Quarterly Trends for Consolidated U.S. Banking Organizations

First Quarter of 2014

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 2014:Q1,[2] for BHCs with $50bn-500bn in total assets, and for the remainder of the industry.

Highlights

- Capital ratios increased in 2014:Q1, although these ratios were affected by changes in regulatory capital reporting requirements for BHCs using advanced approaches under the Basel II/III framework. Among the changes, advanced approaches firms now report common equity tier 1 (CET1) rather than the components used to calculate tier 1 common equity, and tier 1 capital instead of tier 1 risk-based capital. Industry capitalization measured as the sum of CET1 plus tier 1 common equity as a percentage of risk-weighted assets (RWA) was 12.44% in 2014:Q1, compared to a ratio of tier 1 common equity to RWA of 11.94% in 2013:Q4. The leverage ratio, defined as the ratio of the sum of tier 1 capital plus tier 1 risk-based capital to average total assets, was 8.94% in Q1 compared to a leverage ratio of 8.76% last quarter.

- Annualized return on assets (ROA) for the industry increased from 0.86% to 0.91%. Return on equity (ROE) also rose from 8.1% to 8.5%. ROA and ROE decreased for the largest BHCs (> $500bn in assets), but increased for the remainder of the industry.

- Non-performing loans as a percentage of total loans decreased in 2014:Q1, from 2.7% to 2.5%. This ratio has now declined for 17 consecutive quarters. The non-performing loan ratio was 3.6% for the largest BHCs, around twice the ratio for the remainder of the banking industry. Industry loan loss provisions as a percentage of total loans increased in 2014:Q1 while net charge-offs as a percentage of total loans decreased slightly, reaching 0.57%, its lowest value since 2006:Q3.

- Four-quarter-ended loan growth and asset growth were both positive for the industry, at 3.2% and 2.9% respectively.

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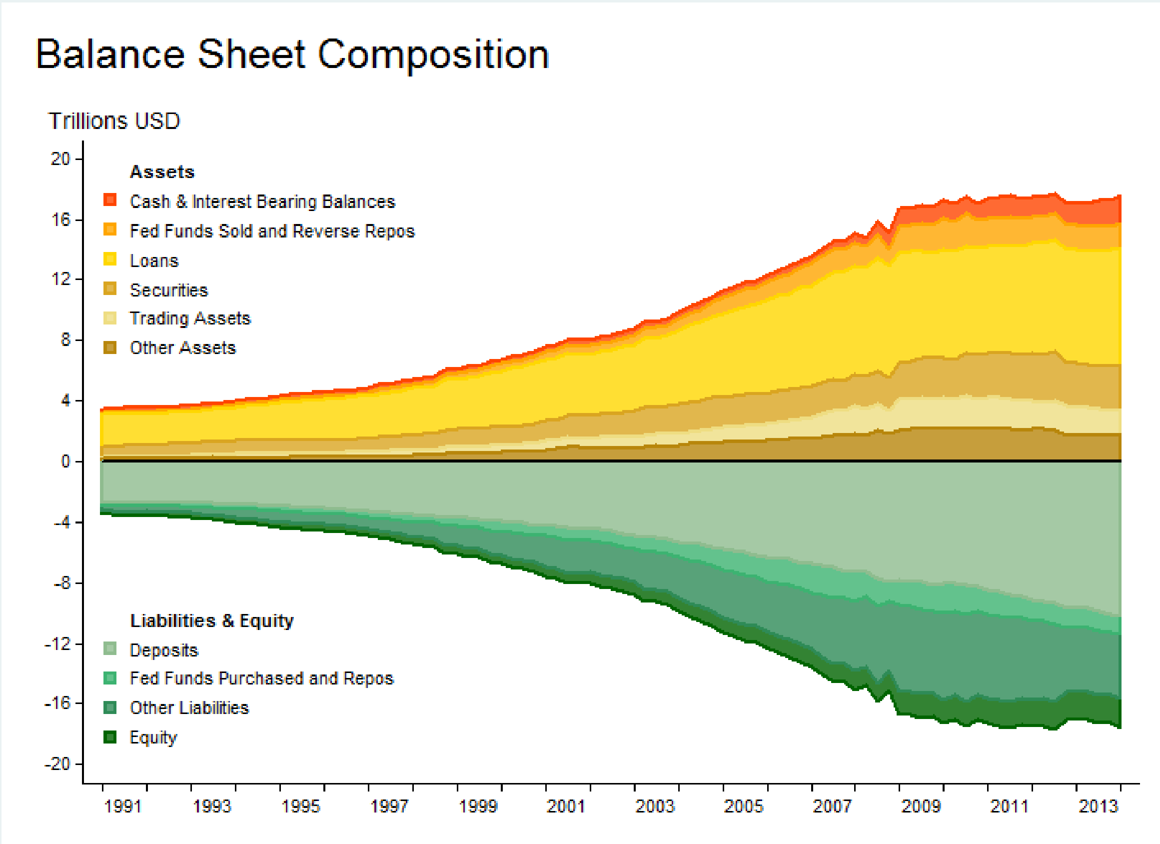
[1] Industry statistics are calculated by summing consolidated financial data across all reporting U.S. parent BHCs (from the FR Y-9C report), plus values for "standalone" banks not controlled by a BHC, or whose parent BHC does not report on a consolidated basis (from the FFIEC 031/041 reports). The data do not include savings bank holding companies, branches and agencies of foreign banks, or nonbanks that are not held by a U.S. BHC.

