FINANCIAL HOLDING COMPANY AS A MEANS FOR PURSUING DEVELOPMENT STRATEGY FOR BANKS ON THE UNITED STATES MARKET

Abstract
The aim of this paper is an attempt to answer the question whether creating financial holding companies facilitates the implementation of banks’ business development strategies, attracting new customers and increasing market share, as illustrated by the experience of the United States financial markets.

The paper includes a historical outline of how the American banking system was created and presents its main characteristics. In addition, holding company is presented as an example of a specific organizational and legal form of enterprise, including benefits resulting from choosing such development strategy as well as the associated risks caused by the situation on the world financial markets.

JEL Classification Code: G2, G21.

Keywords: banking, holding, strategy, development.

Introduction
Nowadays, having experienced the financial crisis, in specialist literature, periodical press and social media, we can often encounter negative opinions on the direction of financial markets development. This concerns both international and national markets. The depression of the 1930s as well as the recent financial crisis both started in the United States. Therefore, the American market has tended to be seen as the main source of irregularities in the development of financial markets. Another reason might be the fact that the entire process of creating the banking system and other segments of the US financial market has been based on negating and consciously
rejecting the models from home countries of the settlers who were building political
and economic structures of their new homeland.

The most commonly raised objection is the excessive concentration of assets on
financial markets, within its specific segments as well as combining different kinds
of financial agency within financial holding companies. In consequence, risks from
different areas of the financial market are cumulated, both in functional and geo-
graphical sense, within one financial institution, and „infect” other financial insti-
tutions, related by capital. In 1933, in reaction to the crisis that began in the US in
1929, some regulations were enforced restricting the combining of different kinds
of financial operations. These restrictions were waived in 1980. For the opponents
of financial holding companies, this proves their negative impact on the stability
of financial systems due to the possibility of affecting the pricing of assets and thus
creating speculative bubbles (Duney, Fry, Gozales-Hermosillo, Martin, p.11-13).

When speaking about financial crisis, alienation or financialization of financial
markets, the notion of financial holding company is often associated with the term
moral hazard as an effect of, and sometimes even the motive for creating holding
companies (Chossudovsky, 2008.) Leaning towards such views, one can see the cre-
ation of financial holding companies as a way of uniting allies in order to misuse
funds or perform fraud. In Polish terminology, moral hazard is translated as pokusa
nadużycia, which can be literally retranslated as „a temptation of malfeasance” (Wit-
wicki, 1957, p. 20). In the author’s opinion, this is an unfair and exaggerated view.

Another term that also frequently appears in this context is shadow banking. Insti-
tutions performing some banking activities, often focused on transforming risks on
the secondary credit market, which constitute part of a financial holding company
and thus are not subject to the supervisory banking authority, can pose a threat to
individual banks and entire financial systems (Zarazik, 2012). Here, it is hard not to
agree with those who voice the need to regulate the activities of institutions referred
to as shadow banking.

Undoubtedly, the financial crisis revealed a number of irregularities concerning
both the directions and the strategy for business development of individual financial
institutions and of entire financial sectors. The process of globalization and deregula-
tion of financial markets, coupled with integration of the European Union financial
market and the creation of the euro zone, was quite a challenge for financial markets
and institutions. They have faced the problem of a completely new quality of com-
petition in the area of cross-border services. Despite the development of technology
that gives immediate access to information, information asymmetry is still present
on financial markets. The fact that some market participants are put at risk gives
others an opportunity for speculation. And this opportunity can be seized mostly by
the big participants of the market.

The aim of this paper is to try to answer the question whether creating financial
holding companies fosters the delivery of business development strategies, attracting
new customers and increasing market share, as illustrated by the experiences of the US financial markets.

**Holding company as an organizational form of enterprise on the financial market**

In Polish legislation, there is no notion of holding company as a legal form of enterprise organization. The source of definition for this organizational structure are business practices (Jagoda i Haus, 1995, p. 13-16). The notion of holding company prevails in the Anglo-American world (Kreft, 2004, p. 23-32). The Gramm-Leach-Bliley Act, enforced in the US in 1999, regulates the conditions for banking holding companies to apply for the status of financial holding company (FHC), which allows them to operate more broadly on the financial market (Furlong, 2000).

