Quarterly Trends for Consolidated U.S. Banking Organizations
Fourth quarter 2012

Federal Reserve Bank of New York
Research and Statistics Group

This report presents consolidated financial statistics for the U.S. commercial banking industry, including both bank holding companies (BHCs) and banks. Statistics are based on quarterly regulatory filings.[1] Statistics are inclusive of BHCs' nonbank subsidiaries. Separate statistics are reported on a merger-adjusted basis for the subset of BHCs with > $500bn in total assets as of 2012:Q4[2], and for the remainder of the industry.

Highlights

- Banking industry profitability increased slightly in 2012:Q4. Annualized return on assets (ROA) increased from 0.7% to 0.8%, while return on equity (ROE) increased from 6.4% to 7.8%. Both ROA and ROE were far above their 2008:Q4 lows, although neither exceeded its average value from the period prior to the financial crisis.

- Noninterest income as a percentage of net operating revenue remained higher for BHCs with greater than $500 billion in assets than for all other banks and BHCs. In contrast, the net interest margin remained significantly lower for the largest BHCs. ROE and ROA were also lower for the largest BHCs than for the remainder of the industry.

- Non-performing loans as a percentage of total loans decreased in 2012:Q4 for the industry, continuing its downward trend. The non-performing loan ratio remained higher for BHCs with more than $500 billion in assets than for the remainder of the banking industry. Loan loss provisions as a percentage of total loans increased slightly, while net charge-offs as a percentage of total loans decreased. The net charge-off ratio for the industry is now at its lowest value since 2007.

- Banking industry capital, as measured by the ratio of tier 1 common equity to risk-weighted assets, increased from 11.6% in 2012:Q3 to 11.7% in 2012:Q4. Industry capitalization has increased significantly in recent years, from a low industry tier 1 common ratio of 6.2% in 2008:Q4.

- Year-over-year asset growth was negative in 2012:Q4. While year-over-year loan growth was positive in 2012:Q4, the growth rate slowed to 3.5% for the industry.

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[1] Industry statistics are calculated by summing consolidated financial data across all reporting U.S. parent BHCs (from the FR Y-9C report), plus values for "standalone" banks not controlled by a BHC, or whose parent BHC does not report on a consolidated basis (from the FFIEC 031/041 reports). The data do not include savings bank holding companies, branches and agencies of foreign banks, or nonbanks that are not controlled by a U.S. BHC.
[2] Six BHCs exceed this $500bn size threshold: J.P. Morgan Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, and Morgan Stanley.

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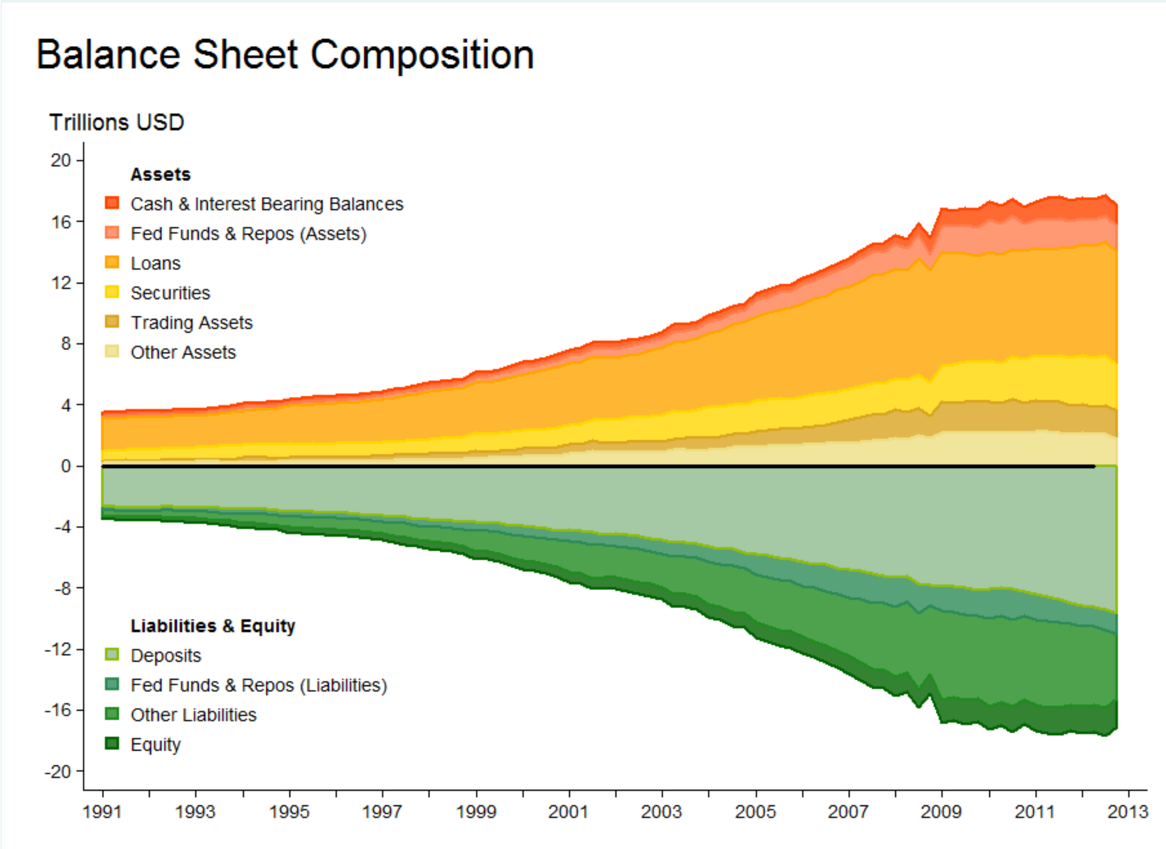
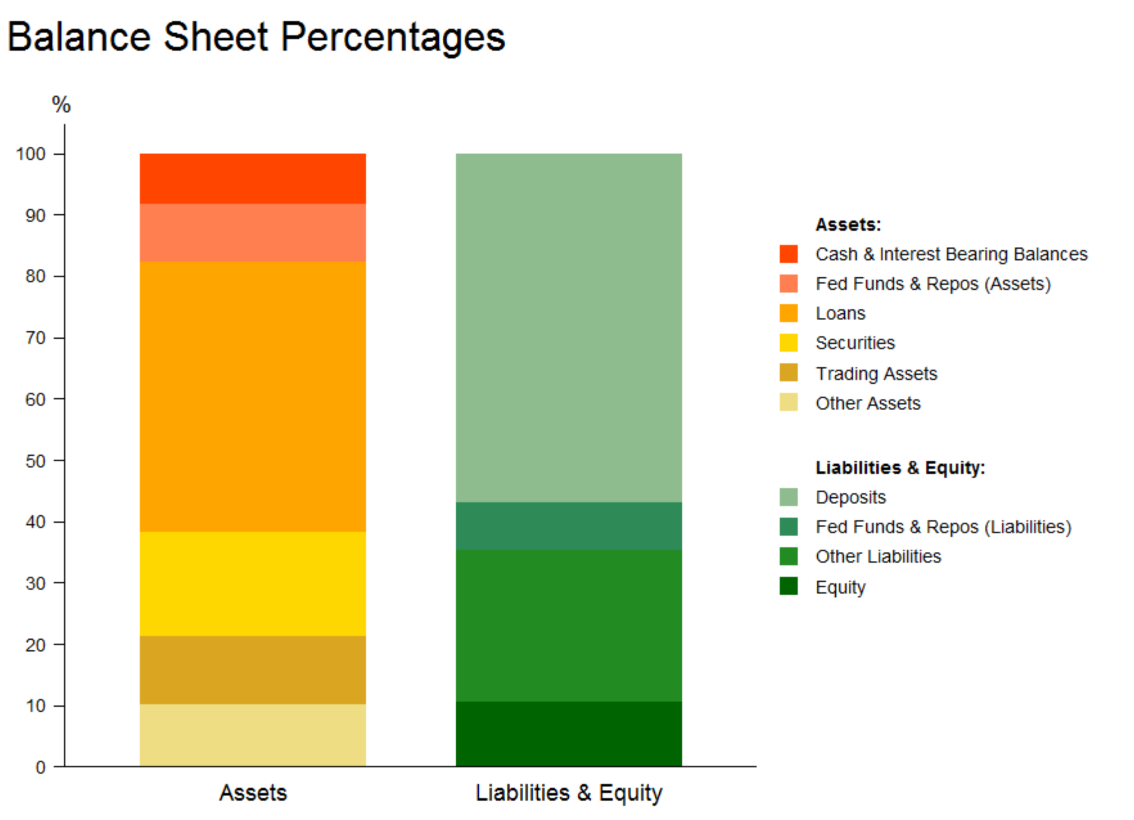
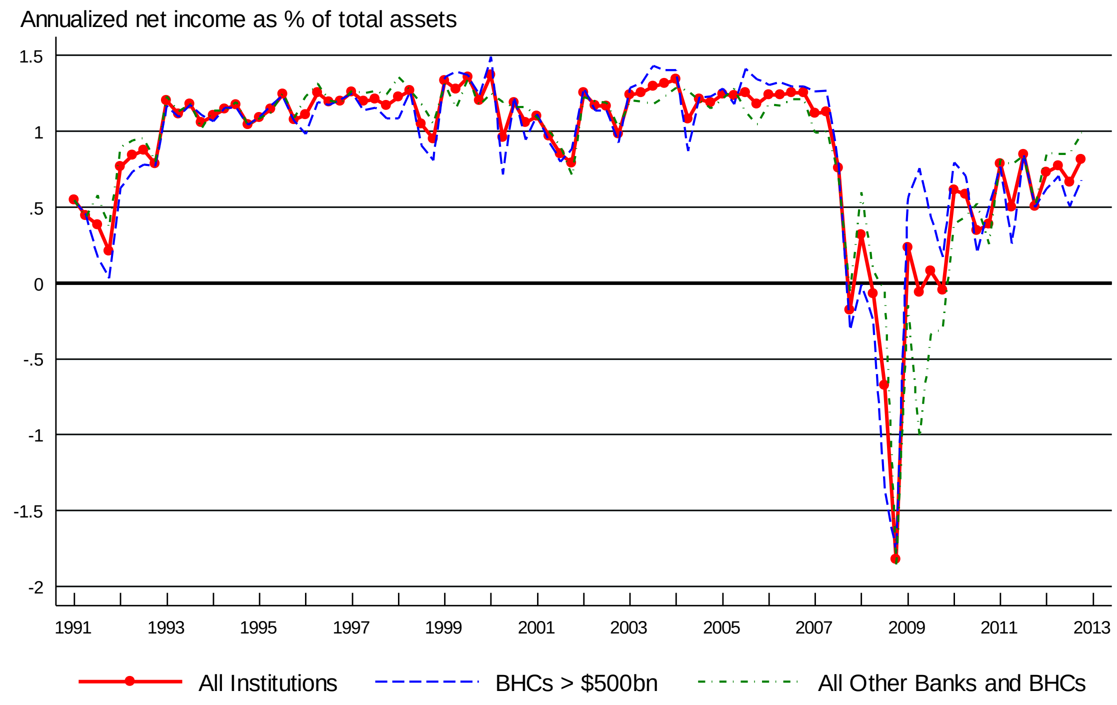
1. Composition of Banking Industry Assets and Liabilities