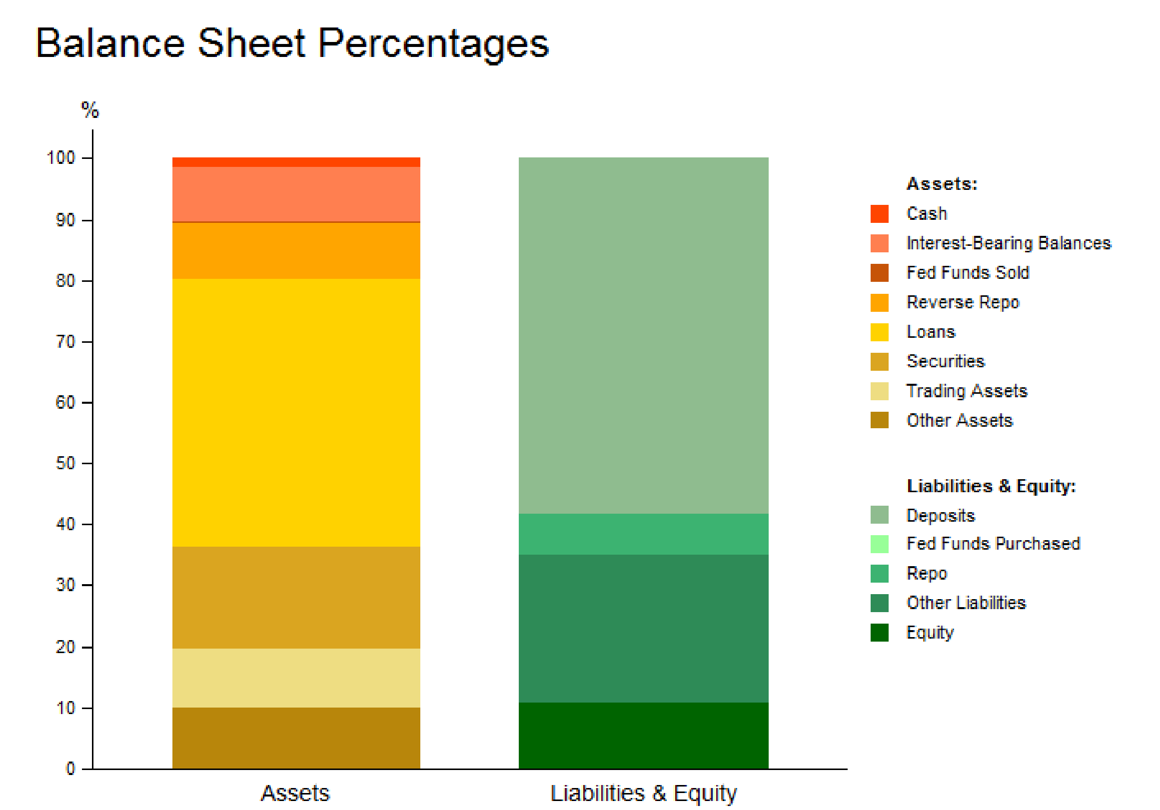
[2] Six BHCs exceed this $500bn size threshold: J.P. Morgan Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, and Morgan Stanley.