We can talk about an FHC when there are the following interrelations between two or more business entities:
- they are all legal entities and share-holding companies,
- at least one of them has shares in the remaining companies,
- they are interrelated in such a way that only one of the capital-related companies (called the parent company) has majority shares in the remaining companies,
- due to its advantages, the parent company works towards strategic goals using its own resources and those of the affiliated entities.

The advantages of the parent company most often result from capital links. The dominant position may also have other causes, especially when the holding company’s activity is subject to licensing. In such a case the parent company often is the entity that has, under the license obtained, the right to provide the broadest range of operations (production, distribution or services). This is something we encounter on the financial services market. In this case, these are banks and insurance companies that have such a privileged position. When the source of domination of the parent company is capital, the remaining companies of an FHC are often called subsidiaries.

The organizational form of enterprises’ operations depends on several factors. The size of the entity, the line of business, the form of market, the extent of liberalization of the market where the given entity operates, both nationally and internationally, are of fundamental importance. In case of financial institutions, the nature of these factors favors the creation of financial holding companies.

The size of individual financial entities operating in different segments of financial markets results from capital minima (and, importantly, from the capital’s origin), defined in the terms for obtaining license for conducting business in the given market area. This limits the number of entities on the market. In case of the banking market, the capital minimum is additionally connected with the line of business and area of the bank’s operations. The license-granting authority may set this minimum indi-
individually for each of the applying entities. If the given entity does not have sufficient capital, it can pursue its development strategy as part of a holding company.

The line of business, meaning here the scope of financial activities, is strictly defined in the source legal acts referring to different types of financial institutions. Among these activities, some are reserved for specific types of institutions. The most characteristic example are, of course, banks. Due to their direct role in creating money, they are more limited by legal prudential standards on the one hand, but on the other they do have the broadest scope of activities reserved for other financial institutions.

The form of market where an enterprise operates, is an indicator of competition that can appear on this market and of available operating strategies. Financial market is quite a typical example of monopolistic competition evolving towards oligopoly (Dach, 2002, p. 175-180). In the 1980s and 1990s in the United States and in most of the European countries, regardless of the model of financial market, there was a tendency to strengthen the stability of financial systems basing on 3 to 5 largest banks on the given market. The same went for other segments of financial markets. Besides these handful of the biggest ones, there were many smaller institutions of the given type. In such circumstances, prices on the market are dictated by the group of its largest participants, while others strive to increase their market share through product differentiation and forms of information and advertising. Here, an oligopoly may be created as a result of market alliances formed by groups of weaker (in terms of capital) participants of the market, or as a consequence of taking them over by dominating entities. In an oligopoly, non-price forms of competition prevail, through advertising, improving the quality and attractiveness of products and introducing new ones, and using sales forms and condition that are convenient for customers. On the financial market, where specific kinds of activity require separate licenses, the most convenient form of pursuing this strategy is the creation of holding companies (Berger & Saunders & Scalise & Udell, 1998, p. 187-229).

What was of key importance for choosing business development strategy for banks and a suitable organizational form, were the changes in the scope of liberalization of both national and international financial markets. The increasing significance of cross-border services in banks’ development strategies made smaller entities willingly enter alliances with bigger actors. When customers are satiated with basic financial products, there is more interest in financial innovations which are mostly targeted at wealthy customers as part of private banking. It is easiest to develop financial innovations and attract new wealthy customers having at one’s disposal the resources of not one but many different entities, representing different segments of the financial market, which in turn makes it possible to pursue a cross-selling strategy.
Development of banking in the United States of America: major stages