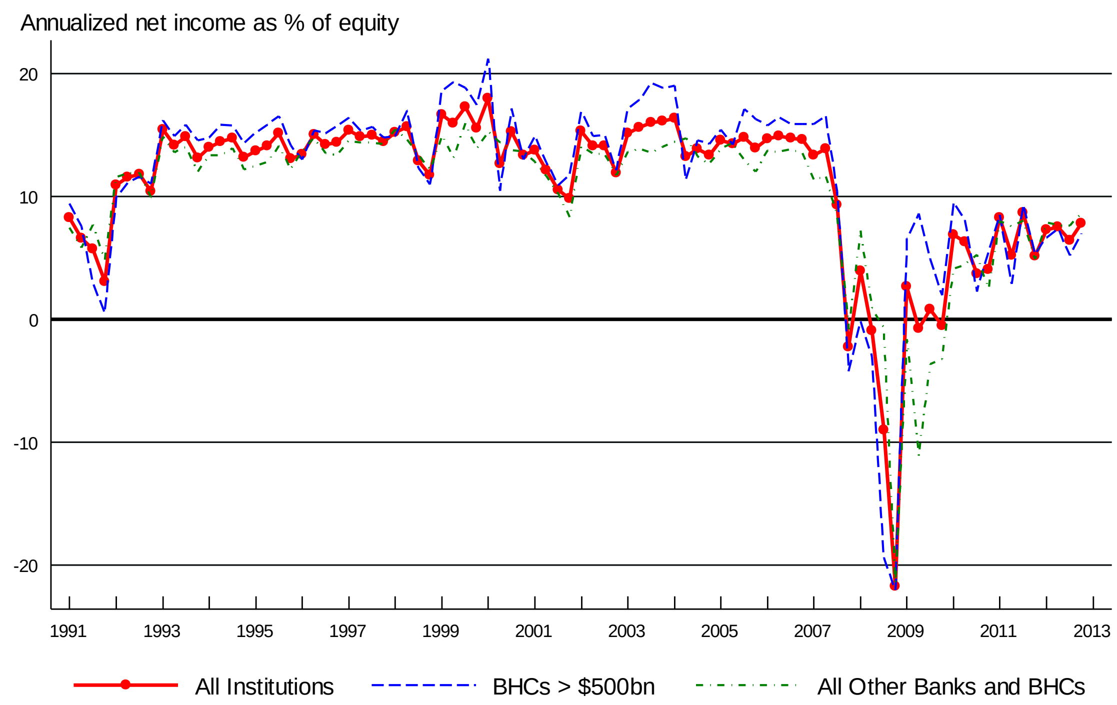


2. Earnings and Pre-Provision Net Revenue

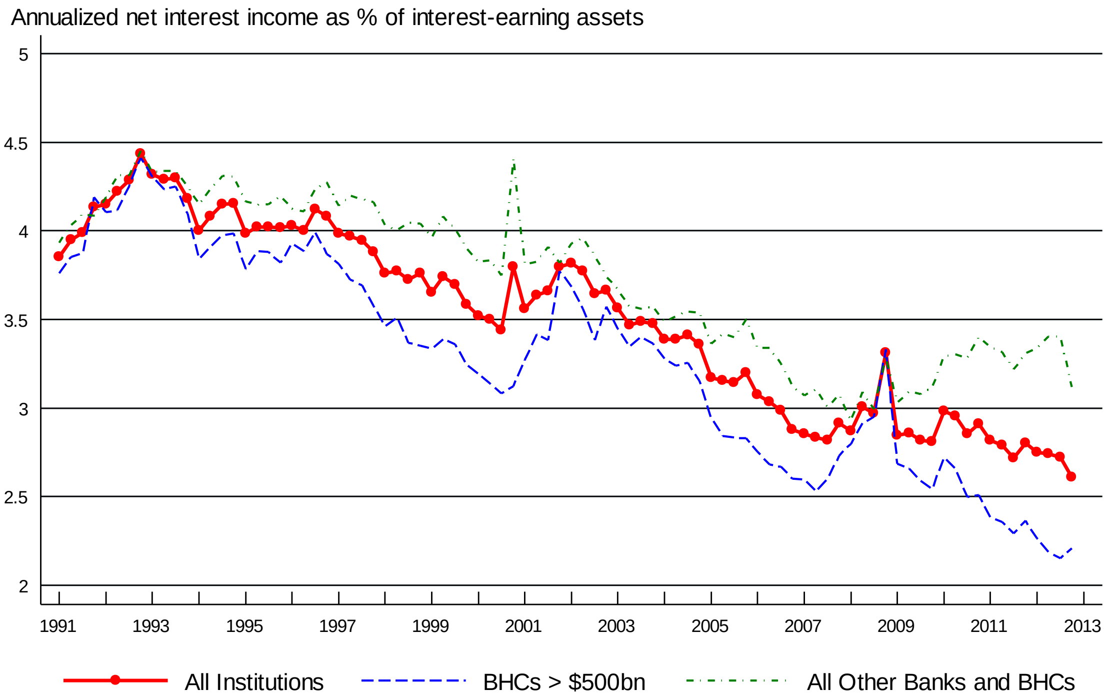
Return on Assets



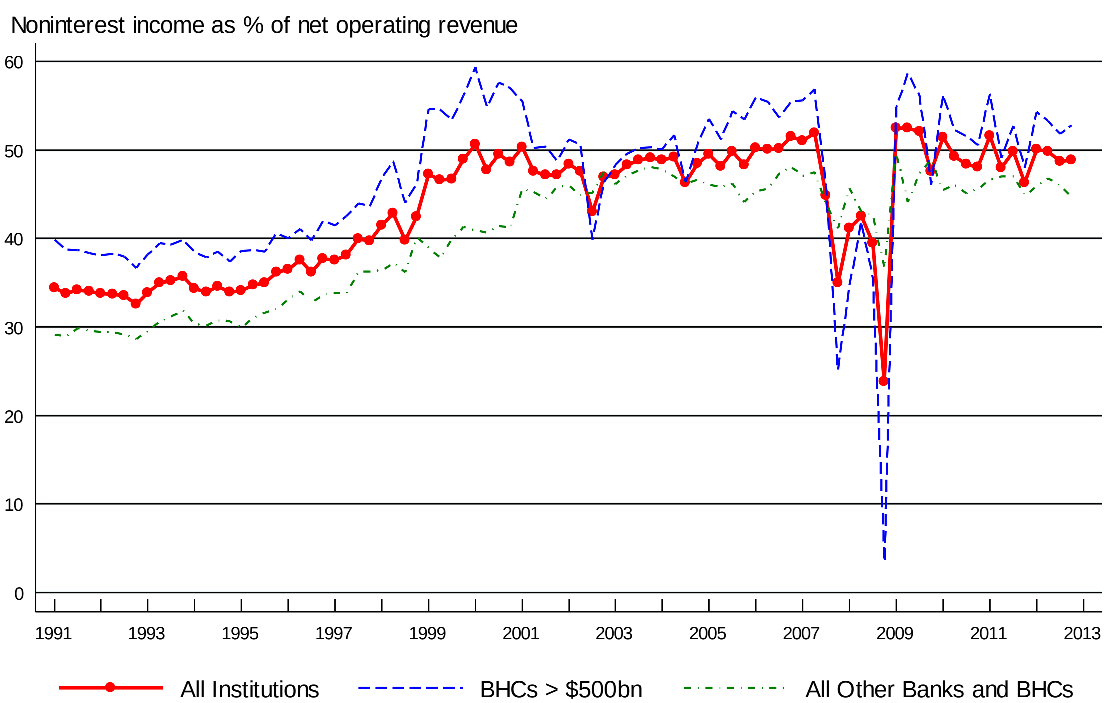
Return on Equity



Net Interest Margin

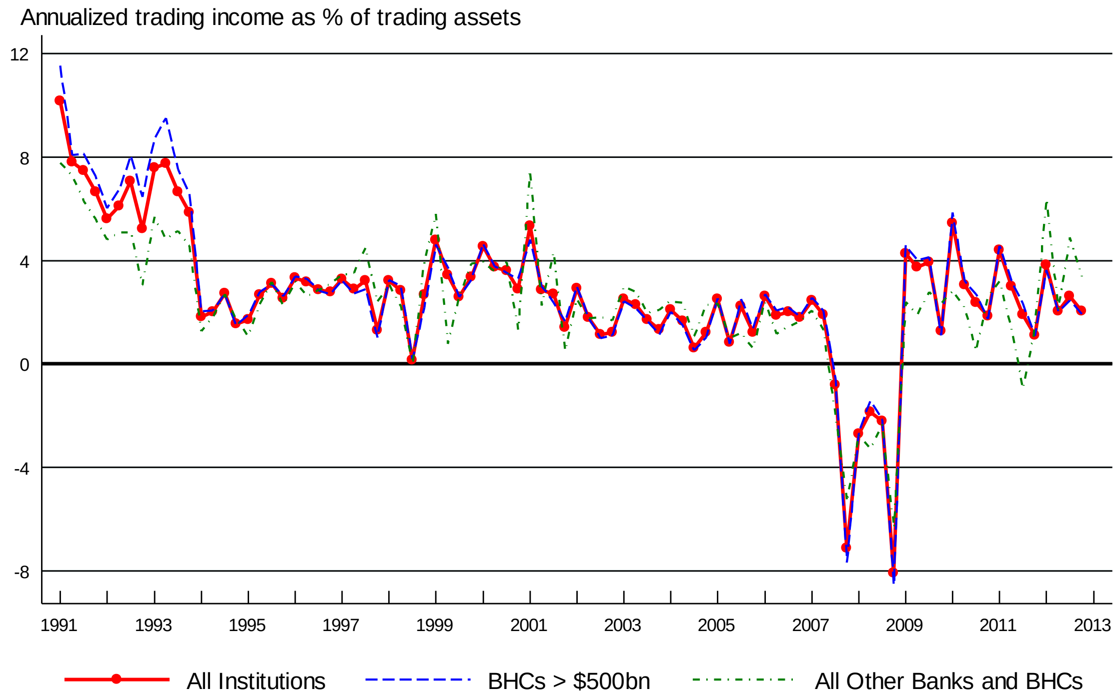


Noninterest Income Share

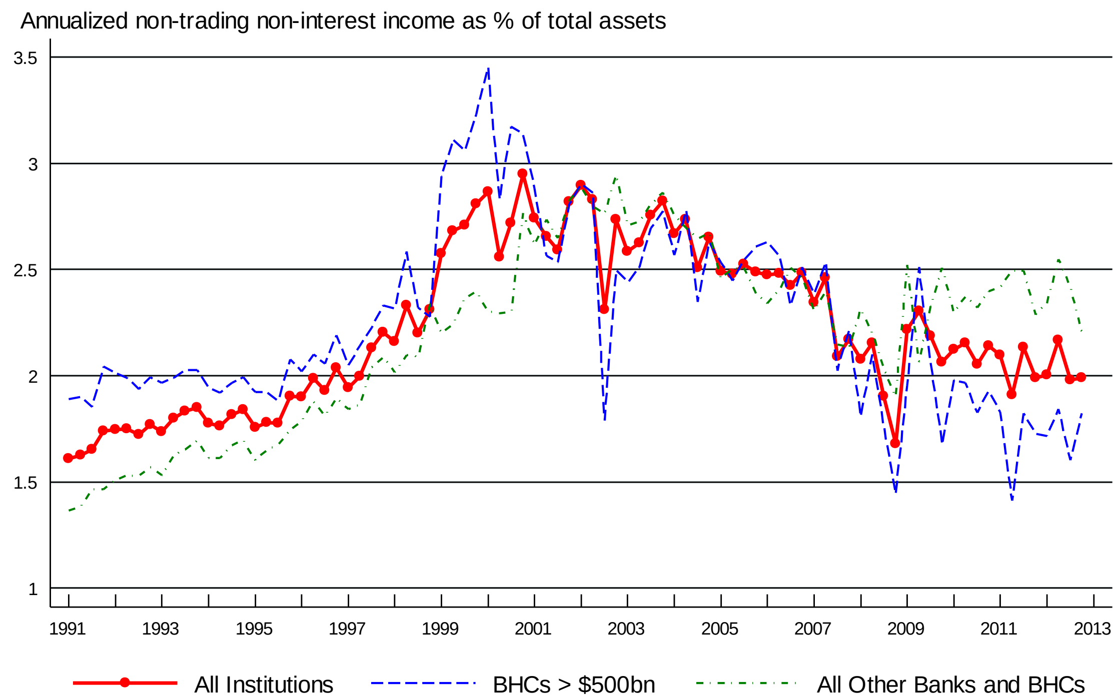


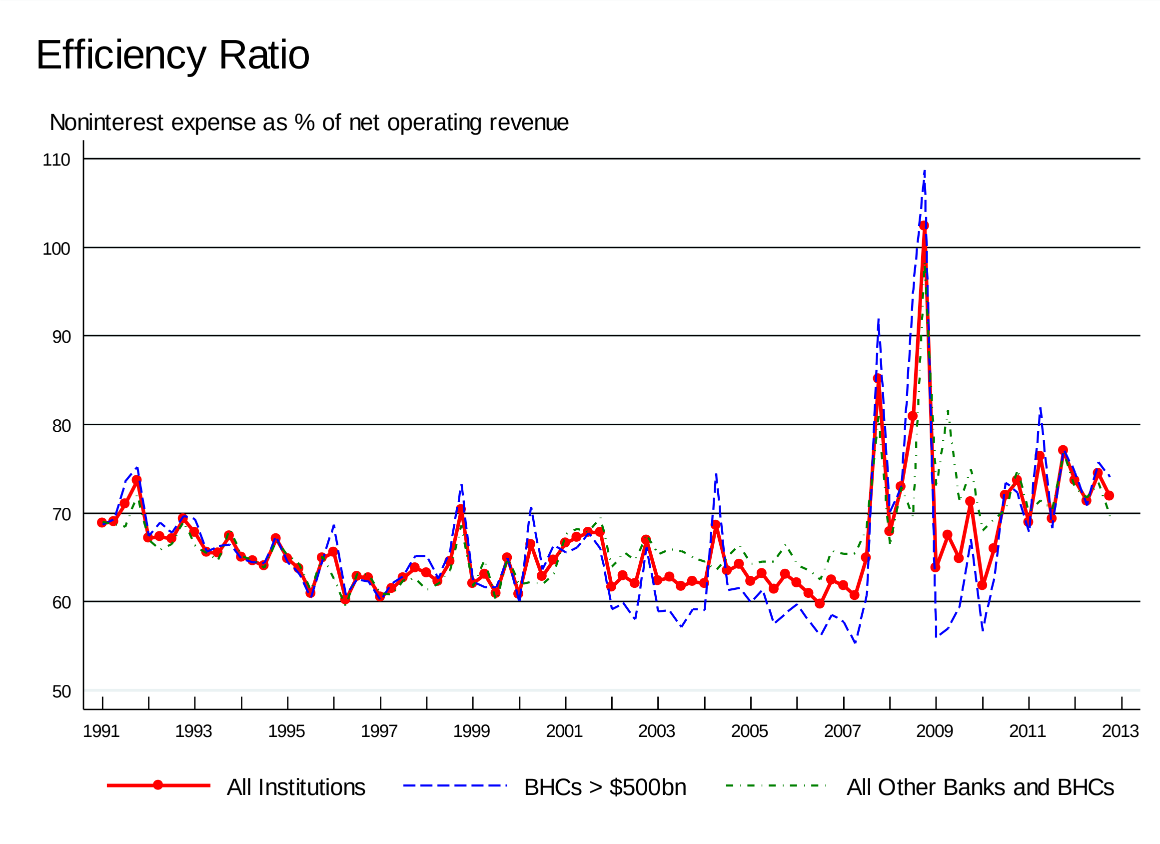