Table of Contents

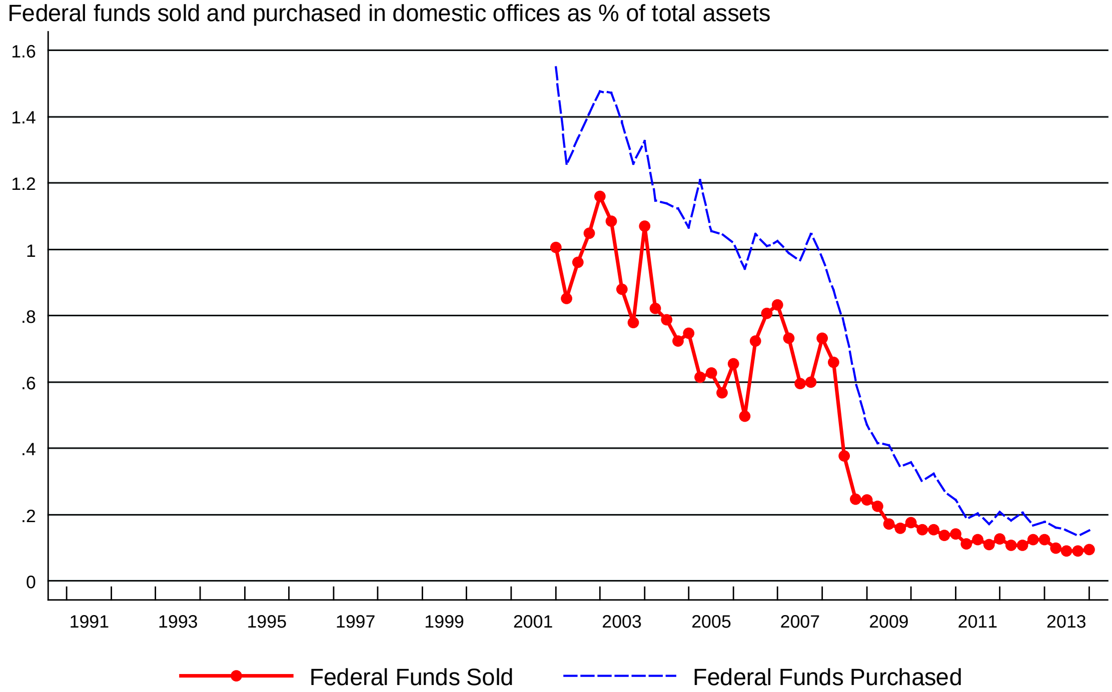
Charts and Tables

1. Composition of Banking Industry Assets and Liabilities

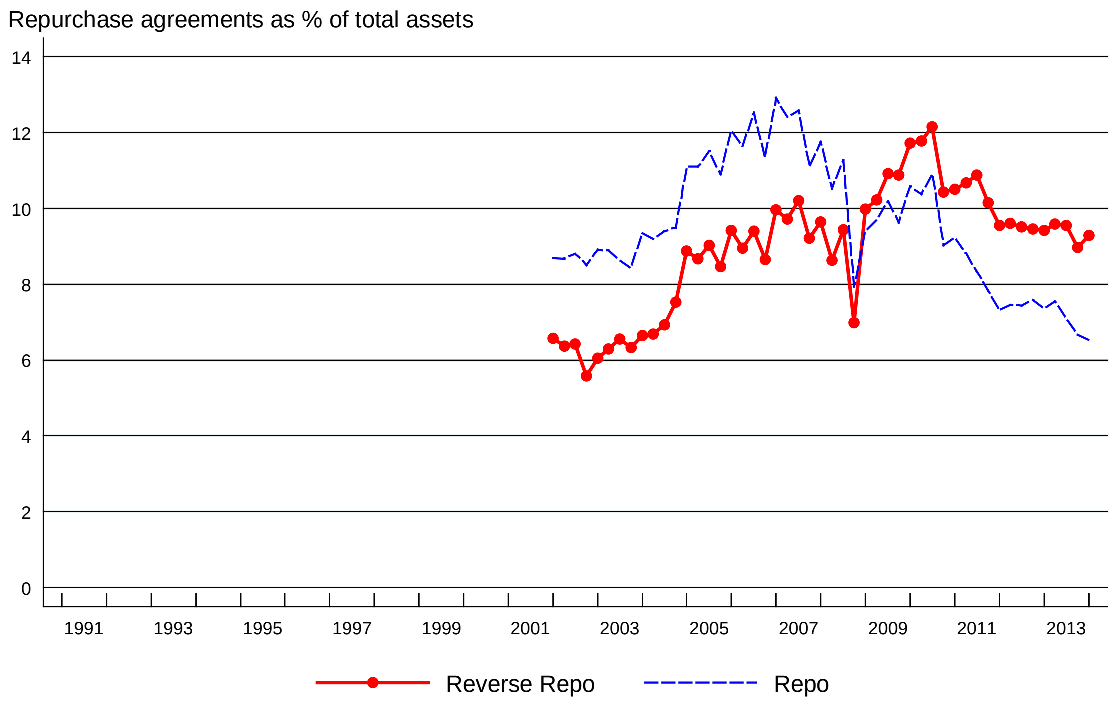




Federal Funds Sold and Purchased



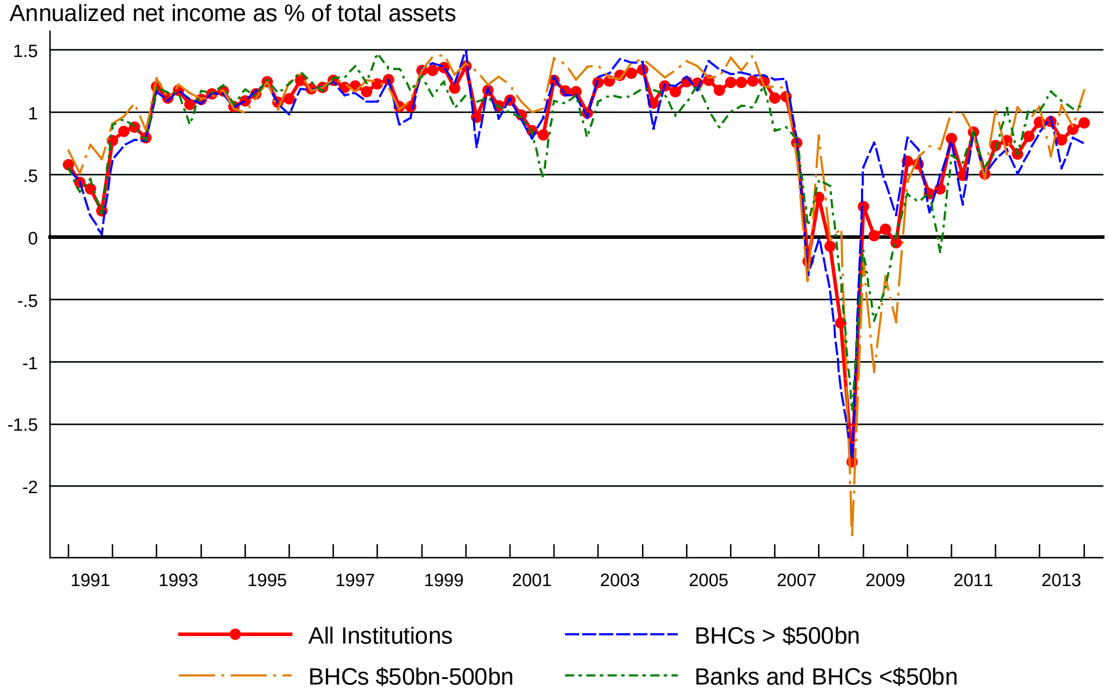
