149	10.0
Total	**131**	**1,605,645**	**100.0**	**192,103**	**100.0**

[1]Based on companies in the Fortune 500.

Source: Fortune; Insurance Information Institute.

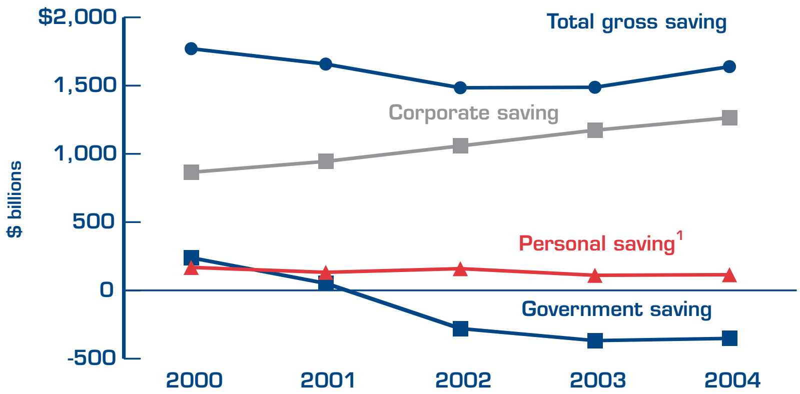
SAVINGS, INVESTMENT AND DEBT OWNERSHIP

Individuals and businesses seek to increase their assets through savings and investments. They also borrow to purchase assets or finance business opportunities. The financial services industry exists to manage these activities, bringing savers, investors and borrowers together, a process known as financial intermediation. The banking industry acts as an intermediary by taking deposits and lending the funds to those who need credit. The securities industry fulfills the role of intermediary by facilitating the process of buying and selling corporate debt and equity to investors. The insurance industry safeguards the assets of its policyholders, investing the premiums it collects in corporate and government securities. Finance companies provide credit to both individuals and businesses, funded in large part by issuing bonds, asset-backed securities and commercial paper.

NATIONAL SAVINGS

Gross national savings is the excess of production over cost, or earnings over spending. Gross national savings grew in the late 1990s, fueled largely by increased saving by federal, state and local governments, but fell in the three years from 2000 to 2002, reflecting declining government saving. Beginning in 2002, total government saving turned negative due to federal personal income tax refunds and rising expenditures at all levels of government. In 2004, governments spent $352 billion more than they received, compared with $368 billion in 2003. Personal saving is the excess of personal disposable income over spending.

GROSS NATIONAL SAVINGS, 2000-2004
($ billions)



- National savings grew by $151 billion from $1,488 trillion in 2003 to $1,639 trillion in 2004.
- National savings accounted for 14 percent of the 2004 gross domestic product of $11.7 trillion.

[1]Includes individuals (including proprietors and partnerships), nonprofit institutions primarily serving individuals, life insurance carriers and miscellaneous entities.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

OWNERSHIP OF EQUITIES AND CORPORATE AND MUNICIPAL BONDS

Equity and debt markets offer individuals and institutional investors the opportunity to participate in the development and expansion of publicly-traded companies and in municipalities. Equity investments provide an ownership interest in a company through stocks. Debt securities, generally bonds, represent money a corporation or municipality has borrowed from investors and must repay at a specific time and usually at a specific interest rate. Municipal bonds may be tax exempt.

HOLDINGS OF U.S. CORPORATE EQUITIES, 2000-2004[1]
($ billions, market value at end of year)

	2000	2001	2002	2003	2004	Percent change, 2000-2004
Total	**$17,627.0**	**$15,310.6**	**$11,871.0**	**$15,497.0**	**$17,204.4**	**-2.4%**
Household sector	7,806.2	6,604.2	5,047.8	6,375.8	6,521.6	-16.5
State and local governments	97.1	100.7	80.3	84.5	89.1	8.2
Rest of the world[2]	1,643.2	1,572.7	1,260.8	1,669.0	1,906.1	16.0
Commercial banking	11.9	8.9	3.5	15.1	19.8	66.4
Savings institutions	24.2	27.9	29.1	30.4	28.2	16.5
Bank personal trusts and estates	356.8	280.7	181.1	213.1	223.4	-37.4
Life insurance companies	891.9	811.3	708.9	919.3	1,091.5	22.4
Other insurance companies	194.3	173.9	152.3	182.7	209.0	7.6
Private pension funds	1,915.0	1,562.1	1,096.7	1,491.9	1,690.0	-11.7
State and local govt retirement funds	1,223.1	1,084.0	869.8	1,084.4	1,204.7	-1.5
Federal government retirement funds	56.6	49.1	45.9	79.9	99.3	75.4
Mutual funds	3,227.3	2,836.1	2,188.0	3,051.6	3,697.2	14.6
Closed-end funds	36.6	31.1	33.7	52.3	81.4	122.4
Exchange-traded funds	65.6	83.0	98.2	146.3	217.7	231.9
Brokers and dealers	77.2	85.1	74.9	100.5	125.3	62.3

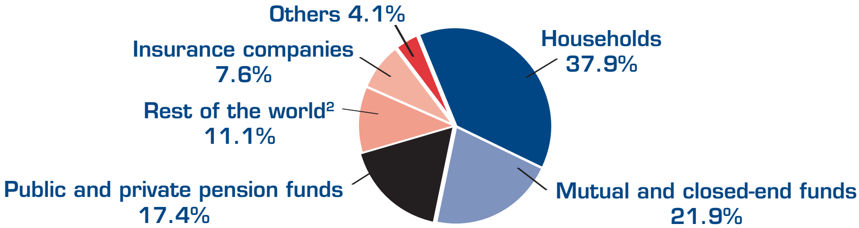
[1]Excludes mutual fund shares.

[2]Holdings of U.S. issues by foreign residents.

Source: Board of Governors of the Federal Reserve System.

HOLDINGS OF U.S. CORPORATE EQUITIES, 2004[1]

1



[1]Market value, end of year; excludes mutual fund shares. [2]Holdings of U.S. issues by foreign residents.
Source: Board of Governors of the Federal Reserve System.

HOLDINGS OF U.S. CORPORATE AND FOREIGN BONDS, 2000-2004
($ billions, end of year)

	2000	2001	2002	2003	2004	Percent change, 2000-2004
Total	**$4,924.9**	**$5,514.1**	**$5,979.1**	**$6,620.5**	**$7,227.2**	**46.7%**
Household sector	645.5	637.9	706.8	526.5	497.8	-22.9
State and local governments	70.0	95.6	103.8	111.1	117.2	67.4
Rest of the world[1]	920.6	1,115.9	1,266.9	1,499.5	1,775.5	92.9
Commercial banking	266.1	363.1	359.9	482.5	559.8	110.4
Savings institutions	109.4	83.9	79.9	71.1	60.9	-44.3
Bank personal trusts and estates	44.9	38.3	35.6	39.5	39.4	-12.2
Life insurance companies	1,222.2	1,342.4	1,449.3	1,620.2	1,753.7	43.5
Other insurance companies	187.5	196.4	198.9	218.9	245.6	31.0
Private pension funds	289.9	294.6	307.3	315.5	331.0	14.2
State and local govt retirement funds	339.7	339.1	334.5	339.2	333.2	-1.9
Federal government retirement funds	0.8	1.6	2.8	3.3	3.1	287.5
Money market mutual funds	161.9	163.0	170.7	185.9	188.1	16.2
Mutual funds	361.9	420.1	470.9	548.3	622.9	72.1
Closed-end funds	30.9	27.1	27.1	58.7	67.6	118.8
Exchange-traded funds	0.0	0.0	1.8	2.4	3.3	NA
Government-sponsored enterprises	131.1	155.7	189.3	225.8	249.7	90.5
REITs	5.0	7.4	10.3	17.5	31.9	538.0
Brokers and dealers	112.7	161.3	192.0	228.3	252.2	123.8
Funding corporations	24.9	70.8	71.4	126.3	94.3	278.7

[1]Holdings of U.S. issues by foreign residents. NA=Not applicable. Source: Board of Governors of the Federal Reserve System.

HOLDINGS OF U.S. MUNICIPAL SECURITIES AND LOANS, 2000-2004

($ billions, market value at end of year)

	2000	2001	2002	2003	2004	Percent change, 2000-2004
Total	**$1,480.9**	**$1,603.7**	**$1,763.1**	**$1,898.2**	**$2,028.6**	**37.0%**
Household sector	438.0	489.3	585.6	616.8	661.7	51.1
Nonfinancial corporate business	31.9	29.3	32.1	39.3	44.0	37.9
Nonfarm noncorporate business	2.4	3.5	3.4	3.6	3.8	58.3
State and local governments	3.8	4.0	4.1	4.4	4.7	23.7
Commercial banking	114.1	120.2	121.7	132.5	140.9	23.5
Savings institutions	3.2	4.5	5.5	6.3	7.1	121.9
Bank personal trusts and estates	99.1	95.6	100.9	98.4	98.0	-1.1
Life insurance companies	19.1	18.7	19.9	26.1	28.0	46.6
Other insurance companies	184.1	173.8	183.0	224.2	251.6	36.7
State and local govt retirement funds	1.6	1.4	0.5	0.7	0.9	-43.8
Money market mutual funds	244.7	281.0	282.8	297.3	318.8	30.3
Mutual funds	230.5	253.4	277.3	290.2	294.5	27.8
Closed-end funds	67.7	74.7	86.0	89.3	89.4	32.1
Government-sponsored enterprises	29.2	35.4	39.4	44.4	53.3	82.5
Brokers and dealers	11.3	19.0	21.0	24.9	32.0	183.2

Source: Board of Governors of the Federal Reserve System.

MUTUAL FUNDS BY HOLDER, 2000 AND 2004

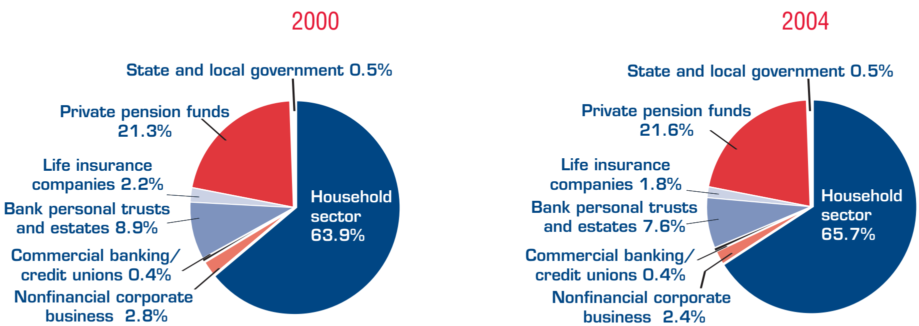
($ billions)

	2000	2004
Household sector	$2,832.8	$3,570.4
Nonfinancial corporate business	124.0	128.9
State and local governments	21.2	28.3
Commercial banking	15.0	18.0
Credit unions	2.2	3.1
Bank personal trusts and estates	396.8	413.1
Life insurance companies	97.0	99.6
Private pension funds	946.2	1173.7
Total	**$4,435.3**	**$5,435.3**

Source: Board of Governors of the Federal Reserve System.

- **63 percent of households owning mutual funds participated through their employers' defined contribution plans, according to a 2004 survey by the Investment Company Institute.**

MUTUAL FUND SHARES BY HOLDER, 2000 AND 2004



Source: Board of Governors of the Federal Reserve System.

OWNERSHIP OF FEDERAL GOVERNMENT DEBT

The buying and selling of government securities is a crucial component of each of the financial sectors. Debt is issued and sold, based on the changing needs of the federal government. The average daily trading volume in U.S. Treasury securities has been rising steadily since 2000. By May 30, 2005 it had reached $625.9 billion, according to the Bond Market Association.

ESTIMATED OWNERSHIP OF U.S. PUBLIC DEBT SECURITIES, 1995-2004

($ billions, end of year)

		Percent of total			
Year	Total	Individuals	Mutual funds/ trusts[1]	Banking institutions[2]	Insurance companies
1995	$3,608.5	22.4%	7.0%	9.2%	6.7%
1996	3755.1	23.1	6.7	7.6	5.7
1997	3778.3	20.7	6.7	7.8	4.7
1998	3723.7	20.1	7.3	6.8	3.8
1999	3652.7	22.8	6.7	5.6	3.4
2000	3357.8	18.4	7.1	5.9	3.3
2001	3352.7	14.5	8.0	5.7	3.2
2002	3609.8	9.6	8.1	6.1	3.9
2003	4008.2	11.6	7.3	4.8	3.4
2004	4371.8	10.7	6.2	2.0	3.4

	Percent of total				
Year	Pension funds[3]	U.S. monetary authorities	State and local governments	Foreign and international	Other[4]
1995	9.7%	10.5%	8.0%	22.6%	3.8%
1996	9.4	10.4	6.8	27.7	2.5
1997	9.6	11.4	6.3	30.5	2.2
1998	8.7	12.1	7.5	31.3	2.3
1999	8.7	13.1	8.3	29.0	2.4
2000	8.7	15.2	8.9	30.4	2.1
2001	8.1	16.5	10.1	31.7	2.2
2002	7.7	17.4	9.7	34.7	2.8
2003	7.2	16.6	9.0	37.4	2.7
2004	6.8	16.4	8.7	42.8	2.9

[1]Includes mutual funds, money market funds, closed-end funds, exchange-traded funds and bank personal trusts and estates.

[2]Includes commercial banks, savings institutions, credit unions and brokers and dealers.

[3]Includes state and local government pension funds and private pension funds.

[4]Includes nonfinancial corporate institutions, nonfarm noncorporate institutions and government-sponsored enterprises.

Source: Board of Governors of the Federal Reserve System.

ASSETS OF HOUSEHOLDS

Where people save their money, how much they save and where they look for investment returns is influenced by many factors, including people's appetite for risk, the state of the economy, the investment products available and incentives to save, such as tax advantages and matching funds provided by employers who offer retirement plans.

ASSETS AND LIABILITIES OF HOUSEHOLDS, 1984-2004[1]

($ billions, end of year)

	Value			Percent of total		
	1984	1994	2004	1984	1994	2004
Total financial assets	**$6,699.5**	**$16,166.3**	**$32,876.7**	**100.0%**	**100.0%**	**100.0%**
Foreign deposits	6.9	18.8	101.4	0.1	0.1	0.3
Checkable deposits and currency	353.2	692.0	719.8	5.3	4.3	2.2
Time and savings deposits	1,875.3	2,220.9	4,463.7	28.0	13.7	13.6
Money market fund shares	191.0	367.6	943.6	2.9	2.3	2.9
Securities	1,565.2	5,904.5	12,245.7	23.4	36.5	37.2
Open market paper	42.0	46.7	126.8	0.6	0.3	0.4
U.S. savings bonds	74.5	179.9	204.4	1.1	1.1	0.6
Other Treasury securities	189.2	684.0	310.0	2.8	4.2	0.9
Agency- and GSE[2]-backed securities	12.7	49.5	349.3	0.2	0.3	1.1
Municipal securities	251.6	484.7	665.5	3.8	3.0	2.0
Corporate and foreign bonds	27.5	396.2	497.8	0.4	2.5	1.5
Corporate equities[3]	863.1	3,081.6	6,521.6	12.9	19.1	19.8
Mutual fund shares	104.6	981.9	3,570.4	1.6	6.1	10.9
Private life insurance reserves	236.1	491.5	1,067.3	3.5	3.0	3.2
Private insured pension reserves	328.3	796.6	2,002.8	4.9	4.9	6.1
Private noninsured pension reserves	897.4	2,470.9	4,490.6	13.4	15.3	13.7
Govt insurance and pension reserves	501.8	1,645.2	3,186.0	7.5	10.2	9.7
Investment in bank personal trusts	331.1	699.4	958.6	4.9	4.3	2.9
Miscellaneous and other assets	413.2	859.0	2,697.4	6.2	5.3	8.2

(table continues)

ASSETS AND LIABILITIES OF HOUSEHOLDS, 1984-2004[1] (Cont'd)

($ billions, end of year)

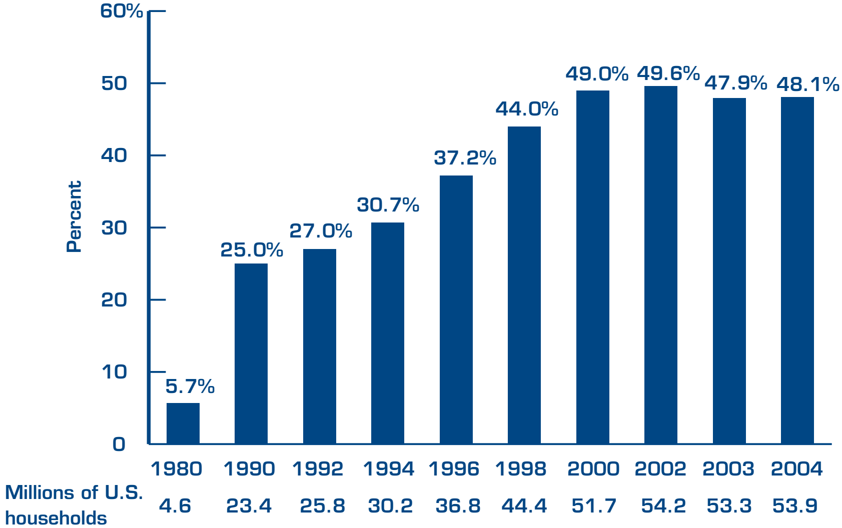
	Value			Percent of total		
	1984	1994	2004	1984	1994	2004
Total liabilities	**$3,092.5**	**$6,217.4**	**$14,542.7**	**100.0%**	**100.0%**	**100.0%**
Mortgage debt on nonfarm homes	1,317.9	3,289.3	8,049.0	42.6	52.9	55.3
Other mortgage debt[4]	607.8	857.8	1,652.8	19.7	13.8	11.4
Consumer credit	526.6	1,021.0	2,151.4	17.0	16.4	14.8
Policy loans	55.6	86.4	107.1	1.8	1.4	0.7
Security credit	31.8	75.1	263.4	1.0	1.2	1.8
Other liabilities[4]	552.7	887.9	2,319.0	17.9	14.3	15.9

[1]Combined statement for household sector, nonfarm noncorporate business and farm business. [2]GSE=government-sponsored enterprise. [3]Only those directly held and those in closed-end and exchange-traded funds. Other equities are included in mutual funds, life insurance and pension reserves, and bank personal trusts. [4]Includes corporate farms.

Source: Board of Governors of the Federal Reserve System.

U.S. HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS, 1980-2004[1]

(Percent of all U.S. households)



[1]Households owning mutual funds in 1980 were estimated from data on the number of accounts held by individual shareholders and the number of funds owned by households; data for 1980 through 1992 exclude households owning mutual funds only through employer-sponsored retirement plans; data for 1994 through 2004 include households owning mutual funds only through employer-sponsored retirement plans. The data for 1998 through 2004 include fund ownership through variable annuities.

Source: Investment Company Institute.

FINANCIAL ASSETS HELD BY FAMILIES BY TYPE OF ASSET, 1995-2001

Percent of families owning asset[1]	Any financial asset[2]	Transaction accounts[3]	Certificates of deposit	Savings bonds	Bonds[4]	Stocks[4]	Mutual funds[5]	Retirement accounts[6]	Life insurance[7]	Other assets[8]
1995	91.0%	87.0%	14.3%	22.8%	3.1%	15.2%	12.3%	45.2%	32.0%	15.0%
1998	92.9	90.5	15.3	19.3	3.0	19.2	16.5	48.9	29.6	15.3
2001	93.1	90.9	15.7	16.7	3.0	21.3	17.7	52.2	28.0	15.9
By age of family head — 2001										
Under 35 years old	89.2	86.0	6.3	12.7	NA	17.4	11.5	45.1	15.0	12.5
35 to 44 years old	93.3	90.7	9.8	22.6	2.1	21.6	17.5	61.4	27.0	12.6
45 to 54 years old	94.4	92.2	15.2	21.0	2.8	22.0	20.2	63.4	31.1	14.9
55 to 64 years old	94.8	93.6	14.4	14.3	6.1	26.7	21.3	59.1	35.7	23.6
65 to 74 years old	94.6	93.8	29.7	11.3	3.9	20.5	19.9	44.0	36.7	20.3
75 years old and over	95.1	93.7	36.5	12.5	5.7	21.8	19.5	25.7	33.3	18.5
Percentiles of income — 2001[9]										
Less than 20	74.8	70.9	10.0	3.8	NA	3.8	3.6	13.2	13.8	8.4
20 to 39.9	93.0	89.4	14.7	11.0	NA	11.2	9.5	33.3	24.7	13.2
40 to 59.9	98.3	96.1	17.4	14.1	1.5	16.4	15.7	52.8	25.6	15.3
60 to 79.9	99.6	98.8	16.0	24.4	3.7	26.2	20.6	75.7	35.7	17.5
80 to 89.9	99.8	99.7	18.3	30.3	3.9	37.0	29.0	83.7	38.6	21.5
90 to 100	99.7	99.2	22.0	29.7	12.7	60.6	48.8	88.3	41.8	29.2
Percent distribution of amount of financial assets of all families										
1995	100.0	13.9	5.6	1.3	6.3	15.6	12.7	28.1	7.2	9.2
1998	100.0	11.4	4.3	0.7	4.3	22.7	12.4	27.6	6.4	10.3
2001	100.0	11.5	3.1	0.7	4.6	21.6	12.2	28.4	5.3	12.5

[1]Families include one-person units. [2]Includes other types of financial assets, not shown separately. [3]Includes checking, savings and money market deposit accounts; money market mutual funds; and call accounts at brokerages. [4]Covers only those stocks and bonds that are directly held by families outside mutual funds, retirement accounts and other managed assets. [5]Excludes money market mutual funds and funds held through retirement accounts or other managed assets. [6]Covers IRAs, Keogh accounts and employer-provided pension plans. Employer-sponsored accounts are those from current jobs (restricted to those in which loans or withdrawals can be made, such as 401(k) accounts) held by the family head and that person's spouse or partner as well as those from past jobs held by either or both of them. Accounts from past jobs are restricted to those from which the family expects to receive the account balance in the future. [7]Cash value. [8]Includes personal annuities and trusts with an equity interest, managed investment accounts and miscellaneous assets. [9]Ranges listed below represent percentiles rather than income levels. A percentile is a statistical ranking point. The 50th percentile represents the midpoint of all values. For example, at the 50th percentile half of the families in the ranking fall above this income level, and half fall below. NA=Data not available. Note: Latest data available. Based on surveys conducted every three years.

Source: Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

HOUSEHOLD ASSETS

NONFINANCIAL ASSETS HELD BY FAMILIES BY TYPE OF ASSET, 1995-2001

Percent of families owning asset[1]	Vehicles	Primary residence	Other residential property	Equity in nonresidential property	Business equity	Other	Any nonfinancial asset	Any asset
1995	84.1%	64.7%	11.8%	9.4%	11.1%	9.0%	90.9%	96.3%
1998	82.8	66.2	12.8	8.6	11.5	8.5	89.9	96.8
2001	84.8	67.7	11.3	8.3	11.8	7.6	90.7	96.7
By age of family head — 2001								
Under 35 years old	78.8	39.9	3.4	2.8	7.0	6.9	83.0	93.1
35 to 44 years old	88.9	67.8	9.2	7.6	14.2	8.0	93.2	97.4
45 to 54 years old	90.5	76.2	14.7	10.0	17.1	7.2	95.2	98.1
55 to 64 years old	90.7	83.2	18.3	12.3	15.6	7.9	95.4	98.2
65 to 74 years old	81.3	82.5	13.7	12.9	11.6	9.7	91.6	97.1
75 years old and over	73.9	76.2	15.2	8.3	2.4	6.2	86.4	97.8
Percentiles of income — 2001[2]								
Less than 20	56.8	40.6	3.1	2.8	2.5	2.9	67.7	85.3
20-39.9	86.7	57.3	5.4	6.7	7.1	6.1	93.1	98.3
40-59.9	91.6	66.0	7.9	6.7	8.8	6.2	95.6	99.8
60-79.9	94.8	81.8	14.2	7.2	12.0	8.9	97.8	100.0
80-89.9	95.4	90.9	19.7	12.1	18.7	9.4	99.4	100.0
90-100	92.8	94.4	32.8	23.9	38.9	18.0	99.5	100.0

[1]Families include one-person units.

[2]Ranges listed below represent percentiles rather than income levels. A percentile is a statistical ranking point. The 50th percentile represents the midpoint of all values. For example, at the 50th percentile, half of the families in the ranking fall above this income level and half fall below.

Note: Latest data available. Based on surveys conducted every three years.

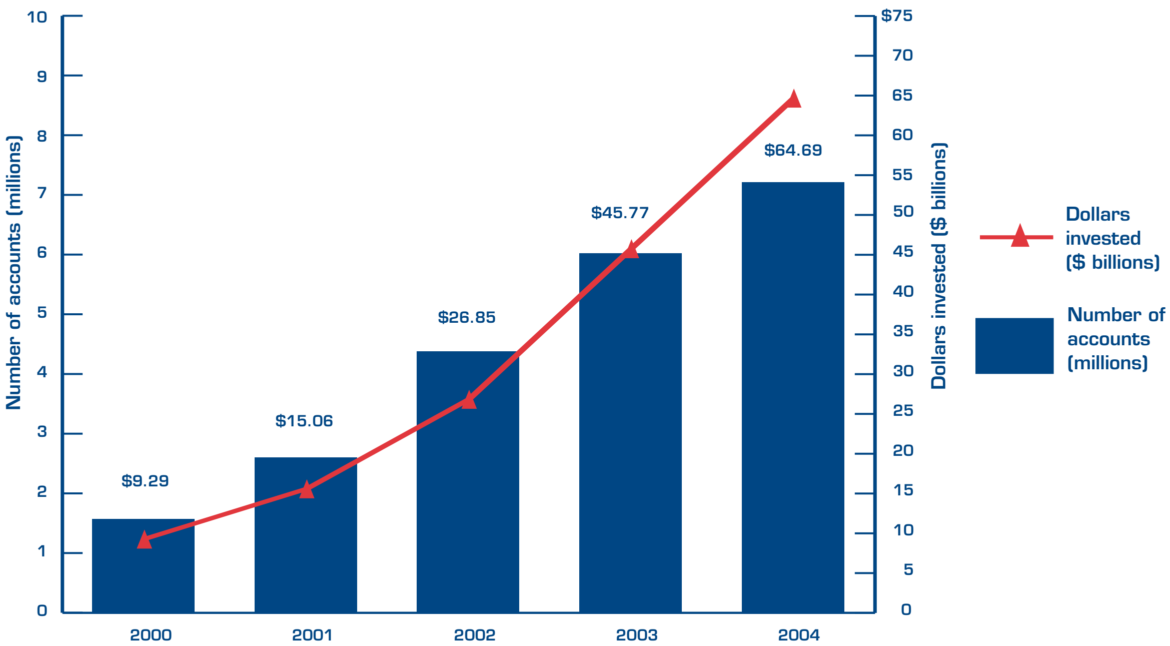
Source: Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

EDUCATIONAL SAVINGS PLANS AND LOANS

To encourage households to save for college education, states have developed Section 529 college savings plans, named after a part of the Internal Revenue tax code that allows earnings to accumulate free of federal income tax and to be withdrawn tax-free to pay for college costs. Slow to gain acceptance initially, these plans are now growing fast. By the end of 2002, all states had such plans in operation. There are two types of plans: savings and prepaid tuition. Plan assets are managed either by the state's treasurer or an outside investment company. Most offer a range of investment options.

- **There were 7.2 million 529 plan accounts in 2004, compared with 1.6 million in 2000, according to the National Association of State Treasurers.**

DOLLARS INVESTED AND NUMBER OF 529 PLAN ACCOUNTS, 2000-2004



Source: National Association of State Treasurers.

TOP TEN 529 SAVINGS PLAN PROVIDERS BY ASSETS, 2004[1]

($ billions, end of year)

- **The top 10 providers accounted for 88 percent of 529 plan assets in 2004, according to the National Association of State Treasurers.**

Rank	Provider	Assets
1	American Funds	$10.2
2	Vanguard	6.3
3	Fidelity	6.1
4	Alliance	5.5
5	TIAA-CREF	4.6
6	Putnam	3.6
7	Merrill Lynch	3.0
8	Citigroup	2.9
9	T. Rowe Price	2.3
10	Wells Fargo	1.4
	Top 10 Providers	**45.9**

Source: National Association of State Treasurers.

FEDERAL STUDENT LOANS

The most significant source of federal educational loans is the Stafford Loan Program, which accounted for 85 percent of all federally supported student loans in 2003-2004. Stafford loans come directly from the federal government under the Ford Direct Loan Program (FDLP) or through the Federal Family Education Loan Program (FFELP), which makes federally guaranteed loans available through private lenders such as banks.

The Stafford Loan Program provides subsidized loans (awarded on the basis of need, interest free up to six months after a student leaves college) and unsubsidized loans. The FFELP made some $37 billion in Stafford loans available in 2003-2004 and is more than three times the size of the FDLP program.

TOP TEN ORIGINATORS OF FFELP LOANS, FISCAL YEARS 2003-2004[1]
($ millions)

		New guarantees	
Rank	Lender name, City, State	Fiscal year 2003	Fiscal year 2004
1	SLM Corporation (Sallie Mae), Reston, VA	$3,160.6	$4,208.7
2	Bank One, Columbus, OH	3,317.5	3,927.8
3	Citibank, Student Loan Corp., Pittsford, NY	2,995.2	3,422.7
4	JP Morgan Chase Bank, Garden City, NY	2,466.0	2,549.4
5	Bank of America, Los Angeles, CA	2,157.5	2,414.3
6	Wells Fargo Education Financial Services, Sioux Falls, SD	2,042.2	2,253.3
7	First Union National Bank (Classnotes), Sacramento, CA	1,780.8	1,893.2
8	U.S. Bank, Milwaukee, WI	1,031.2	1,123.7
9	Access Group, Wilmington, DE	927.3	1,062.0
10	Edamerica, Knoxville, TN	652.1	894.1

[1]Federal Family Education Loan Program, available to the parents of dependent students. Includes Stafford loans (subsidized and unsubsidized) and PLUS loans. Excludes consolidation loans.

Source: U.S. Department of Education, National Student Loan Data Service.

CONSUMER AND BUSINESS DEBT

Compared with the late 1990s, the rate of growth of business borrowing for the period 2000 to 2004 slowed. But consumers continued to pile on debt.

- **Household debt rose 11.2 percent from 2003 to 2004, compared with 4.8 percent for business debt. Over the 10 years, 1995-2004, business debt rose 78.5 percent, compared with 110.6 percent for household debt.**

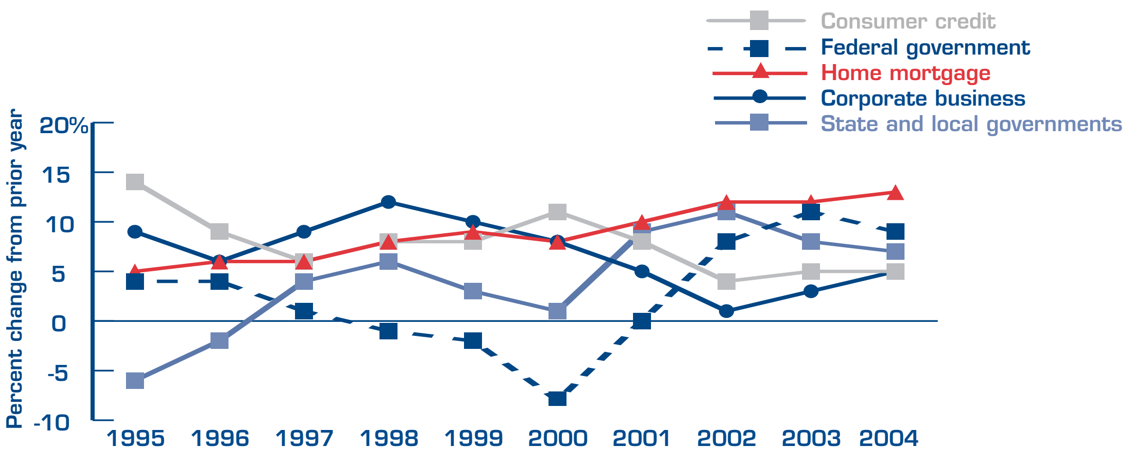
CREDIT MARKET DEBT OUTSTANDING BY SECTOR, 1995-2004[1]
($ billions)

Year	Household sector	Nonfinancial corporate business
1995	$4,874.1	$2,909.6
1996	5,206.2	3,092.3
1997	5,517.6	3,382.3
1998	5,954.8	3,778.3
1999	6,448.4	4,185.7
2000	7,018.0	4,536.2
2001	7,638.7	4,758.1
2002	8,368.9	4,785.7
2003	9,231.5	4,953.6
2004	10,264.2	5,193.7

[1]Excludes corporate equities and mutual fund shares.

Source: Board of Governors of the Federal Reserve System.

DEBT GROWTH BY SECTOR, 1995-2004
(Percent change from prior year)



Source: Board of Governors of the Federal Reserve System.

DEBT HELD BY FAMILIES BY TYPE OF DEBT AND LENDING INSTITUTION, 1995-2001

Type of debt	1995	1998	2001
Total	**100.0%**	**100.0%**	**100.0%**
Home-secured debt	73.1	71.3	75.1
Installment loans	11.9	13.0	12.3
Other residential property	7.7	7.7	6.4
Credit card balances	3.9	3.9	3.4
Other debt	2.8	3.7	2.3
Other lines of credit	0.6	0.3	0.5
Purpose of debt			
Total	**100.0%**	**100.0%**	**100.0%**
Home purchase	70.3	67.7	70.7
Other residential property	8.2	7.9	6.6
Vehicles	7.6	7.6	7.8
Goods and services	5.7	6.1	5.7
Education	2.7	3.4	3.1
Investment, excluding real estate	1.0	3.3	2.8
Home improvement	2.0	2.1	1.9
Unclassifiable loans against pension accounts	0.2	0.4	0.3
Other	2.2	1.5	1.1
Type of lending institution			
Total	**100.0%**	**100.0%**	**100.0%**
Mortgage or real estate lender	32.8	35.5	38.0
Commercial bank	34.9	32.8	34.1
Thrift institution[1]	10.8	9.7	6.1
Credit union	4.5	4.2	5.5
Finance or loan company	3.2	4.2	4.3
Credit and store cards	3.9	3.9	3.7
Brokerage	1.9	3.8	3.1
Individual lender	5.0	3.3	2.0
Other nonfinancial	0.8	1.3	1.4
Government	1.2	0.6	1.1
Pension account	0.2	0.4	0.3
Other loans	0.7	0.3	0.5

[1]Savings and loan association or savings bank. Note: Latest data available. Based on surveys conducted every three years.

Source: Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

DEBT HELD HELD BY FAMILIES BY TYPE OF DEBT, 1998 AND 2001

Percentage of families holding debt[1]	Home-secured	Other residential property	Install-ment loans	Credit card balances	Other lines of credit	Other	Any debt
1998	43.1%	5.1%	43.7%	44.1%	2.3%	8.8%	74.1%
2001	44.6	4.7	45.2	44.4	1.5	7.2	75.1
By age of family head — 2001							
Under 35 years old	35.7	2.7	63.8	49.6	1.7	8.8	82.7
35 to 44 years old	59.6	4.9	57.1	54.1	1.7	8.0	88.6
45 to 54 years old	59.8	6.5	45.9	50.4	1.5	7.4	84.6
55 to 64 years old	49.0	8.0	39.3	41.6	3.1	7.4	75.4
65 to 74 years old	32.0	3.4	21.1	30.0	[2]	5.0	56.8
75 years old and over	9.5	2.0	9.5	18.4	[2]	3.6	29.2
Percentiles of income — 2001[3]							
Less than 20	13.8	[2]	25.5	30.3	1.3	5.9	49.3
20 to 39.9	27.0	1.8	43.2	44.5	1.5	5.6	70.2
40 to 59.9	44.4	3.2	51.9	52.8	1.5	7.7	82.1
60 to 79.9	61.8	5.4	56.7	52.6	1.5	7.7	85.6
80 to 89.9	76.9	10.3	55.7	50.3	2.6	9.3	91.4
90 to 100	75.4	14.9	41.2	33.1	1.4	8.8	85.3

[1]Families include one-person units.

[2]Ten or fewer observations.

[3]Ranges listed below represent percentiles rather than income levels. A percentile is a statistical ranking point. The 50th percentile represents the midpoint of all values. For example, at the 50th percentile half of the families in the ranking fall above this income level and half fall below.

Source: Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

CONSUMER CREDIT FINANCE RATES BY INSTITUTION AND TYPE OF LOAN, 1995-2004

Commercial banks	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
New automobiles (48 months)	9.57%	9.05%	9.02%	8.73%	8.44%	9.34%	8.50%	7.62%	6.93%	6.60%
Personal (24 months)	13.94	13.54	13.90	13.76	13.39	13.90	13.22	12.54	11.95	11.89
Credit card plans	15.90	15.63	15.77	15.71	15.21	15.78	14.87	13.11	12.73	13.21
Finance companies										
New automobiles	11.19	9.84	7.12	6.30	6.66	6.61	5.65	4.29	3.40	4.36
Used automobiles	14.48	13.53	13.27	12.64	12.60	13.55	12.18	10.74	9.72	NA

NA=Data not available.

Source: Board of Governors of the Federal Reserve System.

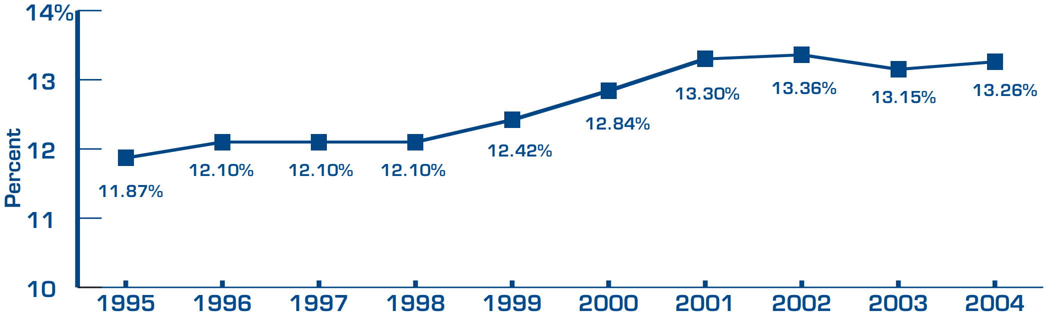
PERCENT OF U.S. HOUSEHOLDS THAT USE SELECTED PAYMENT INSTRUMENTS, 1995 AND 2001

	Any of these instruments		ATM[1]		Debit card		Direct deposit		Automatic bill paying		Smart card[1]	
	1995	2001	1995	2001	1995	2001	1995	2001	1995	2001	1995	2001
All households	76.5%	88.4%	61.2%	69.8%	17.6%	47.0%	46.8%	67.3%	21.8%	40.3%	1.2%	2.9%
Age of head of household												
Under 30 years old	75.2	83.0	71.1	78.1	24.5	60.6	31.1	48.8	17.9	32.1	1.8	2.6
30 to 60 years old	77.4	89.3	67.2	76.8	19.7	53.4	42.9	64.8	24.5	44.1	1.5	3.3
61 years old and over	75.2	89.2	43.1	48.9	9.6	24.6	63.2	83.2	18.2	35.9	0.3	2.1

[1]Questions on ATMs and smart cards asked whether any members of the household had an ATM card or a smart card, not whether the member used it. Other questions asked about usage.

Source: Mester, Loretta J., "Changes in the Use of Electronic Means of Payment: 1995-2001," *Business Review*, Third Quarter 2003, published by Federal Reserve Bank of Philadelphia.

HOUSEHOLD DEBT AS A PERCENT OF DISPOSABLE INCOME, 1995-2004[1]



[1]As measured by the household debt service ratio, an estimate of the ratio of debt payments to disposable personal income. Debt payments consist of the estimated required payments on outstanding mortgage and consumer debt. All values are for the fourth quarter for each year.

Source: Board of Governors of the Federal Reserve System.

USE OF GENERAL PURPOSE CREDIT CARDS BY FAMILIES, 1992-2001[1]

	Percent having a general purpose credit card	Median number of cards	Median new charges on last month's bills ($)	Percent having a balance after last month's bills	Median balance[2] ($)	Percent of cardholders[3] who: Almost always pay off the balance	Sometimes pay off the balance	Hardly ever pay off the balance
Total families								
1992	62.4%	2	$100	52.6%	$1,200	53.0%	19.6%	27.4%
1995	66.5	2	200	56.0	1,700	52.4	20.1	27.5
1998	67.5	2	200	54.7	2,000	53.8	19.3	26.9
2001	72.7	2	200	53.7	1,800	55.3	19.1	25.6
By family income								
Less than $10,000	28.5	1	0	67.4	1,000	45.3	23.0	31.7
$10,000 to $24,999	56.1	2	100	57.0	1,000	49.5	19.9	30.6
$25,000 to $49,999	76.1	2	100	61.3	1,700	46.7	19.7	33.6
$50,000 to $99,999	87.9	2	200	53.9	2,000	55.2	20.8	24.0
$100,000 and more	95.8	2	1,000	36.1	3,000	75.2	13.9	10.9

[1]Dollar figures are expressed in 2001 dollars. [2]Among families having a balance. [3]Cardholding families.
Note: Based on the Survey of Consumer Finance. Latest data available.

Source: Board of Governors of the Federal Reserve System.

UNDERGRADUATE STUDENT CREDIT CARD USAGE, 1998-2004

Undergraduate students	1998	2000	2001	2004
Percent who have credit cards	67%	78%	83%	76%
Average number of credit cards	3.50	3.00	4.25	4.09
Percent who have four or more credit cards	27%	32%	47%	43%

Source: Nellie Mae.

CREDIT CARD LOSS RATES, 1995-2004[1]
(Percent, end of year)

Year	Percent	Year	Percent
1995	3.96%	2000	4.68%
1996	4.65	2001	6.42
1997	5.34	2002	5.47
1998	5.10	2003	5.78
1999	4.38	2004	4.94

[1]Total loans and leases removed from balance sheet because of uncollectibility, less amounts recovered on loans and leases previously charged off, at FDIC-insured commercial institutions.

Source: Federal Deposit Insurance Corporation.

TOP TEN CREDIT CARD ISSUERS BY OUTSTANDINGS, 2003-2004[1]
($ millions, end of year)

Rank	Company	2003	2004
1	Citigroup Inc.	$118,000.0	$139,600.0
2	Chase Card Services	128,692.0	135,370.0
3	MBNA America	104,200.0	101,900.0
4	Bank of America	36,596.0	58,629.0
5	Capital One Financial Corp.	46,278.8	48,609.6
6	Discover Financial Services Inc.	48,358.0	48,261.0
7	American Express Centurion Bank	38,500.0	39,600.0
8	HSBC Credit Card Services	19,552.0	19,670.0
9	Providian Financial Corp.	16,614.1	18,100.0
10	Wells Fargo	11,762.1	13,479.9

[1]Based on responses to CID survey. Includes all credit card debt outstanding.

Source: SourceMedia's Card Industry Directory.

BANKRUPTCY

There are three major types of bankruptcies: Chapter 7 is a liquidation, under which assets are distributed by a court-appointed trustee and, if there are no assets, the debt is discharged and creditors receive nothing. Chapter 11 is a reorganization, used mostly for businesses, under which debts are restructured and a payment schedule is worked out. Chapter 13 is a debt repayment plan, under which debts are repaid in part or in full over a period of time, normally three years, under the supervision of a trustee.

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (Public Law 109-8), the most comprehensive revision to bankruptcy laws in 25 years, institutes a means test that requires people who earn above their state's median income and can repay at least $6,000 over five years to file for bankruptcy protection under Chapter 13, which requires a repayment plan. (Under the previous law more debtors were eligible to file under Chapter 7, which has less stringent provisions.)