Note: Net operating revenue is defined as net interest income plus noninterest income.

Return on Trading Assets



Non-Trading Non-Interest Income Ratio



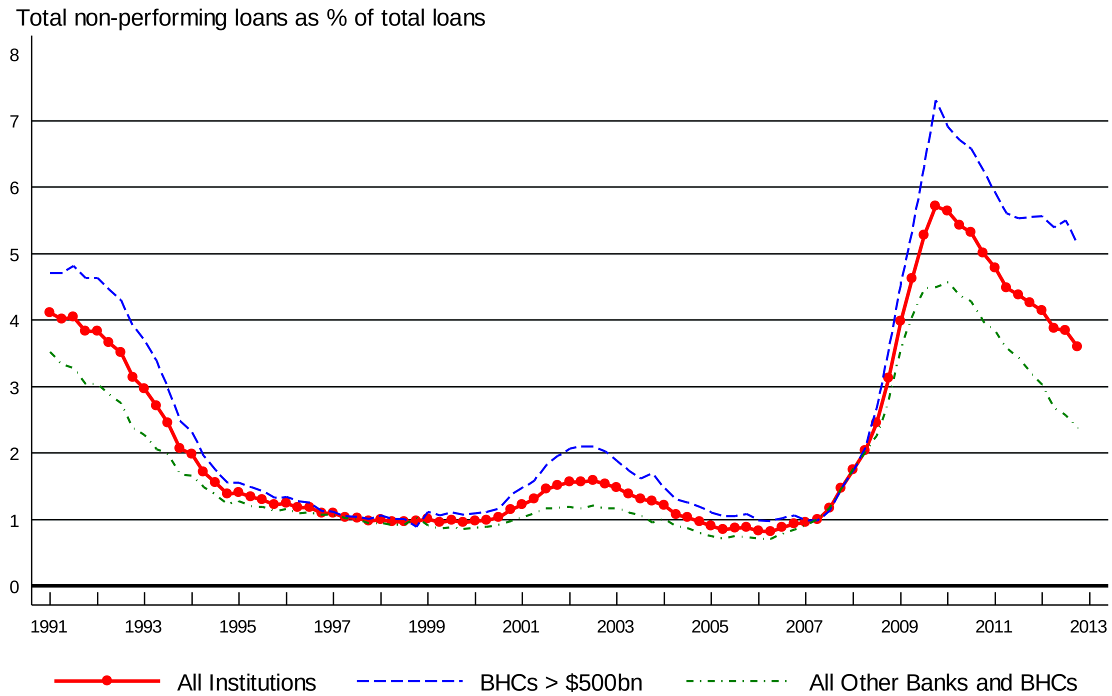


Note: Net operating revenue is defined as net interest income plus noninterest income.

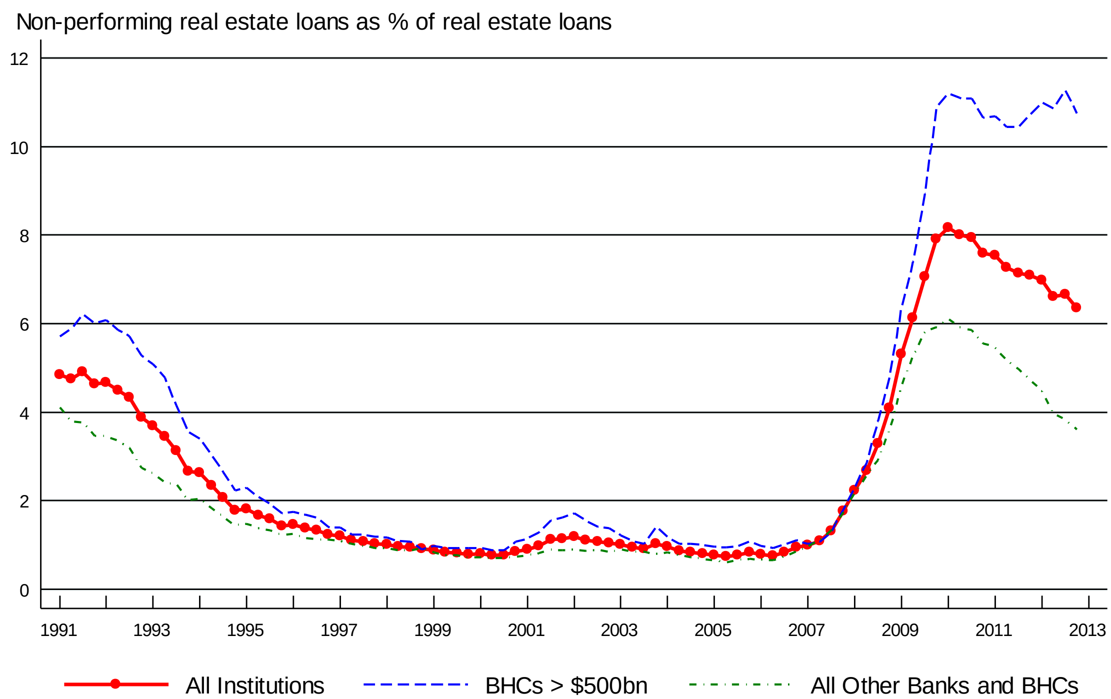
3. Asset Quality

Note: Non-performing loans include loans that are (1) 90 days or more past due and still accruing or (2) non-accrual.