The history of banking in the United States encompasses roughly 250 years. Originally, the system was completely decentralized and fragmented. One reason was strong opposition by the public against any attempts to strengthen banks by the government. Lack of regulations enabling banks to create money hindered economic growth. With big government investments, such as building railways and developing shipbuilding, capital was in soaring demand. Since these investments won acceptance of most of the society, it became possible to overcome the resistance to strengthening financial institutions with legal regulations and to the government’s financial support for them. In 1791, the First Bank of the United States was created on the government’s initiative, with a 20-year license (Down, 1992, p. 226 and Rolnick & Warren, 1983, p. 1080-1082). The time-restricted license was designed to reduce the possibility of monopolistic practices through collusion with private banks. The bank gained approval of the public and paved way for private enterprises that were more accepted by the society than the government-financed bank (Bukowski, 2007, p. 119). Until the early 20th century the US banking system developed with no greater problems. Most of the banks established in this period survived. However, the Revolution of 1905 that shook up the European markets and made people withdraw bank deposits damaged also the stability of the American banking system. The Federal Reserve System, established in 1913 under the Federal Reserve Act, was in fact the beginning of central banking in the US. It has been responsible for securing reserves and for developing and implementing federal monetary policy. Until 1933 it was not obligatory to insure deposits with the Fed and most commercial banks did not belong to this system at the outbreak of the crisis in 1929. That is why until 1930 the Fed did not react to financial problems and bankruptcies of non-affiliated banks.

In 1933, the Banking Act, also called the Glass-Stegall Act, one of the best known banking laws in the US, was introduced. The provisions that were the most important for the future shape of the US financial market, were the following:

– compulsory insurance of bank deposits by all the banks operating in the US – the Federal Deposit Insurance Corporation (FDIC) was established,
– separating commercial and investment activity and the ban on forming capital groups by these institutions,
– rules for banks on opening branches in other towns and creating interstate structures,
– strengthening the Fed’s supervisory authority over banks, with such means as controlling interest rates.

The Great Depression made the American public wary of combining commercial banking with investment banking. It was now believed that commercial banks managing citizens’ small savings should be separated from speculative operations. This was to guarantee a sense of financial security to an average American.
Until the mid-1970s, banking law regulations in the US had not been changed in any significant way. The changes began with the crisis that was the result of the collapse of the gold currency system, and were introduced in order to enable American banks to adapt to the completely new conditions of competition. In 1980 the Monetary Control Act was enforced. It made it possible for banks not belonging to the Federal Reserve System to apply for the Fed’s financial support. In addition, all financial institutions, not only commercial banks, as it had been to date, were allowed to offer bank accounts (Reed & Gill, 1989). These and other provisions of the Act meant considerable liberalization of the previous regulations. They opened up a possibility for financial institutions in the US to form alliances and combine monetary and non-monetary activity. Thus, legal conditions for forming financial holding companies were created. However, the situation on the market did not yet encourage their formation.

When two institutions could offer almost identical products, and only one of them was subject to prudential regulations, negative selection took place among financial institutions. There was yet no need for consolidation because it was simpler and cheaper to start business in an area that was more “liberal” in terms of prudential standards. This weakened the financial sector in the US and contributed to the recession in real terms. A reaction to this situation was the Gramm-Leach-Bliley Act of 1999. It did not toughen the legal regulations, just specified them more precisely. Contrarily to what was intended, as it were, it reduced the Fed’s supervisory authority. Bank Holding Companies were replaced by Financial Holding Companies, which clearly meant an enterprise comprising not just banks but also non-banking financial institutions (Halley M., Ruud J., 2002).

Subsequent amendments to the US banking law went in a more restrictive direction. In many aspects, it was a return to the early 20th century regulations (Jachimiak, 2004, p. 20). This did not change the direction of the development of the financial sector in this country, however, and did not have any significant impact on development strategies of individual banks or non-banking institutions. Financial holding companies became a permanent feature of the US market.

The market model and the conditions for banks’ development

Business development strategies for banks to a certain extent reflect development strategies for financial systems they originate from. A market based on banking culture creates different opportunities for institutions that operate on it than a market with stock-exchange culture. It can be well said that the creation of the financial market in the US was based on deliberate rejection of the European solutions dominated by banking culture and a tendency to strengthen banks by the governments. A banking-oriented model is created by institutions preferring long-term financial relationships with their customers. The core of this financial system are commercial
banks with the bank loan as the basic instrument for capital allocation. Their offer a wide range of services with constant demand in the long term. This type of offer naturally favors diversification of the banks’ investment portfolios. Lower risk of banking activity, however, means a lower rate of profit than in the case of specialized institutions. This is the cost that universal banks pay for lowering the risk of losses, including the risk of bankruptcy in case of crisis (Olszewska, 2013, p. 53).