Repurchase Agreements



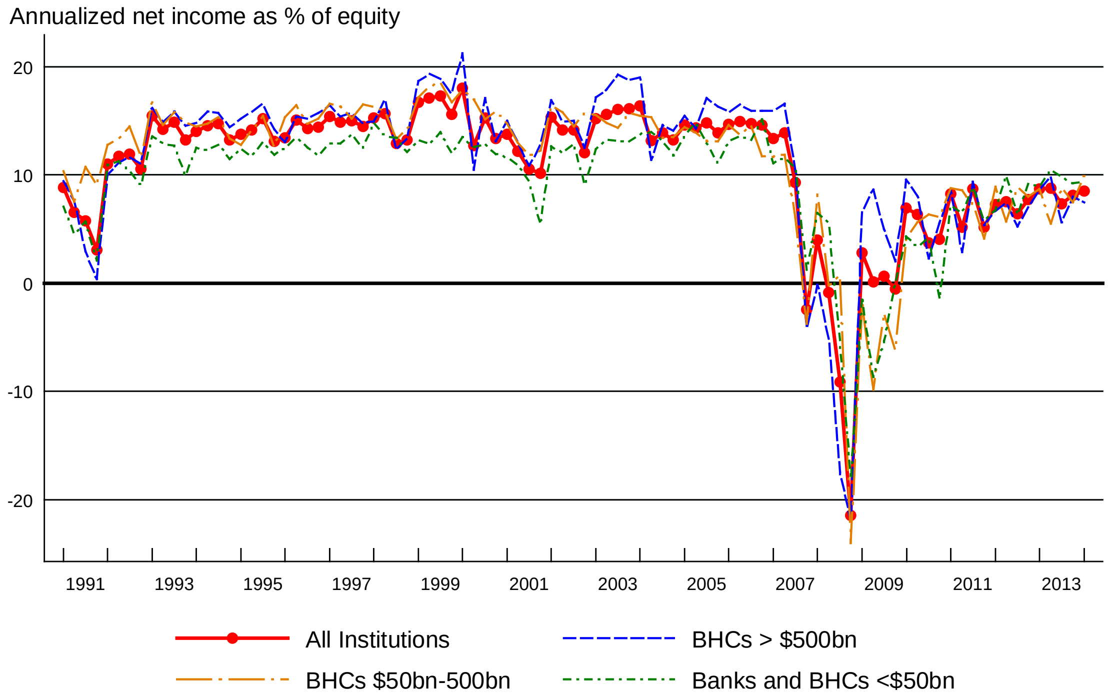
Note: These charts begin in 2002q1 because data for repurchase agreements and federal funds are not consistently reported separately prior to that date.