- **From 2001 to 2005, business bankruptcies fell 11.2 percent.**
- **Nonbusiness bankruptcies, which account for the vast majority of bankruptcies, rose 22.6 percent from 2001 to 2005.**

BANKRUPTCY PETITIONS FILED BY TYPE, 2001-2005
(Year ending March 31)

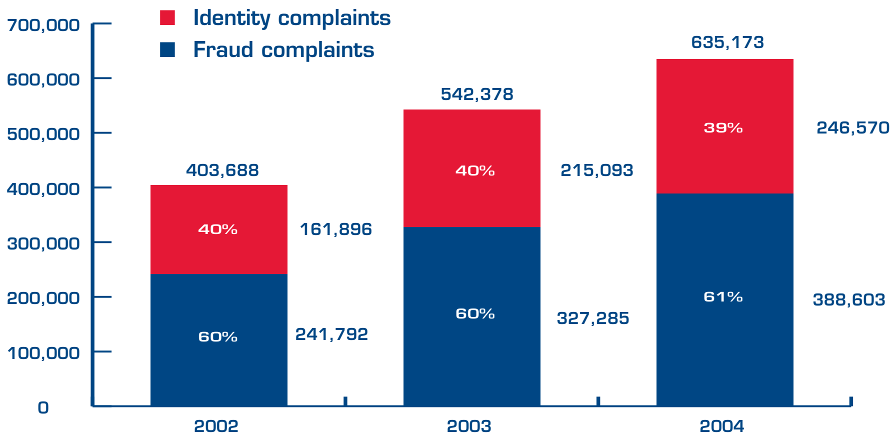
Year	Business	Nonbusiness	Total
2001	35,992	1,271,865	1,307,857
2002	39,845	1,464,961	1,504,806
2003	37,548	1,573,720	1,611,268
2004	36,785	1,618,062	1,654,847
2005	31,952	1,559,023	1,590,975

Source: Administrative Office of the U.S. Courts.

CONSUMER FRAUD AND IDENTITY THEFT

The Consumer Sentinel database, maintained by the Federal Trade Commission (FTC), contains more than one million consumer fraud and identity theft complaints that have been filed with federal, state, and local law enforcement agencies and private organizations.

IDENTITY THEFT AND FRAUD COMPLAINTS, 2002-2004[1]



[1]Percentages are based on the total number of identity theft and fraud complaints by calendar year. These figures exclude "Do Not Call" registry complaints.

Source: Federal Trade Commission.

HOW VICTIMS' INFORMATION IS MISUSED, 2004[1]

Type of identity theft fraud	Percent
Credit card fraud	28%
Other identity theft	22
Phone or utilities fraud	19
Bank fraud[2]	18
Employment-related fraud	13
Government documents or benefits fraud	8
Attempted identity theft	6
Loan fraud	5

[1]Percentages are based on the total number of complaints in the Federal Trade Commission's Identity Theft Data Clearinghouse (246,570 in 2004). Percentages total to more than 100 because some victims reported experiencing more than one type of identity theft (19% in 2004).

[2]Includes fraud involving checking and savings accounts and electronic fund transfer.

Source: Federal Trade Commission.

IDENTITY THEFT VICTIMS BY STATE, 2004

State	Victims per 100,000 population[1]	Number of victims	Rank[2]	State	Victims per 100,000 population[1]	Number of victims	Rank[2]
Alabama	48.9	2,216	36	Montana	39.3	364	44
Alaska	66.1	433	20	Nebraska	45.1	788	39
Arizona	142.5	8,186	1	Nevada	125.7	2,935	2
Arkansas	50.8	1,397	32	New Hampshire	41.8	543	42
California	122.1	43,839	3	New Jersey	75.1	6,530	15
Colorado	95.8	4,409	5	New Mexico	83.4	1,588	12
Connecticut	57.1	2,000	27	New York	92.0	17,680	7
Delaware	66.6	553	19	North Carolina	65.8	5,623	21
Florida	92.3	16,062	6	North Dakota	29.6	188	49
Georgia	84.3	7,440	11	Ohio	60.7	6,956	26
Hawaii	50.7	640	33	Oklahoma	56.0	1,973	29
Idaho	43.1	600	40	Oregon	87.8	3,156	9
Illinois	87.6	11,138	10	Pennsylvania	61.0	7,563	25
Indiana	68.5	4,274	17	Rhode Island	50.6	547	34
Iowa	34.8	1,028	45	South Carolina	51.2	2,148	31
Kansas	61.3	1,677	23	South Dakota	23.2	179	50
Kentucky	40.1	1,662	43	Tennessee	55.0	3,246	30
Louisiana	49.9	2,254	35	Texas	117.6	26,454	4
Maine	32.2	424	48	Utah	76.6	1,831	14
Maryland	83.0	4,612	13	Vermont	33.5	208	47
Massachusetts	61.1	3,921	24	Virginia	63.6	4,742	22
Michigan	72.3	7,307	16	Washington	91.1	5,654	8
Minnesota	57.0	2,905	28	West Virginia	34.2	621	46
Mississippi	46.5	1,350	38	Wisconsin	48.0	2,646	37
Missouri	67.9	3,905	18	Wyoming	42.2	214	41

[1]Population estimates are based on the 2004 U.S. Census population estimates.

[2]The District of Columbia had 166.6 victims per 100,000 population and 922 victims.

Source: Federal Trade Commission.

OVERVIEW

Competition is intense in the asset management arena, with some companies providing complete asset management services while others offer specific products. One major aspect of asset management is planning for retirement. Retirement plans are generally administered by a bank, life insurance company, mutual fund, brokerage firm or pension fund manager. Because payouts are relatively predictable, pension funds invest primarily in long-term securities. They are among the largest investors in the stock market. Pension plan assets made up 14 percent of total financial services assets in 2004.

RETIREMENT FUNDS, ASSETS AND ASSET MIX

Retirement fund assets have declined and rebounded with stock market fluctuations.

ASSETS OF PRIVATE PENSION FUNDS BY TYPE OF ASSET, 2000-2004[1]
($ billions, end of year)

	2000	2001	2002	2003	2004
Total financial assets	**$4,355.0**	**$3,916.3**	**$3,309.2**	**$4,025.4**	**$4,444.4**
Checkable deposits and currency	9.4	9.9	10.2	10.4	10.4
Time and savings deposits	136.4	143.5	148.0	150.4	152.3
Money market fund shares	76.7	80.5	82.8	84.4	85.1
Security repurchase agreements	30.0	31.6	32.5	33.1	33.4
Credit market instruments	624.0	637.3	663.0	677.2	712.0
Open market paper	36.2	37.2	39.8	37.7	37.9
U.S. government securities	287.5	295.2	305.5	313.8	333.1
Treasury	80.2	80.5	85.1	86.5	92.7
Agency	207.3	214.7	220.4	227.3	240.4
Corporate and foreign bonds	289.9	294.6	307.3	315.5	331.0
Mortgages	10.3	10.4	10.4	10.3	10.0
Corporate equities	1,915.0	1,562.1	1,096.7	1,491.9	1,690.0
Mutual fund shares	946.2	862.1	752.0	993.7	1,173.7
Miscellaneous assets	617.3	589.4	523.8	584.4	587.5
Unallocated insurance contracts[2]	368.6	339.7	270.7	333.7	341.6
Contributions receivable	121.3	121.9	122.0	120.6	118.2
Other	127.4	127.8	131.1	130.1	127.7
Pension fund reserves (liabilities)[3]	4,402.6	3,964.0	3,356.9	4,072.6	4,490.6

[1]Private defined benefit plans and defined contribution plans [including 401(k) type plans], and the Federal Employees Retirement System Thrift Savings Plan. [2]Assets of private pension plans held at life insurance companies (e.g., GICs, variable annuities). [3]Equal to the value of tangible and financial assets. These liabilities are assets of the household sector.

Source: Board of Governors of the Federal Reserve System.

ASSETS OF STATE AND LOCAL GOVERNMENT EMPLOYEE RETIREMENT FUNDS BY TYPE OF ASSET, 2000-2004

($ billions, outstanding end of year)

	2000	2001	2002	2003	2004
Total financial assets	**$2,124.3**	**$1,965.1**	**$1,727.4**	**$1,966.8**	**$2,072.4**
Checkable deposits and currency	9.1	9.5	7.7	7.0	7.7
Time and savings deposits	1.1	0.6	0.7	0.8	0.9
Security repurchase agreements	44.7	45.3	45.5	36.3	38.8
Credit market instruments	752.8	711.7	697.7	706.7	708.2
Open market paper	44.7	45.3	45.5	41.3	47.3
U.S. Government securities	344.5	304.5	295.9	305.9	305.7
Treasury	177.9	152.4	144.1	147.4	146.7
Agency- and GSE[1]-backed securities	166.6	152.1	151.8	158.5	159.0
Municipal securities	1.6	1.4	0.5	0.7	0.9
Corporate and foreign bonds	339.7	339.1	334.5	339.2	333.2
Mortgages	22.3	21.4	21.3	19.7	21.2
Corporate equities	1,223.1	1,084.0	869.8	1,084.4	1,204.7
Miscellaneous assets	93.5	113.8	105.9	131.6	112.1
Pension fund reserves (liabilities)[2]	2,166.2	2,012.0	1,776.9	2,016.7	2,120.4

[1]Government-sponsored enterprise. [2]Equal to the value of tangible and financial assets. These liabilities are assets of the household sector. Source: Board of Governors of the Federal Reserve System.

TYPES OF RETIREMENT PLANS

There are two basic types of pension funds: defined benefit and defined contribution plans. In a defined benefit plan, the income the employee receives in retirement is guaranteed, based on predetermined benefits formulas. A person's earnings and number of years with the company may affect the benefits received. In a defined contribution plan, a type of savings plan in which taxes on earnings are deferred until funds are withdrawn, the amount of retirement income depends on the contributions made and the earnings generated by the securities purchased. The employer generally matches the employee contribution up to a certain level and the employee selects investments from among the options the employer's plan offers.

The Individual Retirement Account (IRA) is a tax-deductible savings plan for those who are self-employed, or whose earnings are below a certain level, or whose employers do not offer retirement plans. Others may make limited IRA contributions on a tax-deferred basis. The Roth IRA, a special kind of retirement account created in 1997, may offer greater tax benefits to certain individuals. Other types of retirement funds include profit-sharing and Keogh plans for the self-employed and employees of small businesses.

DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS, 1990-2004

Percent of all workers participating in	1990-1991	1999	2000	2003	2004
Defined benefit pension plans	35%	21%	19%	20%	21%
Defined contribution plans	34	36	36	40	42

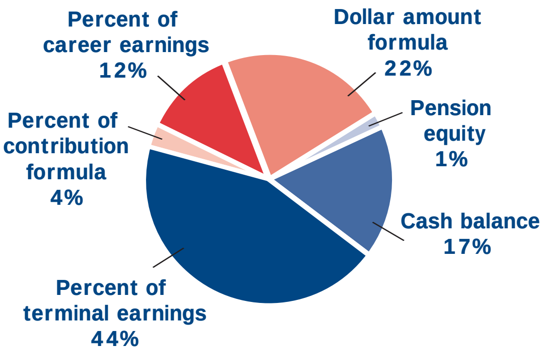
Source: Employee Benefits Research Institute.

DEFINED BENEFIT PLAN FORMULAS

Retirement benefits under defined pension plans vary, depending on the formula used to determine the benefits. Typically benefits are based on a percentage of the participant's "terminal earnings," i.e., earnings at retirement. Several other options have been developed:

- Dollar amount formula — Benefits are based on a dollar amount per month for each year of service recognized by the plan.
- Percent of career earnings — Benefits are based on a percentage of an average of career earnings for every year of service recognized by the plan.
- Percent of contribution — Benefits are based on employer and, occasionally, employee contributions. Benefits equal a percentage of total contributions.
- Cash balance — Each participant is allocated an account that receives credits on an annual basis: a pay credit, generally based on a percentage of compensation, and an interest credit, based on a fixed interest rate or linked to an index such as the Treasury bill rate. The accounts are portable.
- Pension equity — For each year of work, employees are credited with a percentage applied to their final average earnings. Generally disbursed as a lump sum.

DEFINED BENEFIT PLANS: PRIMARY FORMULA, ALL EMPLOYEES, 2002[1]



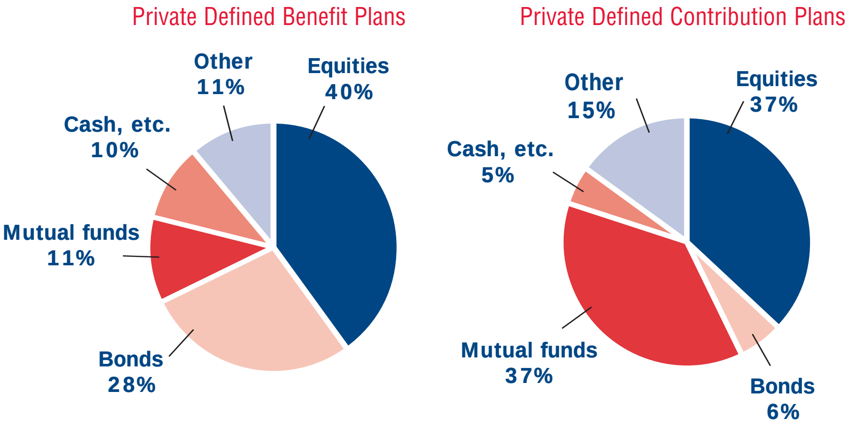
Source: National Compensation Survey, 2002, Bureau of Labor Statistics.

- **Among those workers covered by a defined benefit plan, the share of cash balance plans rose from 4 percent in 1997 to 17 percent in 2002.**
- **23 percent of workers in service-producing industries covered by a defined benefit plan were in cash balance plans, compared with 8 percent of workers in goods-producing industries.**

RETIREMENT ASSETS

- **In defined benefit plans, the share of investments in mutual funds rose from 2003 to 2004, while the share of investments in equities decreased.**

RETIREMENT FUNDS ASSET MIX, 2004



Source: Securities Industry Association.

INVESTMENT MIX OF PRIVATE DEFINED BENEFIT PLAN ASSETS, 2000-2004
($ billions)

Year	Equity	Bonds	Mutual funds	Cash items	Other assets	Total assets
2000	$959	$455	$150	$154	$197	$1,914
2001	724	459	149	162	192	1,686
2002	457	475	131	167	180	1,409
2003	643	488	185	169	195	1,680
2004	720	513	206	172	200	1,811

Source: Securities Industry Association.

INVESTMENT MIX OF PRIVATE DEFINED CONTRIBUTION PLAN ASSETS, 2000-2004
($ billions)

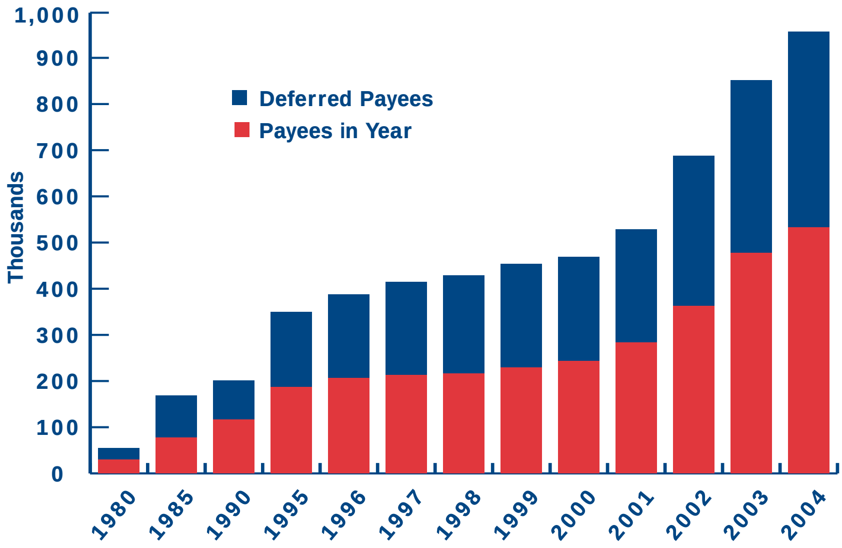
Year	Equity	Bonds	Mutual funds	Cash items	Other assets	Total assets
2000	$956	$133	$796	$135	$420	$2,441
2001	838	141	714	141	397	2,231
2002	640	148	621	146	344	1,900
2003	849	152	809	147	390	2,345
2004	970	161	968	148	387	2,634

Source: Securities Industry Association.

PENSION BENEFITS GUARANTY CORPORATION

The Pension Benefit Guaranty Corporation (PBGC), a federal corporation created by the Employee Retirement Income Security Act of 1974, protects the pensions of over 44 million workers in about 31,000 private defined benefit plans through two separate insurance programs: a single-employer plan termination insurance program and a multi-employer plan insolvency insurance program.

PARTICIPANTS AND BENEFICIARIES RECEIVING PENSION BENEFITS GUARANTY CORPORATION PAYMENTS, SINGLE-EMPLOYER PROGRAM, 1980-2004
(000)



- **The termination of four United Airlines pension plans in May 2005 will result in a $6.6 billion loss for the PBGC, the largest loss in its 31-year history.**
- **This could be topped by Delta's September 2005 bankruptcy filing, which could produce an $8.4 billion loss for the PBGC.**

Source: Pension Benefit Guaranty Corporation.

RETIREMENT ASSETS

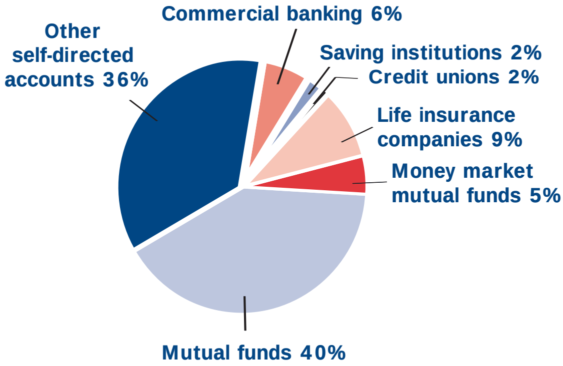
IRA MARKET SHARES BY HOLDER, 2000-2004
($ billions, end of year)

By holder	2000	2001	2002	2003	2004
Commercial banking	$157.0	$160.1	$165.6	$166.0	$168.0
Saving institutions	56.4	54.6	53.9	55.1	53.7
Credit unions	36.7	39.9	43.3	46.8	47.7
Life insurance companies	245.5	251.0	308.3	338.4	379.0
Money market mutual funds	139.0	157.0	168.0	154.0	143.0
Mutual funds	1,045.0	958.0	821.0	1,092.0	1,279.0
Other self-directed accounts	949.4	998.4	973.0	1,227.6	1,404.6
Total	**2,629.0**	**2,619.0**	**2,533.0**	**3,080.0**	**3,475.0**

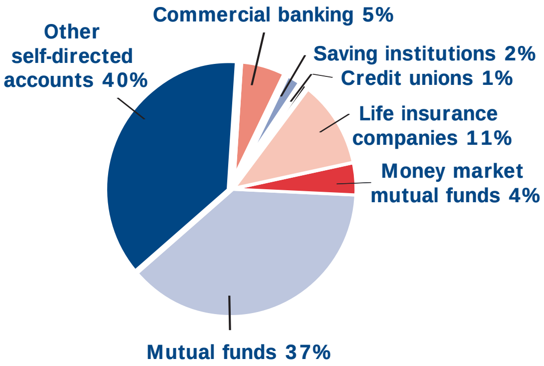
Source: Board of Governors of the Federal Reserve System.

IRA MARKET SHARES BY HOLDER, 2000 AND 2004

2000



2004



Source: Board of Governors of the Federal Reserve System.

ASSETS IN 401(K) PLANS, 1995-2004
($ billions)

Year	Mutual fund 401(k) plan assets	Other 401(k) plan assets	Total
1995	$266	$598	$864
1996	350	711	1,061
1997	479	785	1,264
1998	616	925	1,541
1999	810	980	1,790
2000	816	934	1,750[1]
2001	795	886	1,681[2]
2002	707	796	1,502[2]
2003	918	950	1,868[2]
2004[1]	1,086	1,023	2,109[2]

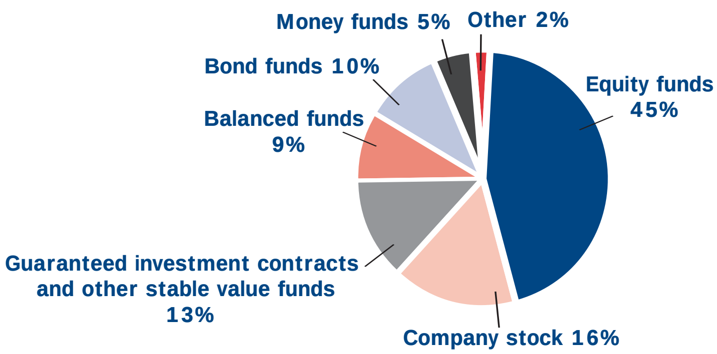
[1]Preliminary data not finalized by the U.S. Department of Labor.

[2]Estimated by the Investment Company Institute.

Note: Components may not add to totals due to rounding.

Source: Investment Company Institute.

AVERAGE ASSET ALLOCATION FOR ALL 401(K) PLAN BALANCES, 2003



Note: Funds include mutual funds and other pooled investments.

Source: Investment Company Institute.

SALES OF FIXED AND VARIABLE ANNUITIES

Fixed annuities guarantee that a specific sum of money will be paid each period, generally on a monthly basis, regardless of fluctuations in the value of the annuity issuer's underlying investments. Variable annuity payments are based on the portfolio of stocks in which the issuer invests; therefore the monthly payment may fluctuate, depending on whether the value of the investments goes up or down. Annuities may also be classified as immediate, which begin to pay as soon as the premium is received, or deferred, which accumulate assets before payments begin, generally at retirement. (See Chapter 5: Life Insurance, Premiums by Line section.)

The equity index annuity is a hybrid annuity product. A specified rate of interest guarantees a fixed minimum rate of interest as with traditional fixed annuities. At the same time, additional interest may be credited to policy values based on positive changes, if any, in an established index such as the S&P 500. The amount of additional interest depends on the particular design of the policy. Policies are sold by licensed insurance agents and regulated by state insurance departments. Sales of index annuities reached a record $23 billion in 2004, up 64 percent from 2003, according to the Advantage Compendium.

- **Variable annuity sales grew in 2004 by 3.2 percent from the previous year. Sales in 2003 were up 11.0 percent.**
- **Fixed annuity sales grew by 1.7 percent in 2004.**
- **Total annuity sales grew 2.6 percent in 2004. Sales were down 13.5 percent in 2003.**

INDIVIDUAL ANNUITY CONSIDERATIONS, 2000-2004[1]
($ billions)

Year	Variable	Fixed	Total
2000	$137.2	$52.7	$189.9
2001	111.0	74.3	185.3
2002	116.6	103.3	219.9
2003	129.4	89.4	218.8
2004[2]	133.5	90.9	224.4

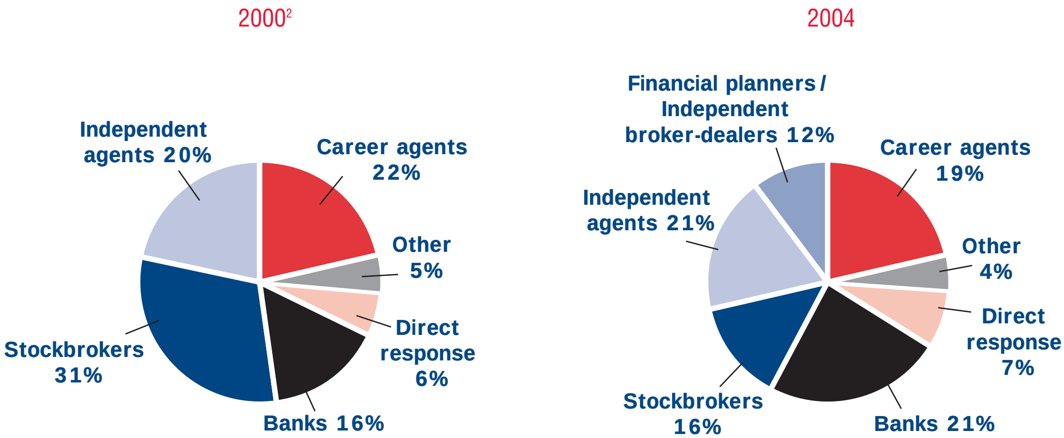
[1]Considerations are LIMRA's estimates of the total annuity sales market.
[2]Preliminary.

Source: LIMRA International.

ANNUITY DISTRIBUTION SYSTEMS

The difference in distribution channels between fixed and variable annuities is related to the nature of the product. Variable annuities are similar to stock market-based investments and therefore attract a different type of customer from fixed annuities, which tend to be associated with other fixed-rate products such as certificates of deposit sold by banks. In addition, state and federal regulators require sellers of variable annuities to register with the National Association of Securities Dealers as securities dealers. Career agents, agents who sell mostly the products of a single life insurance company, are more likely to sell variable annuities than independent agents because they have stronger ties to the company marketing them.

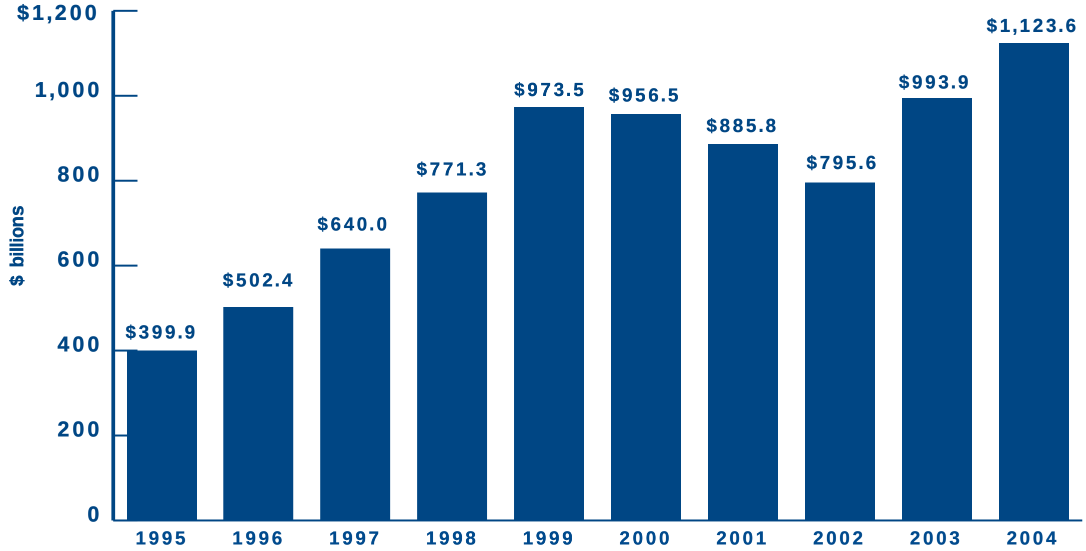
SALES OF INDIVIDUAL ANNUITIES BY DISTRIBUTION CHANNELS, 2000 AND 2004[1]



[1]Preliminary.
[2]Financial planner sales included with stockbrokers prior to 2003.

Source: LIMRA International.

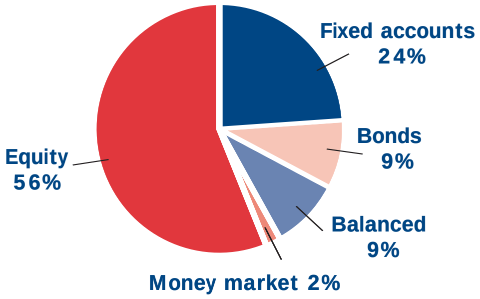
NET ASSETS OF VARIABLE ANNUITIES, 1995-2004
($ billions)



Source: NAVA and Morningstar, Inc.

VARIABLE ANNUITY NET ASSETS BY INVESTMENT OBJECTIVE, 2004[1]

- **The equity segment grew from 54.0 percent in 2003 to 55.9 percent in 2004.**



[1]As of December 31, 2004.

Source: NAVA and Morningstar, Inc.

MUTUAL FUND RETIREMENT ASSETS, 1995-2004
($ billions)

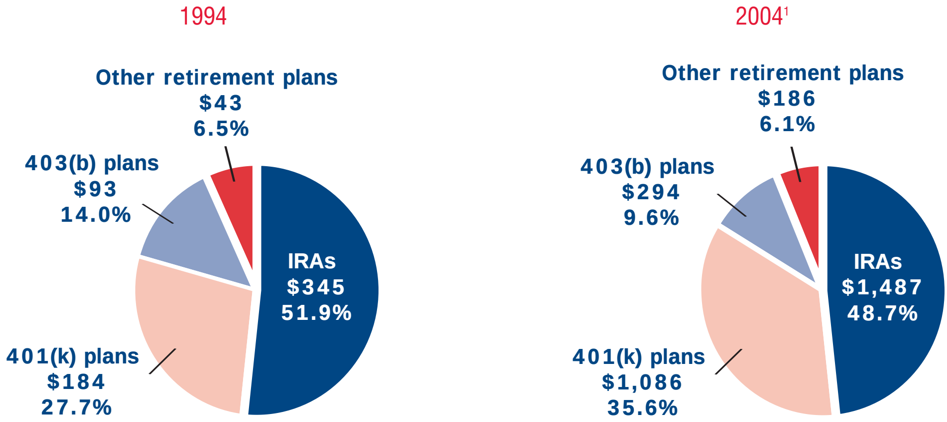
Year	Employer-sponsored accounts[1]	IRAs	Total retirement
1995	$445	$471	$915
1996	582	590	1,173
1997	771	772	1,543
1998	982	970	1,952
1999	1,278	1,262	2,541
2000	1,251	1,232	2,483
2001	1,184	1,161	2,345
2002	1,048	1,034	2,082
2003	1,356	1,307	2,663
2004[2]	1,578	1,490	3,067

[1]Includes 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other defined contribution plans without 401(k) features; does not include defined benefit plan mutual fund assets.
[2]Preliminary.

Note: Components may not add to totals due to rounding.

Source: Investment Company Institute.

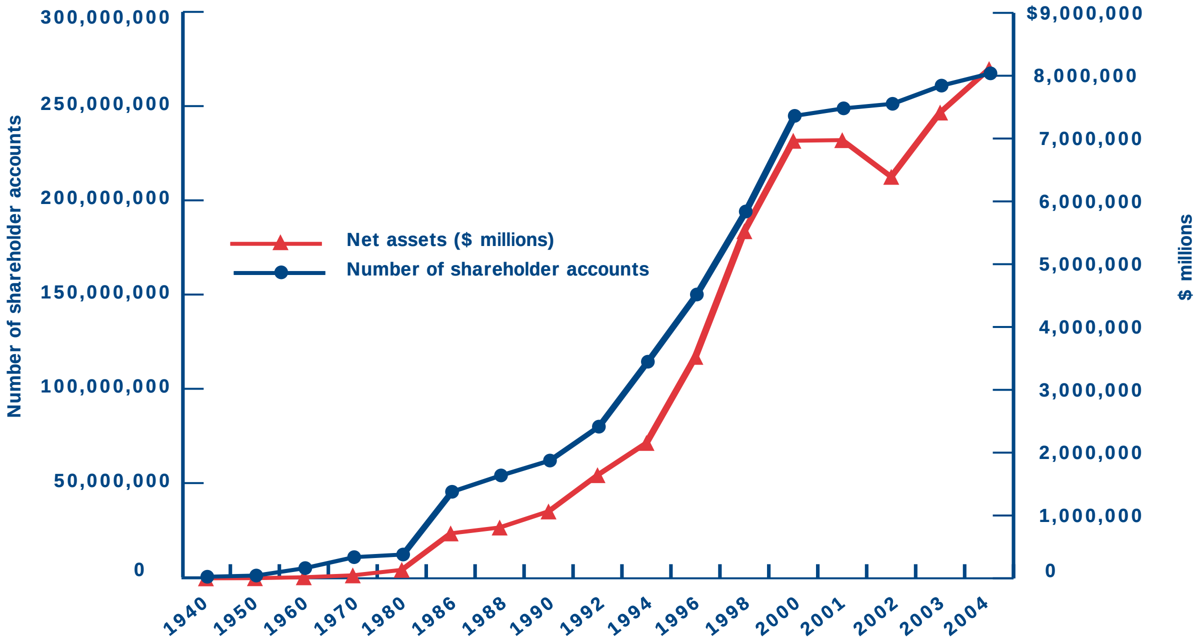
MUTUAL FUND RETIREMENT ASSETS BY TYPE OF PLAN, 1994 AND 2004
($ billions)



[1]Preliminary.

Source: Investment Company Institute.

MUTUAL FUND INDUSTRY NET ASSETS AND SHAREHOLDER ACCOUNTS, 1940-2004



Source: Investment Company Institute.

OVERVIEW

Convergence in the financial services industry is taking many forms. One aspect can be clearly seen in the financial holding company (FHC) chart below. FHCs were created by the Gramm-Leach-Bliley (GLB) Act in 1999 as a way to expand the financial services activities of bank holding companies (BHCs). BHCs are companies that own or control one or more bank and are regulated and supervised by the Federal Reserve. BHCs must meet certain eligibility requirements in terms of capital, management and community investment to become an FHC. GLB allows FHCs to engage in activities other than banking as long as they are financial in nature. The most important of these are securities underwriting and dealing, insurance underwriting, insurance agency activities and merchant banking, a form of equity financing.

GLB also allowed banks owned by BHCs to expand into financial services activities by creating financial subsidiaries. Income from these subsidiaries' activities flows up to the BHC parent, and is reported as income by the parent. But the activities permitted banks are not as broad as for FHCs. Financial subsidiaries of banks may not engage in insurance underwriting. In addition, they may not engage as a principal in providing or issuing annuities or in real estate development and investment, merchant banking or insurance investment activities.

Even before passage of Gramm-Leach-Bliley, BHCs could be involved in the securities business but what they were permitted to do was strictly limited by law. Likewise, some banks also sold insurance products. But for the most part, no bank, whether state or federally chartered, could engage in insurance underwriting, with some exceptions such as credit-related insurance.

NUMBER OF FINANCIAL HOLDING COMPANIES, 2000-2004[1]

(End of year)

	2000	2001	2002	2003	2004
Number of domestic FHCs[2]	462	567	602	612	600
Number of foreign FHCs[3]	21	23	30	32	36
Total number of FHCs	**483**	**590**	**632**	**644**	**636**

[1]To avoid double-counting, only the top-tier bank holding company in a multi-tier organization is included. [2]Bank holding company whose ultimate parent is incorporated in the United States. [3]Bank holding company whose ultimate parent is a foreign bank or other organization chartered outside the United States.

Source: Board of Governors of the Federal Reserve System.

- **There were 5,151 top tier BHCs in 2004; 12 percent had FHC status, according to the Federal Reserve.**

BANK HOLDING COMPANY INSURANCE BROKERAGE AND UNDERWRITING FEE INCOME, 2002-2004

	Insurance brokerage fee income[1]				
	Reporting brokerage fee income				
Year	Number	Percent	Brokerage fee income ($ billions)	Mean brokerage fee income ($ millions)	Median brokerage fee income
2002	1,235	63.9%	$5.86	$4.8	$65,000
2003	1,319	63.2	8.37	6.3	65,000
2004	1,408	62.7	9.63	6.8	65,000
	Insurance underwriting fee income[2]				
	Reporting underwriting fee income				
Year	Number	Percent	Underwriting fee income ($ billions)	Mean underwriting fee income ($ millions)	Median underwriting fee income
2002	179	9.1%	$24.47	$136.7	$184,000
2003	109	5.1	25.13	230.5	484,000
2004	96	4.3	27.43	285.7	499,500

[1]Income from nonunderwriting activities, mostly from insurance product sales and referrals, service charges and commissions, and fees earned from insurance and annuity sales.
[2]Income from underwriting activities.

Source: Michael White's Bank Holding Company Insurance & Investment Fee Income Report - 2004 Year-End.

BANK HOLDING COMPANY INVESTMENT FEE INCOME, 2002-2004[1]

	Reporting investment fee income				
Year	Number	Percent	Investment fee income ($ billions)	Mean investment fee income	Median investment fee income
2002	1,101	57.0%	$39.24	$35,644,486	$143,000
2003	1,196	57.3	41.96	35,074,606	139,500
2004	1,256	55.9	45.69	36,378,205	151,000

[1]Income from investment banking, advisory, brokerage, and underwriting fees and commissions.

Source: Michael White's Bank Holding Company Insurance & Investment Fee Income Report - 2004 Year-End.

BANK HOLDING COMPANY MUTUAL FUND AND ANNUITY INCOME, 2002-2004

	Reporting mutual fund and annuity income				
Year	Number	Percent	Mutual fund and annuity income ($ billions)	Mean mutual fund and annuity income	Median mutual fund and annuity income
2002	986	51.0%	$13.96	$14,158,153	$137,000
2003	1,054	50.5	15.39	14,597,508	141,000
2004	1,103	49.1	17.22	15,614,549	153,000

Source: Michael White's Bank Holding Company Insurance & Investment Fee Income Report - 2004 Year-End.

TOP TEN BANK HOLDING COMPANIES, 2005[1]

($ millions)

Rank	Company	Assets
1	Citigroup Inc.	$1,489,891
2	Bank of America Corporation	1,213,702
3	JPMorgan Chase & Co.	1,178,305
4	Wachovia Corporation	506,833
5	Wells Fargo & Company	434,610
6	Taunus Corporation[2]	362,278
7	HSBC North America Holdings Inc.[3]	351,432
8	U.S. Bancorp	198,466
9	Suntrust Banks, Inc.	164,811
10	Citizens Financial Group, Inc.[4]	141,616

[1]As of March 31, 2005. [2]Taunus' holder, Deutsche Bank, is an FHC. [3]HSBC N.A. Holdings Inc.'s holder, HSBC Holding PLC, is an FHC. [4]Citizens Financial Group, Inc.'s holder, The Royal Bank of Scotland Group PLC, is an FHC.

Source: Board of Governors of the Federal Reserve System.

- **The top 10 BHCs or their parents all have FHC status. This structure allows them to engage in expanded financial services activities.**

TOP TEN BANK HOLDING COMPANIES IN INSURANCE UNDERWRITING NET INCOME, 2004[1]

($000)

			Net income			
Rank	Bank holding company	State	Insurance underwriting	Total	Underwriting income as a percent of total bank holding company net income	Assets
1	MetLife, Inc.	NY	$2,617,000	$2,758,335	94.88%	$356,807,967
2	Citigroup Inc.	NY	2,244,000	17,046,000	13.16	1,484,101,000
3	Wells Fargo & Company	CA	830,000	7,014,000	11.83	427,849,000
4	HSBC N. America Holdings Inc.	IL	274,528	2,712,600	10.12	339,631,534
5	JPMorgan Chase & Co.	NY	193,000	4,466,000	4.32	1,157,248,000
6	Countrywide Financial Corp.	CA	124,126	2,197,574	5.65	128,495,705
7	Bank of America Corporation	NC	84,106	14,142,695	0.59	1,112,035,486
8	Old National Bancorp	IN	67,244	67,571	99.52	8,900,867
9	ABN AMRO N. America Holding Co.	IL	40,101	393,757	10.18	134,479,442
10	Wachovia Corporation	NC	36,000	5,214,000	0.69	493,324,000

[1]Ranked by 2004 total insurance underwriting net income.

Source: Michael White's Bank Holding Company Insurance & Investment Fee Income Report - 2004 Year-End.

TOP TEN BANK HOLDING COMPANIES IN INSURANCE BROKERAGE FEE INCOME, 2004[1]

($000)

			Insurance brokerage fee income				
Rank	Bank holding company	State	2003	2004	Percent change	Percent of noninterest income	2004 Assets
1	MetLife, Inc.	NY	$2,798,717	$3,079,169	10.02%	11.26%	$356,807,967
2	Citigroup Inc.	NY	1,358,000	1,616,000	19.00	3.98	1,484,101,000
3	Wells Fargo & Company	CA	838,000	966,000	15.27	7.48	427,849,000
4	BB&T Corporation	NC	371,272	593,327	59.81	28.08	100,508,641
5	JPMorgan Chase & Co.	NY	165,000	400,000	142.42	1.52	1,157,248,000
6	Wachovia Corporation	NC	246,000	245,000	-0.41	2.27	493,324,000
7	Bank of America Corp.	NC	81,774	205,495	151.30	1.00	1,112,035,486
8	MBNA Corporation	DE	231,941	200,536	-13.54	2.43	61,714,140
9	Greater Bay Bancorp	CA	116,704	128,451	10.07	71.53	6,926,147
10	HSBC N. America Holdings Inc.	IL	NA	98,266	NA	1.51	339,631,534

[1]Income from nonunderwriting activities, insurance product sales and referrals, service charges and commissions, and fees earned from insurance and annuity sales. Ranked by 2004 insurance brokerage fee income. NA=Not applicable.

Source: Michael White's Bank Holding Company Insurance & Investment Fee Income Report - 2004 Year-End.

TOP TEN BANK HOLDING COMPANIES IN PROPRIETARY MUTUAL FUND AND ANNUITIES ASSETS UNDER MANAGEMENT, 2004[1]

($000)

			Proprietary assets under management[2]			
Rank	Bank holding company	State	2003	2004	Percent change	2004 Assets
1	MetLife, Inc.	NY	$350,200,000	$386,800,000	10.45%	$356,807,967
2	Franklin Resources, Inc.	CA	249,963,322	307,297,175	22.94	8,452,859
3	Citigroup Inc.	NY	222,247,000	231,975,000	4.38	1,484,101,000
4	Bank of America Corp.	NC	132,002,989	210,259,106	59.28	1,112,035,486
5	JPMorgan Chase & Co.	NY	107,294,000	209,727,000	95.47	1,157,248,000
6	Mellon Financial Corp.	PA	170,778,000	163,889,000	-4.03	37,315,548
7	Charles Schwab Corp.	CA	153,602,564	154,945,300	0.87	47,132,922
8	Wachovia Corporation	NC	109,359,000	106,428,000	-2.68	493,324,000
9	PNC Financial Services Grp.	PA	88,537,956	95,504,468	7.87	79,742,776
10	Taunus Corporation	NY	95,888,000	93,767,408	-2.21	336,675,000

[1]Ranked by 2004 proprietary assets under management. [2]Proprietary mutual fund and annuities assets under management.

Source: Michael White's Bank Holding Company Insurance & Investment Fee Income Report - 2004 Year-End.

BANK SALES OF INSURANCE AND MUTUAL FUNDS

Since 1999 when Congress passed the Gramm-Leach-Bliley Financial Services Modernization Act, enabling financial services companies to sell each other's products, banks have greatly expanded their business beyond their traditional offerings to include sales of insurance and securities. Sales of nonbanking products now make up an increasing part of their revenue.

BANK-PRODUCED INSURANCE PREMIUMS, 1999-2003[1]

($ billions)

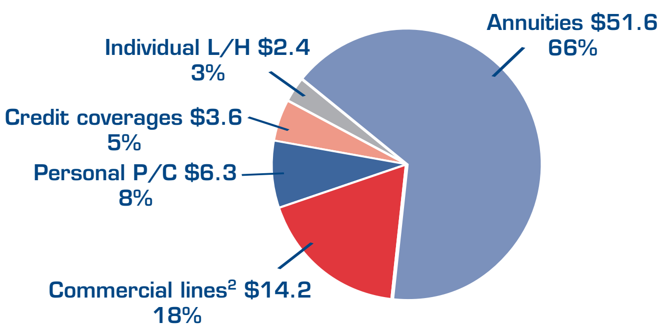
	1999	2000	2001	2002	2003	Percent change 1999-2003
Annuities	$24.2	$31.0	$37.1	$47.7	$51.6	113.2%
Commercial lines[2]	4.4	5.4	8.9	11.5	14.2	222.7
Personal property/casualty	3.1	3.7	4.1	5.0	6.3	103.2
Credit coverages	2.9	2.7	2.8	2.5	3.6	24.1
Individual life/health	1.8	2.1	2.3	2.8	2.4	33.3
Total	**$36.4**	**$44.9**	**$55.2**	**$69.5**	**$78.1**	**114.6%**
Annual growth	17.8%	23.4%	22.9%	25.9%	12.4%	NA

[1]Estimated. [2]Includes commercial property/casualty and group benefits premium. NA=Not applicable.