Institutional solutions characteristic of the Anglo-American model were created in the US. This model is marked by institutional diversity which means that banks and other financial institutions narrow their offer down to a small number of products but are able to develop and modify them depending on the current preference of the market. Financial institutions and instruments they create emerge when there is a demand for them in the economy. That explains why the number and kinds of banks and shadow banking institutions on the market change so much in a relatively short time. The system is formed by specialized institutions offering only a narrow range of services to their customers. Such offer means the banks have a higher level of investment portfolio risk than in the previously discussed system. The reward for taking such a risk is a high rate of profit that can be achieved. The costs of this risk are partly incurred by customers who pay for a high quality product. Despite strict prudential standards characteristic of the American market in the times of recession, banks often face the risk of being closed down. This is connected to the drop in demand for products offered by the given type of banks. Until recently, it did not undermine confidence in the banking system as a whole because usually it did not mean bankruptcy. Mergers and acquisitions of banks were a widespread phenomenon in this banking model.

Regardless of the financial market model and of the chosen business development strategy, banks, along with other financial institutions, perform certain specific functions, such as: making and settling payments, aggregating and disaggregating funds, transferring funds (or funds allocation), obtaining and processing information, risk management, taking over agency and transaction risks (Sinkey Jr, 2002, p. 4). An additional factor affecting banks’ strategies on the American market are the strict prudential standards, interest rate control on bank risk by the Fed, and the Fed’s strong participation in open market operations on the relatively small interbank market. Such an arrangement is very convenient for monetary authorities.

This advantage of the Anglo-American banking model also constitutes certain impediment for monetary authorities as far as effectiveness of monetary policy is concerned. Open market operations as instruments of general control affect the monetary market in a steady way, not causing shocks. However, with the growing globalization of markets, monetary impulses of the central bank are often neutralized on the capital market or are „shifted” to other markers along with the movements of foreign capital (Friedman & Schwartz, 1963, p. 357-359). These movements of capital have an opposite direction to that expected by monetary authorities. Money has no
homeland and always follows the highest rate of return. The broader the range of financial instruments on the market and the higher the number of institutional investors offering access to foreign financial markets, the more prudent and measured the decisions of monetary authorities have to be in terms of the kind and intensity of the instruments used.

Business development strategies for banks

Since the 1970s, globalization, deregulation of financial markets, liberalization aimed at removing barriers to capital flow, concentration of financial institutions’ assets and technological progress have led to some changes in demand for banking services. While global demand for generally defined financial services has definitely increased, in case of banking services the rise was much smaller. This is certainly associated with competition from insurance companies or brokerage houses, and the more and more widespread use of electronic money. With a large number of substitutes for bank services on the market, banks were forced to look for new areas of activity (Casals, 1997, p. 245-246).

In contemporary banking, an important competition strategy is globalization. At present, the costs of capital flow have become lower than the costs of transportation of goods. Therefore, the ratio of the value of international trade turnover to the value of capital flow worldwide can be considered a measurable indicator of the financial markets’ globalization level. Assuming that the underlying cause of banks’ foreign operations was the servicing of settlements in international trade, the enormous „surplus” of their value shows the scale of opportunities given to banks and other financial institutions by the reduction of barriers in capital flow (Oręziak, Pietrzak, 2000/2001, s. 39). It is these benefits, resulting from markets’ globalization, that caused a process of further deregulation. Strict regulations restricting the capabilities of national institutions can weaken their position relative to foreign competitors (Casals, 1997, s. 277-280).

The main benefit of deregulation was transferring the costs of protecting the country’s financial system from government onto institutions that were part of this system. Deregulation, as a natural result of liberalization, means replacing regulations with standards. It was assumed that public trust institutions such as banks would be interested in keeping up standards as a condition for retaining customers. However, the growing expectations about the rate of return on financial investments, especially among banks’ wealthy customers (while interest rates on the market were at a historical low), made the banks willing rather to lower standards than to keep them up. When a narrow group of customers of financial institutions becomes increasingly wealthy, banks are motivated to attract these customers (Olszewska, 2012, p. 83). Regardless of the economic situation, the amount of their deposits remains constantly at a very high level. In the same period, many customers might be forced to finance
their current consumption with their savings. Thus, they withdraw their deposits from banks and often default on their loan payments.