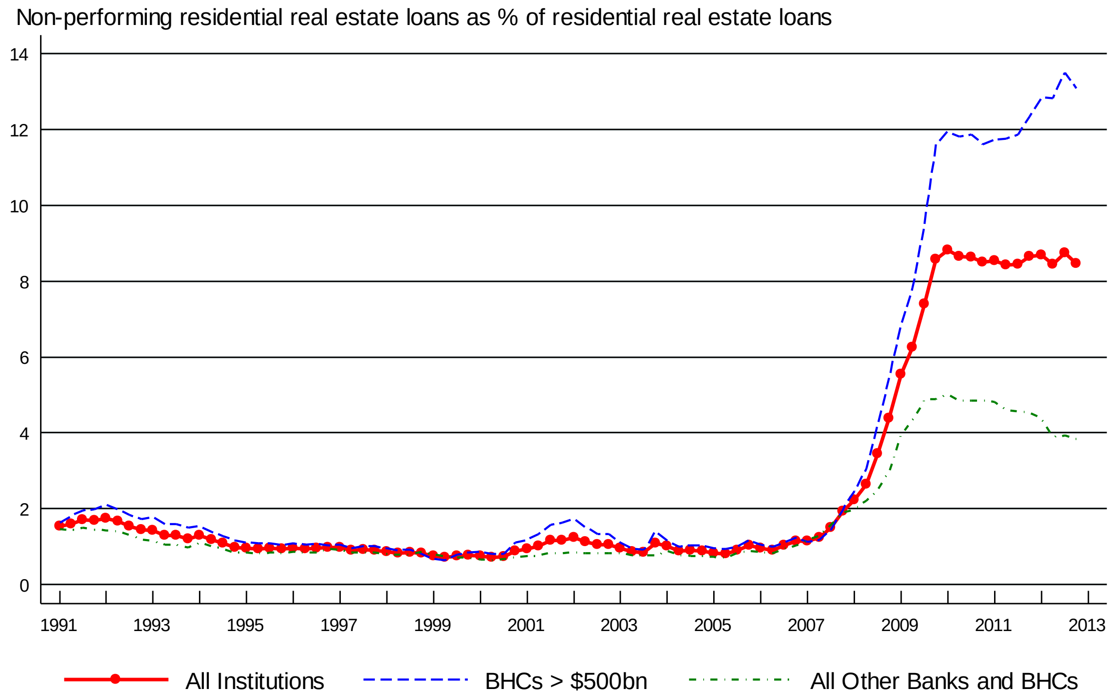
Non-performing Loans



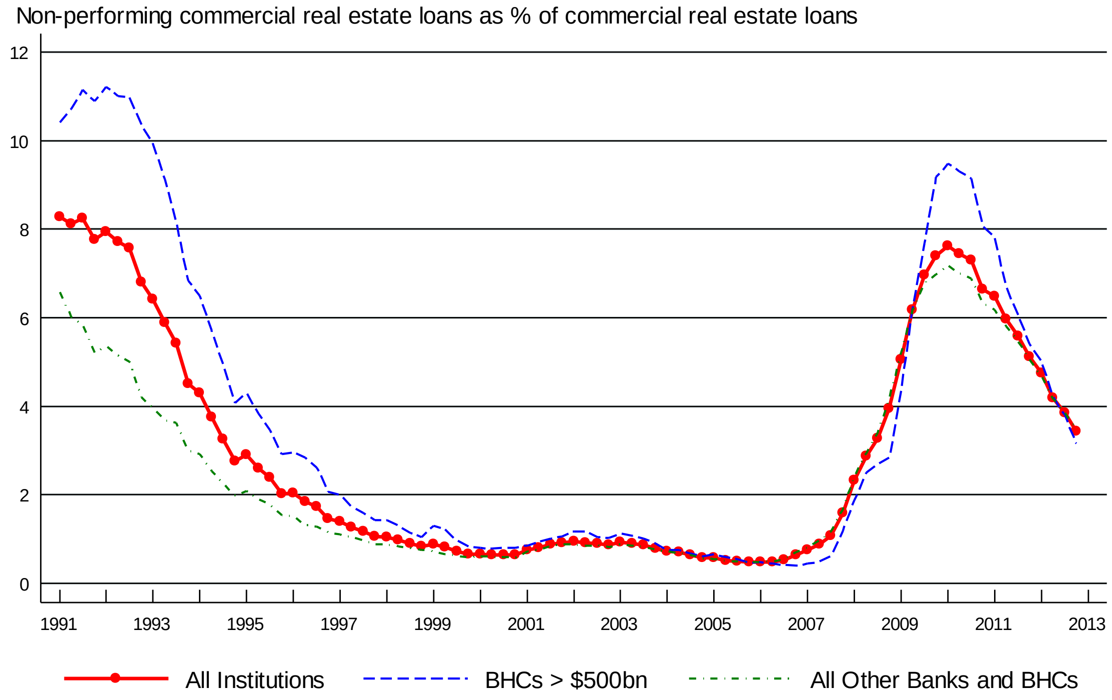
Non-performing Real Estate Loans



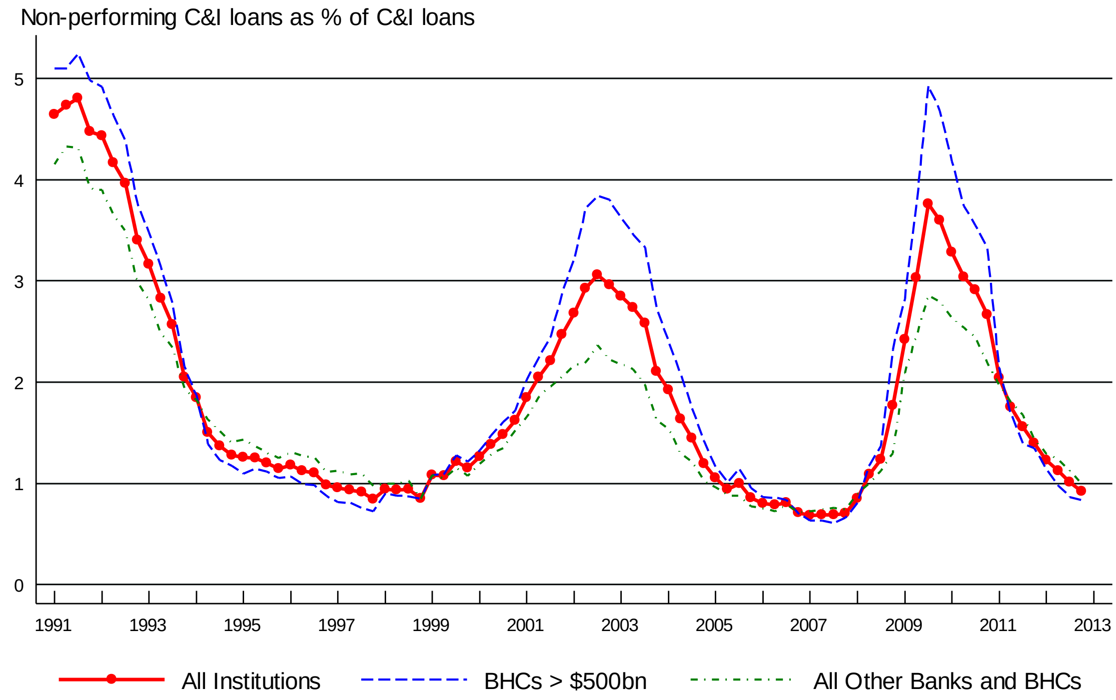
Non-performing Residential Real Estate Loans



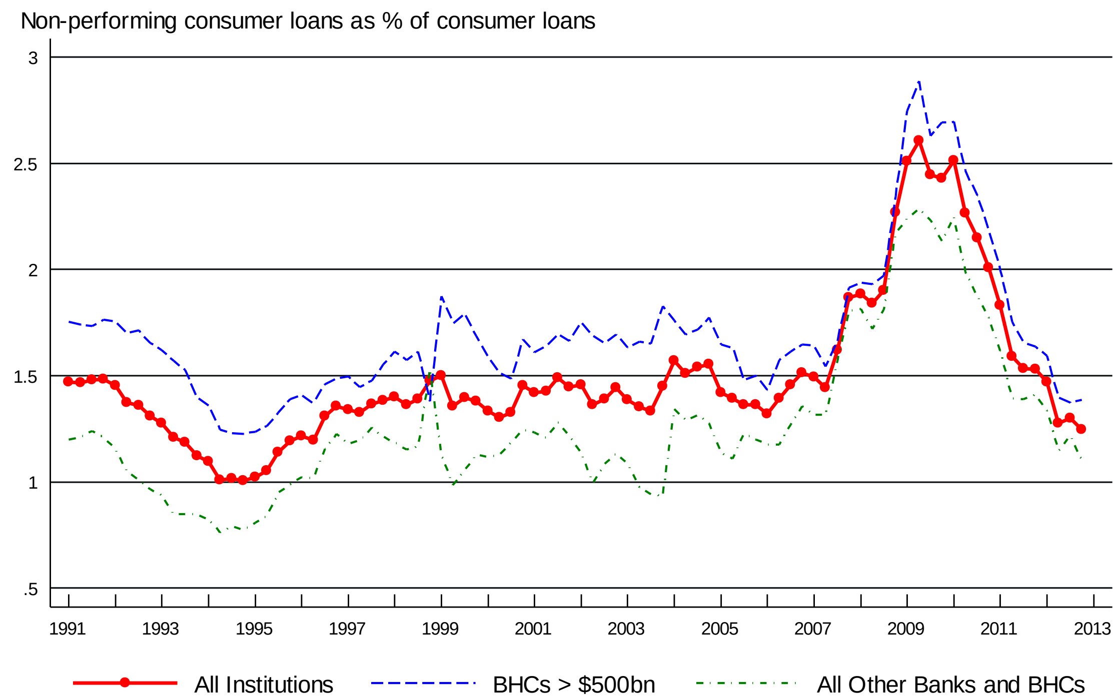
Non-performing Commercial Real Estate Loans