Source: American Bankers Insurance Association.

BANK INSURANCE PREMIUMS BY TYPE OF COVERAGE, 2003[1]

($ billions)



[1]Total estimated at $78.1 billion.
[2]Commercial property/casualty and group benefits premium.

Source: American Bankers Insurance Association.

- **In 2003, bank insurance premiums increased by 12 percent to an estimated $78.1 billion from $69.5 billion the previous year, according to a survey conducted by the American Bankers Insurance Association.**
- **In 2003, banks accounted for almost a quarter of total annuity sales, 7 percent of commercial lines insurance sales, and 3 percent of personal lines insurance sales.**

PRIMARY BANK INSURANCE DISTRIBUTION CHANNELS, 2003
(Percent)

	Property/casualty		Life/health	
	Personal	Commercial	Individual	Group benefits
Acquired agency	53.1%	67.1%	29.4%	51.9%
Carrier direct	22.2	19.0	19.3	14.8
De novo[1]	19.8	15.2	20.2	23.5
Joint venture[2]	11.1	11.4	24.4	17.3
Third-party marketer	7.4	5.1	25.2	11.1

[1]Joint venture or marketing alliance with an insurance agency.

[2]Agency originated by the bank without acquisition of a platform agency.

Source: American Bankers Insurance Association.

- **Bank sales of new life insurance, which include single premium products, rose 48 percent in 2004.**

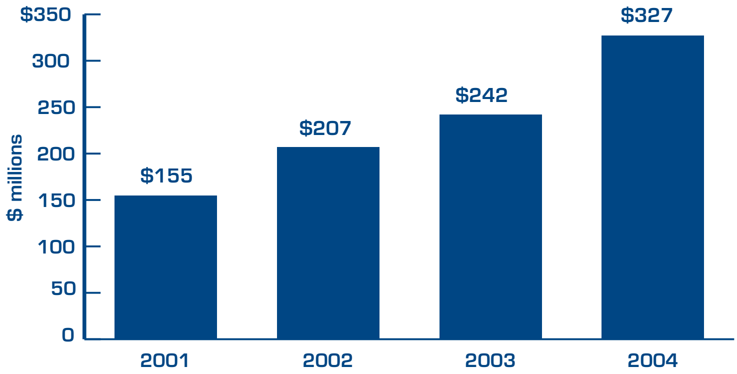
BANK SALES OF LIFE INSURANCE: NEW (FIRST YEAR) PREMIUMS, 2001-2004
($ millions)

Year	Sales
2001	$452
2002	643
2003	926
2004	1,366

Source: Kenneth Kehrer Associates.

- **When based on a weighted premium formula (see footnote), total bank sales of life insurance rose 35 percent in 2004.**

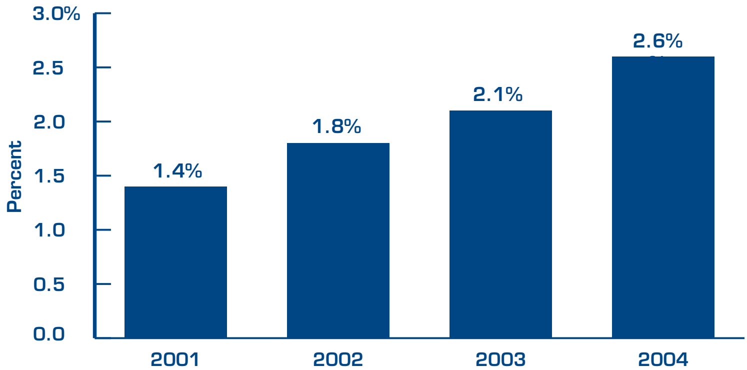
BANK LIFE INSURANCE SALES, 2001-2004[1]
($ millions weighted premium)



[1]Sales are based on weighted premium, discounting 90 percent of single premium (one-time payment) products to approximate the expected value of premium flows to life insurance companies each year. Source: Kenneth Kehrer Associates.

BANK MARKET SHARE OF LIFE INSURANCE SALES, 2001-2004[1]

(Percent based on weighted premium)



[1]Sales are based on weighted premium, discounting 90 percent of single premium (one-time payment) products to approximate the expected value of premium flows to life insurance companies each year.

Source: Kenneth Kehrer Associates.

BANK SHARE OF FIXED-ANNUITY PREMIUMS, 1995-2004

($ billions)

Year	Fixed-annuity premiums, total market	Fixed-annuity premiums, banks	Bank share (percent)
1995	$49.4	$10.7	21.7%
1996	38.9	10.3	26.5
1997	38.2	10.0	26.2
1998	32.9	8.5	24.8
1999	42.1	12.5	30.0
2000	52.8	15.4	29.2
2001	71.5	27.4	38.3
2002	98.6	36.4	36.9
2003	81.6	32.0	39.2
2004	84.4	30.3	35.9

Source: Kenneth Kehrer Associates; LIMRA International.

BANKS

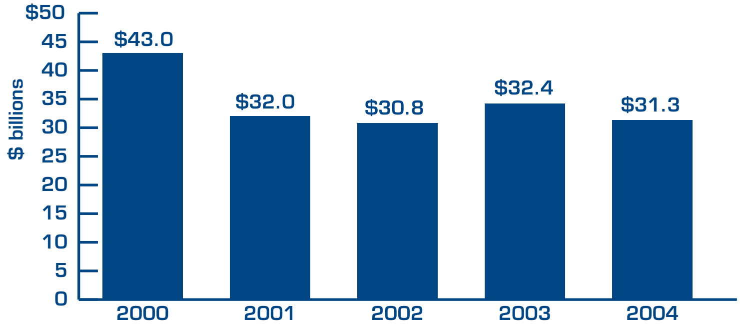
BANK SHARE OF VARIABLE-ANNUITY PREMIUMS, 1995-2004
($ billions)

Year	Variable-annuity premiums, total market	Variable-annuity premiums, banks	Bank share (percent)
1995	$49.3	$3.5	7.1%
2000	137.7	15.6	11.3
2001	112.8	10.9	9.7
2002	119.3	12.5	10.5
2003	129.2	18.1	14.0
2004	133.5	18.0	13.5

Source: Kenneth Kehrer Associates; LIMRA International.

- **Bank sales of retail mutual funds dropped 3.4 percent from 2003 to 2004.**

BANK SALES OF RETAIL MUTUAL FUNDS, 2000-2004
($ billions)



Source: Kenneth Kehrer Associates.

BANK INSURANCE/INVESTMENT FEE INCOME

BANK INSURANCE UNDERWRITING FEE INCOME, 2003-2004[1]

Year	Reporting insurance underwriting fee income: Number	Reporting insurance underwriting fee income: Percent	Underwriting fee income ($ millions)	Mean insurance underwriting fee income	Median insurance underwriting fee income
2003	334	4.0%	$628.5	$1,881,695	$12,000
2004	289	3.6	697.1	2,412,173	9,000

[1]Banks have only been reporting insurance underwriting income seperately from insurance brokerage fee income since 2003. Previously, from 2001-2002, they reported total insurance fee income.

Source: Michael White's Bank Insurance & Investment Fee Income Report - 2004 Year-End.

BANK TOTAL INSURANCE FEE INCOME, 2001-2004[1]

Year	Reporting insurance fee income: Number	Reporting insurance fee income: Percent	Insurance fee income ($ billions)	Mean insurance fee income	Median insurance fee income
2001	4,276	49.8%	$2.98	$696,524	$21,000
2002	4,359	52.0	3.49	801,687	19,000
2003	4,140	50.2	3.60	869,113	19,000
2004	4,042	50.0	4.33	1,070,016	19,000

[1]Income from underwriting and brokerage activities.

Source: Michael White's Bank and Bank Holding Company Insurance & Investment Fee Income Reports.

- **From 2001 to 2004, banks bought 231 insurance agencies. (See next page.)**

BANK INVESTMENT FEE INCOME, 2001-2004[1]

Year	Reporting investment fee income: Number	Reporting investment fee income: Percent	Investment fee income ($ billions)	Mean investment fee income	Median investment fee income
2001	2,331	27.1%	$9.16	$3,930,462	$54,000
2002	2,338	27.9	9.11	3,895,962	58,000
2003	2,331	28.2	10.16	4,357,725	61,000
2004	2,304	28.5	9.79	4,249,146	68,000

[1]Income from investment banking, advisory, brokerage, and underwriting fees and commissions.

Source: Michael White's Bank and Bank Holding Company Insurance & Investment Fee Income Reports.

- **From 1999 to 2004, banks bought an average of 53 securities firms each year. (See Chapter 7: Mergers and Acquisitions of U.S. Securities Firms.)**

BANK MUTUAL FUND AND ANNUITY INCOME, 2001-2004

Year	Reporting mutual fund and annuity income: Number	Reporting mutual fund and annuity income: Percent	Mutual fund and annuity income ($ billions)	Mean mutual fund and annuity income	Median mutual fund and annuity income
2001	2,132	24.8%	$5.51	$2,585,624	$52,000
2002	2,161	25.8	5.83	2,699,706	60,000
2003	2,105	25.5	5.53	2,626,858	65,000
2004	2,067	25.6	5.62	2,718,866	77,000

Source: Michael White's Bank and Bank Holding Company Insurance & Investment Fee Income Reports.

- **The number of bank/agency deals decreased by 4 percent from 2003 to 2004, but the value of those deals dropped by 85 percent.**

BANK PURCHASES OF INSURANCE AGENCIES, 2001-2004[1]

	2001	2002	2003	2004
Number of deals	57	64	56	54
Deal value[2] ($ millions)	$399.0	$137.5	$602.7	$88.5

[1]List does not include terminated deals.

[2]At announcement.

Source: SNL Financial LC.

TOP BANKS IN INSURANCE AND MUTUAL FUNDS

TOP TEN BANKS IN TOTAL INSURANCE FEE INCOME, 2004[1]
($000)

			Insurance fee income				
Rank	Bank	State	2003	2004	Percent change	Percent of noninterest income	2004 Assets
1	Citibank, N.A.	NY	$742,000	$932,000	25.61%	4.80%	$694,529,000
2	Branch Banking and Trust Company	NC	379,426	604,876	59.42	35.17	74,479,112
3	Chase Manhattan Bank USA, N.A.	DE	139,830	219,261	56.81	4.39	88,743,171
4	MBNA America Bank, N.A.	DE	231,941	200,536	-13.54	2.51	58,268,872
5	Citibank (Delaware)	DE	81,854	113,827	39.06	28.98	5,942,823
6	Bank of America, N.A.	NC	98,612	109,606	11.15	0.87	771,618,758
7	Fleet National Bank	RI	63,000	99,255	57.55	3.14	218,740,377
8	Wells Fargo Bank, N.A.	SD	8,000	92,000	1,050.00	0.94	366,256,000
9	Union Bank of California, N.A.	CA	62,652	77,874	24.30	7.99	47,485,217
10	Commerce Bank/North	NJ	66,009	71,970	9.03	83.84	3,278,347

[1]Income from underwriting and brokerage activities. Ranked by 2004 total insurance fee income.

Source: Michael White's Bank and Bank Holding Company Insurance & Investment Fee Income Reports.

TOP TEN BANKS IN INSURANCE UNDERWRITING INCOME, 2004
($000)

			Insurance underwriting income			
Rank	Bank	State	Total	Percent of total insurance income	Percent of noninterest income	Assets
1	Citibank, N.A.	NY	$275,000	29.51%	1.42%	$694,529,000
2	Wells Fargo Bank, N.A.	SD	90,000	97.83	0.92	366,256,000
3	Citibank (Delaware)	DE	61,672	54.18	15.70	5,942,823
4	National City Bank of the Midwest	IL	39,889	59.64	8.34	22,717,289
5	Standard Federal Bank, N.A.	MI	39,838	93.66	17.48	39,128,455
6	Wachovia Bank, N.A.	NC	26,000	76.47	0.44	389,963,000
7	SunTrust Bank	GA	25,015	56.69	1.11	130,780,100
8	Wells Fargo Financial Bank	SD	20,850	100.00	41.34	2,054,798
9	U.S. Bank N.A.	OH	19,722	86.02	0.38	194,436,638
10	Branch Banking and Trust Company	NC	12,019	1.99	0.70	74,479,112

[1]Ranked by 2004 insurance underwriting fee income.

Source: Michael White's Bank Insurance & Investment Fee Income Report - 2004 Year-End.

TOP TEN BANKS IN INSURANCE BROKERAGE FEE INCOME, 2004[1]
($000)

			Insurance brokerage fee income				
Rank	Bank	State	2003	2004	Percent change	Percent of noninterest income	2004 Assets
1	Citibank, N.A.	NY	$552,000	$657,000	19.02%	3.38%	$694,529,000
2	Branch Banking and Trust Company	NC	365,885	592,857	62.03	34.47	74,479,112
3	Chase Manhattan Bank USA, N.A.	DE	94,170	212,902	126.08	4.27	88,743,171
4	MBNA America Bank, N.A.	DE	231,941	200,536	-13.54	2.51	58,268,872
5	Bank of America, N.A.	NC	87,754	107,382	22.37	0.85	771,618,758
6	Fleet National Bank	RI	63,000	99,255	57.55	3.14	218,740,377
7	Union Bank of California, N.A.	CA	62,652	77,874	24.30	7.99	47,485,217
8	Commerce Bank/North	NJ	66,009	71,970	9.03	83.84	3,278,347
9	Fifth Third Bank	OH	0	66,437	NA	3.47	56,807,417
10	First Tennessee Bank, N.A.	TN	55,446	56,704	2.27	4.30	29,513,702

[1]Ranked by 2004 insurance brokerage fee income. NA=Not applicable.

Source: Michael White's Bank Insurance & Investment Fee Income Report - 2004 Year-End.

TOP TEN BANKS IN INVESTMENT FEE INCOME, 2004[1]

($000)

			Investment fee income				
Rank	Bank	State	2003	2004	Percent change	Percent of noninterest income	2004 Assets
1	JPMorgan Chase Bank, N.A.	OH	$2,183,000	$2,590,000	18.64%	15.35%	$967,365,000
2	Bank of America, N.A.	NC	1,145,600	1,538,483	34.29	12.19	71,618,758
3	PNC Bank, N.A.	PA	562,482	746,475	32.71	33.68	73,809,165
4	Fleet National Bank	RI	504,000	649,920	28.95	20.56	218,740,377
5	Wachovia Bank, N.A.	NC	616,000	611,000	-0.81	10.26	389,963,000
6	The Bank of New York	NY	455,362	381,673	-16.18	9.03	92,138,427
7	Wells Fargo Bank, N.A.	SD	151,000	302,000	100.00	3.08	366,256,000
8	U.S. Bank N.A.	OH	36,856	262,921	613.37	5.05	194,436,638
9	SunTrust Bank	GA	234,805	228,944	-2.50	10.17	130,780,100
10	Deutsche Bank Trust Co. Americas	NY	806,000	158,000	-80.40	9.89	33,341,000

[1]Income from investment banking, advisory, brokerage, and underwriting fees and commissions. Ranked by 2004 investment fee income.

Source: Michael White's Bank Insurance & Investment Fee Income Report - 2004 Year-End.

TOP TEN BANKS IN MUTUAL FUND AND ANNUITY INCOME, 2004[1]

($000)

			Mutual fund and annuity income				
Rank	Bank	State	2003	2004	Percent change	Percent of noninterest income	2004 Assets
1	Bank of America, N.A.	NC	$497,716	$875,768	75.96%	6.94%	$771,618,758
2	PNC Bank, N.A.	PA	554,935	754,762	36.01	34.06	73,809,165
3	Wachovia Bank, N.A.	NC	594,000	574,000	-3.37	9.64	389,963,000
4	Fleet National Bank	RI	418,000	476,924	14.10	15.09	218,740,377
5	JPMorgan Chase Bank, N.A.	OH	247,000	446,000	80.57	2.64	967,365,000
6	U.S. Bank N.A.	OH	36,856	262,921	613.37	5.05	194,436,638
7	Wells Fargo Bank, N.A.	SD	101,000	245,000	142.57	2.50	366,256,000
8	The Bank of New York	NY	222,334	206,428	-7.15	4.88	92,138,427
9	SunTrust Bank	GA	136,406	142,550	4.50	6.33	130,780,100
10	Fifth Third Bank	OH	117,155	124,391	6.18	6.49	56,807,417

[1]Ranked by 2004 mutual fund and annuity income.

Source: Michael White's Bank Insurance & Investment Fee Income Report - 2004 Year-End.

TOP TEN BANKS IN PROPRIETARY MUTUAL FUND AND ANNUITIES ASSETS UNDER MANAGEMENT, 2004[1]
($000)

			Proprietary assets under management[2]			
Rank	Bank	State	2003	2004	Percent change	2004 Assets
1	JPMorgan Chase Bank, N.A.	OH	$107,294,000	$209,727,000	95.47%	$967,365,000
2	Bank of America, N.A.	NC	132,002,989	123,095,553	-6.75	771,618,758
3	Wachovia Bank, N.A.	NC	109,359,000	104,577,000	-4.37	389,963,000
4	PNC Bank, N.A.	PA	86,766,687	93,833,604	8.14	73,809,165
5	Fleet National Bank	RI	87,176,000	87,163,553	-0.01	218,740,377
6	U.S. Bank N.A.	OH	58,179,672	56,532,570	-2.83	194,436,638
7	The Northern Trust Company	IL	44,581,364	44,379,964	-0.45	37,043,931
8	State Street Bank and Trust Company	MA	31,192,800	31,369,849	0.57	90,268,259
9	National City Bank of the Midwest	IL	19,416,569	17,201,379	-11.41	22,717,289
10	The Bank of New York	NY	12,502,664	13,742,788	9.92	92,138,427

[1]Ranked by 2004 proprietary assets under management.

[2]Proprietary mutual fund and annuities assets under management.

Source: Michael White's Bank Insurance & Investment Fee Income Report - 2004 Year-End.

INSURANCE COMPANIES

A number of insurance companies have entered the banking arena by establishing thrifts, which are savings institutions chartered by the Office of Thrift Supervision (OTS). In addition, a small number of insurance companies, including MetLife, have obtained financial holding company status that allows them to engage in banking activities.

INSURANCE COMPANIES THAT OWN OTS-REGULATED THRIFTS, BY ASSETS, 2005[1]
($000)

Insurance company	Thrift owned	State	Thrift assets
ING[2]	ING Bank, FSB	DE	$43,550,000
American Express Company	American Express Bank, FSB	UT	11,512,233
State Farm Mutual Auto Ins.	State Farm Bank, FSB	IL	10,411,981
American International Group	AIG Federal Savings Bank	DE	1,692,126
Principal Financial Group	Principal Bank	IO	1,218,642
The Allstate Corporation	Allstate Bank	IL	1,015,899
ACACIA Life Insurance Company	Acacia Federal Savings Bank	VA	1,012,369
First American Corporation	First American Trust, FSB	CA	532,824
Prudential Financial Inc.	Prudential Bank & Trust, FSB	CT	507,609
First Command Financial Plan	First Command Bank	TX	484,630
Illinois Mutual Life Insurance	Bankplus, FSB	IL	307,315
New Jersey Manu. Insurance	N.J.M. Bank, FSB	NJ	299,845
Grange Mutual Casualty Co.	The Grange Bank	OH	270,137
First Bancshares Inc.	First Home Savings Bank	MO	249,030
American Sterling Corporation	American Sterling Bank	MO	211,288
Ohio Farmers Insurance Co.	Westfield Bank, FSB	OH	178,353
ACUITY	Acuity Bank	WI	174,057
Guard Financial Group	Guard Security Bank	PA	90,673
WR Berkley Corporation	InsurBanc	CT	85,302
Kansas City Life Insurance Co.	Generations Bank	MO	77,197
Nationwide Mutual Insurance	Nationwide Trust Company, FSB	OH	72,016
Donegal Mutual Insurance Co.	Province Bank FSB	PA	68,680
Western & Southern Fin. Group	Fort Washington Trust Company	OH	45,019

(table continues)

INSURANCE COMPANIES THAT OWN OTS-REGULATED THRIFTS BY ASSETS, 2005[1] (Cont'd)
($000)

Insurance company	Thrift owned	State	Thrift assets
Modern Woodmen of America	MWABank	IL	31,589
Country Life Insurance Company	Country Trust Bank	IL	29,540
AXA Assurances Iard Mutuelle[2]	Frontier Trust Company, FSB	ND	21,996
New York Life Insurance Co.	New York Life Trust Company, FSB	NJ	21,108
Teachers Insurance and Annuity	TIAA-CREF Trust Company, FSB	MO	17,608
Massachusetts Mutual Life	The MassMutual Trust Company	CT	13,564
The Northwestern Mutual Life	Northwestern Mutual Trust Company	WI	10,389
The Guardian Life Insurance	Guardian Trust Company, FSB	NY	5,828
The Auto Club Group	Auto Club Trust, FSB	MI	4,258
ACE Limited[2]	INATrust, FSB	DE	2,824
Mennonite Mutual Aid Assoc.	MMA Trust Company	IN	2,763

[1]As of March 31, 2005. Regulated by the Office of Thirft Supervision.
[2]Non-U.S. parent.

Source: Office of Thrift Supervision, U.S. Department of the Treasury.

LEADING INSURERS, LIFE INSURANCE SALES THROUGH BANKS, 2003-2004[1]
($ millions, weighted premiums)

Rank	Company	2003	2004
1	Aegon	$26.3	$36.6
2	Allstate Financial	11.8	31.7
3	Hartford	18.3	24.8
4	Nationwide	21.0	22.8
5	Travelers	0.0	17.8
6	John Hancock	5.9	16.8
7	Liberty Life	16.4	13.7
8	AIG/American General	10.9	13.2
9	Great West Life	11.0	11.9
10	Mass Mutual	11.9	9.8

[1]Ranked by 2004 weighted premiums, which discount 90 percent of single premium (one-time payment) products to approximate the expected value of premium flows to life insurance companies each year.

Source: Kenneth Kehrer Associates.

TOP TEN WRITERS OF FIXED ANNUITIES SOLD THROUGH BANKS, 2003-2004[1]

($ millions)

		Sales	
Rank	Company	2003	2004
1	AIG/American General	$10,380	$8,793
2	Allstate Financial	2,261	3,618
3	New York Life	1,005	2,432
4	Aegon/Transamerica	3,725	1,860
5	Jackson National	1,124	1,568
6	Genworth	751	1,443
7	MetLife Investors	657	1,301
8	American National	837	836
9	Western-Southern	1,075	831
10	Nationwide	1,642	792

[1]Ranked by 2004 sales.

Source: Kenneth Kehrer Associates.

TOP TEN WRITERS OF VARIABLE ANNUITIES SOLD THROUGH BANKS, 2003-2004[1]

($ millions)

		Sales	
Rank	Company	2003	2004
1	Hartford	$4,890	$5,452
2	Pacific Life	1,760	2,310
3	AXA	1,856	1,629
4	Nationwide	1,659	1,270
5	AIG/SunAmerica	907	864
6	American Express	1,051	735
7	ING/Aetna	456	663
8	Sun Life Financial	529	634
9	Jackson National	531	488
10	Travelers	332	486

[1]Ranked by 2004 sales.

Source: Kenneth Kehrer Associates.

OVERVIEW

The insurance industry safeguards the assets of its policyholders, ensuring that they or their families can get their lives back on track and continue to contribute to the economy even after a disaster. Insurance companies act as financial intermediaries in that they invest the premiums they collect for providing this service. Insurance company size is usually measured by net premiums written, that is, premium revenues less amounts paid for reinsurance.

The insurance industry is divided into two groups, life/health and property/casualty. Many large insurers offer both property/casualty and life/health insurance and a number are expanding into other financial services sectors, including banking and mutual funds. About 20 percent of the life/health sector's premiums consists of accident and health products, including a small amount of "pure" health insurance, such as coverage from HMOs. Due to the massive involvement of the federal government in health care financing, pure health insurance data are hard to isolate and generally not compatible with other insurance data.

Insurance is a product that transfers risk from an individual or business to an insurance company. It differs from most products in that insurers must price and sell their policies before the full cost of coverage is known. In property/casualty insurance, claims may be more frequent and costly than anticipated and investment income may not fully offset the shortfall. In life insurance, expected returns from investments may not be sufficient to fund annuity contracts, especially fixed dollar annuities. If there is a downturn in the economy, policyholders may cancel life insurance policies before the company can recoup its selling expenses.

REGULATION

All types of insurance are regulated by the states, with each state having its own set of statutes and rules. The McCarran-Ferguson Act, passed by Congress in 1945, speaks of continued state regulation of the insurance industry as being in the public interest, but there have been and continue to be challenges to state regulation, including proposals for a federal role in creating a more uniform system and allowing insurers the choice of a federal or state charter similar to banks.

State insurance departments oversee insurer solvency, market conduct and, to a greater or lesser degree, review and rule on requests for rate increases for coverage, among other things. The most highly regulated products in the property/casualty insurance business are auto and homeowners insurance in the personal lines sector and workers compensation in the commercial sector, largely because these coverages are generally mandated by state law or required by banks and other lenders. The National Association of Insurance Commissioners develops model rules and regulations for the industry, many of which must be approved by state legislatures before they can be implemented.

How Statutory Accounting Principles and Generally Accepted Accounting Principles Differ

Insurers are required to use a special accounting system when filing annual financial reports with state regulators and the Internal Revenue Service. This system is known as statutory accounting principles (SAP). SAP accounting is more conservative than generally accepted accounting principles (GAAP), as defined by the Financial Accounting Standards Board, to ensure that insurers have sufficient capital and surplus to cover insured losses. The two systems differ principally in matters of timing of expenses, tax accounting, the treatment of capital gains and accounting for surplus. Simply put, SAP recognizes liabilities earlier or at a higher value and recognizes assets later or at a lower value. GAAP accounting focuses on a business as a going concern, while SAP accounting treats insurers as if they were about to be liquidated. SAP accounting is defined by state law according to uniform codes established by the National Association of Insurance Commissioners. Insurance companies reporting to the Securities and Exchange Commission must maintain and report another set of figures that meet GAAP standards.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) COMPARED WITH STATUTORY ACCOUNTING PRINCIPLES (SAP)

	GAAP	SAP
Sales costs	Accounted for over the period in which the premium is earned, i.e., the policy period.	Accounted for immediately on the sale of a policy.
Unearned income	Taxes on unearned income can be deferred until the income is earned.	Some taxes must be paid on a portion of unearned premium.
Loss reserve discounting	Reserves held to pay known losses in future need not be discounted for tax purposes.	Loss reserves must be discounted for tax purposes.
Reinsurance recoverables	Net worth may include reinsurance payments that may not be recoverable.	Net worth cannot include potentially unrecoverable reinsurance payments.
Nonadmitted assets	Certain assets, e.g., furniture and equipment, can be included in net worth.	Such assets cannot be included in net worth.
Taxes on unrealized capital gains	Deferred taxes on unrealized capital gains cannot be included in net worth.	Those anticipated taxes need not be deducted from net worth.
Bonds	Requires insurers to carry certain bonds at fair market value.	Most bonds can be carried at their amortized value.
Surplus notes	Surplus notes, a highly subordinated form of debt, must be carried as liabilities.	Surplus notes can be carried as part of policyholder's surplus.

Source: Insurance Information Institute.

MERGERS AND ACQUISITIONS

THE TOP TEN INSURANCE-RELATED MERGERS AND ACQUISITIONS REPORTED IN 2004[1]
($ millions)

Rank	Buyer	Target	Deal value[2]
1	UnitedHealth Group Inc.	Oxford Health Plans, Inc.	$5,002.1
2	Coventry Health Care Inc.	First Health Group Corp.	1,755.1
3	Occum Acquisition Corp.	Safeco Life and Investments	1,350.0
4	Swiss Reinsurance Co.	Valley Forge Life Insurance Co.	690.0
5	PacifiCare Health Systems, Inc.	American Medical Security Group, Inc.	502.0
6	Humana Inc.	CPHP Holding Inc.	408.0
7	HIP Insurance Co. of New York	ConnectiCare, Inc.	350.0
8	Devlin Group LLC	Forethought Financial Services, Inc.	290.0
9	Prudential plc	Life Insurance Company of Georgia	253.9
10	Jefferson-Pilot Corp.	U.S. group business of The Canada Life Assurance Co.	200.0

[1]At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals.
[2]At announcement.

Source: SNL Financial LC.

- **The number of insurance-related mergers and acquisitions per year was relatively stable between 2000 and 2004. However, the value of those deals fluctuated between $9.2 billion and $65.2 billion per year over the same five years.**

PROFITABILITY

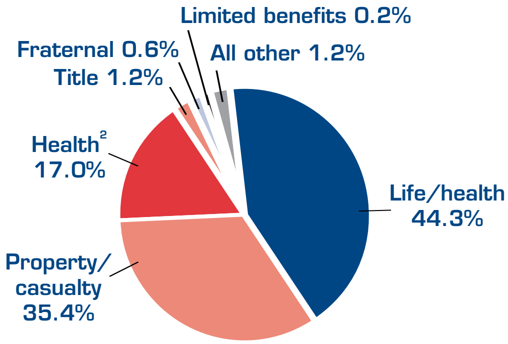
ANNUAL RATE OF RETURN, GAAP ACCOUNTING, PROPERTY/CASUALTY AND LIFE/HEALTH INSURANCE, 1995-2004
(Percent)

Year	Property/casualty[1]	Life/health[2]	Year	Property/casualty[1]	Life/health[2]
1995	8.7%	11.0%	2000	5.9%	10.0%
1996	9.3	10.0	2001	-1.2	7.0
1997	11.6	12.0	2002	2.2	1.0
1998	8.5	11.0	2003	8.9	9.0
1999	6.0	13.0	2004	9.4	11.0

[1]Return on average net worth, ISO.
[2]Combined stock and mutual companies from data reported by Fortune as calculated by the Insurance Information Institute.

Source: ISO; Fortune.

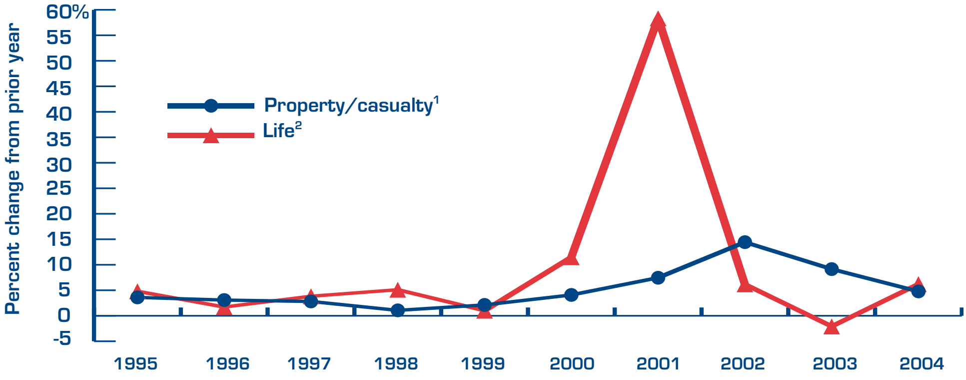
PREMIUMS BY TYPE OF INSURER, 2003[1]



[1]Gross direct premiums. Total premiums for 2003 were $1.2 trillion.
[2]Blue Cross/Blue Shield, HMOs and hospital, medical and dental indemnity.

Source: National Association of Insurance Commissioners. Reprinted with permission. Further reprint or redistribution strictly prohibited without written permission of NAIC.

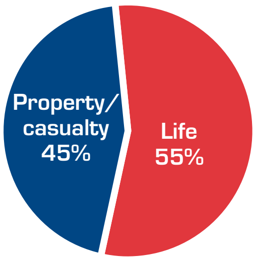
GROWTH IN U.S. PREMIUMS, PROPERTY/CASUALTY AND LIFE INSURANCE, 1995-2004



[1]Net premiums written, excluding state funds.
[2]Premiums and annuity considerations for life/health insurance companies. Includes deposit-type funds beginning in 2001, a statutory accounting change that increased annuity considerations.

Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Services/Highline Data.

U.S. PROPERTY/CASUALTY AND LIFE INSURANCE PREMIUMS, 2004



Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Services/Highline Data.

EMPLOYMENT IN INSURANCE, 1995-2004
(000)

	Insurance companies[1]				
Year	Life, health and medical	Property/ casualty	Reinsurers	Insurance agencies, brokerages and related services[2]	Total industry
1995	807.4	552.0	36.3	712.6	2,108.2
1996	788.0	558.2	35.4	726.4	2,108.0
1997	797.4	566.9	35.1	744.1	2,143.6
1998	816.8	592.0	34.3	766.3	2,209.4
1999	815.3	603.9	33.5	783.4	2,236.1
2000	808.8	591.6	32.3	787.8	2,220.6
2001	807.7	591.3	31.4	803.2	2,233.7
2002	791.1	590.0	31.7	820.4	2,223.2
2003	789.0	608.6	31.0	837.4	2,266.0
2004	765.6	607.7	30.1	856.9	2,260.3

[1]Described by the Bureau of Labor Statistics as "direct insurers."

[2]Includes claims adjusters, third party administrators of insurance funds and other service personnel such as advisory and insurance ratemaking services.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

- **Over the last 10 years, employment in the insurance industry (all sectors) has averaged 2.1 percent of total U.S. employment.**

U.S. INSURANCE COMPANIES

An insurance company is said to be "domiciled" in the state that issued its primary license; it is "domestic" in that state. Once licensed in one state, it may seek licenses in other states as a "foreign" insurer. An insurer incorporated in a foreign country is called an "alien" insurer in the U.S. states in which it is licensed.

DOMESTIC INSURANCE COMPANIES BY STATE BY TYPE, 2003

(End of year)

State	Life/ health	Property/ casualty	Health[1]	Fraternal[2]	Title	Limited benefits plan[3]	Risk retention group	Other[4]
Alabama	16	22	5	1	1	7	1	3
Alaska	0	7	1	0	0	1	0	0
Arizona	262	50	10	0	1	7	4	23
Arkansas	38	11	7	0	2	0	0	14
California	28	136	NA	6	10	0	0	20
Colorado	10	21	19	2	3	3	2	10
Connecticut	32	69	7	1	1	0	0	0
Delaware	46	83	8	2	0	2	1	3
D.C.	1	10	7	2	9	0	0	4
Florida	19	111	27	0	5	21	1	520[5]
Georgia	20	37	11	0	0	0	0	36
Hawaii	3	17	5	0	0	0	16	106
Idaho	6	12	2	0	0	0	0	5
Illinois	71	186	10	18	0	19	2	113
Indiana	40	77	12	3	5	4	1	38
Iowa	26	55	6	1	0	1	2	118
Kansas	12	27	6	0	2	1	0	1
Kentucky	10	8	8	0	0	6	0	23
Louisiana	58	33	11	2	3	0	0	24
Maine	2	23	4	0	0	1	0	0
Maryland	10	46	19	0	1	8	0	2
Massachusetts	19	55	11	2	2	0	0	0
Michigan	19	65	44	2	0	4	0	5
Minnesota	13	49	4	6	1	0	0	95
Mississippi	26	18	5	4	3	0	0	3

(table continues)

DOMESTIC INSURANCE COMPANIES BY STATE BY TYPE, 2003 (Cont'd)

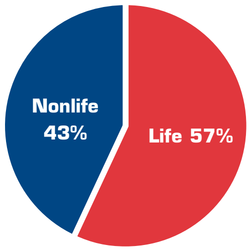
(End of year)

State	Life/ health	Property/ casualty	Health[1]	Fraternal[2]	Title	Limited benefits plan[3]	Risk retention group	Other[4]
Missouri	36	49	0	2	3	0	0	140
Montana	3	4	5	0	1	0	0	21
Nebraska	29	38	4	1	0	4	1	35
Nevada	3	9	5	0	0	10	0	29
New Hampshire	3	33	5	1	0	0	0	3
New Jersey	7	81	3	4	2	0	0	11
New Mexico	1	7	5	0	0	4	0	0
New York	86	195	51	7	10	4	0	175
North Carolina	6	70	16	0	2	0	0	0
North Dakota	4	19	4	0	0	1	0	15
Ohio	41	134	19	13	11	8	0	51
Oklahoma	29	54	0	0	5	0	0	14
Oregon	3	14	22	0	3	0	0	100
Pennsylvania	37	200	29	25	5	11	0	0
Rhode Island	4	23	5	0	0	1	0	2
South Carolina	12	32	7	0	2	0	0	66
South Dakota	1	20	6	0	1	0	0	21
Tennessee	15	17	16	1	2	4	1	18
Texas	165	238	53	9	4	0	1	20
Utah	17	7	7	0	1	5	0	17
Vermont	2	16	2	0	0	0	70	441
Virginia	14	19	16	0	2	6	0	20
Washington	12	26	18	2	2	4	0	0
West Virginia	1	4	5	0	0	0	0	11
Wisconsin	31	182	22	9	0	13	0	114
Wyoming	0	2	2	0	0	0	0	0
Countrywide[6]	**1,367**	**2,749**	**585**	**126**	**105**	**160**	**103**	**2,490**

[1]Blue Cross/Blue Shield, HMOs and hospital, medical and dental indemnity (HMDI) plans that provide stipulated payments to an insured person during hospital confinement for virtually all costs related to hospital stays; other medical expenses; and for dental services and supplies. [2]Fraternal groups provide insurance plans for their members. [3]Limited benefit plans cover only specified accidents or sicknesses. [4]Includes county mutuals, farm mutuals, auto services companies and specialty companies. [5]NAIC correction, August 2005. [6]Includes territories and possessions. NA=Data not available.

Source: Insurance Department Resources Report, 2003, published by the National Association of Insurance Commissioners. Reprinted with permission. Further reprint or redistribution strictly prohibited without written permission of NAIC.

WORLD LIFE AND NONLIFE INSURANCE PREMIUMS, 2004



Source: Swiss Re, *sigma,* No. 2/2005.

WORLD INSURANCE MARKET

Outside the United States, the insurance industry is usually classified as life and nonlife, or general insurance. The latter includes every form of insurance except life. Reinsurance, insurance for insurance companies, is purchased by both life and nonlife insurers.

The number of countries in the survey of world insurance premiums conducted by Swiss Re increased from 78 in 1995 to 88 in 2004. To be included, countries must have reliable data and meet certain criteria, which ranged from over $100 million in direct premiums in 1995 to at least $250 million in 2004.

- **From 1995 to 2004 total world insurance premiums grew 51.3 percent. Nonlife premiums grew 53.9 percent. Life business grew 49.5 percent.**
- **The inflation-adjusted growth rate from 2003 to 2004 was 2.3 percent for the total world insurance market, compared with 2.0 percent from 2002 to 2003. These growth rates were calculated using local currencies.**

WORLD LIFE AND NONLIFE INSURANCE PREMIUMS, 1995-2004

(Direct premiums written, U.S. $ millions)

Year	Nonlife[1]	Life	Total
1995	$906,781	$1,236,627	$2,143,408
1996	909,100	1,196,736	2,105,838
1997	896,873	1,231,798	2,128,671
1998	891,352	1,275,053	2,166,405
1999	912,749	1,424,203	2,336,952
2000	926,503	1,518,401	2,444,904
2001	969,945	1,445,776	2,415,720
2002	1,098,412	1,534,061	2,632,473
2003	1,275,616	1,682,743	2,958,359
2004	1,395,218	1,848,688	3,243,906

[1]Includes accident and health insurance.

Source: Swiss Re, *sigma*, various issues.

PROPERTY/CASUALTY INSURANCE

Property/casualty insurance covers the property and liability losses of businesses and individuals. These losses range from damage and injuries resulting from car accidents to the cost of lawsuits stemming from faulty products and professional misconduct. In terms of premiums written, private auto insurance is by far the largest single line, nearly four times greater than the next largest line, homeowners multiple peril. Property/casualty insurance companies tend to specialize in commercial or personal insurance, but some sell both, and a number of companies are expanding into other financial services sectors, including personal banking and mutual funds.

Because property/casualty losses are more volatile than those in life insurance, property/casualty insurers invest largely in high-quality liquid securities, which can be sold quickly to pay for claims resulting from a major hurricane, earthquake or man-made disaster such as a terrorist attack.

ASSETS AND LIABILITIES OF NONLIFE INSURANCE COMPANIES, 2000 AND 2004[1]

($ billions, end of year)

	2000	2004
Total financial assets	**$862.0**	**$1,182.9**
Checkable deposits and cash	3.7	33.9
Security repurchase agreements[2]	38.3	59.5
Credit market instruments	509.4	701.6
U.S. government securities	136.2	202.1
Municipal securities	184.1	251.6
Corporate and foreign bonds	187.5	245.6
Commercial mortgages	1.6	2.4
Corporate equities	194.3	209.0
Trade receivables	64.6	83.4
Miscellaneous assets	51.8	95.5
Total liabilities	**562.7**	**751.6**
Taxes payable	19.7	33.5
Miscellaneous liabilities[3]	543.0	718.1

[1]Nonlife insurance includes every form of insurance except life.

[2]Short-term agreements to sell and repurchase government securities by a specified date at a set price.

[3]Largely reserves, i.e., money held to pay known and anticipated claims.

Source: Board of Governors of the Federal Reserve System.

CAPITAL AND SURPLUS

A property/casualty insurer must maintain a certain level of capital and surplus to underwrite risks. This capital is known as “capacity.” When the industry is hit by high losses, capacity is diminished. It can be restored by increases in net income, favorable investment returns, reinsuring more risk and/or raising additional capital. The property/casualty insurance industry is cyclical. When there is excess capacity, usually because of a high return on investments, premiums tend to decline as insurers compete for market share. As premiums decline, underwriting losses are likely to grow, reducing capacity and causing insurers to raise rates and tighten conditions and limits.

Property/casualty insurers rarely show an overall underwriting profit, i.e., a net gain from premiums after costs of sales, dividends to policyholders, loss payments, and loss adjustment costs (which include litigation costs). When the combined ratio (costs in excess of premiums) is over 100, the difference is generally covered by investment income from a number of sources, including capital and surplus accounts, money set aside for loss reserves and unearned premium reserves, and capital gains. In 2004, at the peak of the insurance cycle, the combined ratio was 98.1, which means insurers paid out about 98 cents for every dollar in earned premium. In 2003, the combined ratio was 100.1.

- **In 2004 net income after taxes, at $38.7 billion, was at the highest level since 1998, at $30.8 billion.**

PROPERTY/CASUALTY INSURANCE INDUSTRY INCOME ANALYSIS, 2000-2004[1]
($ billions)

	2000	2001	2002	2003	2004
Net written premiums	$299.7	$323.5	$369.7	$404.4	$423.3
Percent change	5.3%[2]	8.0%	14.3%	9.4%	4.7%
Earned premiums	$294.0	$311.5	$348.5	$386.3	$412.6
Losses incurred	200.9	234.5	238.8	238.7	246.4
Loss adjustment expenses incurred	37.8	40.9	44.8	50.0	53.2
Other underwriting expenses	82.6	86.4	93.8	100.7	106.4
Policyholder dividends	3.9	2.4	1.9	1.9	1.6
Underwriting gain/loss	-31.2	-52.6	-30.8	-4.9	5.0
Investment income	40.7	37.7	37.2	38.6	39.6
Miscellaneous income/loss	0.4	1.1	-0.8	0.0	-0.5
Operating income/loss	9.9	-13.8	5.6	33.8	44.1
Realized capital gains/losses	16.2	6.6	-1.2	6.6	9.3
Federal income taxes/credit	5.5	-0.2	1.3	10.3	14.7
Net income after taxes	20.6	-7.0	3.0	30.0	38.7

[1]Data in this chart may not agree with similar data shown elsewhere due to different sources.
[2]ISO adjusted the growth rate to mitigate distortion caused by a significant insolvency.

Source: ISO.