2. Earnings and Pre-Provision Net Revenue

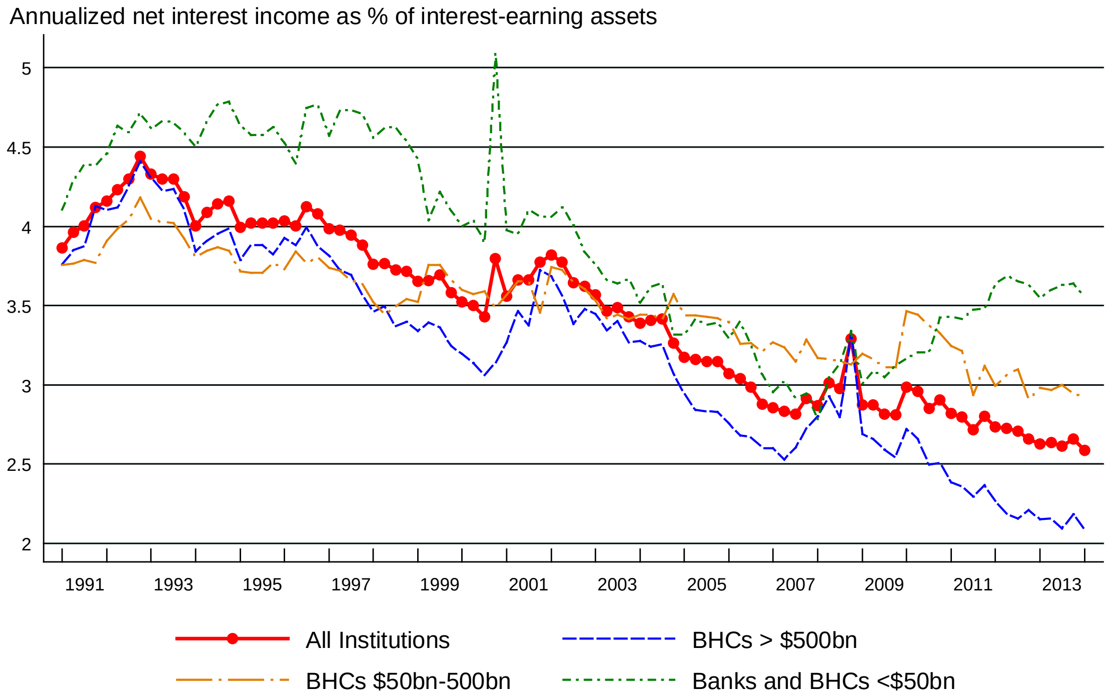
Return on Assets



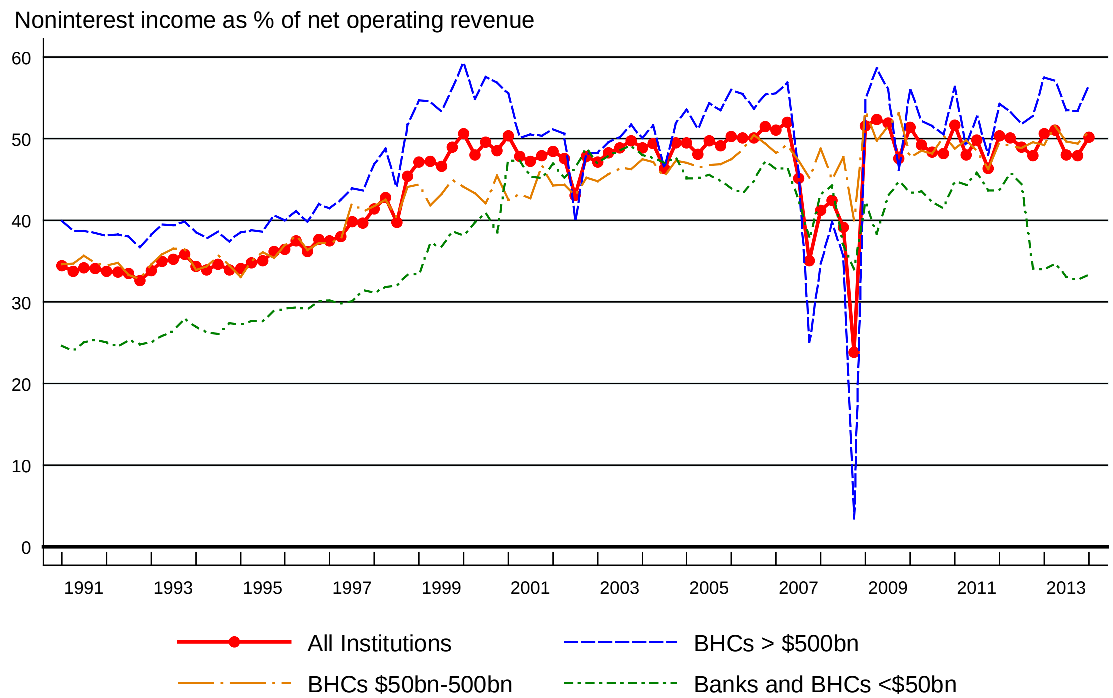
Return on Equity



Net Interest Margin



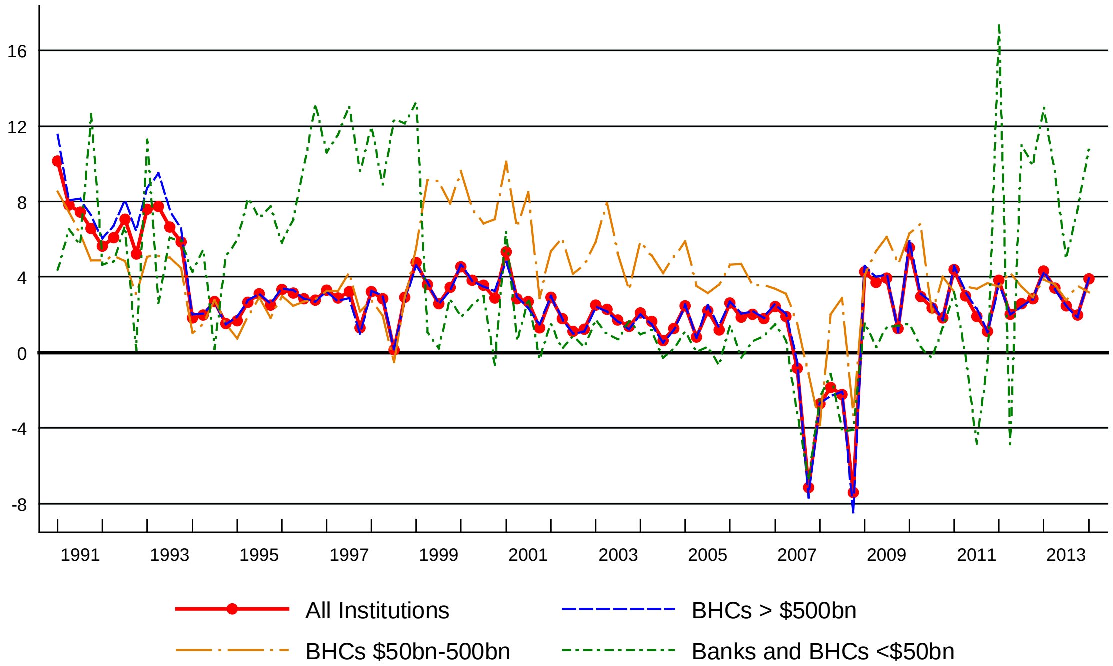
Noninterest Income Share



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

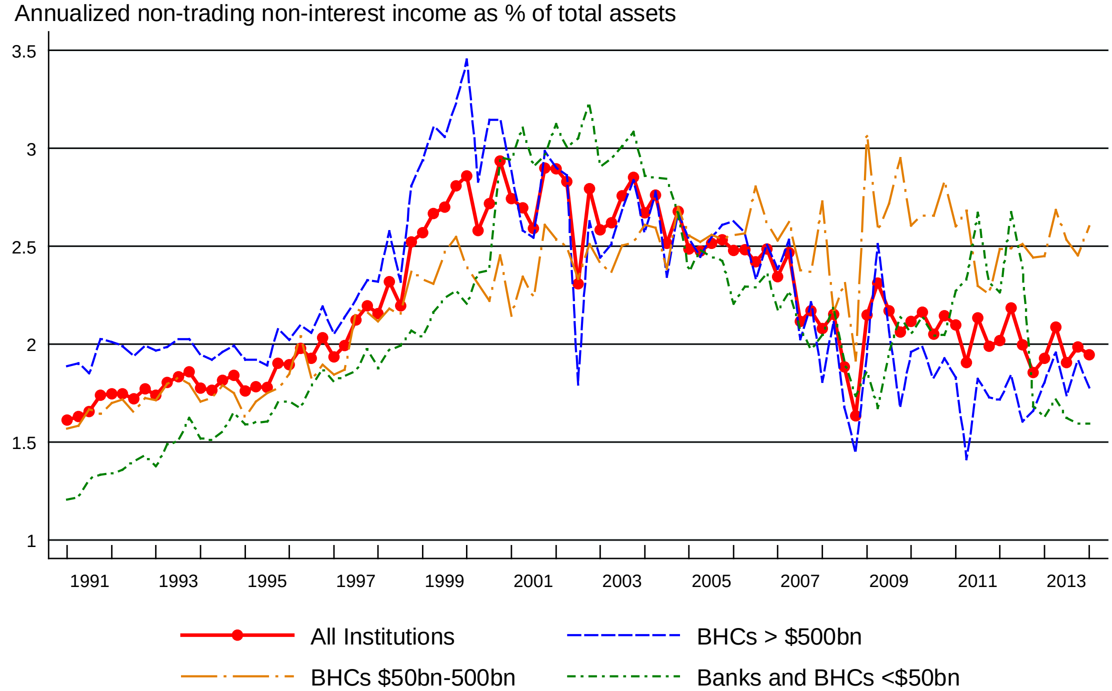