Concentration, just as globalization, has been one of the targets of strategic managements in contemporary banking, using *economies of scale* (Solarz, 1997, p. 169-179). It was assumed that in the event of deregulation of financial markets they would be more stable if the majority of assets was controlled by several (3 to 5) institutions in the given market segment. Market concentration is not synonymous with creating financial holding companies although it can be mistaken for it. Concentration is about combining assets of homogenous institutions. It was expected that highly concentrated financial systems would emerge as a result of this concentration, and thus would be stable in times of economic downturn. However, the myth of institutions that are „too big to fail” was busted with the fall of Lehman Brothers. Therefore, economies of scale do not explain the increase of financial holding companies’ share in the financial market, both worldwide and nationally. A much better explanation of their formation are *economies of scope*. This effect can be observed on the market of products and services that are produced using similar methods, or on markets where customers expected several products in one package from the same producer or supplier (Heggernan, 2007, p. 34). In case of financial markets, the latter seems to be of more significance. Customers of financial institutions more and more often tend to seek one services provider, often via Internet.

Since the early 1990s, the structure of financial institutions’ customers, especially banks, has changed profoundly. The growing stratification of personal income resulted in the emergence of a new group of customers. These are individual customers with assets of value comparable to the assets of medium and large economic entities. Banks began to develop a comprehensive, customized form of service provision dedicated to the wealthiest customers (Dziawgo, 2003, p. 14), called *private banking*. The basis for this form of activity is the direct contact of the customer and account manager, aimed at identifying customer’s needs and bonding with them (Weldon, 1997, p. 17). Since these customer’s needs often go beyond standard banking services and refer to broadly defined lifestyle (the fad for keeping fit, healthy food, environmentally friendly products), financial holding companies have a chance to develop the private banking strategy effectively.

One of the crucial development strategies for banks at the turn of the 20th and 21st century is called *cross-selling*. It is based on identifying customer’s preferences concerning financial services, basing on a main type of product used by the given customer. These can be products related to saving, obtaining capital or providing security. They form the basis for creating a customized offer and for selling selected „complementary” products to the given customer (Szczepaniec, 2003, p. 95). The strategy is also called complementary selling and is used by the banks when developing the private banking strategy.
Combining the effects of the presented factors marking banks’ strategic choices, it can be said that financial holding companies have been a natural choice for American banks. The benefits of selecting this form of organizational structure are associated with the following:

- a synergy effect consisting in multiplying benefits due to combining different financial institutions and using their resources,
- cutting costs,
- diversifying investment portfolios and the sources of risk and income,
- getting access to larger resources of information, e.g. on the risk of undertaken operations,
- an opportunity to provide holistic services reducing the risk of losing customers, which is especially important on the specialized institutions’ market,
- supporting individual institutions within a capital group, so that such an entity may survive an economic downturn, which would not be possible if it operated individually,
- ability to absorb losses incurred by a member of the group, including the member’s bankruptcy.

In the right circumstances, the sources of benefits mentioned above may give some managers an excessive sense of security, while others might have a sense of impunity. In addition, for each source of potential benefits, a set of conditions can be found that would make it a source of risks instead.

The main source of risks associated with a holding company is the possibility of moving reserve capital among the members of the capital group and thus „cheating” the supervisory authority. When the formation and development of such organizational structures is allowed on the financial market, it requires the financial supervision system to be adapted adequately (Menkes, 2013, p. 143-144).

Under specialized supervision in the United States, some financial institutions operating as part of financial holding companies can quite successfully hide in the „shadow” of banks (Kasiewicz, Kurkliński L. (eds.), 2012, p. 177-178, and Olszewska, 2012, p. 230). This can lead to a situation where, after a collapse of a financial institution, customers who were not directly associated with it are at risk of losses (Lagunoff, Schreft, 2001, p. 220-222).

Also, the way a holding company is created can be the source of risks. There are three possibilities here:

- creating a holding company from scratch, forming completely new entities and building a holding structure based on them,
- creating a holding company as a voluntary alliance of entities already operating on the market,
- creating a holding company basing on hostile takeovers (Iwanicz-Drozdowska, 2001, p. 73-88).
In case of creating a holding company from scratch, the most common source of risk is „too broad a front” where the battle for customers goes on. In the second case, there is the risk of wrong pricing of the costs of combining the previously independent entities. In the third case, this is compounded by internal conflicts. If a holding company comprises entities operating abroad, they can be easily infected with crisis and spread it onto the affiliated entities and markets they operate on.