ASSETS

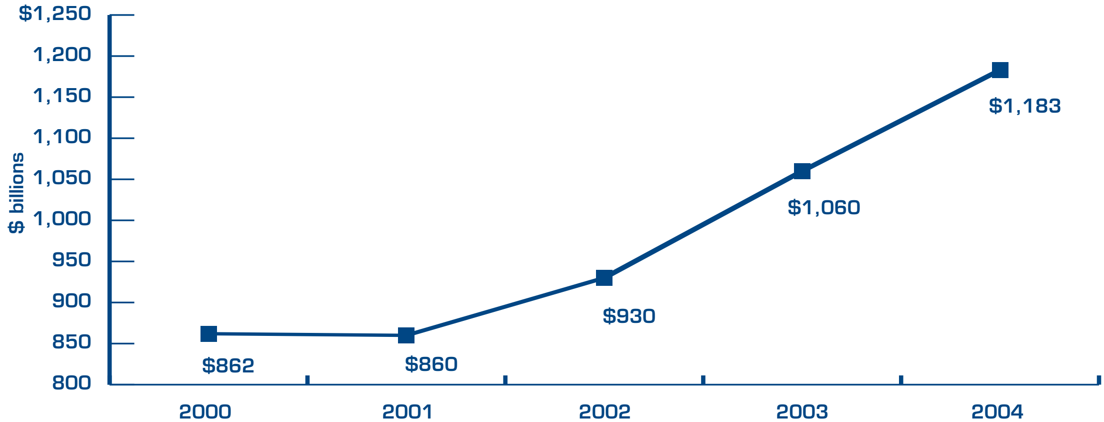
PROPERTY/CASUALTY INSURER FINANCIAL ASSET DISTRIBUTION, 2000-2004
($ billions)

	2000	2001	2002	2003	2004
Total financial assets	**$862.0**	**$859.9**	**$929.8**	**$1,060.1**	**$1,182.9**
Checkable deposits and cash	3.7	13.1	25.9	34.6	33.9
Security RPs[1]	38.3	30.2	44.4	52.8	59.5
Credit market instruments	509.4	518.4	558.3	625.2	701.6
U.S. government securities	136.2	146.2	174.4	180.1	202.1
Treasury	52.1	52.0	61.2	64.7	72.6
Agency- and GSE[2]-backed securities	84.1	94.2	113.2	115.4	129.5
Municipal securities	184.1	173.8	183.0	224.2	251.6
Corporate and foreign bonds	187.5	196.4	198.9	218.9	245.6
Commercial mortgages	1.6	1.9	2.0	2.1	2.4
Corporate equities	194.3	173.9	152.3	182.7	209.0
Trade receivables	64.6	69.9	74.8	79.3	83.4
Miscellaneous assets	51.8	54.4	74.1	85.5	95.5

[1]RPs are repos (repurchase agreements). [2]GSE=government-sponsored enterprise.

Source: Board of Governors of the Federal Reserve System.

PROPERTY/CASUALTY INSURER FINANCIAL ASSETS, 2000-2004
($ billions)



Source: Board of Governors of the Federal Reserve System.

TOP TWENTY U.S. PROPERTY/CASUALTY COMPANIES BY REVENUES, 2004
($ millions)

Rank	Group	Revenues	Assets
1	American International Group	$98,610	$800,000
2	Berkshire Hathaway	74,382	188,874
3	State Farm Insurance Cos.	58,819	149,827
4	Allstate	33,936	149,725
5	St. Paul Travelers Cos.	22,934	111,815
6	Hartford Financial Services	22,693	259,735
7	Nationwide	20,558	157,371
8	Liberty Mutual Insurance Group	19,754	72,359
9	Loews (CNA)	14,584	73,750
10	Progressive	13,782	17,184
11	Chubb	13,177	44,260
12	USAA	11,273	46,482
13	Fidelity National Financial	8,296	9,271
14	Safeco	7,336	14,586
15	First American Corp.	6,722	6,208
16	American Family Insurance Group	6,655	13,641
17	Auto-Owners Insurance	4,737	10,662
18	Erie Insurance Group	4,555	12,195
19	W.R. Berkley	4,512	11,451
20	American Financial Group	3,912	22,560

Source: Fortune.

DISTRIBUTION CHANNELS

Property/casualty insurance was once sold almost exclusively by agents — either by captive agents representing one insurance company or by independent agents representing several companies. Insurance companies selling through captive agents and/or by mail, telephone, or via the Internet are called “direct writers.” In the 1990s, these distinctions blurred as insurers began to use multiple channels to reach potential customers.

In the 1980s, banks began to explore the possibility of selling insurance through independent agents, usually buying agencies for that purpose. (See Chapter 4: Convergence, page 50.) Other distribution channels include sales through professional organizations and workplaces.

The sale of insurance via the Internet, either at proprietary Web sites or at so-called “insurance malls,” remains a very small portion of total sales. Most Internet sales are of “commodity” insurance products, i.e., auto, term and whole life, and other relatively simple coverages that do not require much detailed explanation or customized risk analysis.

The Independent Insurance Agents & Brokers of America says that in 2004, on average, personal property/casualty insurance accounted for 53 percent of agencies’ insurance revenues. Commercial lines accounted for 41 percent of revenues, life and health insurance for 3 percent, and employee benefits for 3 percent.

INSURANCE CARRIERS AND AGENTS DIRECT MARKETING SALES REVENUE BY MEDIA, 1998-2007[1]
($ millions)

				Projected		Compound annual growth	
Media	1998	2002	2003[2]	2004	2007	1998-2003	2003-2007
All media	**$81,751.8**	**$117,291.9**	**$129,224.7**	**$144,348.8**	**$200,971.1**	**9.44%**	**11.67%**
Magazine	1,960.3	2,749.5	3,025.8	3,384.5	4,800.3	8.83	12.23
Direct mail	32,298.1	46,380.9	51,467.3	57,794.6	80,429.1	9.47	11.81
Newspaper	5,255.6	7,173.6	7,949.9	8,885.1	12,391.1	8.09	11.73
Other	1,825.0	2,628.9	2,912.2	3,292.0	4,709.7	9.55	12.77
Radio	1,079.3	1,608.0	1,802.2	2,041.8	2,909.0	10.48	12.72
Telephone	36,579.8	52,556.4	57,416.1	63,717.7	88,262.5	9.48	11.35
Television	2,753.7	4,194.6	4,651.2	5,233.0	7,469.4	11.09	12.57

[1]Sales generated by products sold directly to the public through various media.

[2]Estimated.

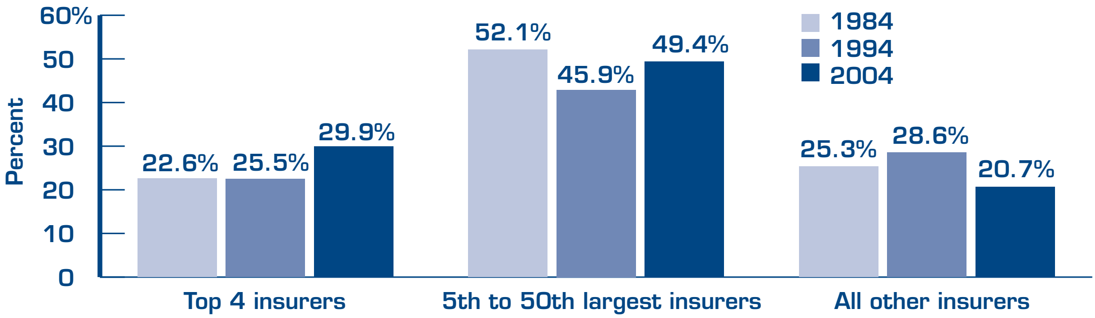
Source: The Direct Marketing Association, Inc.

PROPERTY/CASUALTY INSURANCE INDUSTRY CONCENTRATION

According to ISO, concentration in the property/casualty insurance sector increased from 229 in 1980 to 341 in 2004 on the Herfindahl scale, used to measure market concentration. The U.S. Department of Justice classifies any score under 1,000 as unconcentrated. A score over 1,800 means an industry is highly concentrated.

MARKET SHARE TRENDS BY SIZE OF INSURER, 1984-2004[1]

(Percent)



[1]Based on net premiums written.

Source: ISO.

PREMIUMS BY LINE

NET PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 2003-2004[1]

($000)

Lines of insurance	2003	2004	Percent change 2003-2004	Percent of total, 2004
Private passenger auto				
Liability	$89,312,552	$92,994,099	4.1%	21.7%
Collision and comprehensive	62,017,295	63,739,939[2]	2.8	14.9
Total private passenger auto	151,329,847	156,734,038	3.6	36.5
Commercial auto				0.0
Liability	18,512,698	19,618,077	6.0	4.6
Collision and comprehensive	7,019,170	7,104,445[2]	1.2	1.7
Total commercial auto	25,531,868	26,722,522	4.7	6.2

(table continues)

NET PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 2003-2004[1] (Cont'd)

($000)

Lines of insurance	2003	2004	Percent change 2003-2004	Percent of total, 2004
Fire	$8,416,020	$8,316,595	-1.2%	1.9%
Allied lines[3]	7,882,464	8,307,595	5.4	1.9
Earthquake	1,052,925	1,098,392	4.3	0.3
Farmowners mutliple peril	2,004,668	2,118,462	5.7	0.5
Homeowners multiple peril	46,051,935	49,988,877	8.5	11.7
Commercial multiple peril	27,504,806	29,134,347	5.9	6.8
Ocean marine	2,589,997	2,827,554	9.2	0.7
Inland marine	7,815,195	8,215,433	5.1	1.9
Accident and health[4]	11,985,520	9,955,816	-16.9	2.3
Workers compensation	33,197,583	36,760,327	10.7	8.6
Medical malpractice	8,761,390	9,129,530	4.2	2.1
Other liability[5]	36,362,096	40,720,856	12.0	9.5
Products liability	2,703,961	3,395,002	25.6	0.8
Aircraft	1,703,392	2,180,122	28.0	0.5
Burglary and theft	124,202	138,837	11.8	[7]
Boiler and machinery	1,592,213	1,572,208	-1.3	0.4
Fidelity	1,195,664	1,309,335	9.5	0.3
Surety	3,437,975	3,857,003	12.2	0.9
Reinsurance	15,508,496	13,697,298	-11.7	3.2
Credit	710,903	806,449	13.4	0.2
Mortgage guaranty	4,285,446	4,323,176	0.9	1.0
Financial guaranty	3,515,726	3,115,495	-11.4	0.7
Other lines[6]	4,202,689	4,601,096	9.5	1.1
Total, all lines	**409,466,982**	**429,026,363**	**4.8**	**100.0**

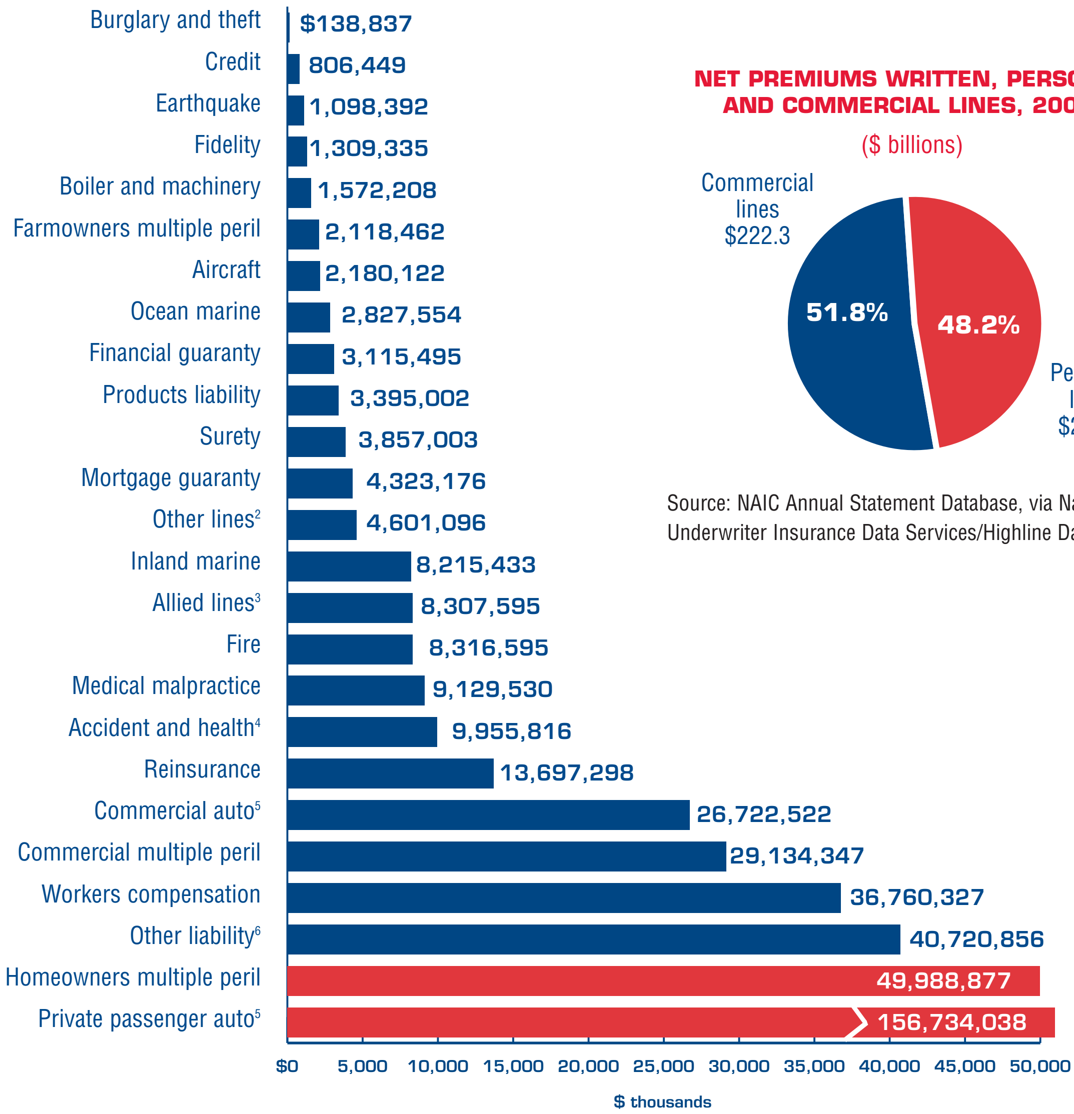
[1]After reinsurance transactions, excluding state funds. [2]The major AIG companies had not filed their 2004 Insurance Expense Exhibit by publication time and are not reflected in the data for auto collision and comprehensive insurance. [3]Includes multiple peril crop and federal flood. [4]Premiums from certain insurers that write primarily health insurance but file financial statements with state regulators on a property/casualty rather than life/health basis. [5]Coverages protecting against legal liability resulting from negligence, carelessness or failure to act. Some examples are contingent liability, errors and omissions, environmental pollution and umbrella and liquor liability insurance. [6]Includes international and miscellaneous coverages. [7]Less than 0.1 percent.

Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Services/Highline Data.

PROPERTY/CASUALTY: PREMIUMS BY LINE

NET PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 2004[1]

($000)



NET PREMIUMS WRITTEN, PERSONAL AND COMMERCIAL LINES, 2004[5]

($ billions)

Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Services/Highline Data.

[1]After reinsurance transactions, excluding state funds. [2]Includes international and miscellaneous coverages. [3]Includes multiple peril crop and federal flood. [4]Premiums from certain insurers that write primarily health insurance but file financial statements with state regulators on a property/casualty rather than life/health basis. [5]The major AIG companies had not filed their 2004 Insurance Expense Exhibit by publication time and are not reflected in the data for auto collision and comprehensive insurance. [6]Coverages protecting against legal liability resulting from negligence, carelessness or failure to act. Some examples are contingent liability, errors and omissions, environmental pollution and umbrella and liquor liability insurance.

Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Services/Highline Data.

SURETY BONDS

Some kinds of insurance provide financial guarantees. The oldest type, a personal contract of suretyship, dates back to biblical times, when one person would guarantee the creditworthiness or the promise to perform of another. Surety bonds in modern times are primarily used to guarantee the performance of contractors.

A surety bond is a contract guaranteeing the performance of a specified obligation. Simply put, it is a three-party agreement under which one party, the surety company, answers to a second party, the owner, creditor or "obligee," for a third party's debts, default or nonperformance. Before it issues the bond, the insurer investigates the background and financial condition of the contractor to satisfy itself that the firm is capable of doing the job as set out in the contract. If the contractor fails to perform, the surety company is obligated to get the work completed or pay for the loss up to the bond "penalty." Surety bonds are generally required on large federal, state and local public works projects.

SURETY BONDS, 1995-2004
($000)

Year	Direct premiums written	Annual percent change
1995	$2,471,961.8	5.1%
1996	2,656,150.9	7.5
1997	2,769,298.9	4.3
1998	2,918,747.5	5.4
1999	3,401,012.3	16.5
2000	3,490,219.5	2.6
2001	3,473,100.6	-0.5
2002	3,756,651.5	8.2
2003	3,934,236.2	4.7
2004	4,265,934.3	8.4

Source: Surety Association of America (SAA). Reprinted with permission. Further reprint or redistribution is strictly prohibited without written permission of SAA.

TOP TEN SURETY COMPANIES BY DIRECT PREMIUMS WRITTEN, 2004
($000)

Rank	Group	Direct premiums written
1	St. Paul Travelers Group	$919,353.4
2	CNA Insurance Group	353,464.6
3	Zurich Insurance Group	324,215.9
4	Safeco Insurance Group	261,954.7
5	Chubb & Son Inc.	210,520.3
6	Liberty Mutual Insurance Group	173,838.0
7	Hartford Fire & Casualty Group	163,506.9
8	HICA Group	117,989.6
9	XL America	88,598.3
10	Arch Capital Group	87,508.0

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FINANCIAL GUARANTY INSURANCE

Insurers also provide other financial guarantees which help expand the financial markets by increasing borrower and lender leverage. Starting in the 1970s, surety bonds began to be used to guarantee the principal and interest payments on municipal obligations. This made the bonds more attractive to investors and at the same time benefited bond issuers because the insurance lowered their borrowing costs. This kind of surety bond became known as financial guaranty insurance. Initially, financial guaranty insurance was considered a special category of surety covering the risk involved in financial transactions. It became a separate line of insurance in 1986.

The companies that insure bonds are specialized, highly-capitalized companies that traditionally have the highest rating. The insurer's high rating attaches to the bonds, lowering the riskiness of the bonds to investors. With their credit rating thus enhanced, municipalities can issue bonds that pay a lower interest rate, enabling them to borrow more for the same outlay of funds. Investors typically have to sacrifice some yield, generally about 2 to 3 percent, in exchange for the security that bond insurance provides.

The leading municipal bond insurers have diversified since their inception and now provide insurance and reinsurance for corporate bonds and other forms of credit as well as for foreign government and corporate borrowings. They have also become insurers of asset-backed securities, pools of credit default swaps, and other structured financial transactions.

FINANCIAL GUARANTY INSURANCE INCOME STATEMENT, 2000-2004
($ millions)

	2000	2001	2002	2003	2004
Premiums written	$1,572	$2,161	$3,037	$3,995	$3,769
Net premiums earned	1,042	1,274	1,648	2,124	2,275
Net investment income	1,025	1,189	1,282	1,301	1,420
Other income	-8	2	8	3	0
Losses and loss expenses incurred	42	76	191	189	372
Other underwriting expenses	441	447	548	671	770
Net income before taxes	1,576	1,942	2,199	2,568	2,553
Income taxes	315	500	572	722	620
Net income	1,261	1,442	1,628	1,846	1,933

Source: Association of Financial Guaranty Insurors.

- **In 2004 municipal bonds were the largest sector insured by financial guaranty insurers, accounting for 45 percent of total par (face value of bond) insured volume. In 2003 it was 54 percent of the total.**
- **In 2004 insurance on U.S. asset-backed securities accounted for 43 percent of total par insured volume, compared with 31 percent in 2003.**

TOP TEN FINANCIAL GUARANTY INSURERS BY DIRECT PREMIUMS WRITTEN, 2004
($000)

Rank	Company	Direct premiums written	Market share
1	MBIA Insurance Corporation	$1,055,793	29.3%
2	Ambac Assurance Corporation	905,137	25.1
3	Financial Security Assurance Holdings Ltd.	755,880	20.9
4	Financial Guaranty Insurance Co.	323,575	9.0
5	XL Reinsurance America Inc. & Affiliates	226,804	6.3
6	Radian Guaranty Inc.	197,965	5.5
7	Aca Financial Guaranty Corp.	49,201	1.4
8	Assured Guaranty Corp.	45,123	1.3
9	CIFG Assurance North America Inc.	45,058	1.2
10	First Nonprofit Mutual Insurance Co.	1,491	[1]

[1]Less than 1 percent.

Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Service/Highline Data.

CREDIT INSURANCE FOR SHORT-TERM TRADE RECEIVABLES

Credit insurance protects the policyholder, the product seller, against the risk of a customer's protracted default on its obligation to pay for goods or services or its insolvency. Credit insurance covers outstanding receivables over and above the level of losses for which a company would typically set up bad debt reserves and often is sold with a large package of credit management services. Credit insurance facilitates financing, enabling insured companies to get better credit terms from banks. (Export credit insurance is provided by private insurers under the sponsorship of the Export-Import Bank, a federal agency.)

CREDIT INSURANCE, 2000-2004
($000)

Year	Direct premiums written	Annual percent change
2000	$511,416	10.3%
2001	620,554	21.3
2002	731,798	17.9
2003	801,826	9.6
2004	1,053,996	31.4

Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Services/Highline Data.

TOP TEN CREDIT INSURANCE COMPANIES BY DIRECT PREMIUMS WRITTEN, 2004
($000)

Rank	Company	Direct premiums written	Market share
1	Euler American Credit Indemnity Co.	$154,080	14.6%
2	Old Republic Insurance Group	88,586	8.4
3	American Natl. Property & Casualty Co. & Affiliates	85,198	8.1
4	American International Group	63,354	6.0
5	Allstate Insurance Co. Group	53,638	5.1
6	Continental Casualty Group (CNA)	50,370	4.8
7	First Colonial Insurance Company	48,451	4.6
8	Stonebridge Casualty Insurance Co.	46,569	4.4
9	Atradius Trade Credit Insurance Co.	45,032	4.3
10	OneBeacon Insurance Group	42,292	4.0

Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Services/Highline Data.

MORTGAGE GUARANTY INSURANCE

Private mortgage insurance (PMI), known as mortgage guaranty insurance, guarantees that, in the event of a default, the insurer will pay the mortgage lender for any loss resulting from property foreclosure up to a specific amount. PMI, which is purchased by the borrower but protects the lender, is sometimes confused with mortgage insurance, a life insurance product that pays off the mortgage if the borrower dies before the loan is repaid. Banks generally require PMI for all borrowers with down payments of less than 20 percent. With PMI, therefore, prospective homeowners with only enough cash for a 5 percent down payment may be able to buy a home immediately rather than waiting to save enough to pay 20 percent. (See Chapter 9: Mortgage Finance and Housing, page 151.)

MORTGAGE GUARANTY INSURANCE, 2000-2004[1]
($000)

	2000	2001	2002	2003[2]	2004[2]
Net premiums written	$3,324,382	$3,656,387	$3,789,257	$3,482,519	$3,336,039
Net premiums earned	3,299,936	3,649,250	3,835,948	3,385,414	3,395,419
Losses	483,285	681,539	831,973	870,861	1,136,214
Expenses	700,929	806,767	899,493	787,649	789,190
Underwriting income	2,115,722	2,160,944	2,104,483	1,375,427	1,309,478
Loss ratio	14.65%	18.68%	21.69%	25.72%	33.46%
Expense ratio	21.08	22.06	23.74	22.62	23.66
Combined ratio	35.73	40.74	45.43	48.34	57.12

[1]As reported by members of the Mortgage Insurance Companies of America, representing seven private mortgage insurance companies. [2]Includes six private mortgage insurance companies. Data for 2003-2004 not strictly comparable with earlier data.
Source: Mortgage Insurance Companies of America.

TOP TEN MORTGAGE GUARANTY INSURANCE COMPANIES BY DIRECT PREMIUMS WRITTEN, 2004[1]
($000)

Rank	Company	Direct premiums written	Market share
1	Mortgage Guaranty Insurance Corp.	$1,415,767	28.1%
2	Radian Guaranty Inc.	904,413	18.0
3	PMI Group	740,224	14.7
4	American International Group	667,435	13.3
5	General Electric Mortgage Ins. Group	586,583	11.7
6	Republic Mortgage Insurance Co.	479,420	9.5
7	Triad Guaranty Insurance Group	176,696	3.5
8	CMG Mortgage Ins. Co.	60,296	1.2
9	Aztec Insurance Company	69	[1]
10	Citigroup Affiliated Property & Casualty Ins.	60	[1]

[1]Less than 1 percent.
Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Services/Highline Data.

REINSURANCE

Reinsurance is essentially "insurance for insurance companies." It is a way for primary insurance companies to protect against unforeseen or extraordinary losses. Depending on the contract, reinsurance can enable the insurer to improve its capital position, expand its business, limit losses and stabilize cash flow, among other things. In addition, the reinsurer, drawing information from many primary insurers, will usually have a far larger pool of data for assessing risks, information that can help the primary insurer.

Reinsurance can take a variety of forms. It may cover a layer of risk within certain dollar limits, say losses between $5 million to $10 million, for which a premium is paid, or a sharing of both losses and profits for certain types of business.

Reinsurance is an international business. According to the Reinsurance Association of America, 48 percent of the reinsurance business purchased by U.S. insurance companies in 2004 was written by non-U.S. reinsurers. This represents transactions between unaffiliated companies and includes only premiums paid to professional reinsurers.

TOP TEN U.S. PROPERTY/CASUALTY REINSURERS BY GROSS PREMIUMS WRITTEN, 2004
($ billions)

Rank	Company	Gross premiums written
1	Swiss Reinsurance America Corp.	$4.7
2	XL Reinsurance America	4.4
3	American Reinsurance Corp.[1]	4.2
4	GE Insurance Solutions[2]	3.9
5	Transatlantic/Putnam Reinsurance Co.	3.8
6	Everest Reinsurance Company	3.7
7	National Indemnity Company	3.0
8	General Re Group[3]	2.8
9	Odyssey America Re/Odyssey Re Co.	2.4
10	Berkley Insurance Company	1.7

[1]Includes combined results of America Re-Insurance Company, American Alternative Insurance Corporation and The Princeton Excess & Surplus Lines Insurance Company.

[2]Includes combined results of Employers Reinsurance Corporation and GE Reinsurance Solutions.

[3]All data presented for the North American Property-Casualty segment of the General Re Group. Includes certain intercompany adjustments; excludes other affiliates of the Berkshire Hathway Group.

Source: Standard & Poor's.

THE SECURITIZATION OF INSURANCE RISK

Insurers and reinsurers typically issue catastrophe bonds through an issuer known as a special purpose vehicle or reinsurer, a specialized company set up specifically for this purpose. The bonds pay high interest rates and diversify an investor's portfolio because natural disasters occur randomly and are not associated with economic factors. Depending on how the bond is structured, if losses reach the threshold specified in the bond offering, the investor may lose all or part of the principal or interest. There is growing interest in securitizing life insurance company portfolios and a catastrophe bond public fund has been launched in Europe for individual investors. Discussions are taking place on securitization of auto insurance and other commodity-type insurance risks.

CATASTROPHE BOND TRANSACTIONS, 2004
($ millions)

Special purpose vehicle	Sponsor	Risk amount	Peril	Risk location
Oak Capital Ltd.	Swiss Re	$34.5	Windstorm	Europe
Sequoia Capital Ltd.	Swiss Re	22.5	Earthquake	California
Arbor I Ltd.	Swiss Re	85.8	Multiple	U.S., Europe, Japan
Residential Re 2004	USAA	127.5	Multiple	U.S.
	USAA	100.0	NA	NA
Helix 04 Limited	Converium Ltd.	100.0	Multiple	U.S., Europe, Japan
Gi Capital Ltd.	Unnamed Japanese insurer[1]	125.0	Earthquake	Japan
Foundation Re Ltd.	Hartford Fire Ins. Co.	180.0	Hurricane	U.S.
	Hartford Fire Ins. Co.	67.5	Multiple	U.S.
Redwood Capital V	Swiss Re	150.0	Earthquake	California
Redwood Capital VI	Swiss Re	150.0	NA	NA

[1]Sponsored by Swiss Re.

NA=Not available.

Source: Guy Carpenter; MMC Securities Corp.

WEATHER-RELATED HEDGES

Weather-related derivatives and insurance allow such businesses as ski resorts, oil and propane gas distributors, and others that may experience large swings in annual sales due to weather conditions, to hedge their weather-related risk.

Developed initially by an energy company in the late 1990s and now being offered by insurers and reinsurers (the insurers of insurance companies), weather derivatives typically are indexes derived from average temperatures, snowfall or rainfall. Weather derivatives come in the form of options or swaps. A weather option is a trade that pays an agreed amount at a specific time, based on the occurrence of certain weather conditions, such as summer temperatures more than five degrees below average. A weather swap is an exchange of funds between two entities likely to experience different conditions. Money changes hands for every point above or below a certain threshold. Contracts can be tailored to meet specific needs.

Companies can also buy an insurance policy. These policies generally have a dual trigger, one weather-related, such as "heating degree days," and the other based on reduced sales or some other economic indicator. These products are treated differently from derivatives in terms of accounting and taxation.

Weather-related hedge products are different from other kinds of weather insurance, such as policies that protect against specific events being cancelled by poor weather. They are also different from catastrophe bonds. (See the Securitization of Insurance Risk, page 83.)

PARTICIPANTS IN THE 2003 WEATHER RISK MANAGEMENT ASSOCIATION SURVEY[1]

Participation by main line of business	
Banking	3
Energy	7
Insurance	5
Other	4

Participation by location of respondent	
Asia	6
Europe	5
North America	7
Other	1
Total	**19**

[1]Based on companies responding to a survey covering 2003/2004 conducted by PricewaterhouseCoopers for the Weather Risk Management Association; excludes Chicago Mercantile Exchange trades.

Source: PricewaterhouseCoopers.

GLOBAL WEATHER RISK PRODUCTS, VALUE AND NUMBER OF CONTRACTS, 1999-2003[1]

Year	Notional value ($ millions)	Number of contracts
1999	$3,003	1,285
2000	2,517	2,759
2001	4,339	3,397
2002	4,188	4,517
2003	4,578	3,162

[1]Based on companies responding to a survey conducted by PricewaterhouseCoopers for the Weather Risk Management Association; excludes Chicago Mercantile Exchange trades.

Source: PricewaterhouseCoopers.

- **According to a survey by the Weather Risk Manage-ment Association and Pricewaterhouse-Coopers, from 2002 to 2003, the number of transactions in the global weather market fell by 30 percent, but the value of those transactions increased by 9 percent.**

WEATHER CONTRACTS TRADED AT THE CHICAGO MERCANTILE EXCHANGE, 2001-2005
($ millions)

Year	Notional value	Number of contracts
2001	NA	131
2002	$191	4,446
2003	1,700	19,094
2004	2,200	122,000
2005	16,500[1]	612,000[2]

[1]January-August, 2005.
[2]January-September 20, 2005.

NA=Data not available.

Source: Chicago Mercantile Exchange.

- **The Chicago Mercantile Exchange (CME) is a key component of the weather risk management industry. Weather contracts traded on the CME totaled 612,000 in the first nine months of 2005, five times the number traded in all of 2004.**

LIFE/HEALTH INSURANCE

The primary business of life/health insurance companies is no longer traditional life insurance, but the underwriting of annuities — contracts that guarantee a fixed or variable payment over a given period of time. Nevertheless, the sale of such life insurance products as whole life and term life policies remains an important part of the business.

Life insurance is essentially an investment of savings that offers a tax-free sum to the beneficiary at some point in the future. Life insurers invest the premiums they collect primarily in government and corporate bonds, but also in mortgage loans (mostly commercial). Besides annuities and life insurance, life insurers may offer other types of financial services such as asset management.

- **Total assets of life insurance companies grew at an average annual rate of 12 percent from 2002 to 2004, rebounding from slower annual average growth of 3 percent from 2000 to 2002.**

ASSETS AND LIABILITIES OF LIFE INSURANCE COMPANIES, 2000 AND 2004

($ billions, end of year)

	2000	2004
Total financial assets	**$3,135.7**	**$4,159.9**
Checkable deposits and currency	5.0	40.1
Money market fund shares	142.3	120.7
Credit market instruments	1,943.9	2,675.2
U.S. government securities	293.5	446.8
Open market paper	71.2	70.7
Municipal securities	19.1	28.0
Corporate and foreign bonds	1,222.2	1,753.7
Policy loans	101.9	106.0
Mortgages	235.9	270.0
Corporate equities	891.9	1,091.5
Mutual fund shares	97.0	99.6
Miscellaneous assets	55.6	132.7
Total liabilities	**2,942.8**	**3,905.1**
Loans and advances	2.5	11.1
Life insurance reserves	782.7	1,067.3
Pension fund reserves[1]	1,465.9	2,002.8
Taxes payable	17.8	28.1
Miscellaneous liabilities	674.0	796.0

[1]Excludes unallocated contracts held by private pension funds which are included in miscellaneous liabilities.

Source: Board of Governors of the Federal Reserve System.

CAPITAL AND SURPLUS

Capital, in a publicly owned life insurance company, is the shareholders' equity. In a mutual company, capital is retained earnings. Surplus in both cases is what is left when basic liabilities (unearned premiums and reserves for unpaid claims) are subtracted from assets (earned premiums, investments, reinsurance).

The life/health insurance industry's net income rose to $32.2 billion in 2004, or 21.1 percent, from 2003.

LIFE/HEALTH INSURANCE INDUSTRY: SELECTED OPERATING DATA, 2002-2004
($ millions)

	2002	2003	2004
Premiums and annuity considerations[1]	$510,876.6	$500,237.0	$531,234.5
Net investment income	141,647.7	142,926.9	145,554.5
Net gain from operations[2]	23,396.8	39,117.9	41,150.9
Federal and foreign income taxes[3]	3,714.0	7,891.6	10,007.6
Net realized capital gains/losses	-15,643.7	-4,668.3	1,093.2
Net income	4,039.2	26,558.0	32,236.5
Dividends to stockholders	-12,872.6	-10,961.2	-13,060.8
Capital and surplus (end of year)	205,591.6	223,825.0	237,066.7

[1]Life and accident and health policies and contracts.

[2]After dividends to policyholders and before federal income taxes.

[3]Incurred (excluding tax on capital gain).

Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Services/Highline Data.

ASSETS

LIFE/HEALTH INSURER FINANCIAL ASSET DISTRIBUTION, 2000-2004

($ billions)

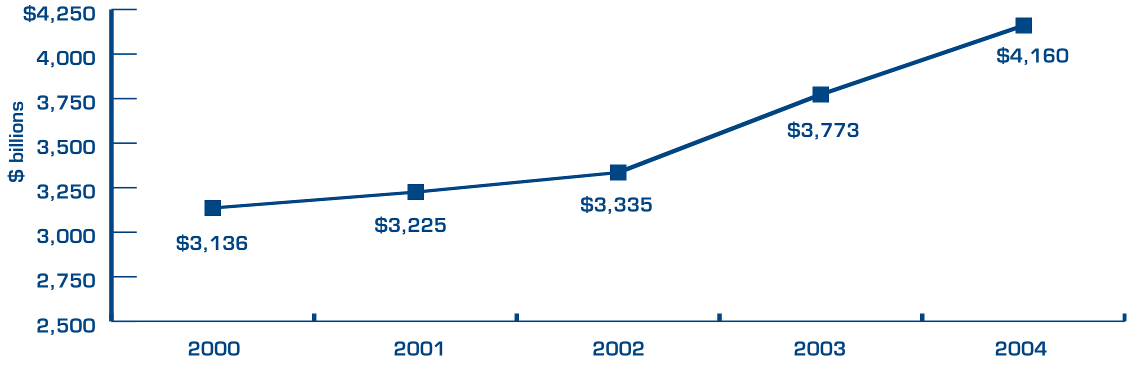
Asset type	2000	2001	2002	2003	2004
Total financial assets	**$3,135.7**	**$3,224.6**	**$3,335.0**	**$3,772.8**	**$4,159.9**
Checkable deposits and currency	5.0	36.8	35.3	47.3	40.1
Money market fund shares	142.3	173.3	159.8	151.4	120.7
Credit market instruments	1,943.9	2,074.8	2,307.8	2,488.3	2,675.2
Open market paper	71.2	59.3	74.0	55.9	70.7
U.S. government securities	293.5	307.2	409.4	420.7	446.8
Treasury	58.1	53.7	78.5	71.8	75.0
Agency- and GSE[1]-backed securities	235.4	253.5	330.9	348.9	371.8
Municipal securities	19.1	18.7	19.9	26.1	28.0
Corporate and foreign bonds	1,222.2	1,342.4	1,449.3	1,620.2	1,753.7
Policy loans	101.9	104.1	105.1	104.5	106.0
Mortgages	235.9	243.0	250.0	260.9	270.0
Corporate equities	891.9	811.3	708.9	919.3	1,091.5
Mutual fund shares	97.0	88.3	76.6	91.7	99.6
Miscellaneous assets	55.6	40.1	46.8	74.7	132.7

[1]GSE= government-sponsored enterprise.

Source: Board of Governors of the Federal Reserve System.

LIFE/HEALTH INSURER FINANCIAL ASSETS, 2000-2004

($ billions)



Source: Board of Governors of the Federal Reserve System.

TOP TWENTY U.S. LIFE/HEALTH INSURANCE GROUPS AND COMPANIES BY REVENUES, 2004
($ millions)

Rank	Group	Revenues	Assets
1	MetLife	$39,535	$356,808
2	Prudential Financial	28,348	401,058
3	New York Life Insurance	27,176	144,421
4	TIAA-CREF	23,411	347,580
5	Mass. Mutual Life Insurance	23,159	124,510
6	Northwestern Mutual	17,806	123,957
7	AFLAC	13,281	59,326
8	UnumProvident	10,611	50,832
9	Guardian Life of America	8,893	35,395
10	Principal Financial	8,756	113,798
11	Assurant	7,404	23,969
12	Thrivent Financial for Lutherans	6,445	53,541
13	Lincoln National	5,371	116,219
14	Pacific Life	4,930	77,137
15	Conseco	4,330	30,756
16	Jefferson-Pilot	4,102	35,105
17	Mutual of Omaha Insurance	4,080	16,409
18	Western & Southern Financial	3,695	26,032
19	Torchmark	3,072	14,252
20	Unitrin	3,041	8,790

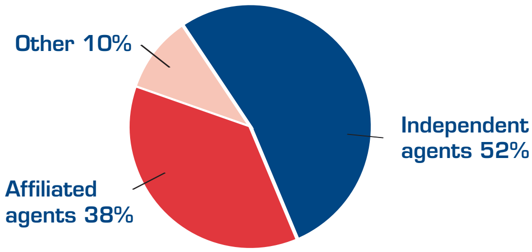
Source: Fortune.

DISTRIBUTION CHANNELS

Life insurance was once sold primarily by career life agents, captive agents that represent a single insurance company, and by independent agents who represent several insurers. Now life insurance company products are also sold by mail, telephone and the Internet, directly to the public. In addition, in the 1980s insurers began to market annuities and term life insurance through banks and financial advisors, professional organizations and workplaces. A large portion of variable annuities, which are based on stock market performance, and a small portion of fixed annuities, are sold by stockbrokers.

- **LIMRA estimated that in 2003 stockbrokers represented about half of "other." The remaining half was split evenly between direct response channels and banks.**

LIFE INSURANCE DISTRIBUTION (NEW INDIVIDUAL LIFE PREMIUMS), 2003[1]

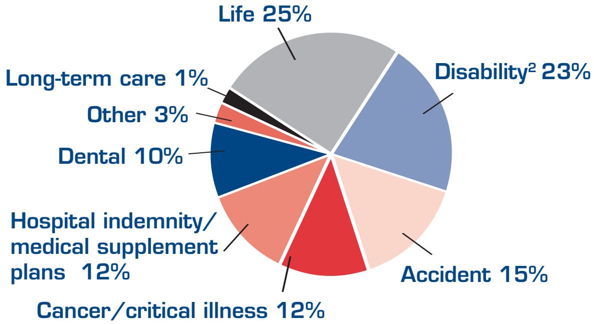


[1]Based on LIMRA International estimates.

Source: LIMRA International.

- **Worksite sales of life and health insurance in 2004 were $4.2 billion, up from $2.0 billion in 1997 (the first year tracked), according to a survey by Eastbridge Consulting Group, Inc.**

WORKSITE LIFE INSURANCE COMPANY SALES BY LINE OF BUSINESS, 2004[1]



[1]Worksite marketing is the selling of voluntary (employee-paid) insurance and financial products at the worksite. The products may be on either an individual or group platform and are usually paid through periodic payroll deductions.
[2]Short-term and long-term disability.

Source: Eastbridge Consulting Group, Inc.

PREMIUMS BY LINE

The dominant products of life insurers are annuities and life insurance. Annuities offer a lifelong income or an income for a specific period of time. They fall into two major categories: fixed and variable. Fixed annuities, sometimes called fixed dollar annuities, guarantee that a specific sum of money will be paid in the future, generally a monthly benefit, regardless of fluctuations in the insurer's underlying investment returns. With variable annuities, fluctuations in the insurer's investment earnings over time affect the amount of funds available for benefit payments. Once payments start, they may be fixed and guaranteed or vary according to current investment earnings or combine the two payment features. An equity-indexed annuity is a fixed annuity with interest linked to a stock index such as the S&P 500.

The big growth in annuity sales began in the 1970s when investors began demanding returns that better reflected inflation and stock market values. This demand resulted in the variable annuity, an instrument so closely aligned to the stock markets that it is now also sold by stockbrokers and its underwriters and agents must register as securities dealers with the Securities and Exchange Commission.

Credit life insurance is a form of decreasing term insurance that protects creditors such as banks. Credit accident and health is a similar product. Sales of both products have declined since 1999. (See page 92.)

LIFE/HEALTH INSURANCE INDUSTRY PREMIUM BY LINE, 2003 AND 2004
($ millions)

	2003		2004	
Lines of insurance	Net premiums written	Percent of total	Net premiums written	Percent of total
Industrial life	$260.1	0.1%	$208.9	[1]
Ordinary life	97,661.2	19.4	107,506.5	20.1
Ordinary industrial annuities	160,910.0	32.0	167,480.2	31.4
Credit life (Group industrial)	1,048.4	0.2	1,150.4	0.2
Group annuities	102,614.4	20.4	104,537.3	19.6
Group life	25,260.1	5.0	27,727.5	5.2
Accident & health group	78,522.4	15.6	85,496.1	16.0
Accident & health credit	1,119.4	0.2	1,156.5	0.2
Accident & health other	35,745.1	7.1	38,673.5	7.2
Total, all lines	**503,141.1**	**100.0**	**533,936.8**	**100.0**

[1]Less than 0.1 percent.

Source: NAIC Annual Statement Database, via National Underwriter Insurance Data Services/Highline Data.

CREDIT LIFE INSURANCE

Credit life insurance, a form of decreasing term insurance, protects creditors such as banks. The borrower pays the premium, generally as part of the credit transaction, to cover the outstanding loan in the event he or she dies. The face value of a policy decreases as the loan is paid off until both equal zero. When loans are paid off early, premiums for the remaining term are returned to the policyholder. Credit accident and health, a similar product, provides a monthly income in the event the borrower becomes disabled.

CREDIT LIFE, AND CREDIT ACCIDENT AND HEALTH INSURANCE DIRECT PREMIUMS WRITTEN, 1999-2003
($000)

Year	Credit life	Credit accident and health
1999	$2,480,823	$2,503,615
2000	2,372,473	2,515,554
2001	2,006,309	2,275,416
2002	1,486,992	1,893,662
2003	1,147,397	1,438,215

Source: National Association of Insurance Commissioners. Reprinted with permission. Further reprint or redistribution strictly prohibited without written permission of NAIC.

TOP TEN WRITERS OF VARIABLE ANNUITIES BY NEW SALES, 2004
($ millions)

Rank	Company	New sales
1	Hartford Life Insurance Company	$15,244
2	TIAA-CREF	13,093
3	AXA Financial/MONY	9,552
4	MetLife Companies	9,355
5	AIG/SunAmerica/VALIC	8,848
6	ING Group of Companies	7,674
7	Lincoln National Life Insurance Company	7,019
8	Pacific Life Insurance Company	6,401
9	John Hancock Life Insurance Company	5,948
10	Prudential/America Skandia	5,767

Source: VARDS/Morningstar.