Non-performing Commercial and Industrial (C&I) Loans

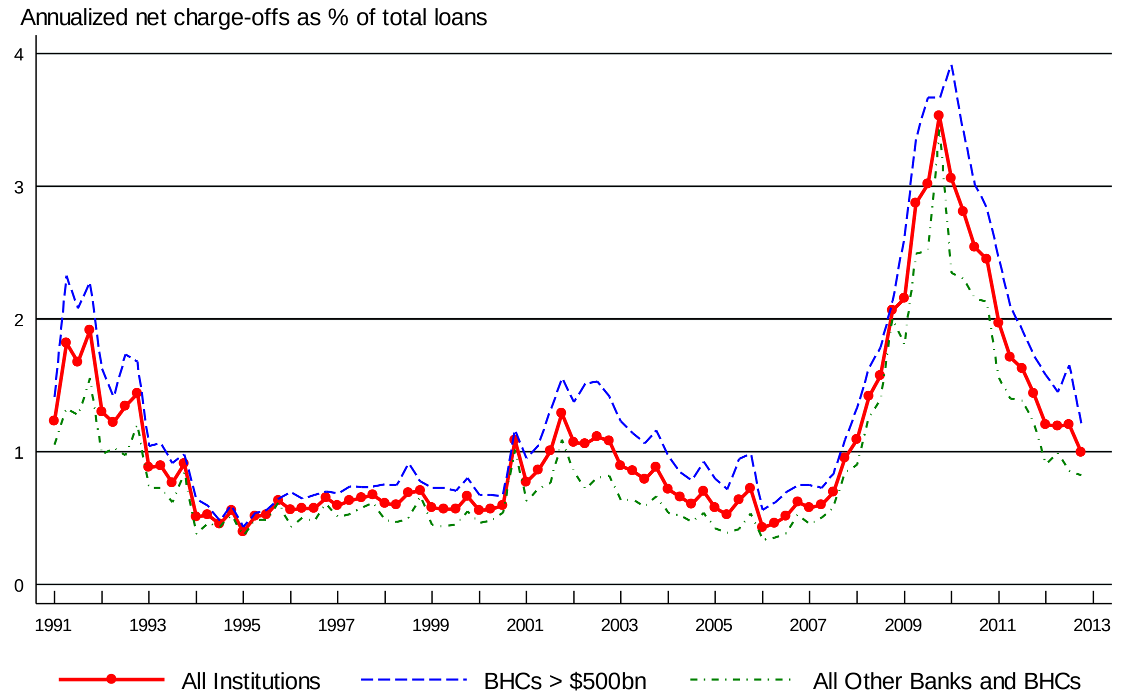


Non-performing Consumer Loans

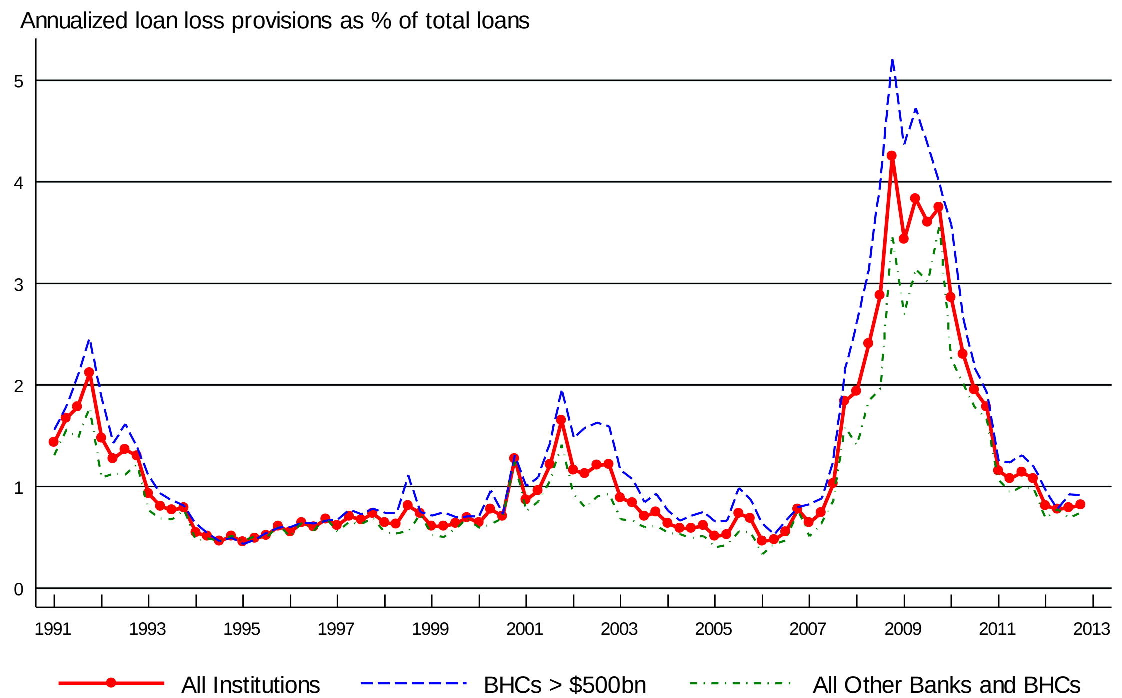


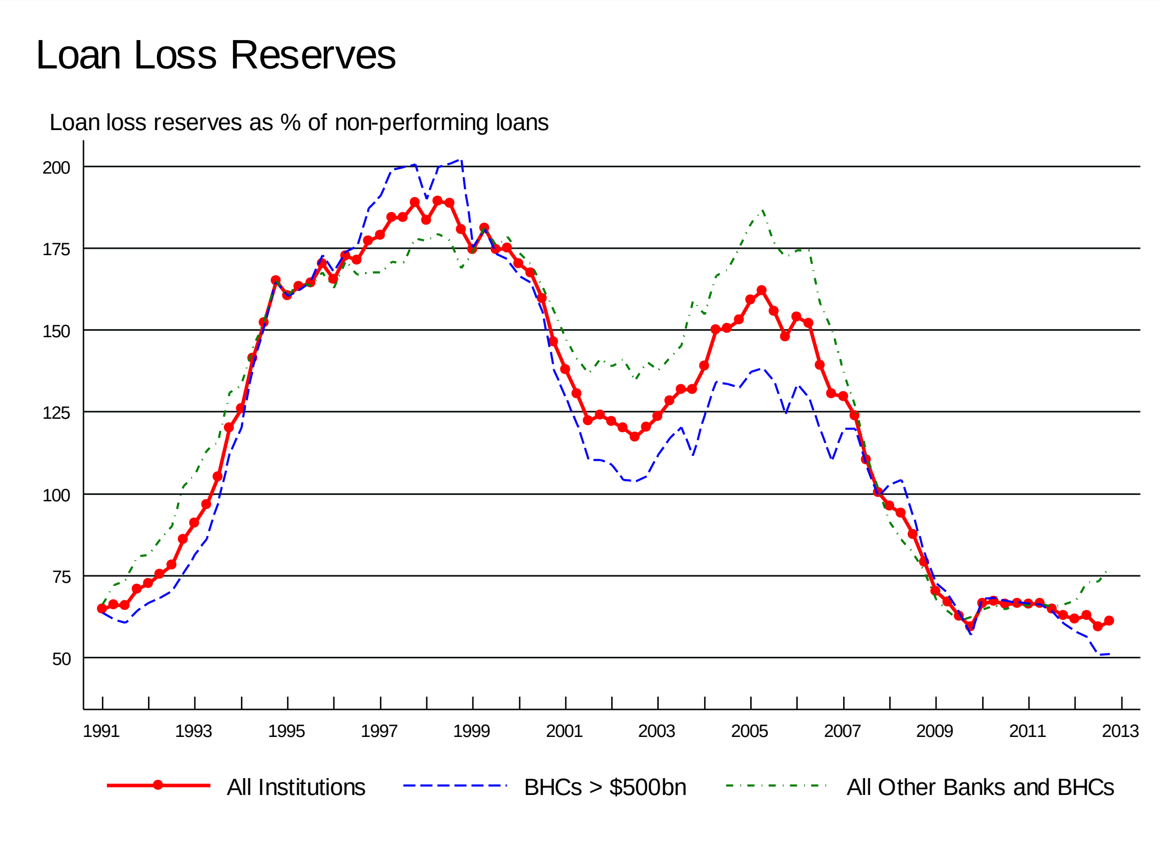
Note: Consumer loans are defined as the sum of credit card loans, other revolving credit plans, automobile loans, and other consumer loans.

Net Charge-offs



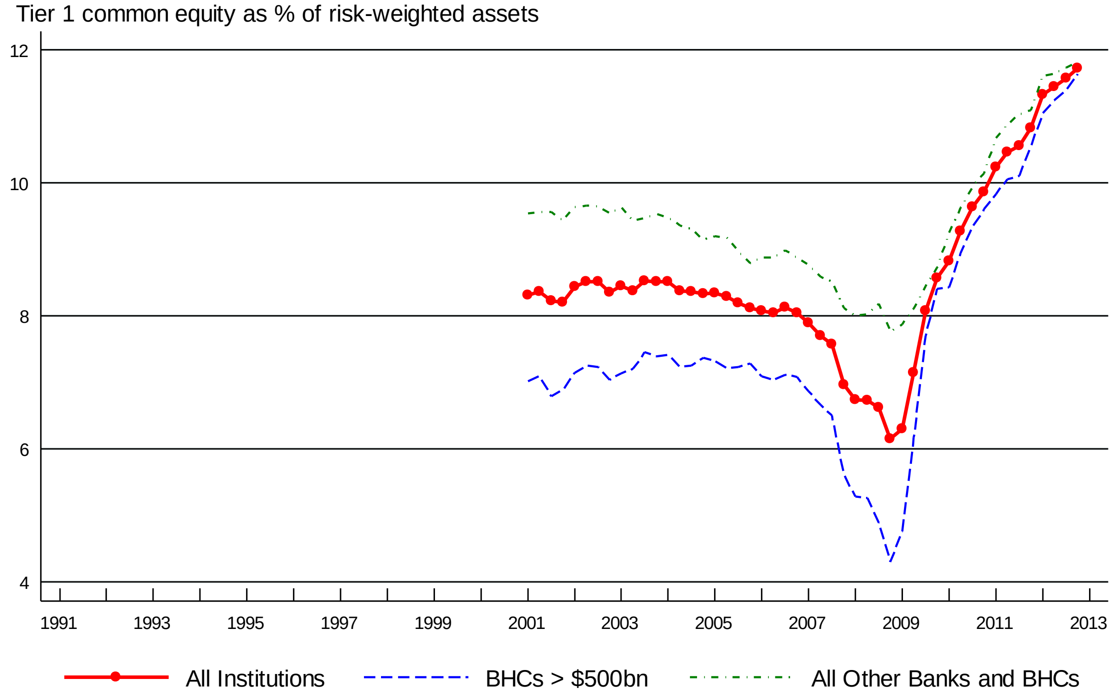
Loan Loss Provisions




Loan Loss Reserves
Loan loss reserves as % of non-performing loans
200
175
150
125
100
75
50
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
All Institutions
BHCs > $500bn
All Other Banks and BHCs