The situation of financial holding companies on the United States market

The overall specificity of the American banking system favors the creation of financial holding companies. The 1990s were the most active period of mergers and acquisitions on the US financial market, with the effect of creating financial holding companies with international reach. Speaking in terms of total asset value, among 40 biggest financial holding companies in the world, 5 are located in the US. Due to the ownership structure and the area of activity, from the point of view of systemic risk they are classified as global institutions. The participants of financial markets learned the significance of these factors when the last financial crisis broke out in 2007.

Table 1. The value of assets of selected financial holding companies as % of the US GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>American Express</th>
<th>Bank of America</th>
<th>Citigroup</th>
<th>General Electric</th>
<th>JP Morgan Chase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>0.001</td>
<td>12.9</td>
<td>14.9</td>
<td>5.4</td>
<td>12.0</td>
</tr>
<tr>
<td>2006</td>
<td>0.012</td>
<td>13.4</td>
<td>15.5</td>
<td>5.2</td>
<td>12.4</td>
</tr>
<tr>
<td>2007</td>
<td>0.127</td>
<td>14.6</td>
<td>10.1</td>
<td>5.5</td>
<td>13.3</td>
</tr>
<tr>
<td>2008</td>
<td>0.010</td>
<td>14.5</td>
<td>15.4</td>
<td>5.3</td>
<td>17.3</td>
</tr>
<tr>
<td>2009</td>
<td>0.010</td>
<td>17.5</td>
<td>14.3</td>
<td>5.0</td>
<td>17.7</td>
</tr>
<tr>
<td>2010</td>
<td>0.010</td>
<td>16.1</td>
<td>13.6</td>
<td>4.3</td>
<td>15.0</td>
</tr>
<tr>
<td>2011</td>
<td>0.010</td>
<td>14.3</td>
<td>12.6</td>
<td>3.9</td>
<td>15.2</td>
</tr>
<tr>
<td>2012</td>
<td>0.010</td>
<td>14.5</td>
<td>12.3</td>
<td>3.5</td>
<td>15.7</td>
</tr>
<tr>
<td>2013</td>
<td>0.010</td>
<td>13.3</td>
<td>11.9</td>
<td>3.3</td>
<td>15.3</td>
</tr>
<tr>
<td>2014</td>
<td>0.009</td>
<td>12.0</td>
<td>10.6</td>
<td>2.8</td>
<td>14.7</td>
</tr>
</tbody>
</table>

Source: own work based on data from Table 2 and the OECD.

In several cases, the assets to GDP ratio slightly exceeds 15% (see table 1). The ratio is sufficiently high to constitute a significant challenge for the financial supervisory authorities. In case of the US financial market this supervision is fragmented. It is performed in a specialized system – by several institutions in parallel. The events of the crisis indicated a lack of coordination among the links of the supervisory
system (Menkes, 2013, p. 146-147). It may seem disturbing that regulations on supervision over financial holding companies are not keeping up with the development of these companies.