TOP TEN PRODUCERS OF EQUITY INDEX ANNUITIES BY TOTAL SALES, 2004
($ millions)

Rank	Company	Total sales
1	Allianz Life	$7,855.0
2	Old Mutual	2,215.1
3	American Equity	1,665.0
4	Sun Life (Keyport)	1,636.0
5	AmerUs Group	1,524.1
6	ING	1,447.8
7	Jefferson-Pilot	981.1
8	Midland National Life	957.9
9	Jackson National Life	713.0
10	Lincoln Benefit Life	550.3

Source: The Advantage Compendium.

HEALTH SAVINGS ACCOUNTS

Established in late 2003 by the Medicare Modernization Act, health savings accounts (HSAs) are designed to give consumers financial incentives to manage their own health expenses. An individual's HSA must be coupled with a high-deductible health plan (HDHP). HSA funds may be used to cover current and future health care costs.

HEALTH SAVINGS ACCOUNT ENROLLMENT (COVERED LIVES), 2004-2005[1]

	September 2004	March 2005
Individual market	346,000	556,000
Small group market[2]	79,000	147,000
Large group market[3]	13,000	162,000
Other group[4]	0	88,000
Other[5]	0	77,000
Total	**438,000**	**1,031,000**

[1]Health Savings Account/High Deductible Health Plan products. [2]Businesses with 50 or fewer employees. [3]Businesses with more than 50 employees. [4]Companies that were able to provide numbers of lives covered by group policies, but whose definitions did not match up with small and large group definitions. [5]Companies that were able to provide information on the number of HSA/HDHP policies sold and the lives they covered, but were not able to provide a breakdown by market.

Source: America's Health Insurance Plans.

- **During the six-month period from September 2004 to March 2005 the number of people covered by HSA/HDHP products more than doubled.**

- In 2004, 20 percent of larger firms (at least 100 workers) offered LTC insurance as an employee benefit, compared with 4 percent of smaller firms.
- According to the National Association of Insurance Commissioners, 191 insurers wrote LTC insurance in 2002, including 13 property/casualty insurers, 19 health insurers, 6 fraternal insurers and 153 life, accident and health insurers.

LONG-TERM CARE INSURANCE

Long-term care (LTC) insurance pays for services to help individuals (generally over age 65) who are unable to perform certain activities of daily living without assistance, or require supervision due to a cognitive impairment such as Alzheimer's disease. LTC is available as individual insurance or through an employer-sponsored or association plan.

PERCENT OF ALL WORKERS WITH ACCESS TO LONG-TERM CARE INSURANCE, PRIVATE INDUSTRY, 2000-2004

Year	Percent
2000	7%
2001	NA
2002	NA
2003	11
2004	11

NA= Data not available.

Source: U.S. Deprtment of Commerce, Bureau of Labor Statistics.

TOP TEN LONG-TERM INSURERS BY NUMBER OF LIVES COVERED, 2003

Rank	Company	Number of covered lives	Direct premiums earned	Market share
1	General Electric Capital Assurance Co.	690,778	$822,512,047	12.24%
2	Unum Life Insurance Co. Of America	574,184	304,586,333	10.17
3	Continental Casualty Co.	502,665	530,615,995	8.91
4	John Hancock Life Insurance Co.	472,187	566,659,631	8.37
5	Bankers Life & Casualty Co.	344,040	441,115,287	6.10
6	Metropolitan Life Insurance Co.	317,698	266,597,189	5.63
7	Penn Treaty Network America Insurance Co.	214,637	305,044,388	3.80
8	IDS Life Insurance Co.	194,550	230,158,081	3.45
9	Conseco Senior Health Insurance Co.	183,689	468,866,292	3.25
10	Thrivent Financial For Lutherans	172,033	196,666,877	3.05

Source: National Association of Insurance Commissioners. Reprinted with permission. Further reprint or redistribution strictly prohibited without written permission of NAIC.

OVERVIEW

Banking, the largest sector within the financial services industry, includes all depository institutions, from commercial banks and thrifts (savings and loan associations and savings banks) to credit unions. In their role as financial intermediaries, banks use the funds they receive from depositors to make loans and mortgages to individuals and businesses, seeking to earn more on their lending activities than it costs them to attract depositors. However, in so doing they must manage many risk factors, including interest rates, which can result in a mismatch of assets and liabilities.

Over the past decade, many banks have diversified and expanded into new business lines such as credit cards, stock brokerage and investment management services. (See Chapter 4: Convergence page 45.) They are also moving into the insurance business, selling annuities and life insurance products in particular, often through the purchase of insurance agencies. Banks can be federally or state chartered.

REGULATION

Consumers rely on banking institutions to maintain their savings for retirement, emergencies and other situations that cannot be financed out of current income. The concept of depository insurance was introduced during the Great Depression, when many people lost their lifetime savings, to restore confidence in the banking system. Under the program administered by the Federal Depository Insurance Corporation (FDIC), which is an independent agency within the federal government, deposits in commercial banks and thrifts are insured for up to $100,000. The FDIC is also charged with liquidating failing banks or disposing of their insured liabilities by selling them to a solvent institution.

The FDIC regulates the activities of insured banks and sets guidelines for their investment portfolios to safeguard the assets of depositors. The Office of Thrift Supervision performs a similar function for savings institutions, and the National Credit Union Administration does much the same for credit unions.

The Federal Reserve system was established by Congress in 1913 to regulate the money supply according to the needs of the U.S. economy. The Federal Reserve attempts to do this by changing bank reserve requirements and the discount rate that banks pay for loans from the Federal Reserve system and by increasing or decreasing its open-market operations, the buying and selling of federal securities. When the Federal Reserve buys Treasury bills, reserves in the federal banking system rise. When it sells, reserves in the system shrink. This tends to push up interest rates and therefore the cost of credit. Because of banks' sensitivity to interest rates, Federal Reserve policy has a major impact on the banking sector.

TOP TEN BANK AND THRIFT DEALS ANNOUNCED IN 2004[1]

Rank	Buyer (Location)	Target (State)	Deal value[2] ($ millions)
1	JPMorgan Chase & Co. (NY)	Bank One Corporation (IL)	$58,783.3
2	Wachovia Corporation (NC)	SouthTrust Corporation (AL)	14,365.4
3	Royal Bank of Scotland Group, plc[3]	Charter One Financial, Inc. (OH)	10,526.9
4	SunTrust Banks, Inc. (GA)	National Commerce Financial Corp. (TN)	7,432.5
5	North Fork Bancorporation, Inc. (NY)	GreenPoint Financial Corp. (NY)	6,396.3
6	Regions Financial Corporation (AL)	Union Planters Corporation (TN)	6,000.8
7	TD Bank Financial Group[3]	Banknorth Group, Inc. (ME)	3,818.1
8	National City Corporation (OH)	Provident Financial Group, Inc. (OH)	2,133.9
9	Fifth Third Bancorp (OH)	First National Bankshares of Florida, Inc. (FL)	1,530.2
10	BNP Paribas Group[3]	Community First Bankshares, Inc. (ND)	1,216.5

[1]Deals where the entire operation of the bank or thrift is acquired by the buyer, including all property, assets and charters. At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals. [2]At announcement. [3]Foreign.

Source: SNL Financial LC.

TOP TEN FEDERALLY CHARTERED AND STATE-CHARTERED BANKS BY ASSETS, 2004[1]

($000, end of year)

Rank	Federally chartered bank	Total assets	State-chartered bank	State	Total assets
1	JPMorgan Chase Bank, National Association[2]	$967,365,000	SunTrust Bank	GA	$130,780,100
2	Bank of America National Association[2]	771,618,758	The Bank of New York	NY	92,138,427
3	Citibank, National Association[2]	694,529,000	State Street Bank and Trust Company	MA	90,268,259
4	Wachovia Bank, National Association[2]	389,963,000	Branch Banking and Trust Company	NC	74,479,112
5	Wells Fargo Bank, National Association[2]	366,256,000	Merrill Lynch Bank USA	UT	66,709,070
6	Washington Mutual Bank[3]	272,927,502	Fifth Third Bank	AL	56,807,417
7	Fleet National Bank[2]	218,740,377	Manufacturers and Traders Trust Company	OH	52,414,140
8	U.S. Bank National[2] Association	194,436,638	Comerica Bank	NY	52,077,864
9	HSBC Bank USA, National[2] Association	138,296,274	AmSouth Bank	MI	49,711,241
10	World Savings Bank, FSB[3]	106,816,527	Regions Bank	AL	49,210,377

[1]As of December, 2004.
[2]Chartered by the Office of the Comptroller of the Currency.
[3]Chartered by the Office of Thrift Supervision.

Source: Federal Deposit Insurance Corporation.

PROFITABILITY

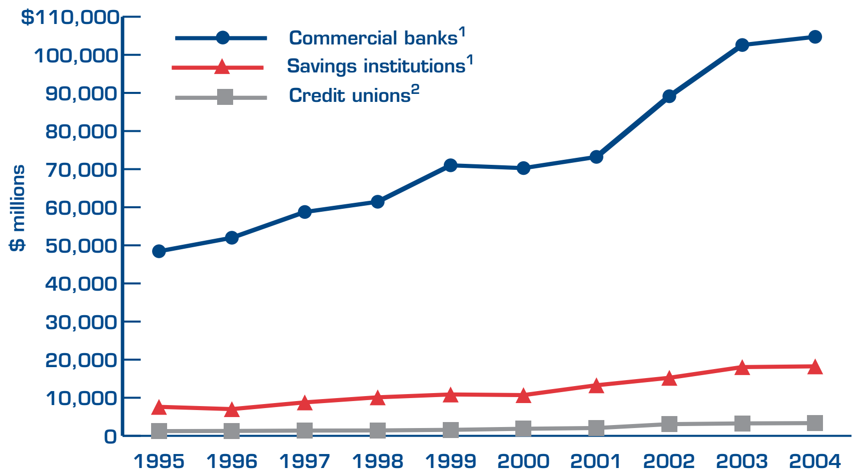
In their efforts to maximize profits, commercial banks and other depository institutions must balance credit quality and future economic conditions with liquidity needs and regulatory mandates.

PROFITABILITY OF SAVINGS AND COMMERCIAL BANKS AND CREDIT UNIONS, 2000-2004

	Return on equity		Return on average assets
Year	Savings banks	Commercial banks	Credit unions
2000	11.14%	13.99%	1.02%
2001	12.33	13.09	0.96
2002	12.36	14.47	1.07
2003	13.66	15.31	0.99
2004	10.87	13.82	0.92

Source: Office of Thrift Supervision; Federal Deposit Insurance Corporation; National Credit Union Administration.

NET INCOME OF SAVINGS INSTITUTIONS, COMMERCIAL BANKS AND CREDIT UNIONS, 1995-2004
($ millions)



- In 2004 the net income growth of savings institutions and commercial banks slowed to 1.1 percent and 2.1 percent, respectively, from double-digit growth in the prior two years. Net income growth of credit unions also slowed, from 6.2 percent from 2002 to 2003, to 2.4 percent in 2004.

[1]FDIC-insured.
[2]Federally insured state-chartered credit unions.

Source: Federal Deposit Insurance Corporation; National Credit Union Administration.

ASSETS

- **Assets of savings banks grew 14.6 percent from 2003 to 2004, faster than commercial banks, at 8.7 percent, and credit unions, at 6.2 percent.**

FINANCIAL ASSETS OF BANKING INSTITUTIONS, 1980-2004
($ billions, end of year)

Year	Commercial banking	Savings institutions	Credit unions
1980	$1,482	$792	$68
1990	3,338	1,323	217
2000	6,469	1,218	441
2001	6,829	1,299	506
2002	7,329	1,357	561
2003	7,809	1,475	617
2004	8,487	1,691	655

Source: Board of Governors of the Federal Reserve System.

CREDIT MARKETS

Until about 1950, commercial banks dominated the credit market. While depository institutions continue to be the leading holders of credit assets, asset shares of federal mortgage pools, government-sponsored corporations and asset-based securities issuers have risen over the past 20 years.

CREDIT MARKET ASSET HOLDINGS, 2000-2004[1]
($ billions, end of year)

	2000	2001	2002	2003	2004	Percent of 2004 total
Total credit market assets held	**$27,193.1**	**$29,162.5**	**$31,349.6**	**$34,098.5**	**$36,911.5**	**100.0%**
By financial sectors:	**20,850.6**	**22,531.8**	**24,289.1**	**26,273.5**	**28,146.4**	**76.3**
Monetary authority	511.8	551.7	629.4	666.7	717.8	1.9
U.S.-chartered commercial banks	4,419.5	4,610.1	5,003.9	5,361.7	5,909.7	16.0
Foreign banking offices in the U.S.	511.3	510.7	516.9	485.8	506.1	1.4
Bank holding companies	20.5	24.7	27.8	36.4	36.4	0.1
Banks in U.S.-affiliated areas	55.0	65.0	66.3	76.9	88.7	0.2
Savings institutions	1,088.8	1,133.4	1,167.0	1,293.3	1,514.7	4.1
Credit unions	379.7	421.2	463.9	514.5	557.0	1.5
Bank personal trusts and estates	222.8	194.7	195.6	193.2	194.2	0.5
Life insurance companies	1,943.9	2,074.8	2,307.8	2,488.3	2,675.2	7.2
Nonlife insurance companies	509.4	518.4	558.3	625.2	701.6	1.9
Private pension funds	624.0	637.3	663.0	677.2	712.0	1.9
Public pension funds	787.9	756.5	755.5	770.8	777.0	2.1
Money market mutual funds	1,290.9	1,536.9	1,511.6	1,398.5	1,260.8	3.4
Mutual funds	1,097.7	1,223.8	1,368.0	1,505.7	1,624.2	4.4
Closed-end funds	105.3	108.5	117.1	153.3	164.7	0.4
Exchange-traded funds	0.0	0.0	3.7	4.5	8.2	0.0

(table continues)

CREDIT MARKET ASSET HOLDINGS, 2000-2004[1] (Cont'd)
($ billions, end of year)

	2000	2001	2002	2003	2004	Percent of 2004 total
Government-sponsored corporations	$1,794.4	$2,099.1	$2,323.2	$2,559.7	$2,648.6	7.2%
Federal mortgage pools	2,493.2	2,831.8	3,158.6	3,489.1	3,542.6	9.6
ABS issuers	1,517.8	1,747.9	1,949.6	2,195.4	2,507.5	6.8
Finance companies	851.2	846.4	867.6	951.8	1,082.2	2.9
Mortgage companies	32.1	32.1	32.1	32.1	32.1	0.1
Real estate investment trusts	37.5	46.2	71.7	95.2	165.8	0.4
Brokers and dealers	223.6	316.0	344.4	424.1	397.2	1.1
Funding corporations	332.2	244.5	186.1	274.0	322.0	0.9
By the federal government	**272.6**	**278.6**	**288.2**	**285.6**	**289.4**	**0.8**
By others, domestic	**3,479.1**	**3,435.1**	**3,377.6**	**3,641.3**	**3,771.1**	**10.2**
By others, foreign	**2,590.8**	**2,916.9**	**3,394.8**	**3,898.1**	**4,704.6**	**12.7**

[1]Excluding corporate equities and mutual fund shares.

Source: Board of Governors of the Federal Reserve System.

EMPLOYMENT IN THE BANKING INDUSTRY, 2000-2004
(000)

Year	Commercial banks	Savings banks	Credit unions	Total
2000	1,250.5	229.2	201.5	1,681.2
2001	1,258.4	233.6	209.2	1,701.2
2002	1,278.1	239.6	215.3	1,733.0
2003	1,280.1	246.3	222.1	1,748.5
2004	1,285.3	247.2	228.8	1,761.3

Source: U.S. Department of Labor, Bureau of Labor Statistics.

- **Within the banking industry, employment at credit unions grew fastest in 2004, up 3.0 percent from 2003.**

BUSINESS LENDING BY LOAN SIZE AND SIZE OF BANK, 2005[1]

	Value of loans ($ millions)	
Size of loans ($000)	Large banks[2]	Small banks
$1 to $99	$1,782	$1,106
$100 to $999	6,891	2,102
$1,000 to $9,999	11,174	1,686
$10,000 and over	9,696	NA

[1]Based on a sample of 348 domestically chartered commercial banks, as of February 7-11, 2005.
[2]As of March 31, 2003, assets of large banks were at least $3.7 billion.
NA=Data not available.

Source: Board of Governors of the Federal Reserve System.

COMMUNITY DEVELOPMENT LENDING, 2004[1]

	CRA loans				CRA reporting institutions			
	Number		Amount ($000)		Total		Community development loans	
Asset size of lender ($ millions)	Total	Percent	Total	Percent	Number	Percent	Number extending	Percent extending
Less than $100	93	0.2%	$89,664	0.2%	79	4.0%	22	1.7%
$100 to $249	251	0.7	154,979	0.3	135	6.8	50	3.9
$250 to $999	9,071	23.6	4,631,811	9.1	1,254	62.7	767	59.9
$1,000 or more	28,954	75.5	46,292,840	90.5	531	26.6	441	34.5
Total	**38,369**	**100.0**	**51,169,294**	**100.0**	**1,999**	**100.0**	**1,280**	**100.0**

[1]As per the Community Reinvestment Act (CRA), enacted in 1977 to encourage banks to help meet the needs of the communities in which they operate, including low and moderate income neighborhoods.

Source: Federal Financial Institutions Examination Council.

BANK BRANCHES

Consolidation in commercial banking has substantially reduced the number of these institutions, but has not reduced consumers' access to their deposits as the number of commercial bank branches and ATMs continues to grow. However, there are fewer savings institutions than in 1990, both in terms of banks and branches. The number of credit unions dropped by 11 percent from 1990 to 2004.

BANKING OFFICES BY TYPE OF BANK, 1990-2004

	1990	2000	2001	2002	2003	2004
All banking offices	**94,115**	**96,212**	**97,147**	**97,082**	**97,753**	**99,679**
Commercial banks	62,346	71,784	73,027	73,454	74,518	76,974
Number of banks	12,329	8,297	8,062	7,870	7,752	7,614
Number of branches	50,017	63,487	64,965	65,584	66,766	69,360
Savings institutions	21,609	14,112	14,136	13,940	13,866	13,691
Number of banks	2,815	1,589	1,534	1,466	1,411	1,345
Number of branches	18,794	12,523	12,602	12,474	12,455	12,346
Credit unions	10,160	10,316	9,984	9,688	9,369	9,014

Source: Federal Deposit Insurance Corporation; National Credit Union Administration.

ASSETS OF FOREIGN BANKING OFFICES IN THE UNITED STATES, 2000-2004[1]

($ billions, end of year)

	2000	2001	2002	2003	2004
Total financial assets	**$789.4**	**$791.9**	**$801.1**	**$732.5**	**$570.0**
Reserves at Federal Reserve	0.5	0.6	1.2	0.9	0.7
Total bank credit	610.2	603.0	615.0	607.1	598.8
U.S. government securities	166.7	154.5	178.3	86.7	83.1
Treasury	94.0	103.8	116.7	34.2	30.0
Agency	72.7	50.7	61.6	52.5	53.1
Corporate and foreign bonds	50.7	81.3	81.6	160.9	178.5
Total loans	392.8	367.2	355.2	359.6	337.1
Open market paper	0.6	0.0	0.0	0.0	0.0
Other bank loans	274.6	256.1	237.5	220.4	226.8
Mortgages	17.1	17.9	19.0	17.2	16.9
Security credit	100.5	93.3	98.7	121.9	93.4
Customers' liability on acceptances	1.6	1.0	0.6	0.6	0.7
Miscellaneous assets	177.1	187.2	184.2	123.9	-30.3

[1]Branches and agencies of foreign banks, Edge Act and Agreement corporations and American Express Bank.

Source: Board of Governors of the Federal Reserve System.

FINANCIAL LITERACY PROGRAMS

Each year the Consumer Bankers Association surveys U.S. banks on their programs aimed at improving the financial literacy of their clients and the American public at large. In 2005 there were 46 respondents, 56 percent of which had assets of over $20 billion.

FINANCIAL LITERACY PROGRAMS, BY TYPE, 2003-2005[1]

Type of Program	2003	2004	2005
General financial literacy	98%	100%	100%
Mortgage/homeownership financial literacy	96	96	96
Targeting predatory lending issues	72	78	70
College-based	26	50	36

[1]Based on the percent of respondents to annual surveys by the Consumer Bankers Association with various types of literacy programs.

Source: Consumer Bankers Association.

- **The average financial literacy budget for banks was $5.4 million in 2004; the median budget was $31,500.**

COMMERCIAL BANKS

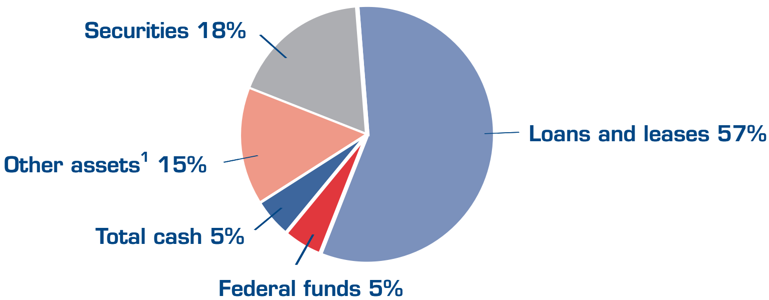
Commercial banks vary greatly in size from the "money center" banks located in the nation's financial centers that offer a broad array of traditional and nontraditional banking services, including international lending, to the smaller regional and local community banks engaged in more typical banking activities, such as consumer and business lending. Commercial banks receive revenue from many sources including check writing, trust account management fees, investments, loans and mortgages. A growing number of banks also receives revenue from consumer use of Internet banking services.

The number of small commercial banks continues to drop while the number of larger banks grows. There were 256 fewer commercial banks with assets of less than $100 million in 2004 than in the previous year, but 96 more in the $100 million to $1 billion asset size, and 21 more in the $1 billion or more category.

ASSETS AND LIABILITIES

A bank's assets and liabilities are managed in order to maximize revenues and maintain liquidity. The lending business's susceptibility to changes in interest rates, domestic and international economies, and credit quality can make revenue streams unpredictable. Banks hold substantial amounts of U.S. Treasury and government agency obligations, which are highly liquid, although the asset mix does include equity as well as other asset classes.

ASSETS OF FDIC-INSURED COMMERCIAL BANKS, 2004



[1]Includes assets held in trading accounts, bank premises and fixed assets, other real estate owned, intangible assets and all other assets.

Source: Federal Deposit Insurance Corporation.

ASSETS AND LIABILITIES OF FDIC-INSURED COMMERCIAL BANKS BY ASSET SIZE, 2004

($ millions, end of year)

		By asset size			
	Total commercial banks	Less than $100 million	$100 million to $1 billion	$1 billion or more	Foreign offices
Number of institutions	7,630	3,655	3,530	445	121
Total assets	**$8,412,844**	**$189,048**	**$953,422**	**$7,270,374**	**$945,404**
Cash and funds due from depository institutions	387,534	10,010	35,726	341,798	123,441
Noninterest-bearing	233,656	6,839	27,582	199,235	NA
Interest-bearing	153,878	3,170	8,145	142,563	NA
Securities	1,551,261	46,770	210,519	1,293,972	NA
Federal funds sold and re-repos[1]	385,097	8,747	24,799	351,551	NA
Loans and leases, net	4,831,269	114,967	632,998	4,083,304	NA
Plus: allowance for losses and allocated transfer risk reserve	73,513	1,677	8,907	62,929	NA
Loans and leases, total	4,904,782	116,643	641,905	4,146,233	335,674
Assets held in trading accounts[2]	504,194	2	63	504,128	174,559
Bank premises and fixed assets	86,786	3,508	17,526	65,751	NA
Other real estate owned	3,845	281	1,135	2,429	NA
Intangible assets	274,840	640	6,789	267,411	NA
All other assets	388,019	4,123	23,867	360,029	NA
Total liabilities, limited-life preferred stock and equity capital	**8,412,844**	**189,048**	**953,422**	**7,270,374**	**NA**
Total liabilities	**7,562,776**	**167,260**	**858,114**	**6,537,402**	**1,176,313**
Deposits, total	**5,592,825**	**158,201**	**770,867**	**4,663,757**	**865,892**
Noninterest-bearing	1,052,675	26,635	129,234	896,806	42,886
Interest-bearing	4,540,150	131,566	641,634	3,766,951	823,006
Federal funds purchased and repos[1]	577,989	1,716	24,229	552,043	NA
Trading liabilities	280,466	0	2	280,464	NA
Other borrowed money	736,437	6,201	54,678	675,558	77,608
Subordinated notes and debentures	110,138	10	774	109,354	NA
All other liabilities	264,921	1,132	7,564	256,225	NA
Total equity capital	**850,068**	**21,788**	**95,309**	**732,972**	**NA**
Perpetual preferred stock	6,237	26	180	6,031	NA
Common stock	29,761	3,104	8,013	18,643	NA
Surplus	492,780	9,074	38,154	445,552	NA
Undivided profits	321,290	9,583	48,962	262,745	NA

[1]Repos and re-repos are security resale agreements. [2]The foreign office component of "assets held in trading accounts" is only available for institutions with $1 billion or more in total assets or $2 billion or more in off-balance sheet contracts. NA=Data not available.

Source: Federal Deposit Insurance Corporation.

DEPOSITS

In the depository process, banks pay interest to depositors and gain income by lending and investing deposits at higher rates. Banks must balance the generation of revenue from these deposits with the maintenance of liquidity, according to FDIC guidelines. The impact of these guidelines on the banking industry is similar to that of statutory accounting practices on the insurance industry — both serve to promote solvency. (See Chapter 5: Insurance page 62.)

DEPOSITS, INCOME AND EXPENSES OF FDIC-INSURED COMMERCIAL BANKS, 2000-2004

($ millions, end of year)

	2000	2001	2002	2003	2004
Number of institutions	8,297	8,062	7,870	7,752	7,614
Total deposits (domestic and foreign) individuals, partnerships, corps.	**$3,704,679**	**$3,951,067**	**$4,186,619**	**$4,480,989**	**$5,010,268**
U.S. government	8,513	12,284	30,077	5,104	4,631
States and political subdivisions	160,217	172,725	197,000	227,377	235,243
All other	275,611	207,227	237,502	272,960	295,912
Total domestic and foreign deposits	**4,149,020**	**4,343,302**	**4,651,199**	**4,986,429**	**5,546,054**
Interest-bearing	3,397,412	3,476,414	3,716,908	4,034,942	4,501,120
Noninterest-bearing	751,608	866,888	934,290	951,488	1,044,934
Domestic office deposits					
Demand deposits	526,608	570,700	525,908	516,911	540,247
Savings deposits	1,559,684	1,869,985	2,197,372	2,497,488	2,772,510
Time deposits	1,356,315	1,273,353	1,270,343	1,231,382	1,367,959
Total domestic deposits	**3,442,607**	**3,714,038**	**3,993,623**	**4,245,781**	**4,680,716**
Transaction	672,058	737,691	701,302	715,974	745,080
Nontransaction	2,770,549	2,976,347	3,292,321	3,529,807	3,935,636
Income and expenses					
Total interest income	424,144	398,490	353,739	331,955	343,168
Total interest expense	222,258	185,702	119,119	94,228	96,049
Net interest income	201,886	212,788	234,620	237,727	247,119
Total noninterest income (fees, etc.)	153,805	157,720	171,873	185,878	183,374
Total noninterest expense	215,636	221,988	232,200	244,480	256,032
Provision for loan and lease losses	29,741	42,968	47,816	34,501	25,921
Pretax net operating income	110,313	105,552	126,478	144,624	148,541
Securities gains (losses)	-2,278	4,437	6,392	5,583	3,614
Income taxes	37,729	36,544	43,807	49,061	48,739
Net extraordinary items	-32	-240	-69	427	67
Net income	70,274	73,205	88,993	101,573	103,483

Source: Federal Deposit Insurance Corporation.

INVESTMENT MIX

SECURITIES OF FDIC-INSURED COMMERCIAL BANKS BY ASSET SIZE, 2004
($ millions, end of year)

		By asset size[1]		
	Total commercial banks	Less than $100 million	$100 million to $1 billion	$1 billion or more
Securities (debt and equity)	**$1,551,261**	**$46,770**	**$210,519**	**$1,293,972**
Securities held-to-maturity (amortized cost)	127,698	7,793	28,888	91,017
Securities available-for-sale (fair value)	1,423,563	38,977	181,631	1,202,955
By security type:[2]				
U.S. Government securities	1,085,833	36,322	156,077	893,435
U.S. Treasury securities	63,838	2,046	7,599	54,193
U.S. Government obligations	1,021,995	34,276	148,477	839,242
Securities issued by states and political subdivisions	111,889	8,740	41,138	62,011
Asset-backed securities	69,347	19	657	68,672
Other domestic debt securities[3]	168,927	1,341	10,092	157,494
Foreign debt securities[3]	99,798	4	136	99,658
Equity securities	15,466	345	2,420	12,701
Other items[2]				
Pledged securities	772,119	17,461	95,651	659,007
Mortgage-backed securities	876,389	10,327	72,076	793,986
Certificates of participation in pools of residential mortgages	604,465	7,903	47,886	548,676
Issued or guaranteed by the U.S.	592,110	7,885	47,785	536,440
Privately issued	12,355	18	101	12,237
Mortgage-backed pass-throughs				
Issued by FNMA[4] and FHLMC[5]	548,605	6,433	40,504	501,668
Issued by GNMA[6]	43,504	1,453	7,280	34,771
Collateralized mortgage obligations and REMICs[7]	159,976	2,287	21,256	136,433

[1]Grouped by asset size and insurance fund membership.

[2]Includes held-to-maturity securities at amortized cost and available-for-sale securities at fair value.

[3]Institutions with less than $100 million in total assets include “foreign debt securities” in “other domestic debt securities.”

[4]Fannie Mae.

[5]Freddie Mac.

[6]Ginnie Mae.

[7]Real estate mortgage investment conduits.

Source: Federal Deposit Insurance Corporation.

CONCENTRATION

As a result of consolidation over the past two decades, small banks are dropping in number and in percentage of assets and deposits held. A large share of the nation's banking business is held by a relatively small number of big banks.

COMMERCIAL BANK CONCENTRATION, NUMBERS AND ASSETS, 2000 AND 2004
($ billions, end of year)

	By asset size								
	Less than $100 million	Percent of total	$100 million to $1 billion	Percent of total	$1 billion to $10 billion	Percent of total	Greater than $10 billion	Percent of total	Total banks
2000									
Number of banks	4,842	58.2%	3,078	37.0%	313	3.8%	82	1.0%	8,315
Total assets	$231.2	3.7	$773.0	12.4	$884.1	14.2	$4,350.4	69.7	$6,238.7
Total deposits	194.9	4.7	632.5	15.1	621.6	14.9	2,727.6	65.3	4,176.6
Return on assets	1.01	NA	1.28	NA	1.29	NA	1.16	NA	1.19
Return on equity	9.09	NA	13.56	NA	14.57	NA	14.42	NA	14.07
2004									
Number of banks	3,655	47.9%	3,530	46.3%	360	4.7%	85	1.1%	7,630
Total assets	$189.0	2.2	$953.4	11.3	$973.0	11.6	$6,297.3	74.9	$8,412.8
Total deposits	158.2	2.8	770.9	13.8	666.5	11.9	3,997.2	71.5	5,592.8
Return on assets	0.99	NA	1.28	NA	1.46	NA	1.3	NA	1.31
Return on equity	8.46	NA	12.88	NA	13.48	NA	14.24	NA	13.82

NA=Not applicable.

Source: Federal Deposit Insurance Corporation.

TOP TEN U.S. COMMERCIAL BANKS BY REVENUES, 2004
($ millions)

Rank	Company	Revenues
1	Citigroup	$108,276
2	Bank of America Corp.	63,324
3	J.P. Morgan Chase & Co.	56,931
4	Wells Fargo	33,876
5	Wachovia Corp.	28,067
6	U.S. Bancorp	14,706
7	MBNA	12,327
8	Capital One Financial	10,695
9	National City Corp.	10,560
10	SunTrust Banks	7,823

Source: Fortune.

TOP 25 U.S. COMMERCIAL BANKS, BY ASSETS, 2005[1]
($ millions)

Rank	Company	Assets
1	JPMorgan Chase Bank, National Association	$983,049
2	Bank of America, National Association	838,258
3	Citibank, National Association	684,592
4	Wachovia Bank, National Association	454,751
5	Wells Fargo Bank, National Association	367,427
6	Fleet National Bank	213,056
7	U.S. Bank National Association	197,847
8	HSBC Bank USA, National Association	138,569
9	Suntrust Bank	136,163
10	Chase Bank USA, National Association	88,559
11	State Street Bank & Trust Co.	88,329
12	Keybank, National Association	85,297
13	Bank of New York	80,116
14	PNC Bank, National Association	75,524
15	Branch Banking and Trust Company (BB&T)	74,375
16	Lasalle Bank, National Association	67,724
17	National City Bank	67,317
18	North Fork Bank	60,315
19	MBNA America Bank, National Association	58,381
20	Fifth Third Bank	57,191
21	Bank of America, National Association	54,344
22	Comerica Bank	53,890
23	Manufacturers and Traders Trust Company	53,377
24	Charter One Bank, National Association	53,044
25	Treasury Bank, National Association	51,107

[1]As of March 31, 2005.

Source: Board of Governors of the Federal Reserve System.

THRIFT INSTITUTIONS

Savings and loan associations and savings banks fall into the category of thrift institutions. Thrifts were originally established to promote personal savings through savings accounts and homeownership through mortgage lending, but now provide a range of services similar to many commercial banks. Savings banks tend to be small and are located mostly in the northeastern states.

Like other banking institutions with a significant portion of mortgages on their books, thrifts may belong to the Federal Home Loan (FHL) Bank System. In exchange for holding a certain percentage of their assets in mortgage-backed securities and residential mortgages, these financial institutions may borrow funds from the FHL Bank System at favorable rates.

Thrifts are declining in number. At their peak in the late 1960s, there were more than 4,800. But a combination of factors has reduced their ranks significantly. These include sharp increases in interest rates in the late 1970s, which immediately raised the cost of funds without a similar rise in earnings from thrifts' principal assets, long-term fixed-rate mortgages. In addition, the recession of the early 1980s increased loan defaults. By year-end 2004, due mostly to acquisitions by or conversions to commercial banks or other savings banks, the number of thrifts had fallen to 1,345.

SELECTED INDICATORS, FDIC-INSURED SAVINGS INSTITUTIONS, 2000-2004

	2000	2001	2002	2003	2004
Return on assets (%)	0.92	1.07	1.16	1.28	1.17
Return on equity (%)	11.14	12.33	12.36	13.66	10.87
Core capital (leverage) ratio (%)	7.80	7.77	8.06	8.05	9.53
Noncurrent assets plus other real estate owned to assets (%)	0.56	0.65	0.69	0.62	0.46
Net charge-offs to loans (%)	0.20	0.28	0.29	0.30	0.27
Asset growth rate (%)	5.99	8.17	3.20	8.47	14.77
Net interest margin (%)	2.96	3.20	3.35	3.27	3.16
Net operating income growth (%)	3.05	6.63	5.61	23.03	8.10
Number of institutions reporting	1,589	1,534	1,466	1,411	1,345
Percentage of unprofitable institutions (%)	8.56	8.80	6.82	5.74	6.17
Number of problem institutions	18	19	17	10	8
Assets of problem institutions ($ billions)	7	4	3	1	1
Number of failed/assisted institutions	1	1	1	0	1

Source: Federal Deposit Insurance Corporation.

OTS-REGULATED THRIFT INDUSTRY INCOME STATEMENT DETAIL, 2000-2004

($ millions, end of year)

	2000	2001	2002	2003	2004
Interest income	$64,199	$65,233	$55,456	$51,481	$55,871
Interest expense	40,925	37,618	25,468	20,660	21,299
Net interest income before provisions for losses	23,275	27,615	29,988	30,822	34,572
Provisions for losses for interest bearing assets[1]	1,659	2,532	2,854	2,179	2,592
Net interest income after provisions for losses	21,616	25,083	27,134	28,642	31,981
Noninterest income[2]	10,023	13,137	14,132	18,512	20,115
Noninterest expense	19,238	22,591	22,999	25,766	30,531
Net income before taxes and extraordinary items	12,400	15,629	18,266	21,389	21,565
Taxes	4,382	5,696	6,437	7,636	7,623
Other[3]	-4	269	8	-7	19
Net income	8,014	10,202	11,837	13,746	13,960
Other items					
Preferred and common stock cash dividends	4,131	4,823	6,660	10,843	NA
Reinvested earnings[4]	3,883	5,379	5,177	2,903	NA
Gross profits of profitable thrifts	8,560	10,830	12,570	14,020	14,313
Gross profits of unprofitable thrifts	-546	-628	-733	-278	-353

[1]Loss provisions for noninterest-bearing assets are included in noninterest expense.

[2]Net gain (loss) on sale of assets is reported in noninterest income.

[3]Defined as extraordinary items, net of tax effect, and cumulative effect of changes in accounting principles. Extraordinary items are material events and transactions that are unusual and infrequent.

[4]Reinvested earnings is the portion of a corporation's earnings distributed back into the business. It is calculated by subtracting preferred and common stock cash dividends from net income.

NA=Data not available.

Source: U.S. Department of the Treasury, Office of Thrift Supervision.

BALANCE SHEET OF THE FEDERALLY INSURED THRIFT INDUSTRY, 2000-2004

($ millions, end of year)

	2000	2001	2002	2003	2004
Number of thrifts	1,590	1,532	1,467	1,413	1,345
Assets					
Cash and invested securities	$97,724	$123,721	$156,662	$167,839	$129,436
Mortgage-backed securities	213,826	196,512	209,660	206,454	234,329
1 to 4 family loans	574,341	597,867	608,993	678,486	845,344
Multifamily development	56,797	58,990	63,065	71,991	81,043
Construction and land loans	34,832	38,397	37,437	40,695	46,862
Nonresidential loans	59,765	63,140	71,884	79,711	85,142
Consumer loans	65,286	69,421	68,704	77,850	91,264
Commercial loans	34,420	36,754	42,228	52,087	60,045
Real estate owned	1,003	1,050	1,516	1,500	1,285
Other assets	84,641	113,157	98,812	97,495	117,029
Total assets	**1,222,635**	**1,299,009**	**1,358,961**	**1,474,109**	**1,691,779**
Liabilities and equity					
Deposits	$738,234	$797,822	$878,655	$925,294	$991,376
FHLB advances	261,495	254,271	216,445	234,329	291,968
Other borrowings	98,250	111,140	107,542	153,646	190,716
Other liabilities	21,098	26,158	27,707	22,110	28,633
Total liabilities	1,119,077	1,189,391	1,230,349	1,335,379	1,502,694
Equity capital	103,558	109,618	128,612	138,730	189,085
Total liabilities and equity	**1,222,635**	**1,299,009**	**1,358,961**	**1,474,109**	**1,691,779**

Source: U.S. Department of the Treasury, Office of Thrift Supervision.

INVESTMENT SECURITIES OF FDIC-INSURED SAVINGS INSTITUTIONS, 1995-2004

($ millions, end of year)

	U.S. Treasury, agencies and corporations				
Year	U.S. Treasury	U.S. agencies and corporations	Total[1]	States and political subdivisions	Other debt securities
1995	$18,409.4	$213,365.2	$231,774.6	$1,947.1	$47,418.3
1996	10,236.4	202,507.5	212,744.0	2,066.6	39,410.1
1997	32,506.9	174,199.3	206,706.2	2,095.9	31,430.9
1998	24,199.7	197,912.0	222,111.7	3,171.0	35,217.8
1999	27,035.2	208,750.3	235,785.5	3,599.2	42,954.2
2000	24,368.5	201,349.8	225,718.3	3,831.6	42,697.3
2001	45,077.4	189,370.4	234,447.8	4,486.6	45,500.3
2002	35,411.0	207,856.0	243,267.0	5,716.0	39,778.8
2003	52,090.5	208,869.3	260,959.8	6,534.7	37,603.6
2004	34,399.8	201,036.6	235,436.4	7,159.2	64,485.5

Year	Equity securities	Less: contra accounts[2]	Less: trading accounts	Total investment securities[3]	Memo[4] Mortgage-backed securities
1995	$7,469.9	-$537.2	$607.6	$288,539.6	$215,661.4
1996	8,647.9	-357.3	946.6	262,279.3	193,021.1
1997	9,380.7	27.1	914.6	248,672.0	180,645.4
1998	10,974.2	23.0	1,956.5	269,495.3	207,287.4
1999	10,077.8	1.2	1,028.1	291,387.4	221,713.2
2000	10,484.8	1.4	758.6	281,972.1	212,652.7
2001	10,166.3	1.7	1,816.7	292,782.6	203,372.0
2002	11,427.6	0.9	1,581.0	298,607.5	209,660.5
2003	10,678.1	0.4	1,276.5	314,499.3	206,453.8
2004	10,372.1	0.0	8,772.1	308,681.1	234,309.2

[1]Components may not add to total.

[2]Balance in account that offsets another account. Reserves for loan losses, for example, offset the loan account.

[3]Book value.

[4]Represents mortgage-backed securities, included in other columns, on a consolidated basis.

Source: Federal Deposit Insurance Corporation.

THRIFT INDUSTRY MORTGAGE LENDING ACTIVITY, 2000-2004
($ millions, end of year)

Year	Mortgage refinancing[1]	Mortgage loans outstanding	Mortgage-backed securities outstanding	Total mortgage portfolio	Mortgage portfolio as a percent of total assets
2000	$24,622	$556,958	$93,106	$650,064	70.03%
2001	125,889	578,974	92,360	671,333	68.66
2002	218,585	599,747	90,232	689,979	68.69
2003	368,546	787,734	91,891	879,625	80.51
2004	240,793	997,657	97,519	1,095,176	83.81

[1]Full year.

Source: U.S. Department of the Treasury, Office of Thrift Supervision.

TOP TEN U.S. THRIFT COMPANIES BY ASSETS, 2005[1]
($ millions, as of March 31)

Rank	Company	Assets
1	Washington Mutual, Inc.[2]	$333,743
2	Golden West Financial Corporation	112,588
3	Sovereign Bancorp, Inc.	58,926
4	ING Bank, FSB[3,4]	36,024
5	E*TRADE Bank[3,5]	25,549
6	New York Community Bancorp, Inc.	24,612
7	Astoria Financial Corporation	23,250
8	Hudson City Bancorp, Inc. (MHC)	21,131
9	Lehman Brothers Bank, FSB[3,6]	19,457
10	IndyMac Bancorp Inc.	17,966

[1]Rankings account for all bank and thrift acquisitions that were announced or completed subsequent to the buyer's most recent financial reports and were valued in excess of $200 million at announcment. Combined asset values assume no divestitures or accounting adjustments. [2]Reflects Washington Mutual, Inc.'s pending acquisition of Providian Financial Corp., announced on June 6, 2005. [3]Assets as of December 31, 2004. [4]Subsidiary of ING Direct, NV. [5]Subsidiary of E*TRADE Financial Corp.[6]Subsidiary of Lehman Brothers Holdings Inc.

Source: SNL Financial LC.

TOP FOUR U.S. THRIFT COMPANIES BY REVENUES, 2004
($ millions)

Rank	Company	Revenues
1	Washington Mutual	$15,962
2	Golden West Financial	4,473
3	Sovereign Bancorp	2,706
4	Westcorp	1,387

Source: Fortune.

REMITTANCES

The flow of money from immigrants to their families back home usually takes the form of money transfers, commonly referred to as remittances. They include money orders, hand delivered cash, wire transfers and unlicensed informal means. About 75 percent of Latin American remittances came from the United States in 2004. That year $9.6 million was sent to Latin American from California, followed by New York with $3.6 million. The average amount was about $235 a month.