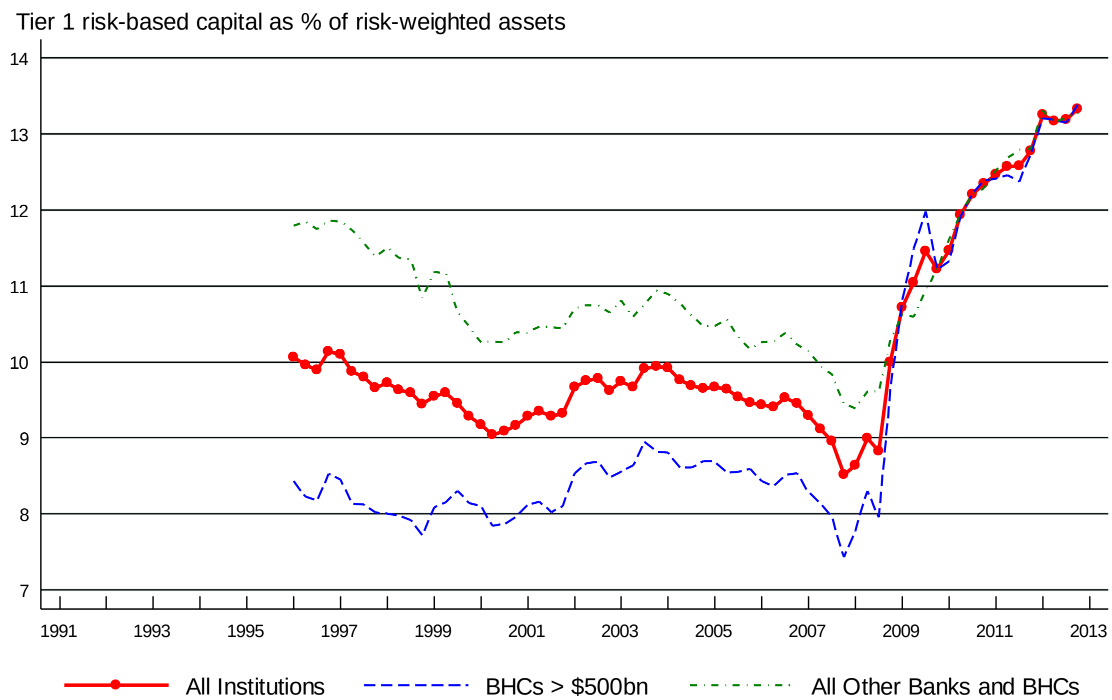
4. Capital Adequacy and Asset Growth

Tier 1 Common Equity Ratio



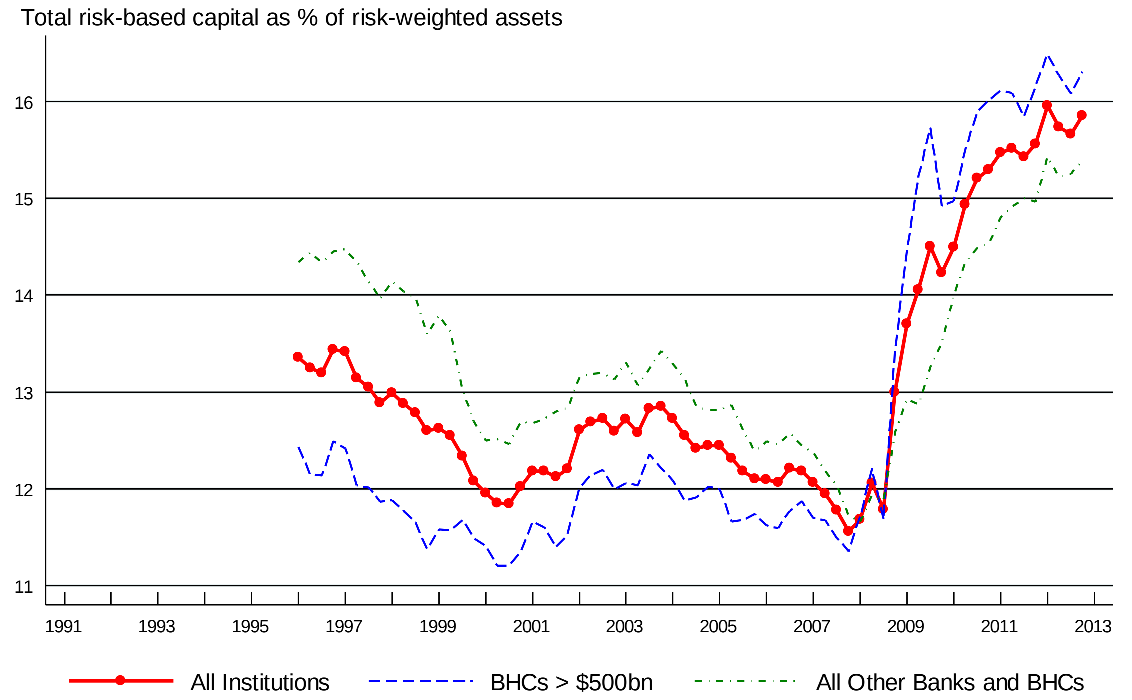
Notes: See data notes for the definition of tier 1 common equity. This chart starts in 2001q1 because data for tier 1 common equity are not available prior to this date.

Tier 1 Capital Ratio



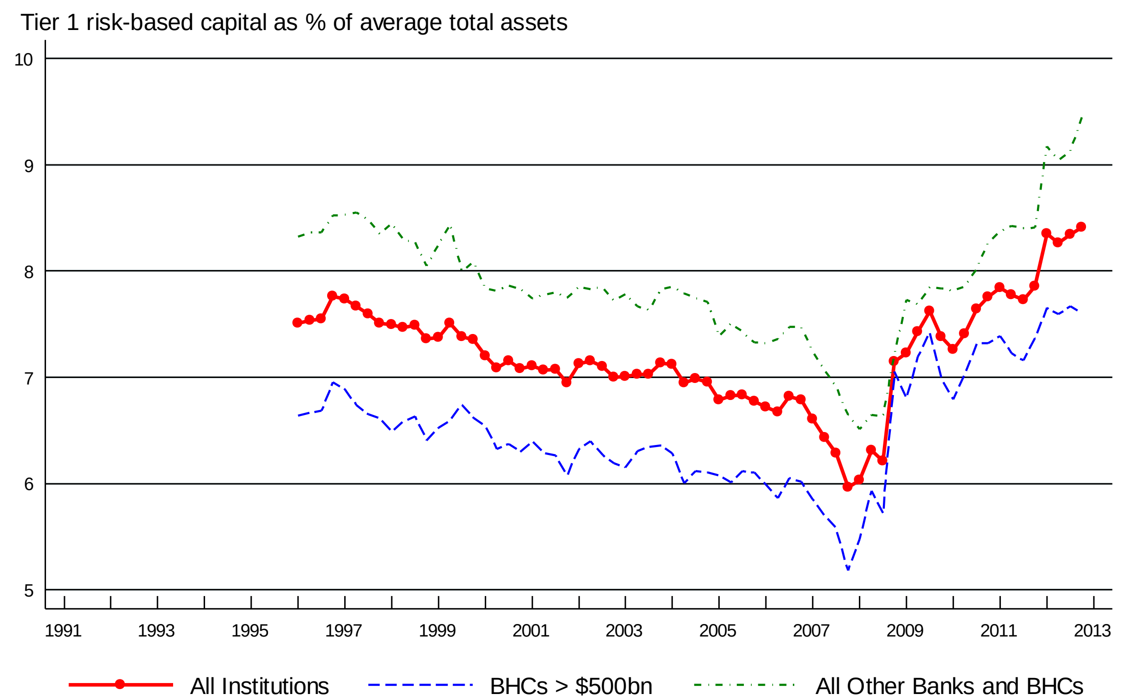
Note: This chart starts in 1996q1. Data underlying this chart are not available prior to this date.

Total Capital Ratio



Note: This chart starts in 1996q1 because data for the components of this ratio are not available prior to that date.