**Table 2. Total assets of the selected financial holding companies (USD in millions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>American Express</th>
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<th>Citigroup</th>
<th>General Electric</th>
<th>JP Morgan Chase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>113,901</td>
<td>1,291,842</td>
<td>1,489,139</td>
<td>540,615</td>
<td>1,198,911</td>
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<td>2006</td>
<td>127,875</td>
<td>1,459,731</td>
<td>1,679,502</td>
<td>564,743</td>
<td>1,347,040</td>
</tr>
<tr>
<td>2007</td>
<td>149,743</td>
<td>1,715,701</td>
<td>1,187,480</td>
<td>646,528</td>
<td>1,562,147</td>
</tr>
<tr>
<td>2008</td>
<td>126,074</td>
<td>1,817,918</td>
<td>1,938,470</td>
<td>661,019</td>
<td>2,175,052</td>
</tr>
<tr>
<td>2009</td>
<td>125,145</td>
<td>2,223,321</td>
<td>1,857,415</td>
<td>650,311</td>
<td>2,031,989</td>
</tr>
<tr>
<td>2010</td>
<td>147,042</td>
<td>2,264,907</td>
<td>1,914,362</td>
<td>605,406</td>
<td>2,117,605</td>
</tr>
<tr>
<td>2011</td>
<td>153,337</td>
<td>2,129,043</td>
<td>1,874,012</td>
<td>584,617</td>
<td>2,265,792</td>
</tr>
<tr>
<td>2012</td>
<td>153,140</td>
<td>2,210,025</td>
<td>1,865,176</td>
<td>539,422</td>
<td>2,389,141</td>
</tr>
<tr>
<td>2013</td>
<td>153,375</td>
<td>2,102,311</td>
<td>1,880,043</td>
<td>516,838</td>
<td>2,415,689</td>
</tr>
<tr>
<td>2014</td>
<td>159,103</td>
<td>2,104,507</td>
<td>1,853,231</td>
<td>500,201</td>
<td>2,573,126</td>
</tr>
</tbody>
</table>

Source: Annual reports published at official websites of the analyzed institutions

**Table 3. Net income of the selected financial holding companies (USD in millions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>American Express</th>
<th>Bank of America</th>
<th>Citigroup</th>
<th>General Electric</th>
<th>JP Morgan Chase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3,712</td>
<td>16,528</td>
<td>11,46</td>
<td>16,354</td>
<td>8,496</td>
</tr>
<tr>
<td>2006</td>
<td>3,658</td>
<td>21,099</td>
<td>12,127</td>
<td>20,832</td>
<td>14,444</td>
</tr>
<tr>
<td>2007</td>
<td>4,012</td>
<td>14,982</td>
<td>7,930</td>
<td>22,219</td>
<td>15,365</td>
</tr>
<tr>
<td>2008</td>
<td>2,699</td>
<td>4,008</td>
<td>27,711</td>
<td>17,416</td>
<td>5,605</td>
</tr>
<tr>
<td>2009</td>
<td>2,130</td>
<td>6,276</td>
<td>15,325</td>
<td>11,031</td>
<td>11,728</td>
</tr>
<tr>
<td>2010</td>
<td>4,057</td>
<td>2,238</td>
<td>14,703</td>
<td>11,645</td>
<td>17,370</td>
</tr>
<tr>
<td>2011</td>
<td>4,935</td>
<td>1,446</td>
<td>14,418</td>
<td>14,159</td>
<td>18,976</td>
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<tr>
<td>2012</td>
<td>4,485</td>
<td>4,188</td>
<td>14,116</td>
<td>13,644</td>
<td>21,283</td>
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<tr>
<td>2013</td>
<td>5,359</td>
<td>11,431</td>
<td>15,607</td>
<td>13,069</td>
<td>17,923</td>
</tr>
<tr>
<td>2014</td>
<td>5,885</td>
<td>4,833</td>
<td>10,725</td>
<td>15,231</td>
<td>21,762</td>
</tr>
</tbody>
</table>

Source: Annual reports published at official websites of the analyzed institutions

Data analysis (see tables 2 and 3) shows that the period of financial crisis did not have a negative impact on the situation of the studied holding companies. The banks that form a part of them did not escape financial problems, some of them needed subsidizing – e.g. Bank of America – but as a capital group they endured the financial crisis well.
Conclusion

Financial holding companies have a relatively short history on the American market. However, their experiences coincide with an interesting period for the development of financial markets. Technological progress, electronic money, changes in customers’ preferences, globalization and the financial crisis are but a few challenges facing financial institutions. Their consequence is, on the one hand, an increase in systemic risk, and on the other, the emergence of the previously unknown development opportunities. This makes market participants search for new development strategies. One of them are financial holding companies. Their experiences to date show that benefits outweigh the risks associated with their formation.

It can be concluded from the review of the opinions presented in the literature on the subject as well as from the analysis of the basic statistics that creating financial holding companies on the American market favors the implementation of the banks’ development strategies. Attracting new customers and increasing market share due to the development of private banking and cross-selling is possible largely thanks to the consolidation within holding companies. So far, the risks related to the formation of holding companies, discussed above, have not been observed. This does not mean, however, that they cannot be revealed in the future.

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