Return on Trading Assets

Annualized trading income as % of trading assets

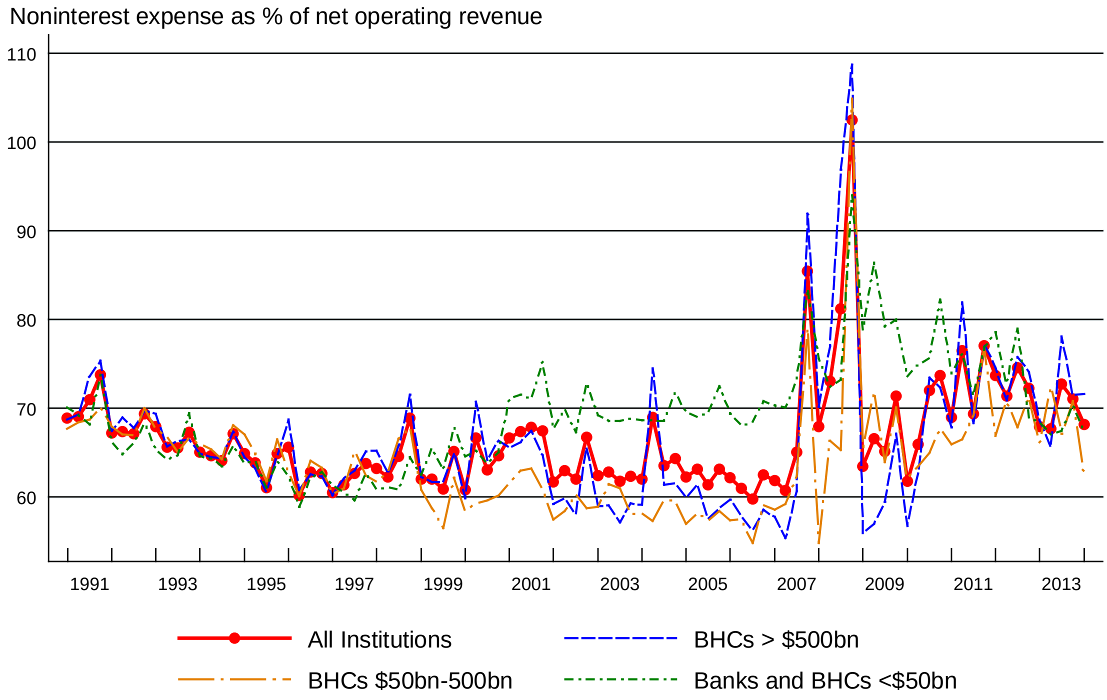


Non-Trading Non-Interest Income Ratio

Annualized non-trading non-interest income as % of total assets



Efficiency Ratio

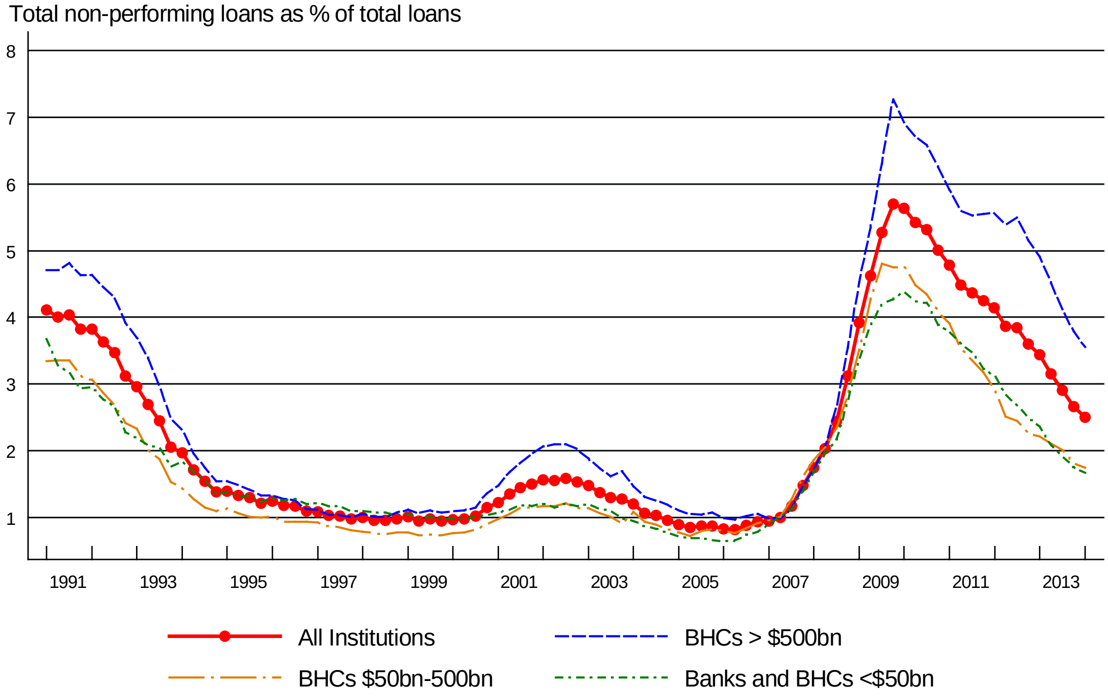


Note: Net operating revenue is defined as net interest income plus noninterest income.