LATIN AMERICAN REMITTANCES, 2003-2004
($ millions)

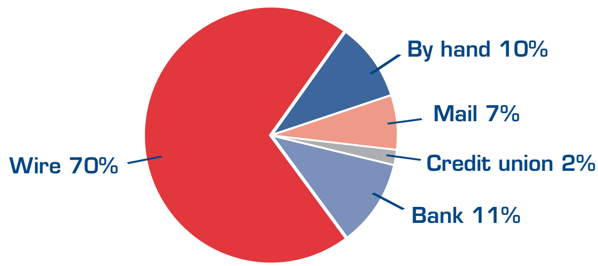
Country	2003	2004	Percent change from prior year
Mexico	$13,266	$16,613	25.2%
Brazil	5,200	5,624	8.2
Colombia	3,067	3,857	25.8
Guatemala	2,106	2,681	27.3
El Salvador	2,316	2,548	10.0
Domican Republic	2,217	2,438	10.0
Ecuador	1,656	1,740	5.1
Jamaica	1,425	1,497	5.1
Peru	1,295	1,360	5.0
Honduras	862	1,134	31.6
Other	4,331	6,308	45.6
Total[1]	**37,741**	**45,800**	**21.4**

[1]Total may not equal sum because of rounding.

Source: Inter-American Development Bank.

GLOBAL U.S. REMITTANCE TRANSFER MECHANISMS, 2004

- In 2004 Latin American immigrants sent $46 billion to their families overseas. The largest amount in 2004, $16.6 billion, went to Mexico.



Source: Inter-American Development Bank.

CREDIT UNIONS

Credit unions, generally set up by groups of individuals with a common link, such as membership in a labor union, are not-for-profit financial cooperatives that offer personal loans and other consumer banking services. Originating in Europe, the first credit union in this country was formed in Manchester, New Hampshire in 1909. Credit unions now serve more than 80 million people in the United States.

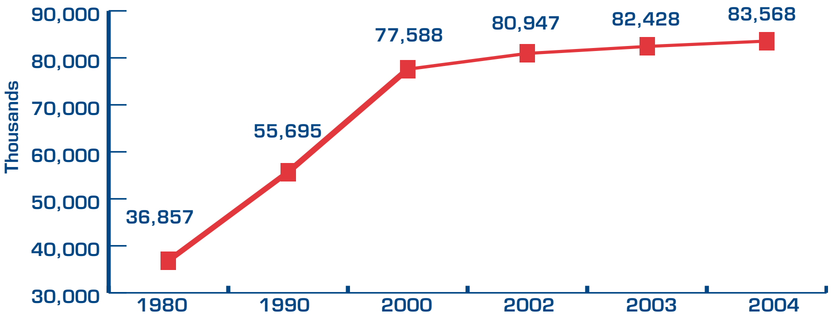
In 1934, President Roosevelt signed the Federal Credit Union Act into law, authorizing the establishment of federally chartered credit unions in all states. The purpose of the federal law was "to make more available to people of small means credit for provident [provisions for the future] purposes through a national system of cooperative credit...." In 1970, the National Credit Union Administration, which charters and supervises credit unions, was created along with the National Credit Union Share Insurance Fund, which insures members' deposits. Individual credit unions are served by 31 federally insured corporate credit unions, which provide investment, liquidity and payment services for their members.

FEDERAL CREDIT UNIONS AND FEDERALLY INSURED STATE CHARTERED CREDIT INSTITUTIONS, 1980-2004
(end of year)

	1980	1990	2000	2002	2003	2004
Operating credit unions						
Federal	12,440	8,511	6,336	5,953	5,776	5,572
State	4,910	4,349	3,980	3,735	3,593	3,442
Number of failed institutions	239	164	29	15	13	21
Members (000)						
Federal	24,519	36,241	43,883	44,611	46,155	46,858
State	12,338	19,454	33,705	36,336	36,273	36,710
Assets ($ millions)						
Federal	$40,092	$130,073	$242,881	$301,238	$336,612	$358,704
State	20,870	68,133	195,363	255,838	273,572	288,296
Loans outstanding ($ millions)						
Federal	26,350	83,029	163,851	181,767	202,898	223,878
State	14,852	44,102	137,485	160,881	173,236	190,377
Shares ($ millions)						
Federal	36,263	117,892	210,188	261,819	291,485	308,318
State	18,469	62,082	169,053	222,377	236,856	247,804

Source: National Credit Union Administration.

CREDIT UNION MEMBERS, 1980-2004
(000)



Source: National Credit Union Administration.

- **From 1980 to 2004 federal and federally insured state credit union assets grew from $61 billion to $647 billion. In 2004 assets increased by $37 billion, or 6.1 percent, from 2003.**
- **There are currently fewer than 500 nonfederally insured state chartered credit unions.**

ASSETS AND LIABILITIES OF CREDIT UNIONS, 2000-2004
($ billions, end of year)

	2000	2001	2002	2003	2004
Total financial assets	**$441.1**	**$505.5**	**$560.8**	**$617.3**	**$654.7**
Checkable deposits and currency	26.7	36.8	38.4	41.5	40.2
Time and savings deposits	15.5	23.0	24.5	26.4	26.3
Federal funds and security repos	4.0	2.5	1.7	1.6	4.1
Credit market instruments	379.7	421.2	463.9	514.5	557.0
Open market paper	1.2	2.4	3.6	1.6	1.9
U.S. government securities	69.1	88.0	105.1	124.4	126.0
Treasury	8.2	7.4	7.8	8.9	9.0
Agency	60.9	80.6	97.3	115.5	117.0
Home mortgages	124.9	141.3	159.4	182.6	211.2
Consumer credit	184.4	189.6	195.7	205.9	217.8
Mutual fund shares	2.2	3.7	3.5	4.1	3.1
Miscellaneous assets	12.9	18.3	28.7	29.2	24.0
Total liabilities	**398.1**	**458.9**	**509.0**	**560.3**	**595.0**
Shares/deposits	389.1	450.2	496.9	544.9	574.6
Checkable	51.3	54.7	59.7	67.4	74.9
Small time and savings	312.7	361.3	394.4	424.0	439.7
Large time	25.1	34.1	42.8	53.6	60.0
Other loans and advances	3.4	4.9	6.9	9.1	11.4
Miscellaneous liabilities	5.6	3.8	5.1	6.3	9.1

Source: Board of Governors of the Federal Reserve System.

CREDIT UNION DISTRIBUTION BY ASSET SIZE, 2004[1]
(End of year)

Asset size ($ millions)	Number of credit unions	Percent change from Dec. 2003	Assets ($ millions)	Percent change from Dec. 2003
$0 to $.2	185	-11.1%	$22	-13.5%
$.2 to $.5	343	-10.9	119	-12.4
$.5 to $1	452	-10.3	340	-10.3
$1 to $2	679	-7.1	1,011	-6.9
$2 to $5	1,323	-6.2	4,512	-5.8
$5 to $10	1,413	-5.0	10,392	-5.1
$10 to $20	1,360	-3.8	19,502	-3.8
$20 to $50	1,573	-0.8	50,466	-0.5
$50 to $100	817	-0.5	57,500	0.1
$100 to $200	531	0.8	75,005	1.6
$200 to $500	421	5.0	130,556	6.3
More than $500	249	6.0	318,679	11.2
Total	**9,346**	**-3.7**	**668,104**	**6.2**

[1]From Credit Union Call Reports.

Source: Credit Union National Association.

TOP TEN U.S. CREDIT UNIONS BY ASSETS, 2004[1]
($ millions)

Rank	Company	Assets
1	Navy	$22,927.7
2	State Employees'	12,116.8
3	Pentagon	7,021.4
4	The Golden 1	5,436.1
5	Orange County Teachers	5,197.1
6	Boeing Employees	5,151.9
7	Suncoast Schools	4,491.8
8	Alliant	4,467.5
9	American Airlines	3,992.9
10	Security Service	3,588.5

[1]Federally insured credit unions.

Source: National Credit Union Administration.

INDUSTRIAL BANKS

Industrial banks, known originally as state-chartered loan companies, were formed in the early part of the 20th century to make consumer loans and offer deposit accounts as part of a move to secure credit for blue collar workers. Many later merged with commercial banks and although 12 states still have industrial bank-charter options on their books, most of the remaining industrial banks now exist in a few states, mainly in the west. Many serve niche markets such as real estate lending and automobile loans. Industrial banks, also referred to as industrial loan companies, are not regulated by the Federal Reserve and may be owned by firms in other financial services businesses such as finance companies, credit card issuers, and securities firms, or by nonfinancial businesses such as automakers and department stores. California and Colorado have passed laws in recent years that prohibit nonfinancial firms from owning industrial loan companies.

TOP TEN FDIC-INSURED INDUSTRIAL BANKS BY ASSETS, 2004
($ millions)

Rank	Bank	State	Total assets
1	Merrill Lynch Bank USA	UT	$66,709.1
2	UBS Bank USA	UT	17,561.5
3	American Express Centurion Bank	UT	12,833.7
4	Fremont Investment & Loan	CA	9,913.9
5	USAA Savings Bank	NV	7,297.2
6	Morgan Stanley Bank	UT	5,376.9
7	Beal Savings Bank	NV	2,777.3
8	GMAC Commercial Mortgage Bank	UT	2,367.8
9	GE Capital Financial Inc.	UT	1,814.5
10	BMW Bank of North America	UT	1,536.8

Source: Federal Deposit Insurance Corporation.

OVERVIEW

The securities industry consists of securities brokers and dealers, investment banks and advisers, and stock exchanges. Together, these entities facilitate the flow of funds from investors to companies and institutions seeking to finance expansions or other projects. Firms that make up the securities sector may specialize in one segment of the business or engage in a wide range of activities that includes brokerage, asset management and advisory services, as well as investment banking. As part of their asset management activities, some firms sell their own and others' annuities.

Investment banking involves the underwriting of new debt securities (bonds) and equity securities (stocks) issued by private or government entities to finance new projects. Investment banks buy the new issues and, acting essentially as wholesalers, sell them, primarily to institutional investors such as banks, mutual funds and pension funds. Investment banks may also be called securities dealers or broker/dealers because many also participate in the financial market as retailers, selling to individual investors. The primary difference between a broker and dealer is that dealers buy and sell securities, whereas brokers act as intermediaries for investors who wish to purchase or sell securities. Dealers make money by selling at a slightly higher price than they paid. Like underwriters/wholesalers, they face the risk that the securities in their inventory will drop in price before they can resell them.

REGULATION

Securities and Exchange Commission: The Securities and Exchange Commission (SEC), established by Congress in 1934, regulates the U.S. securities markets. Its mission is to protect investors and maintain the markets' integrity by enacting new regulations and interpreting and enforcing existing laws.

A component of the Securities Act of 1933 is the requirement that publicly held companies disclose their financial information to provide transparency, ensuring that potential investors have access to key information needed for investment decisions. The Sarbanes-Oxley Act enacted in 2002 further increases the accountability of the boards of publicly held companies to their shareholders.

NASD: Originally known as the National Association of Securities Dealers, NASD is a self-regulatory body created by amendments to the Securities Exchange Act of 1934. The organization serves as the primary private-sector regulator of America's securities industry. Nearly all brokerage firms doing business in the United States are required by law to be members.

MERGERS AND ACQUISITIONS

The value of the top ten mergers and acquisitions deals in the securities industry dropped by $5.8 billion in 2004, after rising $4.4 billion in 2003. Banks were the dominant buyers in the top ten deals of 2004.

TOP TEN SECURITIES AND INVESTMENT FIRMS MERGERS AND ACQUISITIONS, 2004[1]

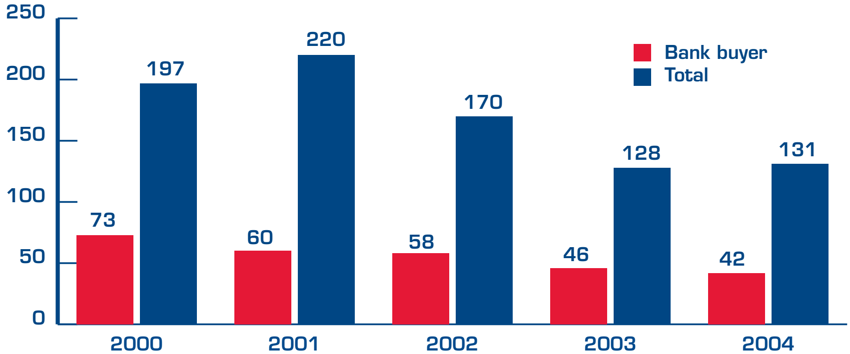
Rank	Buyer	Industry	Target	Industry	Deal value[2] ($ millions)
1	Thomas H. Lee Partners LP	Asset manager	Refco Group Ltd., LLC	Broker/dealer	$1,282.5
2	Merrill Lynch & Co., Inc.	Broker/dealer	Koch's energy trading operations	Broker/dealer	800.0
3	Thomson Corporation	Not classified	TradeWeb, LLC	Broker/dealer	535.0
4	Northern Trust Corporation	Bank	Financial Services Group Ltd.	Asset manager	481.4
5	PNC Financial Services Group, Inc.	Bank	SSRM Holdings, Inc.	Asset manager	460.0
6	FMR Corp.	Asset manager	BHC Investments, Inc.	Broker/dealer	363.9
7	SunTrust Banks, Inc.	Bank	Seix Investment Advisors, Inc.	Asset manager	300.0
8	UBS AG	Bank	Schwab Capital Markets LP	Broker/dealer	265.0
9	Citigroup, Inc.	Bank	Knight Trading Group's derivative markets business	Broker/dealer	225.0
10	Nasdaq Stock Market, Inc.	Broker/dealer	Brut, LLC	Broker/dealer	190.0

[1]At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals. [2]At announcement.

Source: SNL Financial LC.

- **Bank purchases of securities firms accounted for 33 percent of security industry mergers and acquisitions from 2000 to 2004. (See also Chapter 4: Convergence.)**

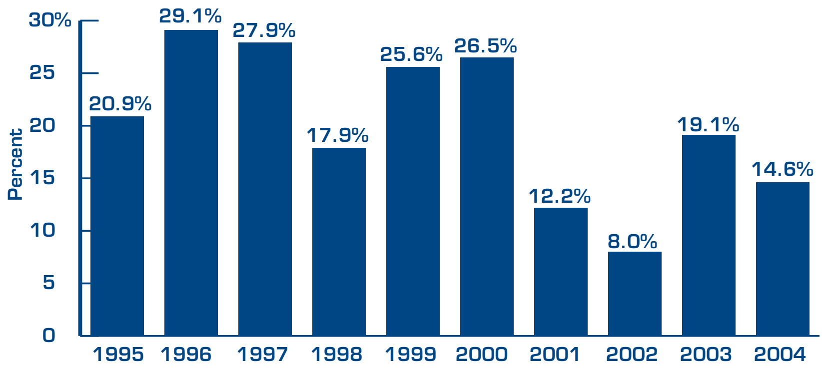
MERGERS AND ACQUISITIONS OF U.S. SECURITIES FIRMS, 2000-2004[1]



[1]List does not include terminated deals. Source: SNL Financial LC.

PROFITABILITY

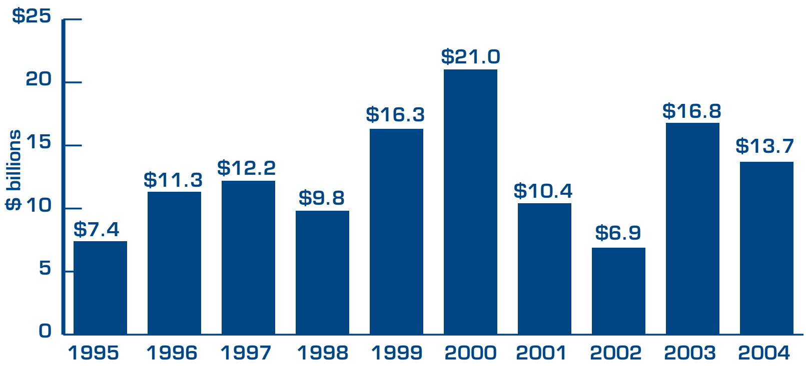
SECURITIES INDUSTRY PRETAX RETURN ON EQUITY, 1995-2004
(Percent)



Source: Securities Industry Association.

- According to the Securities Industry Association, the securities industry return on equity was 14.6 percent in 2004, compared with 19.1 percent in 2003, based on New York Stock Exchange member firms doing public business.
- Revenues of the U.S. securities industry rose 10.9 percent from 2003 to $160.2 billion in 2004, but they were 34.7 percent lower than the record high of $245.2 billion in 2000.

SECURITIES INDUSTRY PRETAX PROFITS, 1995-2004
($ billions)



Source: Securities Industry Association.

- Pretax profits in 2004 totaled $13.7 billion, down 18.5 percent from $16.8 billion in 2003 and down $7.3 billion, or 34.8 percent, from the record $21 billion profits of 2000.

BROKER/DEALERS

The Securities Industry Association groups broker/dealers into four categories. The first, and largest catagory, major firms, consists of national full line companies, which are full service broker/dealers with an extensive national and international branch network system. This category also includes large investment banks and the largest U.S. broker/dealer subsidiaries of global financial holding companies. The major firms provide a broad array of financial services and products to households and institutions.

The second category is regional brokers. Operating on a somewhat smaller scale than the major firms, they offer a range of investment services based on their size and business specialty. Because of their regional expertise, these brokers participate in underwriting securities for businesses that are centered in their region.

New York City (NYC) area regionals, the third category, are mostly broker/dealer subsidiaries of U.S. and foreign banks and securities organizations, excluding those that fall into other listed categories, and are generally institutionally oriented. The fourth category is discounters, broker/dealers primarily engaged in the discount brokerage business.

SECURITIES INDUSTRY PRETAX RETURN ON EQUITY BY FIRM CATEGORY, 1995-2004

(Percent)

Year	Major Firms	Regionals	NYC area regionals	Discounters	Total firms[1]
1995	15.5%	33.8%	17.3%	38.5%	20.9%
1996	27.1	40.2	17.3	42.6	29.1
1997	27.8	32.8	12.8	37.4	27.9
1998	21.1	13.7	-1.0	29.7	17.9
1999	30.3	21.2	4.7	46.3	25.6
2000	28.6	24.9	10.7	48.6	26.5
2001	16.4	9.5	4.1	2.5	12.2
2002	11.0	2.6	4.3	-0.9	8.0
2003	23.0	13.0	0.8	14.5	19.1
2004	16.6	12.9	2.3	4.2	14.6

[1]Total firms, a proxy for total industry, consists of all New York Stock Exchange member broker/dealers doing public business.

Source: Securities Industry Association.

SECURITIES INDUSTRY INCOME STATEMENT, 2004[1]
($ millions)

Revenue	
Commissions	$26,339.8
Trading gain (loss)	17,363.6
Investment account gain (loss)	1,656.1
Underwriting revenue	16,658.9
Margin interest	6,146.0
Mutual fund sale revenue	6,838.5
Fees, asset management	13,941.6
Research revenue	207.8
Commodities revenue	930.3
Other revenue related to the securities business	59,260.4
Other revenue	10,854.3
Total revenue	**160,197.3**

[1]New York Stock Exchange members doing public business.

Source: Securities Industry Association.

Expenses	
Total compensation	$57,851.1
Registered representative compensation	22,301.5
Clerical employee compensation	32,874.4
Total floor costs	4,839.0
Communications expense	4,170.9
Data processing costs	2,422.5
Occupancy and equipment costs	5,577.2
Promotional costs	1,653.2
Interest expense	51,084.2
Losses from error accounts and bad debts	274.8
Regulatory fees and expenses	1,150.0
Nonrecurring charges	477.2
Other expenses	17,017.3
Total expenses	**146,517.4**
Pretax net income	**13,679.9**

- **Total assets of security broker/dealers increased 13.8 percent from $1.6 trillion in 2003 to $1.8 trillion in 2004.**

ASSETS AND LIABILITIES OF SECURITIES BROKER/DEALERS, 2000-2004
($ billions, end of year)

	2000	2001	2002	2003	2004
Total financial assets	**$1,221.4**	**$1,465.6**	**$1,335.4**	**$1,613.0**	**$1,836.0**
Checkable deposits and currency	30.3	47.1	44.2	47.2	61.3
Credit market instruments	223.6	316.0	344.4	424.1	397.2
Open market paper	39.2	48.2	43.5	49.4	45.2
U.S. government securities	60.4	87.6	87.9	121.5	67.9
Treasury	-3.3	9.8	-3.9	37.8	-39.4
Agency	63.7	77.8	91.8	83.7	107.3
Municipal securities	11.3	19.0	21.0	24.9	32.0
Corporate and foreign bonds	112.7	161.3	192.0	228.3	252.2
Corporate equities	77.2	85.1	74.9	100.5	125.3
Security credit	235.1	196.4	148.2	182.5	263.4
Miscellaneous assets	655.1	821.0	723.7	858.8	988.8
Total liabilities	**1,151.4**	**1,440.8**	**1,314.7**	**1,582.8**	**1,802.0**
Security repos[1] (net)	302.2	353.2	344.2	477.9	528.2
Corporate bonds	40.9	42.3	40.6	47.0	62.2
Trade payables	35.9	39.2	37.4	28.2	36.0
Security credit	587.6	629.5	590.6	688.8	767.3
Customer credit balances	412.4	454.3	412.7	475.4	571.6
From banks	175.2	175.2	177.9	213.5	195.7
Taxes payable	2.1	1.9	1.3	1.8	2.3
Miscellaneous liabilities	182.7	374.6	300.5	339.2	406.1
Foreign direct investment in U.S.	20.1	72.2	77.4	80.2	80.7
Due to affiliates	475.7	538.6	558.5	602.8	680.3
Other	-313.1	-236.1	-335.4	-343.8	-354.9

[1]Security repurchase agreeements.

Source: Board of Governors of the Federal Reserve System.

SECURITIES INDUSTRY EMPLOYMENT BY FUNCTION, 2000-2004
(000)

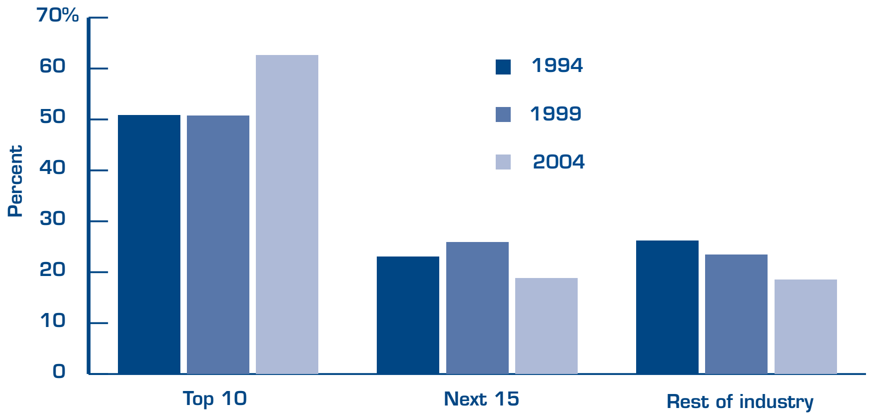
	2000	2001	2002	2003	2004
Securities, commodity contracts, investments (total industry)	**804.5**	**830.5**	**789.4**	**757.7**	**766.8**
Securities and commodity contracts, brokerages and exchanges	565.7	576.9	528.3	493.3	493.7
Securities brokerage	350.1	355.1	321.1	294.2	294.8
Other financial investment activities	238.8	253.6	261.2	264.3	273.1
Miscellaneous intermediation	24.2	24.3	23.7	23.8	23.4
Portfolio management	91.4	97.1	97.9	98.9	106.6
Investment advice	72.4	79.1	89.0	93.7	97.8
All other financial investment activities	50.8	52.9	50.7	48.0	45.3

Source: U.S. Department of Labor, Bureau of Labor Statistics.

CONCENTRATION

As in the banking and insurance sectors, the largest companies are increasing their share of total revenue and capital, reversing a trend in the 1990s when second-tier companies were gaining at the expense of the top 10.

SECURITIES INDUSTRY CONCENTRATION BY TOTAL REVENUE, 1994, 1999 AND 2004[1]
(Percent)



[1]New York Stock Exchange member firms doing public business.

Source: Securities Industry Association.

SECURITIES INDUSTRY CONCENTRATION BY TOTAL CAPITAL, 1995-2004[1]
(Percent)

Year	Top 10	Next 15	Rest of industry	Capital ($ billions)
1995	59.3%	18.1%	22.6%	$64.3
1996	58.5	18.8	22.7	70.7
1997	55.5	21.5	23.0	92.5
1998	57.1	21.8	21.1	105.7
1999	56.6	22.7	20.7	121.5
2000	53.8	23.1	23.2	141.5
2001	56.3	22.3	21.4	148.8
2002	59.6	22.4	18.0	144.6
2003	62.1	20.8	17.2	156.6
2004	63.9	20.0	16.1	173.6

[1]New York Stock Exchange member firms doing public business.

Source: Securities Industry Association.

TOP TEN U.S. SECURITIES FIRMS BY REVENUES, 2004
($ millions)

Rank	Company	Revenues
1	Morgan Stanley	$39,549
2	Merrill Lynch	32,467
3	Goldman Sachs Group	29,839
4	Lehman Brothers Holdings	21,250
5	Bear Stearns	8,422
6	Charles Schwab	4,705
7	Franklin Resources	3,438
8	A.G. Edwards	2,499
9	ETrade Financial	2,097
10	Legg Mason	2,004

Source: Fortune.

TOP TEN U.S. SECURITIES AND INVESTMENT COMPANIES BY ASSETS, 2005
($ millions, as of March 31, 2005)

Rank	Company	Assets
1	Morgan Stanley[1]	$576,000
2	Alliance Capital Management LP	533,946
3	Goldman Sachs Group, Inc.[1]	482,000
4	Merrill Lynch & Co., Inc.	479,000
5	Franklin Resources, Inc.	412,057
6	Citigroup Global Markets Holdings Inc.	407,300
7	BlackRock, Inc.	391,328
8	Legg Mason, Inc.	372,900
9	T. Rowe Price Group, Inc.	235,900
10	Federated Investors, Inc.	178,971

[1]As of February 28, 2005.

Source: SNL Financial LC.

CAPITAL MARKETS

INVESTMENT BANKING

Investment banks underwrite securities for the business community and offer investment advice. The type of equity deals they bring to market reflects a variety of factors including investor sentiment, the economy and market cycles. Examples of how these market factors drive this segment of the securities business include the rise and retreat of technology stocks; the varying levels of initial public offerings, where new stock issues are first offered to the public; and fluctuations in merger and acquisition activity.

The largest U.S. investment banks are located in New York City. They have branch networks, principally in money market centers such as Chicago and San Francisco. They participate in both national and international markets and serve mainly institutional investors.

CORPORATE UNDERWRITING, 2000-2004
($ billions)

	Value of U.S. corporate underwritings			Number of U.S. corporate underwritings		
Year	Debt	Equity	Total	Debt	Equity	Total
2000	$1,646.6	$204.5	$1,851.0	11,980	961	12,941
2001	2,365.4	169.7	2,535.1	14,449	766	15,215
2002	2,427.2	154.0	2,581.1	9,841	731	10,572
2003	2,733.6	156.3	2,889.9	8,819	829	9,648
2004	2,656.2	202.7	2,859.0	7,857	1,056	8,913

Source: Securities Industry Association.

EQUITY AND DEBT OUTSTANDING, 1995-2004
($ billions, end of year)

Year	Corporate equities	Corporate bonds	Total U.S. government securities	Municipal bonds
1995	$8,481.3	$2,904.6	$6,014.5	$1,268.3
1996	10,279.6	3,248.0	6,390.9	1,261.8
1997	13,292.8	3,597.3	6,627.6	1,318.7
1998	15,547.3	4,143.0	7,046.6	1,402.9
1999	19,522.8	4,555.4	7,568.7	1,457.2
2000	17,627.0	4,924.9	7,704.8	1,480.9
2001	15,310.6	5,514.1	8,341.8	1,603.7
2002	11,871.0	5,979.1	9,146.1	1,763.1
2003	15,497.0	6,620.5	10,116.3	1,898.2
2004	17,204.4	7,227.2	10,631.9	2,028.6

Source: Board of Governors of the Federal Reserve System.

MUNICIPAL BONDS

Municipal bonds are debt obligations issued by state or local governments to raise funds for general government needs (general obligation bonds) or special projects (revenue bonds). The average daily trading volume fluctuated between $13.8 billion during the first quarter of 2004 and $15.5 billion in the first quarter of 2005. The bonds play a significant role in investment portfolios because their yield is tax-free.

The principal and interest on revenue bonds are paid out of the revenues of the local government operation that issued the bonds, e.g., the municipal transportation authority. General obligation bond principal and interest are backed by the "full faith and credit" of the local government and paid for out of the municipality's general revenues. The principal and interest of many general obligation bonds are insured by companies that specialize in insuring municipal bonds.

Municipal bonds are usually sold in blocks to securities dealers, who either submit competitive bids for the bonds or negotiate a sale price. Negotiation is the prevailing form when the issuer is new to the financial markets or when the issue is particularly complex. Negotiation enables the underwriting dealer to become familiar with the issuer and the bonds and to help the municipality structure a complex issue.

NUMBER AND VALUE OF LONG-TERM MUNICIPAL BOND UNDERWRITINGS, 1995-2004[1]
($ billions)

	Revenue bonds		General obligation bonds		Total municipal bonds	
Year	Value	Number	Value	Number	Value	Number
1995	$95.2	4,874	$59.8	4,957	$155.0	9,831
1996	115.7	5,272	64.5	5,538	180.2	10,810
1997	142.6	5,790	72.0	5,786	214.6	11,576
1998	187.0	7,150	92.8	7,251	279.8	14,401
1999	149.2	6,342	69.8	5,914	219.0	12,256
2000	129.7	5,310	64.3	5,149	194.0	10,459
2001	181.8	6,413	101.8	6,822	283.5	13,235
2002	230.0	6,475	125.4	7,498	355.4	13,973
2003	236.9	6,607	142.4	8,006	379.3	14,613
2004	227.1	5,881	129.2	7,190	356.3	13,071

[1]Excludes taxable municipal bonds and bonds with maturities under 13 months.

Source: Thompson Financial Securities Data; Securities Industry Association.

- **In 2004 the number of municipal bond underwritings fell to its lowest level since 2000 and was down 10.6 percent from 2003. The value of underwriting fell by 6.1 percent over the same period.**

PRIVATE PLACEMENTS

Investment banks may distribute new security issues in a public offering to individual and institutional investors or they may arrange for the sale of all the securities of an issuer to a single institutional investor such as a bank or insurance company or a small group of them through private placement.

PRIVATE PLACEMENTS, 2000-2004
($ billions)

	Value of U.S. private placements			Number of U.S. private placements		
Year	Debt	Equity	Total	Debt	Equity	Total
2000	$358.7	$124.4	$483.2	2,879	661	3,540
2001	510.5	80.6	591.1	2,063	809	2,872
2002	307.1	40.5	347.5	1,779	568	2,347
2003	489.4	28.8	518.2	2,630	533	3,163
2004	515.5	28.9	544.5	2,714	547	3,261

Source: Thompson Financial Securities Data; Securities Industry Association.

FOREIGN HOLDINGS OF U.S. SECURITIES, 1995-2004
($ billions, end of year)

Year	Stocks	Corporate bonds	Treasuries[1]	Total
1995	$549.5	$361.5	$963.1	$1,874.1
1996	672.4	433.2	1,215.4	2,321.0
1997	952.9	501.6	1,362.6	2,817.1
1998	1,250.3	607.8	1,394.0	3,252.1
1999	1,611.5	752.1	1,358.6	3,722.2
2000	1,643.2	920.6	1,462.8	4,026.6
2001	1,572.7	1,115.9	1,597.8	4,286.4
2002	1,260.8	1,266.9	1,904.3	4,432.0
2003	1,669.0	1,499.5	2,165.9	5,334.4
2004	1,906.1	1,775.5	2,669.7	6,351.3

[1]Includes agency issues.

Source: Board of Governors of the Federal Reserve System.

U.S. HOLDINGS OF FOREIGN SECURITIES, 1995-2004
($ billions, end of year)

Year	Stocks	Bonds	Total
1995	$790.6	$301.8	$1,092.4
1996	1,006.1	368.4	1,374.5
1997	1,207.8	428.0	1,635.8
1998	1,475.0	450.9	1,925.9
1999	2,003.7	452.8	2,456.5
2000	1,852.8	468.0	2,320.8
2001	1,612.7	443.5	2,056.2
2002	1,345.1	410.0	1,755.1
2003	1,957.9	381.9	2,339.8
2004	2,423.5	383.6	2,807.1

Source: Board of Governors of the Federal Reserve System.

ASSET-BACKED SECURITIES

Asset-backed securities (ABS) are bonds that represent pools of loans of similar types, duration and interest rates. By selling their loans to ABS packagers, the original lenders recover cash quickly, enabling them to make more loans. The asset-backed securities market has grown as different types of loans are securitized and sold in the investment markets. Asset-backed securities may be insured by bond insurers.

ASSET-BACKED SECURITIES OUTSTANDING, 2004
($ billions)

	Amount outstanding	Percent of total
Home Equity	$454.0	24.8%
Credit Card	390.7	21.4
CBO/CDO[1]	264.9	14.5
Other	258.0	14.1
Automobile	232.1	12.7
Student loan	115.2	6.3
Equipment leases	70.7	3.9
Manufactured housing	42.2	2.3
Total	**$1,827.8**	**100.0%**

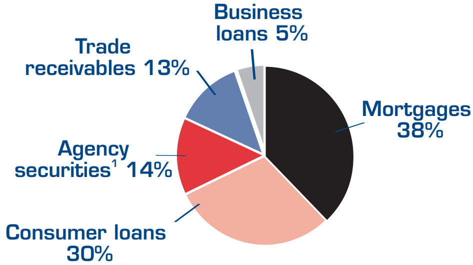
[1]Collateralized bond obligations/collateralized debt obligations.

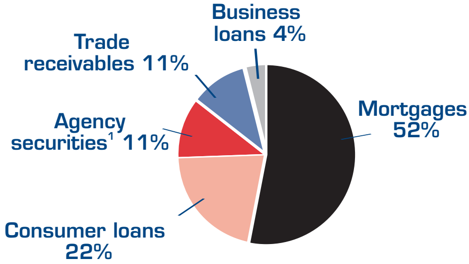
Source: The Bond Market Association.

- **Home equity loans accounted for 24.8 percent of asset-backed securities outstanding in 2004, up from 20.4 percent in 2003 and 10.5 percent in 1995.**

ASSET-BACKED SECURITIES

ASSET-BACKED SECURITY SOURCES, 2000 AND 2004





[1]Securities of federal mortgage pools backing privately issued collateralized mortgage obligations (CMOs). In CMOs, mortgage principal and interest payments are separated into different payment streams to create bonds that repay capital over differing periods of time.

Source: Board of Governors of the Federal Reserve System.

ASSET-BACKED SECURITY SOURCES, 1985-2004
($ billions, end of year)

Year	Agency securities[1]	Mortgages	Consumer loans	Business loans	Trade receivables	Total
1985	$10.1	$24.7	$0.0	$0.0	$2.4	$37.2
1990	117.8	68.1	76.7	4.3	17.4	284.3
1995	204.2	260.8	212.6	29.6	55.7	762.9
1997	175.3	372.8	317.4	62.1	128.1	1,055.7
1998	198.8	512.8	389.4	85.9	165.9	1,352.8
1999	236.9	593.4	448.4	82.6	187.0	1,548.3
2000	246.4	660.2	521.3	89.8	220.0	1,737.7
2001	265.0	774.8	599.7	108.3	245.9	1,993.7
2002	345.7	861.8	637.1	105.0	269.7	2,219.3
2003	421.6	1,045.0	625.0	103.9	290.8	2,486.3
2004	300.2	1,494.9	607.1	105.3	309.7	2,817.2

[1]Securities of federal mortgage pools backing privately issued collateralized mortgage obligations (CMOs). In CMOs, mortgage principal and interest payments are separated into different payment streams to create bonds that repay capital over differing periods of time.

Source: Board of Governors of the Federal Reserve System.

DERIVATIVES

Financial derivatives are contracts that derive their value from the performance of an underlying financial asset, such as publicly traded securities and foreign currencies. They are used as hedging instruments to protect against changes in asset value. There are many kinds of derivatives including futures, options and swaps. Futures and options contracts are traded on the floors of exchanges. Swaps are over-the-counter, privately negotiated agreements between two parties. The number of futures contracts traded on U.S. exchanges more than doubled between 2001 and 2004, from 629 million in 2001 to 1.3 billion in 2004.

Credit derivatives are contracts that lenders, large bondholders and others can purchase to protect against the borrower defaulting on bonds. Credit derivative products can take many forms, such as credit default options, credit limited notes and total return swaps. Large banks use credit derivatives to manage their credit risk. According to the International Swaps and Derivatives Association (ISDA), credit default swaps, which ISDA began to survey at mid-year 2001, grew eight-fold to $8.42 trillion at the end of 2004 from $918.9 billion reported in June 2001. Bond insurers write coverage for credit default swaps.

NUMBER OF FUTURES CONTRACTS TRADED ON U.S. EXCHANGES, 1995-2004
(millions)

Year	Interest rate	Agricultural commodities	Energy products	Foreign currency	Equity indices	Precious metals	Non-precious metals	Other	Total
1995	223.6	63.5	47.2	23.2	20.7	14.1	2.5	0.5	395.3
1996	212.5	74.9	47.2	22.6	22.2	14.9	2.3	0.8	397.4
1997	244.6	74.9	52.9	26.6	25.8	15.4	2.4	1.1	443.7
1998	279.2	73.3	63.8	27.0	42.4	13.8	2.5	1.2	503.2
1999	240.7	73.0	75.1	23.7	46.7	14.5	2.9	1.3	477.9
2000	248.7	73.2	73.1	19.4	62.8	10.2	2.8	1.3	491.5
2001	342.2	72.3	72.5	21.7	107.2	9.6	2.9	0.7	629.2
2002	418.8	79.2	92.1	23.5	221.5	12.4	2.9	1.0	851.3
2003	509.6	87.9	91.9	33.6	296.7	16.9	3.2	3.1	1,043.0
2004	704.2	101.8	109.5	51.1	330.0	21.3	3.3	2.9	1,324.0

Source: Futures Industry Association; Securities Industry Association.

NUMBER OF OPTIONS CONTRACTS TRADED ON U.S. EXCHANGES, 1995-2004
(millions)

- **The number of options contracts traded on U.S. exchanges increased by 30.3 percent from 2003 to 2004, compared with an increase of 13.7 percent in 2003 and 4.7 percent in 2002.**

Year	Equity	Stock index	Foreign currency	Interest rate	Futures	Total
1995	174.4	107.9	5.0	0.1	94.2	381.5
1996	198.6	92.4	3.2	0.1	102.0	396.2
1997	269.6	78.2	2.6	0.1	111.1	461.5
1998	325.8	74.8	1.8	0.1	127.5	530.0
1999	444.8	62.3	0.8	[1]	115.0	622.9
2000	665.3	53.3	0.5	[1]	103.1	822.2
2001	701.1	79.6	0.6	[1]	168.2	949.4
2002	679.4	100.6	0.4	[1]	213.1	993.6
2003	789.2	118.3	0.3	0.1	221.7	1,129.5
2004	1,032.4	149.3	0.2	0.1	289.2	1,471.2

[1]Less than 50,000 interest rate contracts traded.

Source: Options Clearing Corporation; Futures Industry Association; Securities Industry Association.

GLOBAL DERIVATIVES MARKET, 1995-2004[1]
($ billions, end of year)

Year	Exchange-traded	Over-the-counter (OTC)	Total
1995	$9,283	$17,713	$26,996
1996	10,018	25,453	35,471
1997	12,403	29,035	41,438
1998	13,932	80,318	94,250
1999	13,522	88,202	101,724
2000	14,278	95,199	109,477
2001	23,764	111,178	134,942
2002	23,816	141,665	165,481
2003	36,740	197,167	233,907
2004	46,592	248,288	294,880

[1]Notional principal value outstanding. Data after 1998 not strictly comparable with prior years.

Source: Bank for International Settlements.

EXCHANGES

Exchanges are markets where sales of securities and commodities are transacted. Most stock exchanges are auction markets where stocks are traded through competitive bidding in a central location. The oldest stock exchanges in the United States are the New York Stock Exchange (NYSE) and the American Stock Exchange (AMEX). There are also seven regional exchanges and others that specialize in commodities and derivatives. The Chicago Mercantile Exchange and the Chicago Board of Trade, for example, are markets where both futures and options on financial and agricultural products are traded.

Stocks are also traded in dealer markets. Most transactions in a dealer market are between principals acting as dealers for their own accounts rather than between brokers acting as agents for buyers and sellers. One example is the NASDAQ, the first electronic stock market, introduced in 1971 by NASD, an industry self-regulatory organization originally known as the National Association of Securities Dealers. NASDAQ was spun off in a series of transactions in 2000 and 2001. NASDAQ's dealer markets have come to more closely resemble auction markets. As with auction markets, companies must meet size and earnings requirements to trade on NASDAQ.

Over-the-counter (OTC) stocks are another segment of the securities market. Securities transactions are conducted through a telephone and computer network connecting dealers, rather than on the floor of an exchange. OTC stocks are traditionally those of smaller companies that do not meet the listing requirements of NYSE, AMEX or NASDAQ. OTC trading rules are written and enforced by NASD. The OTC Bulletin Board electronically posts bid-and-ask quotations of around 6,500 OTC stocks.

EXCHANGE LISTED COMPANIES, 1995-2004

Year	NASDAQ	NYSE	AMEX
1995	5,122	2,675	791
1996	5,556	2,907	751
1997	5,487	3,047	771
1998	5,068	3,114	770
1999	4,829	3,025	769
2000	4,734	2,862	765
2001	4,109	2,798	691
2002	3,663	2,783	698
2003	3,333	2,755	700
2004	3,271	2,768	725

Source: Securities Industry Association.

The volume of shares traded on the New York Stock Exchange in 2004 reached a new record, rising 4 percent from 2003. The average share price rose 15 percent.

EXCHANGE ACTIVITIES, 1995-2004

	NYSE		AMEX		NASDAQ	
Year	Reported share volume (millions)	Value of shares traded ($ millions)	Share volume (millions)	Value of shares traded ($ millions)	Share volume (millions)	Value of shares traded ($ millions)
1995	87,217	$3,082,916	5,072	$72,717	101,158	$2,398,214
1996	104,636	4,063,655	5,628	91,330	138,112	3,301,777
1997	133,312	5,777,602	6,170	143,230	163,882	4,481,691
1998	169,745	7,317,949	7,280	287,929	202,040	5,758,558
1999	203,851	8,945,205	8,231	477,822	272,605	11,013,192
2000	262,478	11,060,046	13,318	945,391	442,753	20,395,335
2001	307,509	10,489,323	16,317	817,042	471,217	10,934,572
2002	363,136	10,311,156	16,063	642,183	441,706	7,254,595
2003	352,398	9,692,316	16,919	563,438	424,745	7,057,440
2004	367,098	11,618,151	16,636	590,652	453,930	8,727,498

Source: Securities Industry Association.

STOCK MARKET PERFORMANCE INDICES, 1995-2004
(End of year)

Year	DJIA[1]	S&P 500	NYSE Composite	AMEX Composite	NASDAQ Composite
1995	5,117.12	615.93	3,484.15	550.00	1,052.13
1996	6,448.27	740.74	4,148.07	572.34	1,291.03
1997	7,908.25	970.43	5,405.19	684.61	1,570.35
1998	9,181.43	1,229.23	6,299.93	688.99	2,192.69
1999	11,497.12	1,469.25	6,876.10	876.97	4,069.31
2000	10,786.85	1,320.28	6,945.57	897.75	2,470.52
2001	10,021.50	1,148.08	6,236.39	847.61	1,950.40
2002	8,341.63	879.82	5,000.00	824.38	1,335.51
2003	10,453.92	1,111.92	6,440.30	1,173.55	2,003.37
2004	10,783.01	1,211.92	7,250.06	1,434.34	2,175.44

[1]Dow Jones Industrial Average.

Source: Securities Industry Association.