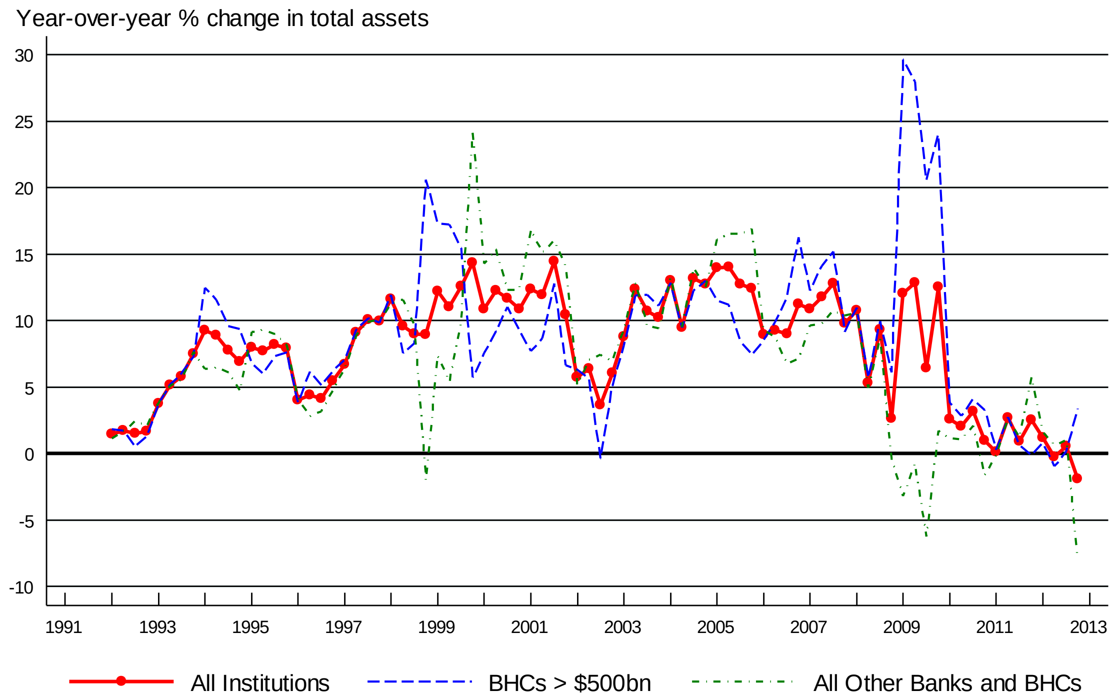
Leverage Ratio



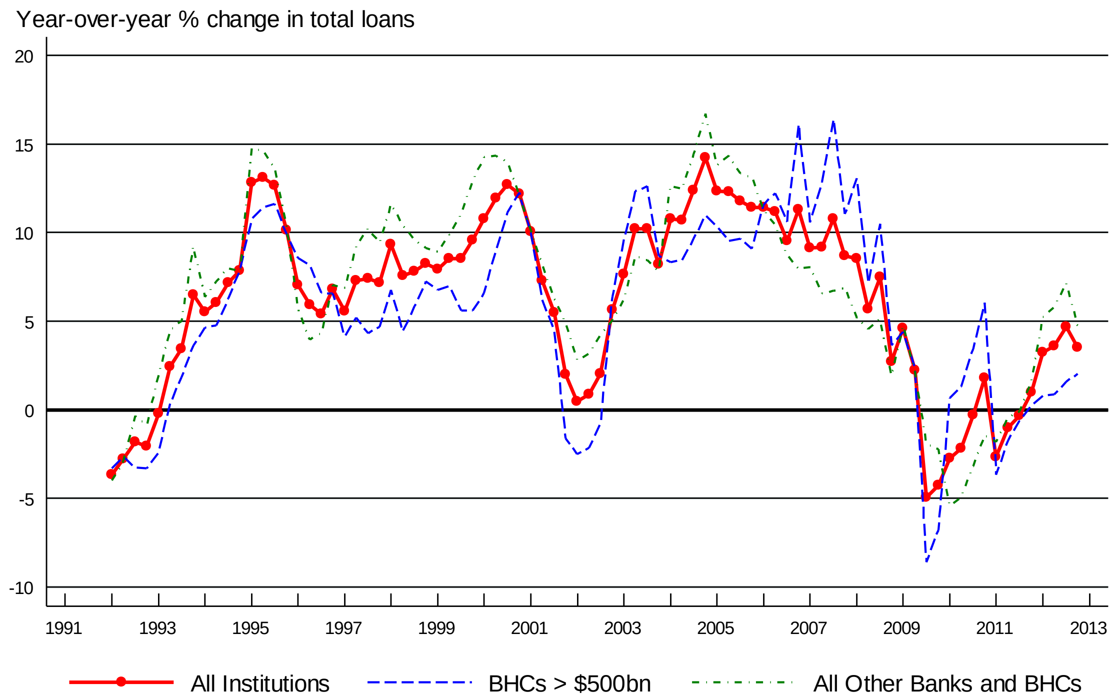
Note: This chart starts in 1996q1 because data for the components of this ratio are not available prior to that date.

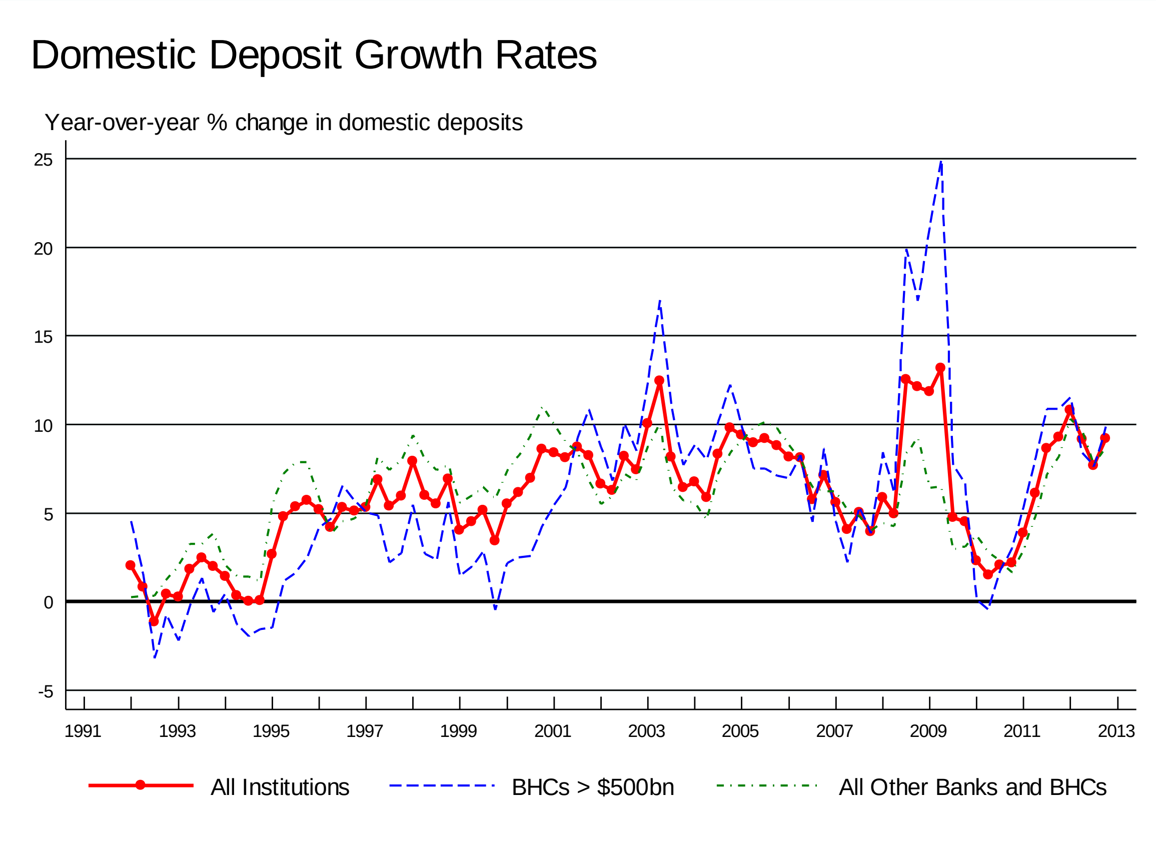
<u>Note</u>: Asset, loan and deposit growth rates presented below are affected by mergers with nonbanking firms, and the conversion of some large nonbanks to a BHC charter during the sample period. This particularly affects the year-over-year growth rate for assets between 2009:Q1 and 2009:Q4, due to the entry of several new firms in 2009:Q1. See "Caveats and Limitations" for details.

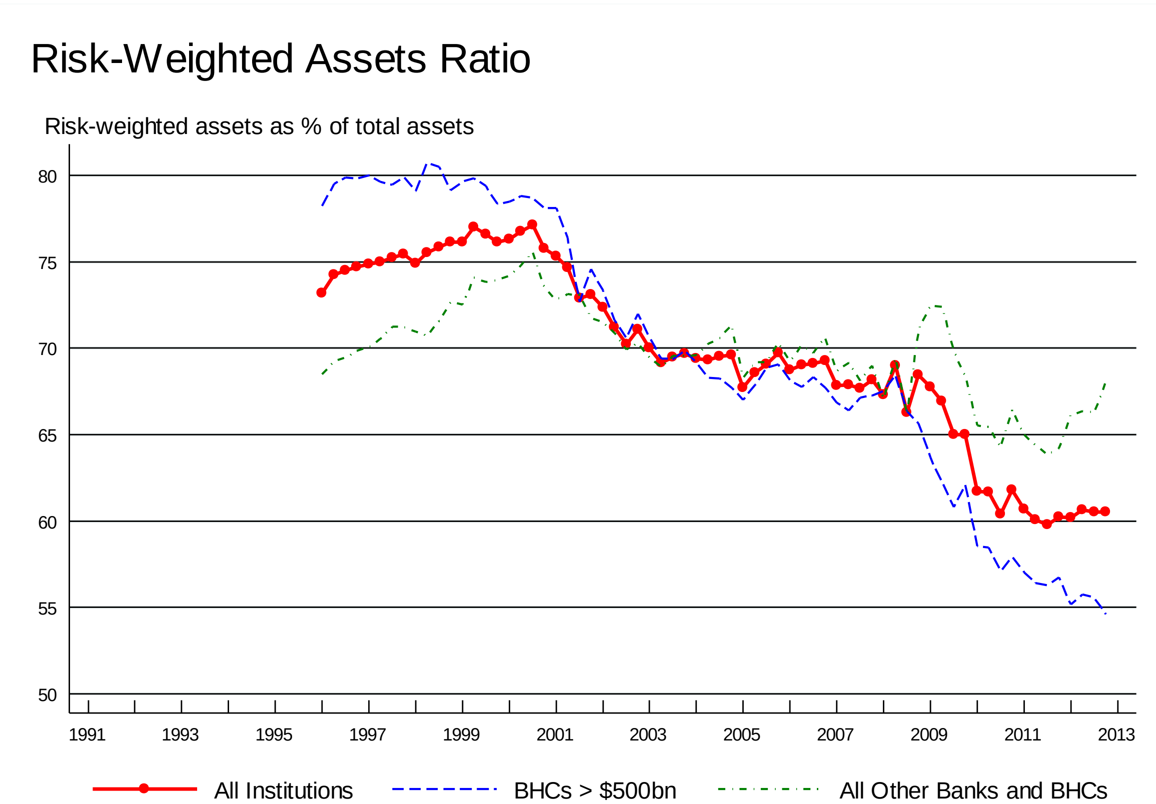
Asset Growth Rates



Loan Growth Rates







Note: This chart starts in 1996q1 because data for the risk-weighted assets component of this ratio are not reported prior to that date.