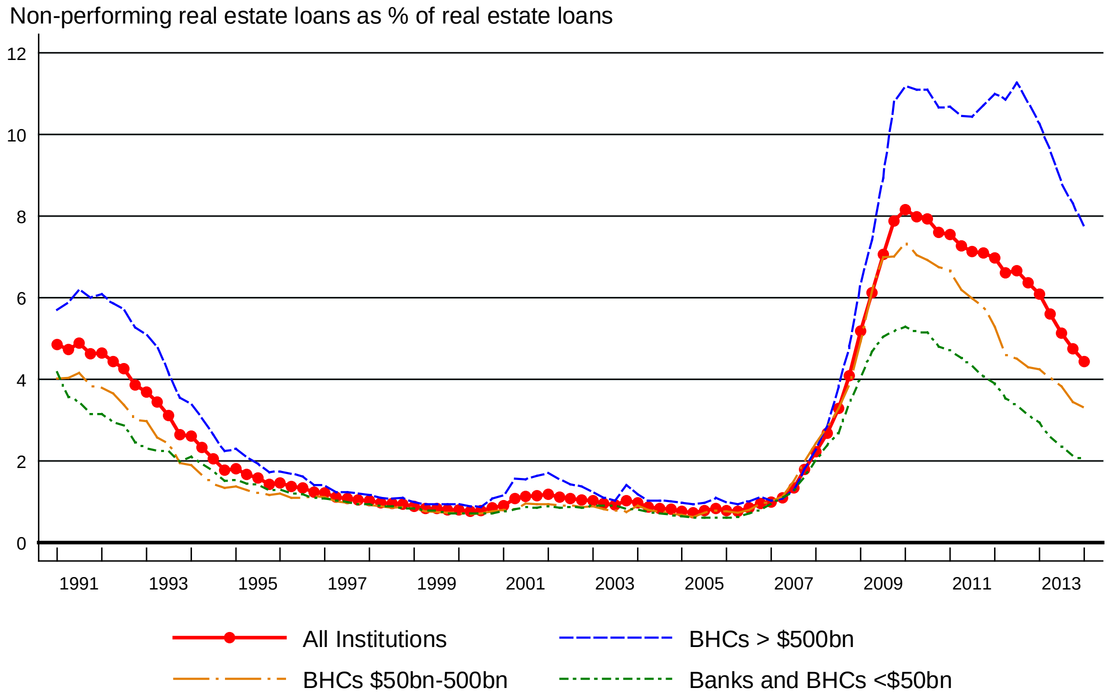
3. Asset Quality

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

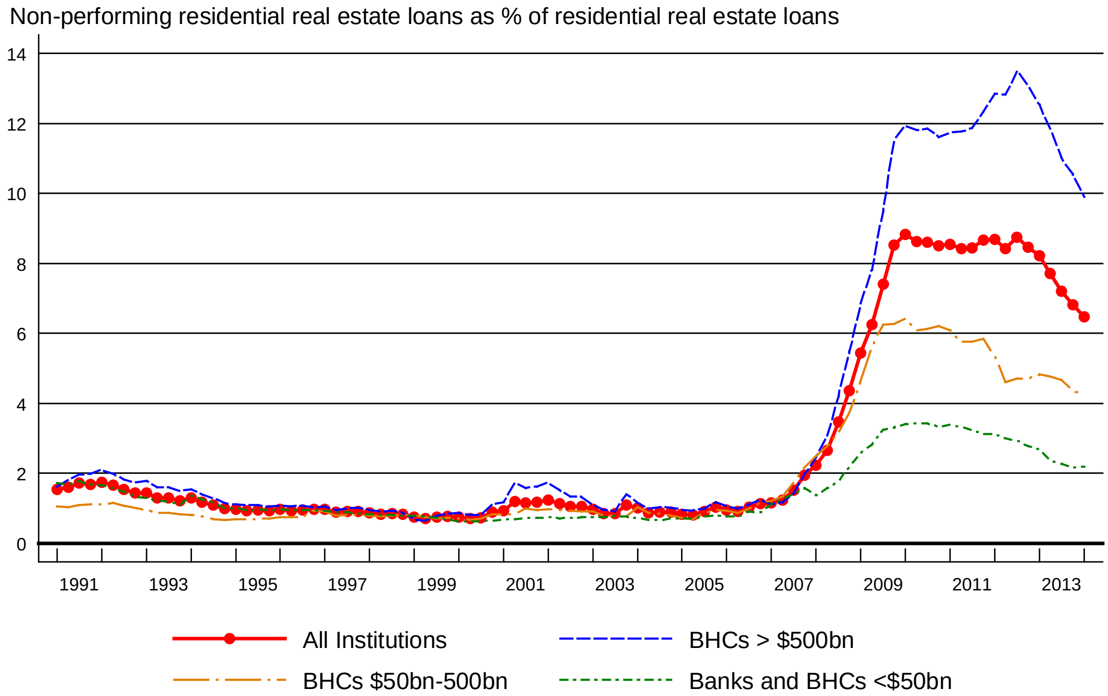
Non-performing Loans