MUTUAL FUNDS

A mutual fund is a pool of assets that is managed by professional investment managers. Embraced as an investment vehicle by those who do not want to actively manage their investment accounts but who believe they can earn higher returns in the securities markets than through traditional savings bank products, mutual funds have experienced tremendous growth over the past two decades. In 1940 there were only 68 funds and about 300,000 shareholder accounts. By 1980 there were 564 funds and 12 million accounts. From 1985 to 1990, by most measures, the industry doubled in size. According to data from the Investment Company Institute, the trade association for the mutual fund industry, nearly half of all American households owned mutual funds in 2004.

Mutual funds are regulated by the Investment Company Act of 1940, which defines, among other things, the responsibilities of mutual fund companies to the public and requirements regarding financial reporting, governance and fiduciary duties. Mutual fund managers have a substantial presence in the securities markets as they trade and manage the securities within the funds they oversee.

MUTUAL FUND INDUSTRY NET ASSETS, NUMBER OF FUNDS AND SHAREHOLDER ACCOUNTS, 1985-2004

Year	Total net assets ($ billions)	Number of funds	Number of shareholder accounts (000)
1985	$495.39	1,528	34,098
1990	1,065.19	3,079	61,948
1995	2,811.29	5,725	131,219
1997	4,468.20	6,684	170,363
1998	5,525.21	7,314	194,078
1999	6,846.34	7,791	226,346
2000	6,964.67	8,155	244,839
2001	6,974.95	8,305	248,816
2002	6,390.36	8,244	251,224
2003	7,414.40	8,126	260,882
2004	8,106.87	8,044	267,363

Source: Investment Company Institute.

- **At year-end 2004 mutual funds accounted for 24 percent of the U.S. retirement market, or $3.1 trillion. This amount represented about 38 percent of all mutual fund assets.**
- **Mutual funds own 22 percent of all U.S. corporate equity.**

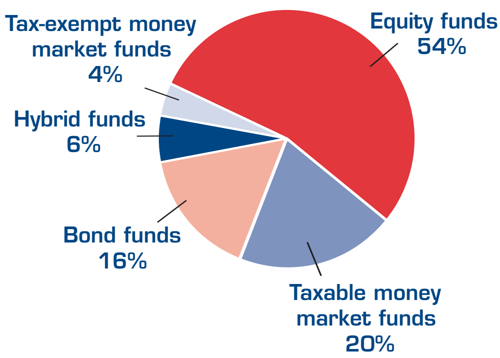
MUTUAL FUND INDUSTRY NET ASSETS BY TYPE OF FUND, 1985-2004

($ billions, end of year)

Year	Equity funds	Hybrid funds	Bond funds	Taxable money market funds	Tax-exempt money market funds	Total
1985	$111.3	$17.6	$122.7	$207.5	$36.3	$495.4
1990	239.5	36.1	291.3	414.7	83.6	1,065.2
1995	1,249.1	210.3	598.9	630.0	123.0	2,811.3
1998	2,977.9	365.0	830.6	1,163.2	188.5	5,525.2
1999	4,041.9	378.8	812.5	1,408.7	204.4	6,846.3
2000	3,961.9	346.3	811.2	1,607.3	238.0	6,964.7
2001	3,418.2	346.3	925.1	2,013.0	272.4	6,975.0
2002	2,662.5	325.5	1,130.5	1,997.2	274.8	6,390.4
2003	3,684.2	430.5	1,247.8	1,763.6	288.4	7,414.4
2004	4,384.1	519.3	1,290.3	1,602.8	310.4	8,106.9

Source: Investment Company Institute.

MUTUAL FUND INDUSTRY NET ASSETS BY TYPE OF FUND, 2004



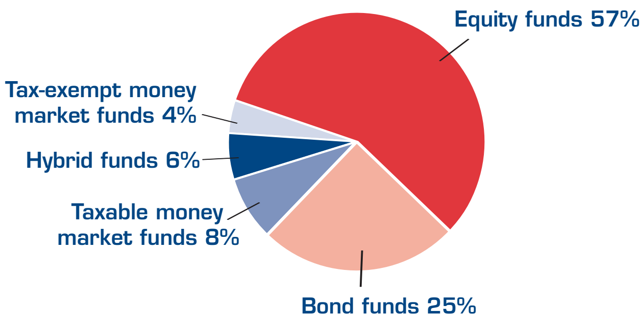
Source: Investment Company Institute.

NUMBER OF MUTUAL FUNDS BY TYPE, 1985-2004

Year	Equity funds	Hybrid funds	Bond funds	Taxable money market funds	Tax-exempt money market funds	Total
1985	562	103	403	348	112	1,528
1990	1,099	193	1,046	506	235	3,079
1995	2,139	412	2,177	674	323	5,725
1998	3,512	526	2,250	685	341	7,314
1999	3,952	532	2,262	702	343	7,791
2000	4,385	523	2,208	703	336	8,155
2001	4,716	483	2,091	689	326	8,305
2002	4,747	473	2,035	679	310	8,244
2003	4,599	508	2,045	662	312	8,126
2004	4,550	510	2,041	639	304	8,044

Source: Investment Company Institute.

NUMBER OF MUTUAL FUNDS BY TYPE, 2004



Source: Investment Company Institute.

TOP TEN MUTUAL FUND COMPANIES BY ASSETS, 2005[1]
($000)

Rank	Company	Total net assets
1	Fidelity Investments	$949,043,326
2	Vanguard Group	864,809,332
3	Capital Research & Management	721,894,829
4	Franklin Templeton Investments	258,649,755
5	Morgan Stanley	212,703,042
6	J.P. Morgan Chase & Co.	197,084,517
7	Columbia Management Group	193,563,642
8	PIMCO Funds	178,399,578
9	TIAA-CREF	173,865,479
10	OppenheimerFunds/MassMutual	168,695,094

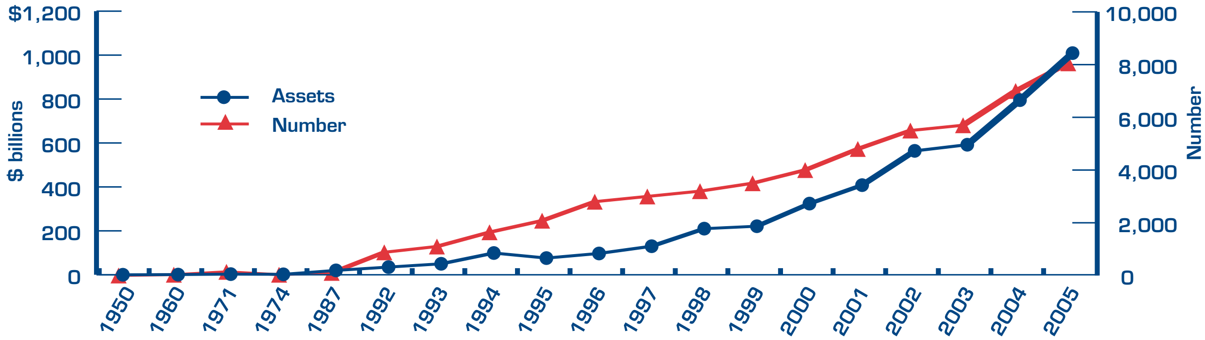
[1]As of March 31, 2005. Includes members of Investment Company Institute only.

Source: Investment Company Institute.

HEDGE FUNDS

Hedge funds are private investment pools subject to the terms of investment agreements between the sponsors of, and investors in, the hedge fund. In response to rapid growth in the hedge fund industry, the Securities and Exchange Commission adopted a rule in 2004 requiring hedge fund advisers to register under the Investment Advisers Act. While mutual funds typically have a minimum opening investment of about $1,000, hedge fund investors are often required to have a minimum investment of $1 million.

ASSETS AND NUMBER OF HEDGE FUNDS, 1950-2005[1]
($ billions)



[1]As of January.

Source: Hennessee Group LLC.

Finance companies, which supply credit to businesses and consumers, are often categorized as nondepository institutions, along with mortgage bankers and brokers, because they make loans without taking in deposits. They acquire funds to make these loans largely by issuing commercial paper and bonds, and securitizing their loans. As financial intermediaries, finance companies compete with banks, savings institutions and credit unions. In terms of assets, the sector is twice as large as the credit union sector, about the same size as thrifts and one-fifth as large as commercial banks. Accounts receivable — the amount of money that is owed to a business — rather than assets or revenues, determine a company's standing within the industry.

Finance companies are diverse. Captive finance companies — which are affiliated with motor vehicle or appliance manufacturers — finance dealer inventories and consumer purchases of their products, sometimes at below-market rates. Consumer finance companies make loans to consumers who want to finance purchases of large household items, such as furniture; make home improvements; or refinance small debts. Business finance companies offer commercial credit, making loans secured by the assets of the business to wholesalers and manufacturers and purchasing accounts receivable at a discount. Increasingly, finance companies are participating in the real estate market but, according to the Federal Reserve, despite their expansion in this area, they still account for a very small share of the total. They also offer credit cards and engage in motor vehicle, aircraft and equipment leasing.

TOP TEN SPECIALTY LENDER MERGERS AND ACQUISITIONS, 2004[1]

Rank	Buyer	Industry	Target	Deal value[2] ($ millions)
1	General Electric Company	Not classified	Citigroup's transportation finance business	$4,400.0
2	Royal Bank of Scotland Group plc	Bank	People's Bank credit card operations	2,435.2
3	General Electric Company	Not classified	Boeing's commercial financial services business	2,030.0
4	Bank One Corporation	Bank	Circuit City's private-label credit card operations	1,758.9
5	Citigroup, Inc.	Bank	Principal Residential Mortgage Inc.	1,260.0
6	Investor Group	Not classified	Transamerica Maritime Containers	1,200.0
7	General Electric Company	Not classified	Most of Dillard National Bank[3]	850.0
8	National City Corporation	Bank	Charter One Vendor Finance LLC	310.0
9	Barclays plc	Bank	Juniper Financial Corp.	287.1
10	CIT Group Inc.	Specialty lender	GATX Technology Services	247.4

[1]At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals.

[2]At announcement.

[3]An issuer of private label credit cards.

Source: SNL Financial LC.

FINANCE COMPANY EMPLOYMENT, 2000-2004
(000)

	2000	2001	2002	2003	2004
Nondepository credit intermediation	**644.4**	**660.7**	**694.9**	**749.9**	**768.1**
Credit card issuing	144.0	144.4	133.8	132.5	124.5
Sales financing	111.3	113.2	109.0	107.7	108.5
Other nondepository credit intermediation	389.1	403.1	452.1	509.8	535.1
Consumer lending	88.4	94.3	99.0	103.4	106.0
Real estate credit	223.4	231.2	277.0	330.7	350.8
Miscellaneous nondepository credit intermediation	77.3	77.6	76.2	75.7	78.2

Source: U.S. Department of Labor, Bureau of Labor Statistics.

NONDEPOSITORY CREDIT INTERMEDIATION INDUSTRY, 1997 AND 2002[1]

	Year	Establishments[2] (number)	Annual payroll ($000)
Nondepository credit intermediation	2002	48,660	$36,271,640
	1997	47,556	22,660,754
Credit card issuing	2002	673	2,287,469
	1997	588	1,782,651
Sales financing	2002	7,008	8,961,052
	1997	8,143	6,163,041
Other nondepository credit intermediation	2002	40,979	25,023,119
	1997	38,825	14,715,062

[1]As defined by the U.S. Census Bureau, includes firms primarily engaged in extending credit or lending funds raised by credit market borrowing. The group includes credit card issuing firms, sales financing firms, and establishments that make cash loans or extend credit through credit instruments other than credit cards and sales finance agreements. All data based on the 1997 North American Industrial Classification System (NAICS).

[2]An establishment is a single physical location at which business is conducted, as opposed to a firm or company, which may consist of one or more establishments under common control. Data in this chart may not be comparable to other Census Bureau data shown elsewhere in this chapter.

Note: Latest data available. Based on surveys conducted every five years.

Source: U.S. Department of Commerce, U.S. Census Bureau.

ASSETS AND LIABILITIES OF FINANCE COMPANIES, 2000-2004[1]

($ billions, end of year)

	2000	2001	2002	2003	2004
Total financial assets	**$1,140.1**	**$1,158.9**	**$1,192.6**	**$1,384.8**	**$1,458.0**
Checkable deposits and currency	27.9	30.8	33.8	37.1	40.6
Credit market instruments	851.2	846.4	867.6	951.8	1,082.2
Other loans and advances	458.4	447.0	455.3	457.5	473.6
Mortgages	172.3	161.3	174.5	198.9	243.0
Consumer credit	220.5	238.1	237.8	295.4	365.6
Miscellaneous assets	261.0	281.8	291.3	395.9	335.2
Total liabilities	**$1,161.4**	**$1,182.7**	**$1,246.9**	**$1,469.5**	**$1,601.2**
Credit market instruments	778.0	779.2	821.4	939.6	1,057.7
Open market paper	238.8	158.6	141.5	136.3	163.9
Corporate bonds	503.2	569.9	631.9	747.1	828.5
Other bank loans	35.9	50.8	48.0	56.2	65.2
Taxes payable	9.1	10.2	11.6	13.2	15.0
Miscellaneous liabilities	374.3	393.2	413.9	516.7	528.5
Foreign direct investment in U.S.	63.2	68.6	60.1	64.9	74.8
Investment by parent	102.5	99.2	88.2	99.9	118.3
Other	208.5	225.4	265.6	351.9	335.4
Consumer leases not included above[2]	108.2	103.5	83.3	70.0	62.5

[1]Includes retail captive finance companies.

[2]Receivables from operating leases, such as consumer automobile leases, are booked as current income when payments are received and are not included in financial assets (or household liabilities). The leased automobile is a tangible asset.

Source: Board of Governors of the Federal Reserve System.

PROFITABILITY

BUSINESS AND CONSUMER FINANCE COMPANIES, RETURN ON EQUITY, 2000-2004[1]

	Business finance companies return on average equity[2]		Consumer finance companies return on average equity[3]	
Year	Median	Average	Median	Average
2000	10.50%	-0.79%	19.61%	9.72%
2001	8.65	11.81	14.99	2.31
2002	5.23	0.09	21.94	28.13
2003	9.65	6.53	20.54	17.52
2004	12.19	15.85	19.45	15.02

[1]Net income as a percentage of average equity.

[2]Consists of 26 publicly traded commercial finance companies including niche, diversified commercial and equipment finance companies. Does not include GSEs, finance REITs, mortgage or real estate companies.

[3]Consists of 35 publicly traded consumer finance companies including auto finance, credit card, niche and diversified consumer companies and pawn shops. Does not include GSEs, finance REITs, or mortgage and real estate companies.

Source: SNL Financial LC.

NONDEPOSITORY CREDIT INTERMEDIATION INDUSTRY REVENUES, 1997 AND 2002[1]
($000)

	Year	Revenue
Nondepository credit intermediation	2002	$384,011,947
	1997	229,213,945
Credit card issuing	2002	34,505,552
	1997	24,503,307
Sales financing	2002	121,489,478
	1997	78,133,239
Other nondepository credit intermediation	2002	228,016,917
	1997	126,577,399

[1]As defined by the U.S. Census Bureau, includes firms primarily engaged in extending credit or lending funds raised by credit market borrowing. The group includes credit card issuing firms, sales financing firms, and establishments that make cash loans or extend credit through credit instruments other than credit cards and sales finance agreements. All data based on the 1997 North American Industrial Classification System (NAICS).

Note: Latest data available. Based on surveys conducted every five years.

Source: U.S. Department of Commerce, U.S. Census Bureau.

TOTAL RECEIVABLES AT FINANCE COMPANIES, 2000-2004[1]

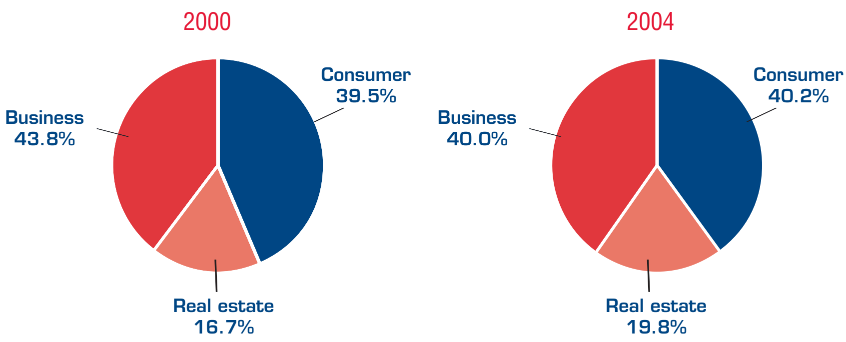
($ billions)

	2000	2001	2002	2003	2004
Total	**$1,193.1**	**$1,248.4**	**$1,277.4**	**$1,333.1**	**$1,420.7**
Consumer	472.0	515.2	519.1	542.5	571.8
Real estate	198.9	207.7	217.4	239.6	280.6
Business	522.3	525.5	540.9	551.0	568.3

[1]Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Includes owned receivables (carried on the balance sheet of the institution) and managed receivables (outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator).

Source: Board of Governors of the Federal Reserve System.

TOTAL RECEIVABLES AT FINANCE COMPANIES, BY CATEGORY, 2000 AND 2004[1]



[1]Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Includes owned receivables (carried on the balance sheet of the institution) and managed receivables (outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator).

Source: Board of Governors of the Federal Reserve System.

RECEIVABLES

BUSINESS RECEIVABLES AT FINANCE COMPANIES, 2000-2004
($ billions, end of year)

	2000	2001	2002	2003	2004	Percent of total 2000	2001	2002	2003	2004
Total	**$525.0**	**$527.9**	**$543.0**	**$553.1**	**$570.5**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Motor vehicles	75.5	54.0	60.7	74.9	91.6	14.4	10.2	11.2	13.5	16.1
Retail loans	18.3	16.1	15.4	18.2	18.4	3.5	3.0	2.8	3.3	3.2
Wholesale loans[1]	39.7	20.3	29.3	40.3	46.2	7.6	3.8	5.4	7.3	8.1
Leases	17.6	17.6	16.0	16.3	27.0	3.4	3.3	2.9	2.9	4.7
Equipment	283.5	289.4	292.1	277.6	264.9	54.0	54.8	53.8	50.2	46.4
Loans	70.2	77.8	83.3	74.6	70.6	13.4	14.7	15.3	13.5	12.4
Leases	213.3	211.6	208.8	203.1	194.3	40.6	40.1	38.5	36.7	34.1
Other business receivables[2]	99.4	103.5	102.5	105.0	115.4	18.9	19.6	18.9	19.0	20.2
Securitized assets[3]	66.5	81.0	87.8	95.6	98.6	12.7	15.3	16.2	17.3	17.3
Motor vehicles	37.8	50.1	50.2	48.4	44.8	7.2	9.5	9.2	8.8	7.9
Retail loans	3.2	5.1	2.4	2.2	2.2	0.6	1.0	0.4	0.4	0.4
Wholesale loans	32.5	42.5	45.9	44.2	40.6	6.2	8.1	8.5	8.0	7.1
Leases	2.2	2.5	1.9	2.1	2.0	0.4	0.5	0.3	0.4	0.4
Equipment	23.1	23.2	20.2	22.1	23.6	4.4	4.4	3.7	4.0	4.1
Loans	15.5	16.4	13.0	12.5	11.5	3.0	3.1	2.4	2.3	2.0
Leases	7.6	6.8	7.2	9.6	12.1	1.4	1.3	1.3	1.7	2.1
Other business receivables[2]	5.6	7.7	17.4	25.1	30.2	1.1	1.5	3.2	4.5	5.3

[1]Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

[2]Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, recreation vehicles and travel trailers.

[3]Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

Source: Board of Governors of the Federal Reserve System.

CONSUMER RECEIVABLES AT FINANCE COMPANIES, 2000-2004

($ billions, end of year)

	2000	2001	2002	2003	2004
Total consumer	**$475.9**	**$519.7**	**$523.9**	**$547.7**	**$577.2**
Motor vehicle loans	141.6	173.9	160.2	197.0	227.6
Motor vehicle leases	108.2	103.5	83.3	70.0	62.5
Revolving[1]	37.6	31.5	38.9	37.6	43.3
Other[2]	41.3	32.7	38.7	60.9	94.7
Securitized assets[3]					
Motor vehicle loans	97.1	131.9	151.9	132.8	112.5
Motor vehicle leases	6.6	6.8	5.7	5.5	4.8
Revolving	27.5	25.0	31.1	31.6	22.2
Other	16.0	14.3	14.0	12.2	9.5

[1]Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

[2]Includes personal cash loans, mobile home loans and loans to purchase other types of consumer goods such as appliances, apparel, boats and recreation vehicles.

[3]Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

Source: Board of Governors of the Federal Reserve System.

REAL ESTATE RECEIVABLES AT FINANCE COMPANIES, 2000-2004

($ billions, end of year)

	2000	2001	2002	2003	2004
Total real estate	**$198.9**	**$207.7**	**$217.4**	**$239.6**	**$280.6**
One- to four-family	130.6	120.1	135.0	152.2	190.2
Other	41.7	41.2	39.5	46.7	52.7
Securitized real estate assets[1]					
One- to four-family	24.7	40.7	39.7	36.9	34.1
Other	1.9	5.7	3.2	3.8	3.5

[1]Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

Source: Board of Governors of the Federal Reserve System.

CONCENTRATION

NONDEPOSITORY CREDIT INTERMEDIATION INDUSTRY: CONCENTRATION BY LARGEST FIRMS, 1997 AND 2002[1]

	Number of establishments[2]		Revenues: Amount ($000)		Revenues: As a percent of total	
	1997	2002	1997	2002	1997	2002
All firms[2]	**47,556**	**48,696**	**$229,213,945**	**$403,912,619**	**100.0%**	**100.0%**
4 largest firms	2,569	3,280	71,574,042	166,726,453	31.2	41.3
8 largest firms	3,820	7,511	98,222,537	206,873,695	42.9	51.2
20 largest firms	7,971	10,706	130,024,484	263,953,166	56.7	65.3
50 largest firms	14,301	14,490	160,501,398	315,239,859	70.0	78.0

[1]As defined by the U.S. Census Bureau, includes firms primarily engaged in extending credit or lending funds raised by credit market borrowing. The group includes credit card issuing firms, sales financing firms, and establishments that make cash loans or extend credit through credit instruments other than credit cards and sales finance agreements. Data for 1997 based on North American Industrial Classification System (NAICS). Data for 2002 based on 2002 NAICS.

[2]An establishment is a single physical location at which business is conducted, as opposed to a firm or company, which may consist of one or more establishments under common control.

Note: Latest data available. Based on surveys conducted every five years. Data in this chart may not be comparable to other Census Bureau Data shown elsewhere in this chapter.

Source: U.S. Department of Commerce, U.S. Census Bureau.

NONDEPOSITORY CREDIT INTERMEDIATION INDUSTRY: CONCENTRATION BY LARGEST FIRMS, BY SECTOR, 1997 AND 2002[1]

($ billions)

	Revenues of top 50 firms as a percent of total	
	1997	2002
Nondepository credit intermediation industry	70.0%	78.0%
Credit card issuing	99.4	99.8
Sales financing	79.8	88.8
Other nondepository credit intermediation	72.2	80.3

[1]As defined by the U.S. Census Bureau, includes firms primarily engaged in extending credit or lending funds raised by credit market borrowing. The group includes credit card issuing firms, sales financing firms, and establishments that make cash loans or extend credit through credit instruments other than credit cards and sales finance agreements.

Note: Latest data available. Based on surveys conducted every five years. Data in this chart may not be comparable to other Census Bureau Data shown elsewhere in this chapter.

Source: U.S. Department of Commerce, U.S. Census Bureau.

TOP TEN U.S. CONSUMER AND COMMERCIAL FINANCE COMPANIES, 2004[1]
($ millions)

Rank	Company	Total managed receivables[2]
1	General Electric Capital Corporation	$360,246.0
2	General Motors Acceptance Corporation	273,563.0
3	Ford Motor Credit Company	172,300.0
4	Citigroup, Inc. (credit card)	165,779.0
5	JPMorgan Chase & Co. (credit card)	134,734.0
6	MBNA Corporation	121,618.2
7	SLM Corporation	108,366.0
8	American Express Company	92,000.0
9	Capital One Financial Corporation	79,861.3
10	HSBC Finance Corporation	58,654.0

[1]Ranked by total nonmortgage managed receivables. Excludes mortgage and real estate companies.

[2]On-balance sheet nonmortgage receivables and loans sold that are still serviced and managed.

Source: SNL Financial LC.

TOP TEN U.S. CONSUMER FINANCE COMPANIES, 2004[1]
($ millions)

Rank	Company	Total managed receivables[2]
1	Citigroup, Inc. (credit card)	$165,779.0
2	Ford Motor Credit Company	150,434.0
3	JPMorgan Chase & Co. (credit card)	134,734.0
4	General Electric Capital Corporation	127,763.0[3]
5	General Motors Acceptance Corporation	124,211.0
6	MBNA Corporation	116,648.1
7	SLM Corporation	107,617.3
8	Capital One Financial Corporation	79,861.3
9	American Express Company	78,300.0
10	Bank of America Corporation (credit card)	58,097.2

[1]Ranked by total nonmortgage managed receivables. Excludes mortgage and real estate companies.

[2]On-balance sheet nonmortgage receivables and loans sold that are still serviced and managed.

[3]On-balance sheet receivables.

Source: SNL Financial LC.

TOP TEN U.S. COMMERCIAL FINANCE COMPANIES, 2004[1]
($ millions)

Rank	Company	Total managed receivables[2]
1	General Electric Capital Corporation	$183,063.0[3]
2	General Motors Acceptance Corporation	149,352.0
3	CIT Group Inc.	46,686.4
4	International Lease Finance Corporation	31,600.4[3]
5	Caterpillar Financial Services Corporation	23,505.0
6	Ford Motor Credit Company	21,866.0
7	Bank of America Corporation (equipment)	19,189.9[3]
8	John Deere Capital Corporation	13,463.4
9	JPMorgan Chase & Co. (equipment)	12,996.0[3]
10	U.S. Bancorp (equipment)	12,129.0[3]

[1]Ranked by total nonmortgage managed receivables. Excludes mortgage and real estate companies.

[2]On-balance sheet nonmortgage receivables and loans sold that are still serviced and managed.

[3]On-balance sheet receivables.

Source: SNL Financial LC.

MORTGAGES

Mortgage financing has become an increasingly important element in the economy, involving a wide range of financial institutions from commercial banks, thrifts and credit unions to finance companies, life insurers and government-sponsored enterprises like Fannie Mae. In 2004 home mortgage debt outstanding amounted to $8.1 trillion.

Demographic factors such as the size of various age groups within the population and changes in disposable income, interest rates and the desirability of other investment options influence the residential mortgage market. The commercial market has expanded in response to business growth.

Overall, the mortgage market grew 12.8 percent in 2004 from the previous year. In the home mortgage sector, the combined mortgage holdings of commercial banks and savings institutions rose 19.2 percent, the holdings of credit unions rose 15.7 percent, and those of finance companies rose 25.0 percent.

The term mortgage origination refers to the original transaction, the point at which the homeowner purchases the mortgage, in person or online, from a financial services company such as a bank.

Mortgages may be sold and packaged as securities, which frees up funds for the mortgage originator to make additional mortgages available. Mortgage-backed securities are sold by asset-backed securities (ABS) issuers. The sale transfers the risk of default from the originator to the ABS buyer.

The bank that originates the mortgage does not always "service" the mortgage itself. It may sell the servicing of the mortgage, which includes collecting and processing monthly payments, to another company. The servicing business of many of the leading mortgage originators is much larger than their origination business.

TOTAL MORTGAGES OUTSTANDING, 2000-2004
($ billions, end of year)

	2000	2001	2002	2003	2004
Total mortgages	**$6,812.4**	**$7,486.0**	**$8,308.7**	**$9,313.0**	**$10,507.5**
Home	5,126.3	5,635.8	6,309.6	7,105.1	8,071.1
Multifamily residential	406.0	447.9	486.3	557.2	601.3
Commercial	1,169.8	1,284.5	1,387.3	1,517.2	1,692.6
Farm	110.2	117.8	125.5	133.6	142.5

Source: Board of Governors of the Federal Reserve System.

HOME MORTGAGES BY HOLDER, 2000-2004[1]

($ billions, end of year)

	2000	2001	2002	2003	2004
Total assets	**$5,126.3**	**$5,635.8**	**$6,309.6**	**$7,105.1**	**$8,071.1**
Household sector	87.4	94.9	103.6	113.1	123.5
Nonfinancial corporate business	21.4	23.0	24.0	25.0	26.0
Nonfarm noncorporate business	8.7	9.9	9.6	11.4	13.4
State and local governments	67.5	66.5	63.2	67.6	72.1
Federal government	17.7	17.1	16.2	15.3	14.8
Commercial banking	965.6	1,023.9	1,222.2	1,347.0	1,567.5
Savings institutions	594.2	620.6	631.4	703.4	875.8
Credit unions	124.9	141.3	159.4	182.6	211.2
Bank personal trusts and estates	2.3	2.5	2.3	1.9	1.9
Life insurance companies	4.9	4.9	4.7	4.4	4.7
Private pension funds	7.7	4.6	2.8	1.7	1.4
State and local govt retirement funds	7.1	6.9	6.8	6.3	6.8
Government-sponsored enterprises	205.1	225.6	271.1	363.3	367.8
Federally related mortgage pools	2,425.6	2,748.5	3,063.7	3,367.0	3,416.9
ABS issuers	426.3	496.1	551.8	683.2	1,071.9
Finance companies	130.6	120.1	135.0	152.2	190.2
Mortgage companies[2]	21.8	21.8	21.8	21.8	21.8
REITs	7.4	7.7	20.0	37.8	83.1
Home equity loans included above[3]	492.0	518.0	583.3	684.9	881.3
Commercial banking	235.0	258.6	303.3	366.0	483.6
Savings institutions	72.8	77.9	78.5	95.6	121.5
Credit unions	40.7	44.9	48.1	51.8	64.0
ABS issuers	12.9	16.5	18.5	19.2	21.9
Finance companies	130.6	120.1	135.0	152.2	190.2

[1]Mortgages on 1 to 4 family properties.

[2]Not updated by the Federal Reserve System since 1997.

[3]Loans made under home equity lines of credit and home equity loans secured by junior liens. Excludes home equity loans held by mortgage companies and individuals.

Source: Board of Governors of the Federal Reserve System.

1 TO 4 FAMILY HOME MORTGAGE ORIGINATIONS, 1995-2004
($ billions)

Year	Total volume	Refinance share	Adjustable rate mortgage (ARM) share[1]
1995	$639	21%	33%
2000	1,047	19	25
2001	2,080	59	12
2002	2,745	59	17
2003	3,711	65	19
2004[2]	2,227	40	38

[1]ARM share is percent of total volume of conventional purchase loans.
[2]Projected by Freddie Mac.

Source: HUD Survey of Mortgage Lending Activity; Mortgage Bankers Association; Federal Housing Finance Board; Freddie Mac.

- **An April 2005 survey of shoppers' behaviors and attitudes, conducted by Shopping.com, an online shopping service, found that in a three-month period, 15 percent of homeowners and 14 percent of renters had gone online to check mortgage rates.**

GOVERNMENT-SPONSORED ENTERPRISES

Government-sponsored enterprises (GSEs) are corporations created by Congress to assist groups of borrowers such as homeowners, mortgage lenders and farmers gain access to capital markets. Three GSEs — the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Bank (FHLB) system — stand behind more than $4 trillion worth of mortgages, or more than three-quarters of the single-family mortgages in the United States, according to a Federal Reserve Report.

Fannie Mae, established in 1938 to increase the availability and affordability of home mortgages, purchases and sells conventional residential mortgages as well as those insured by the Federal Housing Administration. A similar organization, Freddie Mac, chartered in 1970 to increase the supply of funds that mortgage lenders make available to homebuyers, buys mortgages from banks and other lenders, packages them into securities and sells them to investors. The FHLB system, established in 1932 to provide a source of funds to community financial institutions, provides loans and various services to its members, which include savings and loan associations, savings banks and insurance companies. The Farm Credit System was established by Congress in 1916 to provide American agriculture with a source of dependable credit at competitive rates of interest. A related entity, the Federal Agricultural Mortgage Corporation (Farmer Mac), was established to attract new capital for the financing of agricultural real estate and to provide liquidity to agricultural lenders.

FANNIE MAE FINANCIAL HIGHLIGHTS, 2002-2003
($ millions)

For the year	2002	2003	Percent change
Net income	$4,619	$7,905	71%
Diluted earnings per common share[1]	4.52	7.91	75
Cash dividends per common share[1]	1.32	1.68	27
Mortgage purchases	370,641	572,852	55
MBS[2] issues acquired by others	478,260	850,204	78
At December 31			
Mortgage portfolio, net	801,043	901,795	13
Total assets	887,515	1,009,569	14
Stockholders' equity	16,288	22,373	37
Core capital	28,079	34,405	23
Excess of core capital over minimum capital	877	2,885	229
Outstanding MBS[2,3]	1,029,456	1,300,166	26

[1]Data are in dollars.

[2]Mortgage-backed securities.

[3]Unpaid principal balance of MBS guaranteed by Fannie Mae and held by investors other than Fannie Mae.

Source: Federal National Mortgage Association.

FREDDIE MAC SELECTED BALANCE SHEETS RESULTS, 2003-2004
($ millions, end of year)

	2003	2004	Change
Retained portfolio	$660,357	$664,468	$4,111
Cash and investments	109,078	97,280	-11,798
Other items	34,014	33,426	-588
Total assets	**803,449**	**795,174**	**-8,275**
Total debt securities, net	739,613	731,697	-7,916
Other items	32,349	32,171	-178
Total liabilities and minority interests	771,962	763,868	-8,094
Total stockholders' equity	31,487	31,306	-181
Total liabilities and stockholders' equity	**803,449**	**795,174**	**-8,275**

Source: Federal Home Loan Mortgage Corporation.

FARM CREDIT SYSTEM SELECTED FINANCIAL INFORMATION, 2002-2005
($ millions, end of period)

	December 2002	December 2003	December 2004	June 2004	June 2005
Gross loans	$89,722	$92,790	$96,367	$93,944	$100,648
Cash, federal funds and investments	18,158	23,287	24,164	22,794	25,023
Farm Credit Insurance Fund assets	1,839	2,033	2,164	2,122	1,994
Total assets	110,647	116,844	124,850	119,591	129,970
Systemwide debt securities	89,426	94,242	99,107	96,327	104,360
Total capital	17,053	18,923	21,389	19,687	22,195
Net interest income	2,822	2,919	2,994	1,466	1,575
(Provision for loan losses) loan loss reversal	-144	-99	1,208	-5	-7
Net income	1,773	1,825	2,993	928	1,017
Capital as percentage of assets	15.4%	16.2%	17.1%	16.5%	17.1%

Source: Federal Farm Credit Banks Funding Corporation.

FARMER MAC SELECTED FINANCIAL DATA, 2000-2004
($000, end of year)

Summary of financial condition	2000	2001	2002	2003	2004
Cash and cash equivalents	$537,871	$437,831	$723,800	$623,674	$430,504
Investment securities	836,757	1,007,954	830,409	1,064,782	1,056,143
Farmer Mac guaranteed securities	1,679,993	1,690,376	1,608,507	1,508,134	1,376,847
Loans, net	30,279	198,003	963,461	983,624	882,874
Total assets	3,160,899	3,415,856	4,222,915	4,299,650	3,846,817
Notes payable					
Due within one year	2,141,548	2,233,267	2,895,746	2,799,384	2,620,172
Due after one year	827,635	968,463	985,318	1,136,110	862,201
Total liabilities	3,028,238	3,281,419	4,039,344	4,086,396	3,609,965
Stockholders' equity	132,661	134,437	183,571	213,254	236,852
Selected financial ratios					
Return on average assets	0.36%	0.50%	0.56%	0.59%	0.69%
Return on average common equity	9.50	12.19	15.00	15.32	14.85
Average equity to assets	3.82	4.06	4.16	4.66	5.53

Source: Federal Agricultural Mortgage Corporation.

TITLE INSURANCE

Title insurance protects the owner of property or the holder of a mortgage against loss in the event of a property ownership dispute.

TITLE INDUSTRY REVENUE AND HOME SALES ACTIVITY, 1999-2003

		Total home sales[1]	
Year	Total operating revenue ($ millions)	Number (000)	Percent change from prior year
1999	$8,496.0	6,085	3.9%
2000	7,869.2	6,029	-0.9
2001	9,751.2	6,204	2.9
2002	12,625.9	6,539	5.4
2003	16,555.4	7,186	9.9

[1]New home sales and existing home sales.

Source: American Land Title Association; U.S. Department of Commerce, Bureau of the Census; National Association of Realtors.

MORTGAGE STATUS AND REFINANCING ACTIVITY OF HOMEOWNERS, 2003

	Owner occupied housing units
Homeowners with mortgages	
Mortgages currently on property	
None, owned free and clear[1]	25,020,000
Reverse mortgage	47,000
Regular and/or home-equity mortgage[2]	45,471,000
Regular mortgage	42,261,000
Home-equity lump sum mortgage	3,791,000
Home-equity line of credit	7,217,000
Line of credit not reported, no regular or lump sum	1,700,000
Refinancers	
Units with a refinanced primary mortgage	16,596,000
Primary reason: to receive cash	1,925,000

[1]Free of regular mortgages, which include all mortgages not classified as home equity or reverse.

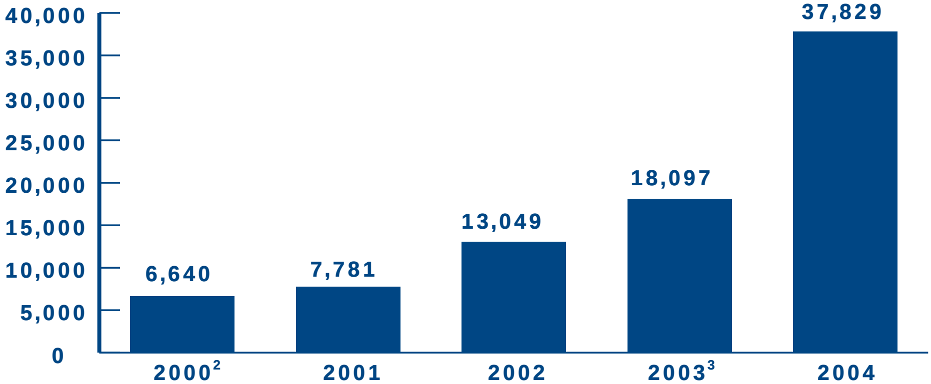
[2]Figures may not add to total because more than one category may apply to a unit.

Source: U.S. Department of Commerce, Bureau of the Census.

REVERSE MORTGAGES

Reverse mortgages are special mortgages that allow homeowners over age 61 to sell their homes to a bank in exchange for monthly payments, a lump sum or a line of credit. The Home Equity Conversion Mortgage (HECM) is the federally insured reverse mortgage product. It is insured by the Federal Housing Administration, a branch of the U.S. Department of Housing and Urban Development. HECMs account for about 90 percent of all reverse mortgages made today in the United States.

REVERSE MORTGAGES: ANNUAL ORIGINATION VOLUME FOR HOME EQUITY CONVERSION MORTGAGES (HECMs), FISCAL YEAR 2000-2004[1]



[1]HECMs are federally insured reverse mortgage products.
[2]HECMs could not be made for part of fiscal year 2000 (July to early October 2000) because the Federal Housing Administration's insurance authority ran out temporarily.
[3]The U.S. Department of Housing and Urban Development ran out of insurance authority and could not insure additional HECMs during the last two weeks of September 2003 (the last month in fiscal year 2003).

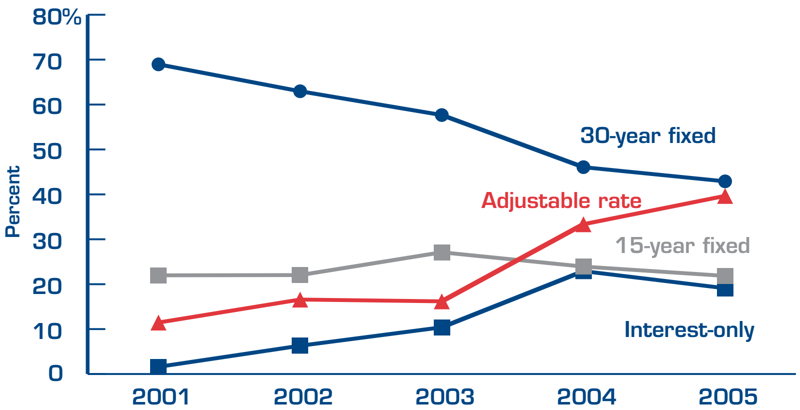
Source: National Reverse Mortgage Lenders Association.

INTEREST-ONLY MORTGAGES

In interest-only mortgage arrangements, the borrower pays only the interest on the capital for a set term. At the end of the term, the borrower may renew the interest-only mortgage for a set term, repay the capital or convert the loan to a traditional principal and interest-payment mortgage.

- **Interest-only mortgages have risen from less than 2 percent of total mortgages in 2001 to 19 percent in the first three months of 2005. They peaked at 31 percent in 2004.**
- **The vast majority of interest-only mortgages are adjustable rate mortgages (ARMs), according to LoanPerformance.**

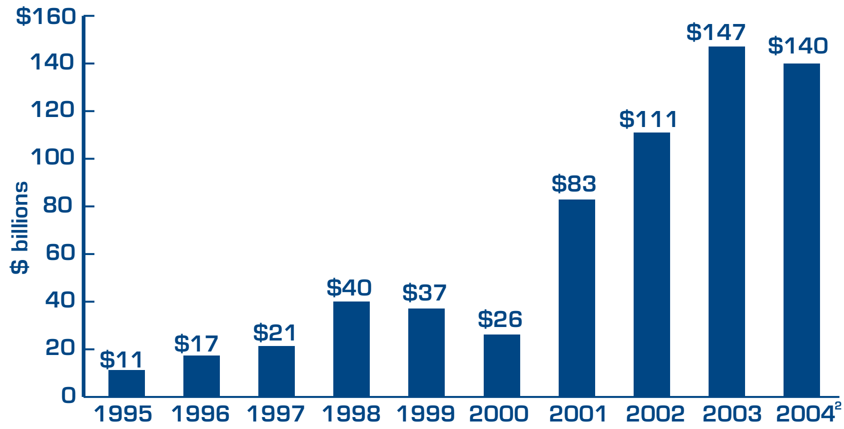
TYPES OF MORTGAGES ISSUED, 2001-2005[1]
(Percent)



[1]Represents outstanding credit on all 1 to 4 unit residential mortgages. Percentages will add to more than 100 percent because some loans fit into multiple categories.

Source: LoanPerformance, a Unit of First American Corporation.

CASH OUT HOME MORTGAGE REFINANCING, 1995-2004[1]
($ billions)



[1]Represents homeowners' cash withdrawals from home mortgage refinance transactions. Includes prime conventional loans only and are net of retirement of outstanding second mortgages.
[2]Estimated.

Source: Freddie Mac.

MORTGAGE DELINQUENCY AND FORECLOSURE RATES, 1980-2004

(Percent, annual average)

	Delinquency rates				Foreclosure rates			
Year	Total	Conventional loans	VA loans	FHA loans	Total	Conventional loans	VA loans	FHA loans
1980	5.0%	3.1%	5.3%	6.5%	0.3%	0.1%	0.4%	0.5%
1985	5.8	4.0	6.6	7.4	0.8	0.5	0.9	1.0
1990	4.7	3.0	6.4	6.7	0.9	0.6	1.3	1.4
1995	4.3	2.8	6.5	7.6	0.9	0.6	1.3	1.4
1996	4.3	2.8	6.7	8.0	1.0	0.7	1.6	1.6
1997	4.3	2.8	6.9	8.1	1.1	0.7	1.8	2.0
1998	4.4	3.0	7.1	8.5	1.2	0.7	1.8	2.2
1999	4.2	2.8	6.8	8.6	1.2	0.8	1.8	2.2
2000	4.4	2.9	6.9	9.1	1.1	0.8	1.4	1.8
2001	5.1	3.6	7.7	10.8	1.3	1.1	1.2	1.9
2002	5.1	3.6	7.9	11.5	1.5	1.2	1.5	2.5
2003	4.7	3.4	7.9	12.2	1.3	1.1	1.6	2.8
2004	4.5	NA	7.3	12.2	1.2	NA	1.5	2.7

NA=Data not available.