5. Consolidated Financial Statistics for the Fifty Largest BHCs

Rank	Name of Institution	Total Assets (Bil USD)	Quarterly Net Income (Mil USD)	Bank Profitability: Annualized Return on Assets	Bank Profitability: Annualized Return on Equity	Capital Adequacy Ratios (%): Tier 1 Common Ratio	Capital Adequacy Ratios (%): Tier 1 Capital Ratio	Capital Adequacy Ratios (%): Total Capital Ratio
1	JPMORGAN CHASE & CO	2,359.1	5,692.0	0.97	11.16	11.05	12.59	15.27
2	BANK OF AMER CORP	2,212.0	732.1	0.13	1.24	11.06	12.89	16.31
3	CITIGROUP	1,864.7	1,196.0	0.26	2.53	12.67	14.06	17.26
4	WELLS FARGO & CO	1,423.0	5,090.0	1.43	12.92	10.12	11.75	14.63
5	GOLDMAN SACHS GROUP THE	938.8	2,892.0	1.23	15.28	14.51	16.75	20.11
6	MORGAN STANLEY	781.0	594.0	0.30	3.83	14.60	17.72	18.46
7	BANK OF NY MELLON CORP	359.3	635.0	0.71	6.97	13.49	15.02	16.32
8	U S BC	353.9	1,420.0	1.61	14.56	8.95	10.85	13.14
9	HSBC NORTH AMER HOLD	318.8	-479.7	-0.60	-6.13	14.73	17.39	27.86
10	CAPITAL ONE FC	313.0	843.3	1.08	8.33	10.96	11.34	13.56
11	PNC FNCL SVC GROUP	305.3	717.5	0.94	7.36	9.57	11.59	14.66
12	STATE STREET CORP	222.2	470.6	0.85	9.02	17.13	19.13	20.62
13	T D BANK US HOLD CO	218.9	179.2	0.33	3.18	6.35	6.89	8.14
14	BB&T CORP	183.9	536.4	1.17	10.14	9.69	11.36	14.35
15	ALLY FNCL	182.3	1,400.0	3.07	28.14	6.98	13.13	14.07
16	SUNTRUST BK	173.6	355.9	0.82	6.82	10.04	11.13	13.48
17	AMERICAN EXPRESS CO	153.5	637.0	1.66	13.49	11.86	11.87	13.80
18	RBS CITIZENS FNCL GRP	127.9	101.6	0.32	1.68	13.92	14.21	15.82
19	FIFTH THIRD BC	121.9	398.4	1.31	11.62	9.51	10.65	14.42
20	REGIONS FC	121.3	265.4	0.87	6.85	10.84	12.00	15.38
21	BMO FNCL CORP	116.1	86.3	0.30	2.61	10.44	10.77	15.43
22	NORTHERN TR CORP	97.5	167.7	0.69	8.91	12.38	12.84	14.30
23	UNIONBANCAL CORP	97.0	123.4	0.51	3.95	12.35	12.44	13.93
24	KEYCORP	89.4	202.8	0.91	7.90	11.36	12.15	15.13
25	SANTANDER HOLDS USA	85.8	119.9	0.56	3.62	12.43	13.08	15.57
26	M&T BK CORP	83.0	296.2	1.43	11.61	7.57	10.22	13.39
27	BANCWEST CORP	79.9	148.5	0.74	5.19	10.18	10.37	11.64
28	DEUTSCHE BK TR CORP	74.1	157.0	0.85	9.59	13.36	13.39	13.77
29	DISCOVER FS	73.5	539.3	2.94	21.85	13.60	14.45	16.79
30	BBVA USA BSHRS	69.1	104.2	0.60	3.80	11.41	11.68	14.28
31	COMERICA	65.4	130.0	0.80	7.49	10.13	10.13	13.14
32	HUNTINGTON BSHRS	56.2	167.3	1.19	11.56	10.48	12.02	14.50
33	ZIONS BC	55.5	58.3	0.42	3.85	9.80	13.38	15.05
34	UTRECHT-AMERICA HOLDS	48.6	30.0	0.25	19.64	-1.12	2.72	3.14
35	NEW YORK CMNTY BC	44.1	122.8	1.11	8.69	12.09	13.38	14.11
36	CIT GROUP	44.0	229.8	2.09	11.03	16.25	16.25	17.01
37	FIRST NIAGARA FNCL GROUP	36.9	61.1	0.66	4.96	7.45	9.29	11.23
38	POPULAR	36.5	84.0	0.92	8.18	13.18	17.35	18.63
39	CITY NAT CORP	28.6	47.2	0.66	7.54	8.47	9.41	12.52
40	BOK FC	28.1	82.6	1.17	11.17	12.60	12.78	15.13
41	SYNOVUS FC	26.8	724.0	10.82	81.14	8.72	13.24	16.18
42	FIRST HORIZON NAT CORP	25.5	40.7	0.64	7.35	10.65	13.10	15.94
43	ASSOCIATED BANC CORP	23.5	46.6	0.79	6.35	11.61	12.01	13.42
44	CULLEN/FROST BKR	23.2	60.2	1.04	9.96	12.75	13.68	15.11
45	SVB FNCL GRP	22.8	50.4	0.89	11.02	12.42	12.79	14.05
46	EAST W BC	22.5	71.9	1.28	12.07	13.31	14.82	16.08
47	RAYMOND JAMES FNCL	22.3	85.9	1.54	10.16	18.02	18.08	19.06
48	COMMERCE BSHRS	22.2	66.8	1.20	12.33	13.60	13.60	14.93
49	FIRST CITIZENS BSHRS	21.3	21.7	0.41	4.67	13.59	14.27	15.95
50	WEBSTER FNCL CORP	20.2	48.5	0.96	9.27	10.78	12.47	13.73
TOTALS*	TOP 50	14,274.0	27,851.9	0.78	7.59	11.30	12.94	15.72
TOTALS*	ALL INSTITUTIONS (BHCS AND BANKS)	17,069.9	34,719.6	0.81	7.81	11.72	13.32	15.85

*For the bank profitability and capital adequacy ratios, we aggregate the underlying data and then compute the ratios.

Notes and caveats

Methodology

The data used to construct the statistics in this report are drawn from the quarterly Consolidated Financial Statements for Bank Holding Companies (FR Y-9C), and Consolidated Reports of Condition and Income for commercial banks (FFIEC 031 and 041). Reported statistics are defined in a time-consistent way across reporting form vintages.

To calculate the “all institutions” quarterly series, we aggregate the data for top-tier bank holding companies (BHCs), including foreign-held BHCs, as well as commercial banks owned by BHCs that are too small to file Y-9C reports (the current reporting threshold is $500m of total assets), and unaffiliated (stand-alone) commercial banks. We identify “top-tier” BHCs (i.e. the U.S. parent entity) via the National Information Center (NIC, http://www.ffiec.gov/nicpubweb/nicweb/nichome.aspx), which provides data on firm attributes and structure. We identify commercial banks that are standalone firms or are owned by small BHCs by identifying all banks whose high holder does not submit a FR Y-9C report.

Separate statistics are also reported for the subset of BHCs with greater than $500 billion in total assets, and for the remainder of the industry. In 2012:Q4, there were 6 BHCs that exceeded this threshold: JPMorgan Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, and Morgan Stanley. For consistency, time-series graphs for the “> $500bn” group represent available historical values for this same subset of firms. Statistics for this subset of firms are prepared on a pro forma (merger-adjusted) basis; specifically, on the basis that all BHCs acquired by each of these firms over the sample period with US regulatory filings are part of the consolidated BHC from the start of the historical time period. Data values of acquired BHCs are then summed with acquirer data in the period before the acquisition. Merger events are identified using the NIC transformations table maintained by the Federal Reserve Board of Governors. After constructing the pro forma series for each firm, we aggregate the data to create the BHCs > $500bn series. Finally, the “all other banks and BHCs” quarterly series is constructed by subtracting the “BHCs > $500bn” series from the “all institutions” series.

The charts and tables presented in this report are grouped into the following five categories: composition of banking industry assets and liabilities, earnings and pre-provision net revenue, asset quality, capital adequacy and asset growth, and consolidated financial statistics for the fifty largest BHCs. Definitions of each plotted variable are presented on each chart.

Caveats and limitations

Statistics in this report are presented “as is”, based on calculations conducted by Federal Reserve Bank of New York research staff. While significant efforts have been made to ensure accuracy, the statistics presented here may be subject to future revision, for example because of changes or improvements in the “pro forma” methodology used to calculate statistics for industry subgroups.

We highlight a number of important limitations of the statistics presented here:

- Statistics exclude financial firms that are not either commercial banks or part of a commercial bank holding company. This creates discontinuities in the time-series graphs when nonbanking firms are acquired or sold by banks or BHCs, or when firms switch to or from a bank or BHC charter. For example, in 2009:Q1, Goldman Sachs, Morgan Stanley, Ally Financial, and American Express each began filing a FR Y-9C due to the conversion of each of these firms to a commercial banking holding company charter. This largely accounts for the sharp 13% increase in total measured industry assets in 2009:Q1, and a corresponding discontinuous upward shift in the industry asset growth rate during 2009.

- For the same reason, only 4 of the 6 BHCs in the BHCs > $500bn group (described in the methodology section on the previous page) exist in the data for the entire sample period (1991:Q1 to 2012:Q4). These 4 BHCs are JPMorgan Chase, Bank of America, Wells Fargo, and Citigroup. Goldman Sachs and Morgan Stanley entered the sample in 2009:Q1.

- Flow variables in bank and BHC regulatory filings are reported on a year-to-date basis. Quarterly flow variables are derived by “quarterizing” the data, that is, by subtracting the variable at time t-1 from the variable at time t for Q2, Q3, and Q4 of each calendar year. This quarterization procedure can create discontinuities when a bank or BHC enters the sample any time other than in Q1. To account for this, we drop the firm’s quarter of entry observation from the sample. This adjusted data is used to calculate all ratios in this report that are based on flow variables. However, to retain as much of the data as possible, unadjusted data is used to calculate ratios based only on stock variables, since stock variables do not need to be quarterized.

- Due to data limitations, industry statistics exclude nonbank subsidiaries of small BHCs that do not file a FR Y-9C (currently the FR Y-9C is filed only by firms with $500m in total assets). The effect of this exclusion on industry statistics is expected to be minor, however, since small BHCs generally do not have large nonbank subsidiaries.

Data notes

1. The definition of tier 1 common equity for BHCs used for this report is: tier 1 common equity = tier 1 capital – perpetual preferred stock and related surplus + nonqualifying perpetual preferred stock – qualifying Class A noncontrolling (minority) interests in consolidated subsidiaries – qualifying restricted core capital elements (other than cumulative perpetual preferred stock) – qualifying mandatory convertible preferred securities of internationally active bank holding companies. The definition of tier 1 common equity for banks is: tier 1 common equity = tier 1 capital – perpetual preferred stock and related surplus + nonqualifying perpetual preferred stock – qualifying noncontrolling (minority) interests in consolidated subsidiaries.

2. In the first quarter of 2010, banking organizations were required to transfer certain off-balance sheet items onto their balance sheets under FASB 166 and 167. These guidelines substantially affected loan balances, as large amounts of securitized loans were transferred onto bank balance sheets. This accounting change was likely a major factor influencing year-over-year growth rates of loans and total assets during this period, potentially causing these growth rates to appear larger than they would have otherwise been.