Source: Mortgage Bankers Association of America.

HOME OWNERSHIP

SNAPSHOT OF HOUSING IN AMERICA, 2003-2004

	2003	2004	Percent change
Homeownership rate	68.3%	69.0%	1.0%
New home sales[1] (units)	1.1 million	1.2 million	10.8
Existing home sales[1] (units)	6.1 million	6.8 million	11.2
Existing home price[1] (median)	$170,895	$184,100	7.7
Home equity	8.7 trillion	9.6 trillion	10.2
Mortgage debt	6.5 trillion	7.2 trillion	9.9
Mortgage refinancing	2.8 trillion	1.4 trillion	-51.3
Residential fixed investment	587.5 billion	662.3 billion	9.3

[1]Single-family.

Note: All dollar figures are in 2004 dollars.

Source: Board of Governors of the Federal Reserve System; Mortgage Bankers Association of America; U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

HOME OWNERSHIP

MEDIAN SALES PRICE OF EXISTING SINGLE FAMILY HOMES, 1968-2004

Year	Median sales price	Average annual percent increase[1]	Year	Median sales price	Average annual percent increase[1]
1968	$20,100	NA	1995	$110,500	3.7%
1970	23,000	7.0%	2000	139,000	4.7
1975	35,300	8.9	2001	147,800	6.3
1980	62,200	12.0	2002	156,200	5.7
1985	75,500	4.0	2003	169,500	8.5
1990	92,000	4.0	2004	185,200	9.3

[1]From prior year shown. NA=Data not available.

Source: National Association of Realtors.

SELECTED COSTS OF OWNING A HOME, 2003

	Median monthly cost[1]
Monthly costs including all mortgages plus maintenance costs	$758
Selected costs	
Electricity	68
Piped gas	54
Fuel oil	81
Property insurance	45
Selected utilities and fuels	
Water paid separately	33
Trash paid separately	18
Bottled gas paid separately	39
Other fuel paid separately	18
Mortgage principal and interest	709
Real estate taxes	114
Routine maintenance in last year	25

[1]Median values represent the half-way point in a series of numbers.

Source: U.S. Department of Commerce, Bureau of the Census, American Housing Survey Branch.

U.S. HOME OWNERSHIP RATES BY RACE AND ETHNICITY, 2000-2004[1]

(Percent)

	2000	2001	2002	2003	2004
All households	67.4%	67.8%	67.9%	68.3%	69.0%
Whites	73.8	74.3	74.7	75.4	76.0
Blacks	47.2	47.7	47.4	48.1	49.1
Hispanics	46.3	47.3	47.0	46.7	48.1
Asians / others	53.5	54.2	54.5	56.0	58.6

[1]The percentage of households that are homeowners.

Source: U.S. Department of Commerce, Bureau of the Census.

HOME OWNERSHIP RATES BY REGION, 1990-2004[1]

(Percent, end of year)

Year	United States	Northeast	Midwest	South	West
1990	63.9%	62.6%	67.5%	65.7%	58.0%
1995	64.7	62.0	69.2	66.7	59.2
1996	65.4	62.2	70.6	67.5	59.2
1997	65.7	62.4	70.5	68.0	59.6
1998	66.3	62.6	71.1	68.6	60.5
1999	66.8	63.1	71.7	69.1	60.9
2000	67.4	63.4	72.6	69.6	61.7
2001	67.8	63.7	73.1	69.8	62.6
2002	67.9	64.3	73.1	69.7	62.5
2003	68.3	64.4	73.2	70.1	63.4
2004	69.0	65.0	73.8	70.9	64.2

[1]The percentage of households that are homeowners.

Source: U.S. Department of Commerce, Bureau of the Census.

HOME OWNERSHIP

SELECTED CHARACTERISTICS OF HOMEOWNERS, 1997 AND 2003
(000)

	1997	2003	Percent change, 1997-2003
Total owner occupied units	**65,487**	**72,238**	**10.3%**
By race			
White	57,781	63,126	[2]
Black	5,457	6,193	[2]
Other[1]	2,248	2,920	[2]
Hispanic[3]	3,646	5,106	40.0
By household income			
$0 to $14,999	10,607	8,481	-20.0
$15,000 to $29,999	11,779	11,381	-3.4
$30,000 to $49,999	14,802	14,513	-2.0
$50,000 to $99,000	20,378	23,692	16.3
$100,000 or more	7,921	14,171	78.9

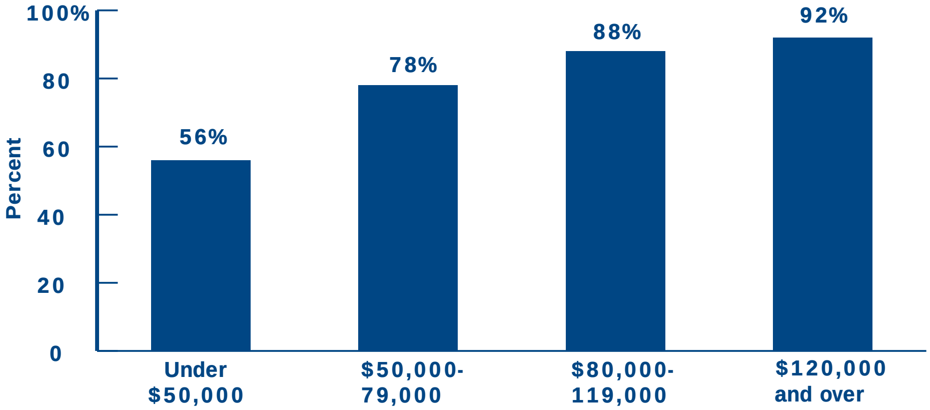
[1]Other=American Indian, Eskimo, Aleut, Asian and Pacific Islander.

[2]Reporting by race changed in 2003. Data for 1997 and 2003 are not comparable.

[3]Hispanic is considered an ethnic origin rather than a race and is tallied separately. Hispanics may report themselves as any race.

Source: U.S. Department of Commerce, Bureau of the Census.

HOME OWNERSHIP RATES BY INCOME, 2003
(Percent)



Source: U.S. Department of Commerce, Bureau of the Census, 2003 American Housing Survey.

CONVENTIONAL HOME PURCHASE LOANS BY RACIAL/ETHNIC IDENTITY AND INCOME OF BORROWERS, 1999-2003
(Percent change)

	1999-2000	2000-2001	2001-2002	2002-2003	1999-2003
Racial/ethnic identity					
American Indian	-4.6%	-38.7%	22.7%	-4.8%	-31.7%
Asian	8.4	4.0	18.1	16.2	54.7
Black	-1.1	-7.0	2.2	14.8	7.9
Hispanic	7.4	8.4	10.9	17.5	51.6
White	-6.3	1.0	2.6	11.3	8.1
Income[1]					
Less than 80	-4.1	2.1	4.5	6.0	8.5
80 to 99	-2.9	3.3	3.0	7.9	11.5
100 to119	-1.8	3.8	3.5	9.8	15.7
120 or more	3.4	2.2	4.1	12.9	24.3

[1]Percentage of metropolitan area median. Metropolitan area median is the median family income of the metropolitan area in which the property related to the loan is located.

Source: Federal Financial Institutions Examination Council.

HOME EQUITY LOANS

HOME EQUITY LOANS BY HOLDER, 2000-2004[1]
($ billions, end of year)

	2000	2001	2002	2003	2004
Total	**$492.0**	**$518.0**	**$583.3**	**$684.9**	**$881.3**
Commercial banking	235.0	258.6	303.3	366.0	483.6
Savings institutions	72.8	77.9	78.5	95.6	121.5
Credit unions	40.7	44.9	48.1	51.8	64.0
ABS issuers	12.9	16.5	18.5	19.2	21.9
Finance companies	130.6	120.1	135.0	152.2	190.2

[1]Loans made under home equity lines of credit and home equity loans secured by junior liens, such as second mortgages, which are subordinate to another mortgage. Excludes home equity loans held by mortgage companies and individuals.

Source: Board of Governors of the Federal Reserve System.

HOME EQUITY LOANS/LEADING COMPANIES

SUBPRIME LOANS

Subprime loans are offered to applicants with an incomplete or less than perfect credit record. The subprime interest rate is generally higher than the prevailing rate because of the additional risks involved in lending to less credit-worthy applicants. According to the Federal Reserve, the dollar volume of subprime home loans in 2004 is estimated at $530 billion.

- **The Federal Reserve estimates that 19 percent of all home loan originations in 2004 were subprime, compared with less than 5 percent in 1994.**

SUBPRIME LENDING ACTIVITY, 1999-2003
($ billions)

Year	Volume
1999	$160.0
2000	140.0
2001	159.3
2002	213.0
2003	375.0

Sources: www.dismalscience.com; Inside MBS & ABS; Freddie Mac.

LEADING COMPANIES

TOP TEN MORTGAGE FINANCE COMPANIES, 2004
($ millions)

Rank	Company	Total managed receivables[1]
1	Countrywide Financial Corporation	$838,322.0
2	Wells Fargo Home Mortgage Inc.	782,378.0
3	Washington Mutual Bank, FA	662,647.9
4	General Motors Acceptance Corporation	584,695.0
5	Chase Manhattan Mortgage Corp.	562,000.0
6	CitiMortgage, Inc.	364,268.0
7	Bank of America Consumer Real Estate Lending	332,500.0
8	ABN AMRO Mortgage Group Inc.	200,000.0
9	National City Mortgage Company	165,060.2
10	PHH Mortgage Services Corporation	143,056.0

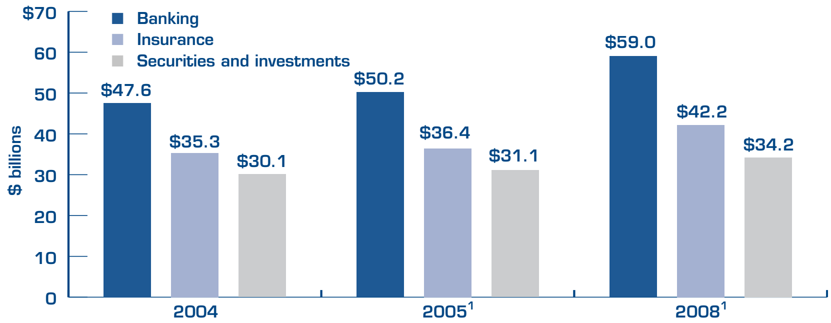
[1]On-balance sheet receivables and loans sold that are still serviced and managed.

Source: SNL Financial Services LC.

IT SPENDING

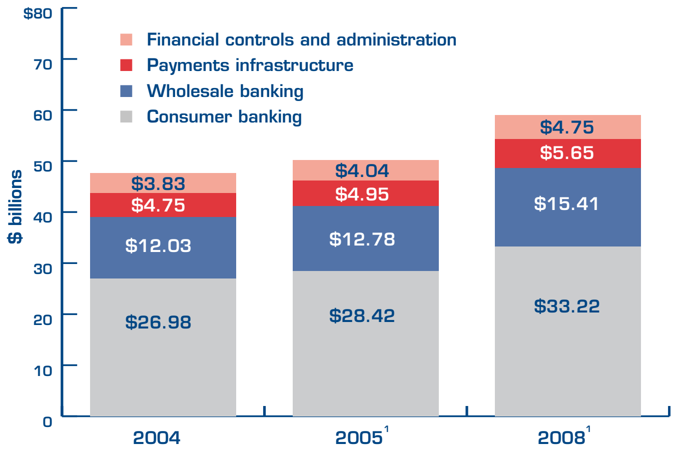
Information technology (IT) has transformed the financial services industry, making available many products and services that would have otherwise been impossible to offer. The features of these products and services range from asset-backed securities, personal cash management accounts and automated teller machines that were introduced in the 1970s to more recent innovations such as online banking. At the same time, IT has improved efficiency and reduced labor costs.

IT SPENDING OF THE U.S. FINANCIAL SERVICES INDUSTRY BY SECTOR, 2004-2008
($ billions)



[1]Projected.
Source: TowerGroup.

U.S. BANKING IT SPENDING BY BUSINESS LINE, 2004-2008
($ billions)

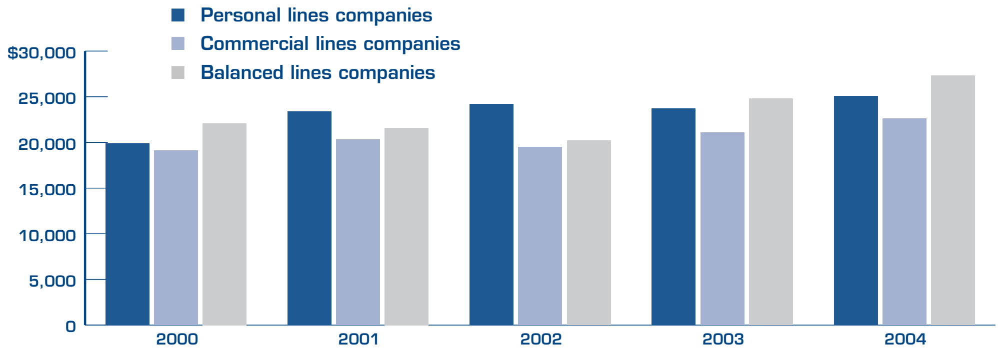


[1]Projected.
Source: TowerGroup.

- Among all financial services segments, the banking industry is the largest user of technology in the U.S., according to a TowerGroup analysis. The sector is projected to account for 42 percent of total 2005 financial services IT spending. The insurance and securities/investment sectors are projected to account for 31 percent and 27 percent, respectively.

- Consumer banking accounts for twice as large a share of bank IT spending as the wholesale banking sector, which provides services to financial institutions.

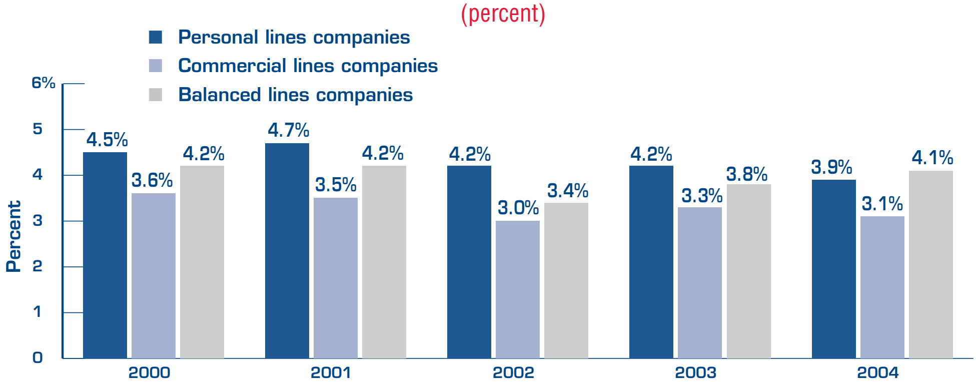
INFORMATION TECHNOLOGY SPENDING BY TYPE OF PROPERTY/CASUALTY INSURANCE COMPANY, 2000-2004[1]



[1]Information technology expense per total company full-time employee. Source: Ward Group.

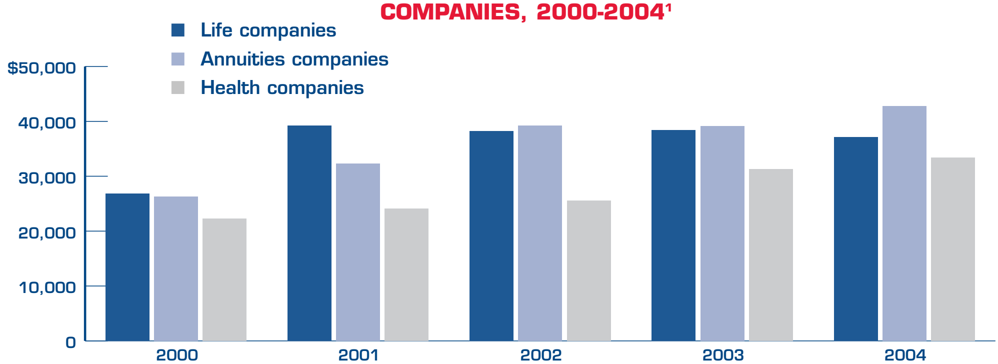
INFORMATION TECHNOLOGY SPENDING AS A PERCENT OF GROSS PREMIUMS WRITTEN BY TYPE OF PROPERTY/CASUALTY INSURANCE COMPANY, 2000-2004

(percent)



Source: Ward Group.

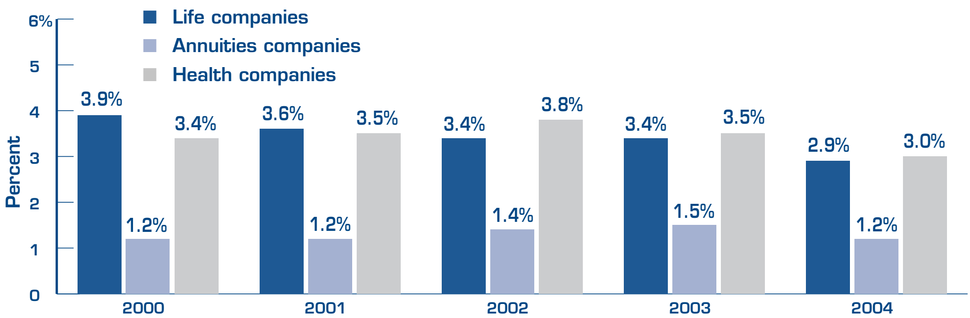
INFORMATION TECHNOLOGY SPENDING BY LIFE, HEALTH AND ANNUITIES INSURANCE COMPANIES, 2000-2004[1]



[1]Information technology expense per total company full-time employee. Source: Ward Group.

INFORMATION TECHNOLOGY SPENDING AS A PERCENT OF GROSS PREMIUMS WRITTEN BY LIFE, HEALTH AND ANNUITIES INSURANCE COMPANIES, 2000-2004

(percent)



Source: Ward Group.

INFORMATION TECHNOLOGY SPENDING BY U.S. SECURITIES FIRMS, 2004

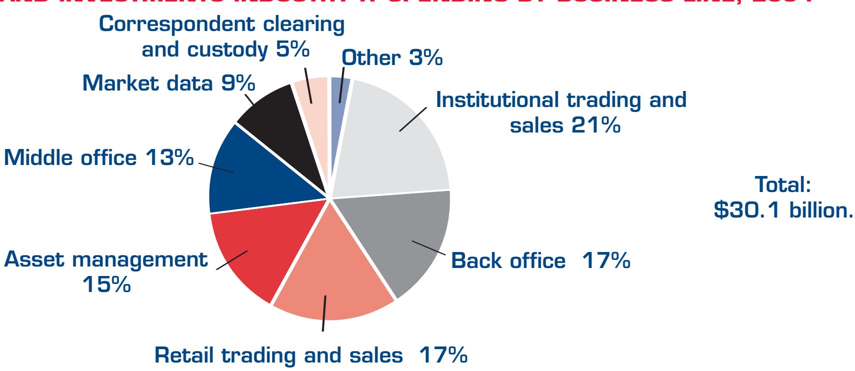
($ billions)

Operations	Amount
Institutional sales and trading	$6.4
Back office	5.1
Retail trading and sales	5.1
Asset management	4.5
Middle office	3.9
Market data	2.7
Correspondent clearing and custody	1.5
Other	0.9
Total	**30.1**

Source: TowerGroup 2005.

- **U.S. securities and investment firms account for 27 percent of U.S. financial services IT spending, according to the TowerGroup.**

U.S. SECURITIES AND INVESTMENTS INDUSTRY IT SPENDING BY BUSINESS LINE, 2004



Source: TowerGroup 2005.

ELECTRONIC COMMERCE

Using advanced information technology, banks have transformed some of their core services, such as personal banking. Consumers can now conduct many banking activities over the telephone and online as well as in traditional branch offices. As people have grown more comfortable making routine purchases online, there has been a corresponding increase in their use of the Internet to manage their personal finances.

- **Fifty-three million people — or one quarter of all adults — performed bank chores online in 2004, up 47 percent from 2002, according to a survey done by the Pew Internet & American Life Project.**

GROWTH IN ONLINE BANKING, 2002 AND 2004[1]

	October 2002[2]	November 2004[3]
All Internet Users	30%	44%
Sex		
Men	31	49
Women	29	39
Age		
Generation Y (ages 18 to 27)	29	38
Generation X (ages 28 to 39)	34	60
Younger Baby Boomers (ages 40 to 49)	33	42
Older Baby Boomers (ages 50 to 58)	26	49
Household income		
Less than $30,000	21	32
$30,000 to $49,999	31	44
$50,000 to $74,999	33	51
$75,000 or more	35	55
Education		
High school graduate	27	42
Some college	27	41
College and graduate school degree	37	52

[1]The percentage of those in each group with Internet connections who have tried online banking. For example, in October 2002, 30 percent of all internet users had done online banking.
[2]1,027 Internet users polled.
[3]537 Internet users polled.

Source: Pew Internet & American Life Project Survey, February 2005.

FINANCIAL SERVICES INTERACTIVE MEDIA/E-COMMERCE SALES REVENUE, 1998-2007

($ millions)

				Projected		Average annual growth	
Industry	1998	2002	2003	2004	2007	1998-2003	2003-2007
Depository institutions	$320	$2,643	$3,511	$4,722	$9,126	61.46%	26.97%
Nondepository institutions	175	1,208	1,533	2,018	3,595	54.35	23.75
Security and commodity brokers	132	1,221	1,668	2,316	4,887	66.08	30.83
Insurance carriers and agents	206	1,493	1,918	2,524	4,629	56.24	24.64
Real estate	321	1,903	2,326	2,907	4,653	48.60	18.93
Total financial services	**1,154**	**8,468**	**10,956**	**14,487**	**26,890**	**56.85**	**25.17**

Source: Direct Marketing Association.

- **According to the Direct Marketing Association, interactive/e-commerce sales in the financial services sector (including depository and non-depository institutions, security and commodity brokers, insurance carriers and agents, and real estate firms) rose by 29 percent from $8.5 billion in 2002 to $11 billion in 2003.**

ONLINE AUTO AND HOMEOWNERS INSURANCE RESEARCH, 2004

	Percentage of each group that:		
	Applied for auto insurance	Applied for auto insurance offline	Applied for auto insurance online
Auto insurance researchers			
Offline researchers	61%	60%	3%
Online researchers	46	25	24
	Applied for homeowners insurance	Applied for homeowners insurance offline	Applied for homeowners insurance online
Homeowners insurance researchers			
Offline researchers	63%	62%	1%
Online researchers	43	25	22

Source: Forrester Research, Inc.

- **87 percent of those who researched auto insurance information on the Internet were under age 55, according to a survey by Forrester Research based on households that applied for or researched insurance products in 2004.**

E-COMMERCE AND TOTAL REVENUES, SECURITIES AND COMMODITY CONTRACTS, 2002-2003
($ millions)

	Value of revenues				Percent change 2002-2003		E-commerce as a percent of total revenues	
	2002		2003					
	Total	E-commerce	Total	E-commerce	Total revenues	E-commerce revenues	2002	2003
Securities and commodity contracts, intermediation and brokerage	$163,080	$4,071	$173,111	$4,371	6.2%	7.4%	2.5%	2.5%

Source: U.S. Department of Commerce, Bureau of the Census.

ELECTRONIC PAYMENTS

Over the past quarter-century, electronic alternatives to the traditional way of paying bills by check have revolutionized the payments infrastructure. While credit cards continue to contribute the largest share, newer choices such as personal identification number (PIN) and signature debit and automated clearing house (ACH) payments have grown rapidly. Debit cards have become increasingly popular in large part because of the availability of more secure forms of signature.

Electronic benefits transfers (EBT) give consumers more flexible access to Social Security, Veterans' Pensions and other benefits disbursed by the federal government.

The growth of electronic payments has been accompanied by a precipitous drop in the number of check payments in the U.S., according to the Federal Reserve, which reports that the number of check payments fell from 42 billion in 2000 to 37 billion in 2003.

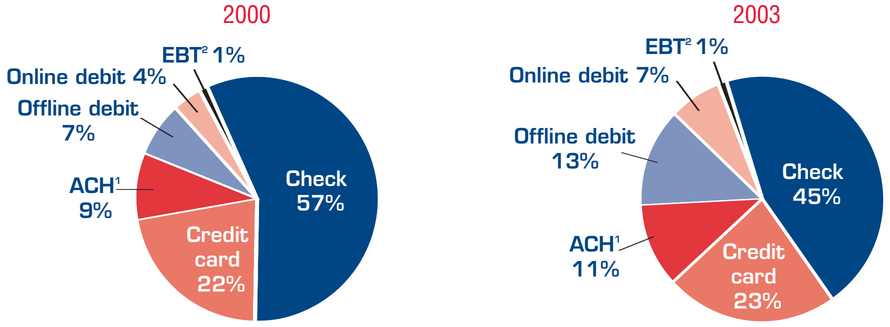
NUMBER OF NONCASH PAYMENTS, 2000 AND 2003
(billions)

	2000[1]	2003[1]	Compound annual growth rate, 2000-2003
Total noncash payments	72.5	81.2	3.8%
Check	41.9	36.7	-4.3
Credit card	15.6	19.0	6.7
ACH[2]	6.2	9.1	13.4
Offline debit	5.3	10.3	24.9
Online debit	3.0	5.3	21.0
EBT[3]	0.5	0.8	15.4

[1]Estimate. [2]Automated clearing house. [3]Electronic benefits transfer.

Source: Board of Governors of the Federal Reserve System.

DISTRIBUTION OF THE NUMBER OF NONCASH PAYMENTS, 2000 AND 2003



[1]Automated clearing house.
[2]Electronic benefits transfer.

Source: Board of Governors of the Federal Reserve.

NUMBER OF ELECTRONIC PAYMENTS, 2000 AND 2003
(millions)

Payment instrument	2000	2003	Compound annual growth rate, 2000-2003
General purpose credit cards	12,300.2	15,212.1	7.3%
Private label credit cards	3,300.6	3,753.2	4.4
Signature debit	5,268.6	10,262.9	24.9
PIN debit	3,010.4	5,337.9	21.0
ACH[1]	6,211.3	9,061.8	13.4
EBT[2]	537.7	826.8	15.4
Total	30,628.8	44,454.7	13.2

[1]Automated clearing house. [2]Electronic benefits transfer. Source: Board of Governors of the Federal Reserve.

VALUE OF ELECTRONIC PAYMENTS, 2000 AND 2003
($ millions)

Payment instrument	2000	2003	Compound annual growth rate, 2000-2003
General purpose credit cards	$1,072,555	$1,409,744	9.5%
Private label credit cards	204,771	283,758	11.5
Signature debit	209,980	426,671	26.7
PIN debit	138,151	204,251	13.9
ACH[1]	18,564,758	25,072,327	10.5
EBT[2]	13,744	21,567	16.2
Total	20,203,959	27,418,318	10.7

[1]Automated clearing house. [2]Electronic benefits transfer. Source: Board of Governors of the Federal Reserve.

AVERAGE ELECTRONIC PAYMENT VALUES, 2000 AND 2003[1]

Payment instrument	2000	2003	Value change 2000-2003
General purpose credit cards	$87.20	$92.67	$5.47
Private label credit cards	62.04	75.60	13.56
Signature debit	39.85	41.57	1.72
PIN debit[2]	45.89	38.26	-7.63
ACH[3]	2,988.85	2,766.82	-222.03
EBT[4]	25.56	26.08	0.52
Total	659.64	616.77	42.87

[1]Data are averages and will not add to total.

[2]Includes cash back.

[3]Automated clearing house.

[4]Electronic benefits transfer.

Source: Federal Reserve Bank of Atlanta/Dove Consulting.

NUMBER AND VALUE OF ACH[1] PAYMENTS, 2000 AND 2003

	2000	2003	Compound annual growth rate, 2000-2003
Number (billions)	6.2	9.1	13.4%
ACH credits	3.8	4.8	8.0
ACH debits	2.4	4.3	21.0
Total dollar value ($ trillions)	$18.6	$25.1	10.5%
ACH credits	9.0	12.7	12.2
ACH debits	9.6	12.4	9.0
Average value	$2,989	$2,767	-2.5%
ACH credits	2,365	2,651	3.9
ACH debits	3,967	2,896	-10.0

[1]Automated clearing house.

Source: Federal Reserve Bank of Atlanta/Dove Consulting.

ESTIMATED VOLUME AND DOLLAR VALUE OF AUTOMATED CLEARING HOUSE ELECTRONIC PAYMENTS, 2003-2004

	2003	2004	Percent change
Transaction volume			
Commercial	$9,092,139,466	$11,057,304,313	21.61%
Government	924,366,686	951,668,590	2.95
Total	**10,016,506,152**	**12,008,972,903**	**19.89**
Dollar value ($000)			
Commercial	24,612,887,590	25,512,997,303	3.66
Government	2,810,121,827	3,147,037,186	11.99
Total	**27,423,009,417**	**28,660,034,489**	**4.51**

Source: NACHA - The Electronic Payments Association.

- **The number of ACH payments originated by commercial financial institutions and the federal government increased from 2.4 billion in 1994 to 12 billion in 2004, according to NACHA, the electronic payments association. The total value of ACH payments increased from $7.3 trillion to $28.7 trillion during the same period.**

NUMBER AND VALUE OF CREDIT CARD TRANSACTIONS, 2000 AND 2003

	2000	2003	Compound annual growth rate, change 2000-2003
Number (billions)	15.6	19.0	6.7%
General purpose	12.3	15.2	7.3
Private label	3.3	3.8	4.4
Dollar value ($ trillions)	$1.3	$1.7	9.9%
General purpose	1.1	1.4	9.5
Private label	0.2	0.3	11.5
Average value	$82.0	$89.0	2.9%
General purpose	87.0	93.0	2.1
Private label	62.0	76.0	6.8

Source: Board of Governors of the Federal Reserve.

NUMBER AND VALUE OF DEBIT CARD TRANSACTIONS, 2000 AND 2003

	2000	2003	Compound annual growth rate, 2000-2003
Number (billions)	8.3	15.6	23.5%
Offline debit	5.3	10.3	24.9
Online debit	3.0	5.3	21.0
Dollar value ($ trillions)	$0.3	$0.6	21.9%
Offline debit	0.2	0.4	26.7
Online debit	0.1	0.2	13.9
Average value	$42.0	$40.0	-1.3%
Offline debit	40.0	42.0	1.4
Online debit	46.0	38.0	-5.9

Source: Board of Governors of the Federal Reserve.

ATMs

The growth of online banking, electronic payments and deposits, and automated teller machine (ATM) usage has been driven by customer demand for greater convenience. ATMs were introduced in the mid-1970s. By 2005, there were some 396,000 ATMs in the United States, almost four times the number of bank and thrift branches. ATMs increasingly are being installed in places where consumers may want access to their money such as supermarkets, convenience stores and transportation terminals.

The ATM business consists of three major entities: ATM cardholders' banks, the ATM network that links banks in other locations, and the owners of the ATM machines, which may or may not be banks. Most banks allow customers to withdraw money from their own bank's ATMs free of charge but charge a fee to other banks' customers. These charges help offset the cost of ATMs and fees banks must pay to the ATM network system.

OFF-PREMISE ATM DEPLOYMENT, 2001-2005[1]

Year	Total ATMs	Off-premise ATMs	Percent off-premise
2001	324,000	193,000	59.6%
2002	352,000	220,000	62.5
2003	371,000	238,000	64.2
2004	383,000	263,000	68.7
2005	396,000	266,000	67.2

[1]ATMs located away from financial institution branches.

Source: ATM & Debit News.

- **The first ATM in the United States was installed in 1971 at the Citizens & Southern National Bank in Atlanta.**

ANNUAL PIN-BASED VOLUME, 2001-2005[1]
(millions)

Year	ATM volume	POS volume[2]	Total volume
2001	13,584	3,648	17,232
2002[3]	10,598	4,500[4]	15,098[4]
2003[3]	10,828	5,006[4]	15,971[4]
2004[3]	11,030	6,274	17,304
2005[3.]	10,524	8,114	18,638

[1]PIN (personal identification number) volume.
[2]POS (point of sale) is a retail payment system that allows funds to be transferred electronically from a customer's account to a retailer, for example from a debit card.
[3]Adjusted to eliminate double-counting caused by two networks reporting a transaction.
[4]Restated based on revised data provided by some electronic funds transfer networks.

Source: ATM & Debit News.

ATM TRANSACTIONS, 1996-2005[1]

Year	Average monthly ATM transactions	Terminals	Total transactions (millions)
1996	6,399	139,134	890.3
1997	5,515	165,000	910.0
1998	4,973	187,000	930.0
1999	3,997	227,000	907.4
2000	3,919	273,000	1,070.0
2001	3,494	324,000	1,132.0
2002	2,509	352,000	883.2[2]
2003	2,432	371,000	902.3[2]
2004	2,400	383,000	919.2[2]
2005	2,214	396,000	877.0[2]

[1]Total network transactions include all deposits, withdrawals, transfers, payments, and balance inquiries performed on ATMs in the network, whether or not those transactions are switched through the network data center, as well as point of sale transactions on network terminals. June data for 1996-1998; March data thereafter.
[2]Adjusted to eliminate double-counting caused by two networks reporting a transaction.

Source: ATM & Debit News.

TOP TEN ATM OWNERS, 2004-2005[1]

		Number of ATMs	
Rank	Owner	2004	2005
1	Bank of America	14,000	16,000
2	Cardtronics	4,500	9,480
3	U.S. Bancorp	6,503	6,780
4	J.P. Morgan Chase & Co.	6,303	6,650[2]
5	Wells Fargo	6,184	6,251
6	7-Eleven	5,400	5,341
7	Wachovia	4,408	4,412
8	PNC	3,624	3,644
9	Washington Mutual	2,990	3,350
10	Citibank	2,700	2,811

[1]January data.
[2]Includes Bank One ATMs.

Source: ATM & Debit News.

WORLD'S LARGEST FINANCIAL SERVICES FIRMS, BY REVENUES, 2004[1]
($ millions)

Rank	Company	Revenues	Profits	Profits as a percent of Revenues	Profits as a percent of Assets	Country	Industry
1	General Electric	$152,866	$16,819	11%	2%	U.S.	Diversified financial
2	AXA	121,606	3,133	3	0	France	Insurance
3	Allianz	118,937	2,735	9	5	Germany	Insurance
4	Citigroup	108,276	17,046	16	1	U.S.	Banking
5	ING Group	105,886	7,423	5	0	Netherlands	Insurance
6	American International Group	97,987	9,731	10	1	U.S.	Insurance
7	Assicurazioni Generali	83,268	1,635	2	0	Italy	Insurance
8	Fortis	75,518	4,177	5	0	Belgium/ Netherlands	Banking
9	Berkshire Hathaway	74,382	7,308	13	4	U.S.	Insurance
10	Aviva	73,025	1,937	3	0	U.K.	Insurance
11	HSBC Holdings	72,550	11,840	16	1	U.K.	Banking
12	BNP Paribas	68,654	5,806	8	0	France	Banking
13	Bank of America Corp.	63,324	14,143	22	1	U.S.	Banking
14	Munich Re Group	60,706	2,280	2	0	Germany	Insurance
15	Nippon Life Insurance	60,521	1,886	3	0	Japan	Insurance
16	Royal Bank of Scotland	59,750	8,267	14	1	U.K.	Banking
17	Zurich Financial Services	59,678	2,587	4	1	Switzerland	Insurance
18	Crédit Agricole	59,054	4,937	8	0	France	Banking
19	Credit Suisse	58,825	4,529	8	0	Switzerland	Banking
20	State Farm Insurance Cos.	58,819	5,309	9	3	U.S.	Insurance
21	J.P. Morgan Chase & Co.	56,931	4,466	8	0	U.S.	Banking
22	UBS	56,918	6,510	11	0	Switzerland	Banking
23	Deutsche Bank	55,670	3,075	5	0	Germany	Banking
24	HBOS	47,756	5,601	11	0	U.K.	Banking
25	Prudential	47,056	766	2	0	U.K.	Insurance

[1]Based on an analysis of companies in the Global Fortune 500.

Source: Fortune.

TOP TEN GLOBAL INSURANCE COMPANIES BY REVENUES, 2004[1]

($ millions)

Rank	Company	Revenues[2]	Country	Industry
1	AXA	$121,606	France	Life/health
2	Allianz	118,937	Germany	Property/casualty
3	ING Group	105,886	Netherlands	Life/health
4	American International Group	97,987	U.S.	Property/casualty
5	Assicurazioni Generali	83,268	Italy	Life/health
6	Berkshire Hathaway	74,382	U.S.	Property/casualty
7	Aviva	73,025	U.K.	Life/health
8	Munich Re Group	60,706	Germany	Property/casualty
9	Nippon Life Insurance	60,521	Japan	Life/health
10	Zurich Financial Services	59,678	Switzerland	Property/casualty

[1]Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

[2]Revenues include premium and annuity income, investment income and capital gains or losses, but exclude deposits; includes consolidated subsidiaries, excludes excise taxes.

Source: Fortune.

TOP TEN GLOBAL PROPERTY/CASUALTY INSURANCE COMPANIES BY REVENUES, 2004[1]

($ millions)

Rank	Company	Revenues[2]	Country
1	Allianz	$118,937	Germany
2	American International Group	97,987	U.S.
3	Berkshire Hathaway	74,382	U.S.
4	Munich Re Group	60,706	Germany
5	Zurich Financial Services	59,678	Switzerland
6	State Farm Insurance Cos.	58,819	U.S.
7	Allstate	33,936	U.S.
8	Swiss Reinsurance	29,045	Switzerland
9	Millea Holdings	26,979	Japan
10	St. Paul Travelers Cos.	22,934	U.S.

[1]Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

[2]Revenues include premium and annuity income, investment income and capital gains or losses, but exclude deposits; includes consolidated subsidiaries, excludes excise taxes.

Source: Fortune.

TOP TEN GLOBAL NONLIFE INSURERS BY NET WRITTEN PREMIUMS, 2004
($ millions)

Rank	Company	Net written premiums	Country
1	AXA	$90,518.4	France
2	Allianz	77,934.5	Germany
3	Generali	73,460.8	Italy
4	AIG[1]	68,689.0	U.S.
5	Aviva	57,235.4	U.K.
6	ING[2]	56,270.6	Netherlands
7	State Farm	47,300.0	U.S.
8	Zurich Financial Services	41,679.0	Switzerland
9	Allstate	28,603.0	U.S.
10	Lloyd's[3]	22,743.5	U.K.

[1]Figures restated because of accounting errors.

[2]Insurance business only.

[3]Pro-forma annual accounting.

Source: Reactions.

TOP TEN GLOBAL LIFE/HEALTH INSURANCE COMPANIES BY REVENUES, 2004[1]
($ millions)

Rank	Company	Revenues[2]	Country
1	AXA	$121,606	France
2	ING Group	105,886	Netherlands
3	Assicurazioni Generali	83,268	Italy
4	Aviva	73,025	U.K.
5	Nippon Life Insurance	60,521	Japan
6	Prudential	47,056	U.K.
7	Dai-ichi Mutual Life Insurance	44,469	Japan
8	MetLife	39,535	U.S.
9	Meiji Yasuda Life Insurance	38,835	Japan
10	CNP Assurances	36,943	France

[1]Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

[2]Revenues include premium and annuity income, investment income and capital gains or losses, but exclude deposits; includes consolidated subsidiaries, excludes excise taxes.

Source: Fortune.

TOP TEN GLOBAL REINSURERS BY NET REINSURANCE PREMIUMS WRITTEN, 2004
($ millions)

Rank	Company	Net reinsurance premiums written	Country
1	Munich Re	$28,889.4	Germany
2	Swiss Re	25,780.2	Switzerland
3	Berkshire Hathaway Re	10,580.0	U.S.
4	Hannover Re	10,125.9	Germany
5	GE Insurance Solutions	8,173.0	U.S.
6	Lloyd's	7,653.1	U.K.
7	Allianz Re[1]	5,586.1	Germany
8	Everest Re	4,531.5	Bermuda
9	XL Re	4,149.3	Bermuda
10	PartnerRe	3,852.7	Bermuda

[1]Less than 10% of net premiums written relate to third-party reinsurance business.

Source: Standard & Poors.

TOP TEN GLOBAL INSURANCE BROKERS, BY REVENUES, 2004
($ millions)

Rank	Company	Brokerage revenues[1]	Country
1	Marsh & McLennan Cos. Inc.	$10,365.0	U.S.
2	Aon Corp.	6,902.0	U.S.
3	Willis Group Holdings Ltd.	2,205.0	U.K.
4	Arthur J. Gallagher & Co.	1,325.2	U.S.
5	Wells Fargo & Co.[2]	943.7	U.S.
6	Jardine Lloyd Thompson Group plc	857.8	U.K.
7	BB&T Insurance Services Inc.	679.7	U.S.
8	Brown & Brown Inc.	638.3	U.S.
9	Alexander Forbes Ltd.[3]	635.9	South Africa
10	Hilb Rogal & Hobbs Co.	609.7	U.S.

[1]Gross revenues generated by insurance brokerage, consulting and related services.
[2]Includes Acordia Inc. and Wells Fargo Insurance Inc.
[3]Fiscal year ending 3/31.

Source: Business Insurance, July 18, 2005.

TOP TEN GLOBAL REINSURANCE BROKERS BY REINSURANCE REVENUES, 2004

Rank	Company	Reinsurance revenues	Country
1	Aon Re Global	$940,000,000	U.S.
2	Guy Carpenter & Co. Inc.	868,000,000	U.S.
3	Benfield Group Ltd.	558,331,800	U.K.
4	Willis Re	550,000,000	U.K.
5	Towers Perrin	146,000,000	U.S.
6	Jardine Lloyd Thompson Group plc	145,173,600	U.K.
7	Cooper Gay (Holdings) Ltd.	87,550,000[1]	U.K.
8	Gallagher Re[2]	78,000,000	U.K.
9	BMS Group	72,951,798	U.K.
10	Heath Lambert Group	59,931,675	U.K.

[1]Fiscal year ending September 30.

[2]Formed in 2004, includes Arthur J. Gallagher Intermediaries (Bermuda) Ltd., Arthur J. Gallagher Intermediaries, Arthur J. Gallagher (UK) Ltd. and John P. Woods Co. Inc.

Source: Business Insurance, October 24, 2005.

TOP TEN GLOBAL COMMERCIAL AND SAVINGS BANKS BY REVENUES, 2004[1]
($ millions)

Rank	Company	Revenues	Country
1	Citigroup	$108,276	U.S.
2	Fortis	75,518	Belgium/Netherlands
3	HSBC Holdings	72,550	U.K.
4	BNP Paribas	68,654	France
5	Bank of America Corp.	63,324	U.S.
6	Royal Bank of Scotland	59,750	U.K.
7	Crédit Agricole	59,054	France
8	Credit Suisse	58,825	Switzerland
9	J.P. Morgan Chase & Co.	56,931	U.S.
10	UBS	56,918	Switzerland

[1]Based on an analysis of companies in the Global Fortune 500.

Source: Fortune.

TOP FOUR GLOBAL SECURITIES FIRMS, 2004[1]
($ millions)

Rank	Company	Revenues	Country
1	Morgan Stanley	$39,549	U.S.
2	Merrill Lynch	32,467	U.S.
3	Goldman Sachs Group	29,839	U.S.
4	Lehman Brothers Hldgs.	21,250	U.S.

[1]Ranked by revenues. Based on an analysis of companies in the Global Fortune 500.

Source: Fortune.

TOP FOUR GLOBAL DIVERSIFIED FINANCIAL COMPANIES, 2004[1]
($ millions)

Rank	Company	Revenues	Country
1	General Electric	$152,866	U.S.
2	Freddie Mac	32,564	U.S.
3	American Express	29,115	U.S.
4	Countrywide Financial	14,051	U.S.

[1]Ranked by revenues. Based on an analysis of companies in the Global Fortune 500.

Source: Fortune.

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