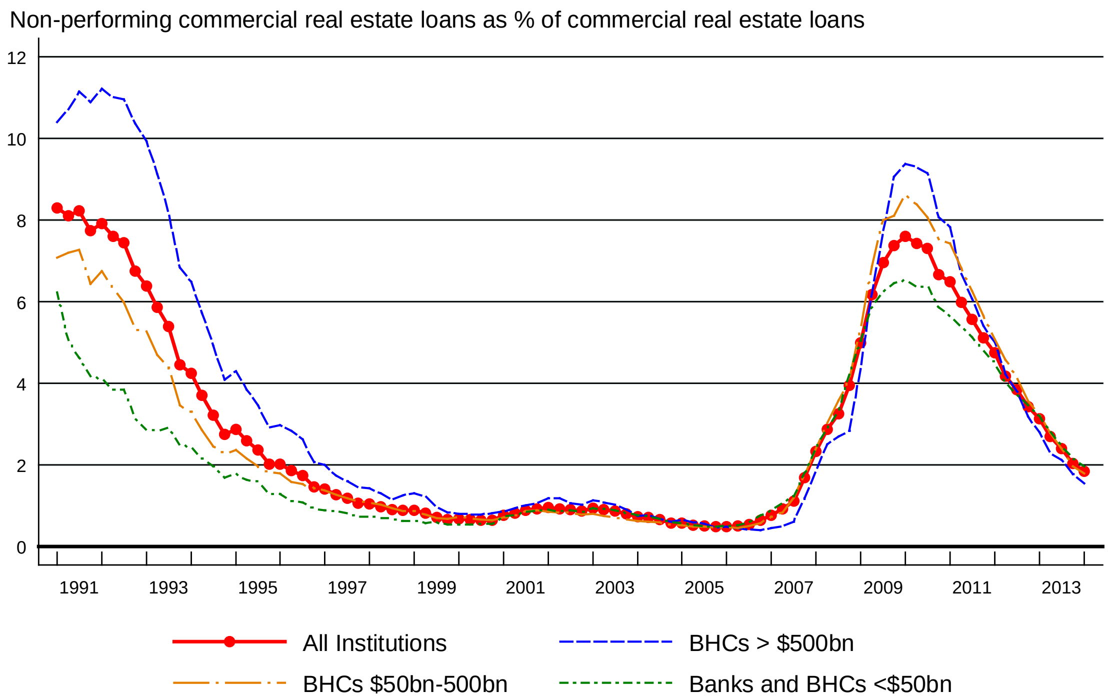
Non-performing Real Estate Loans



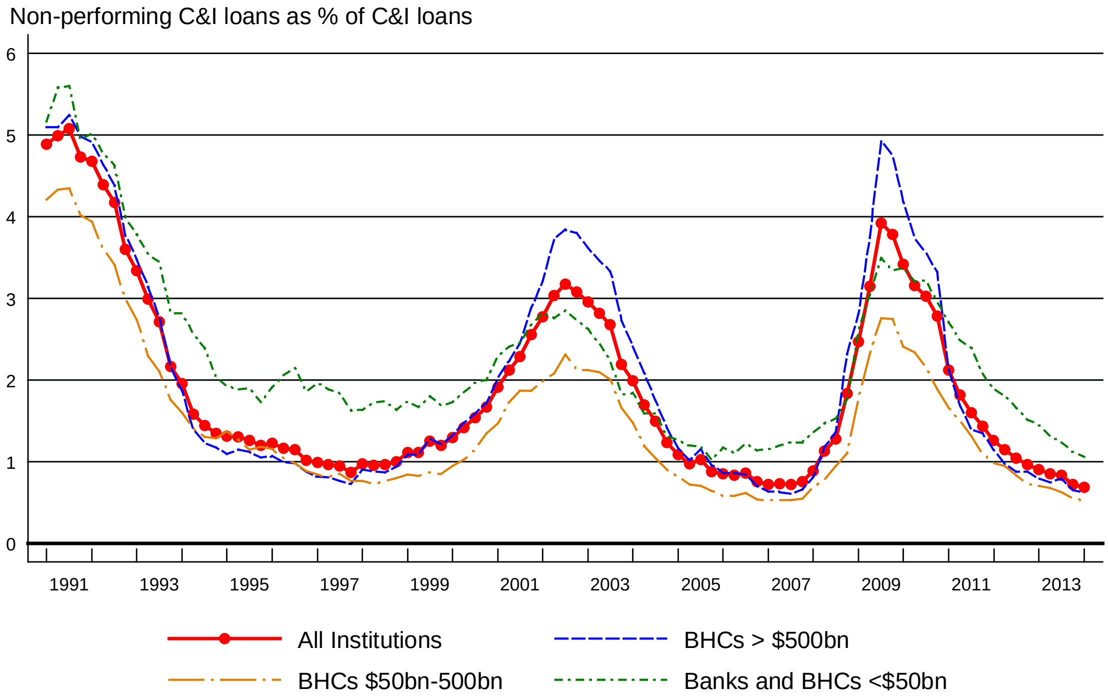
Non-performing Residential Real Estate Loans



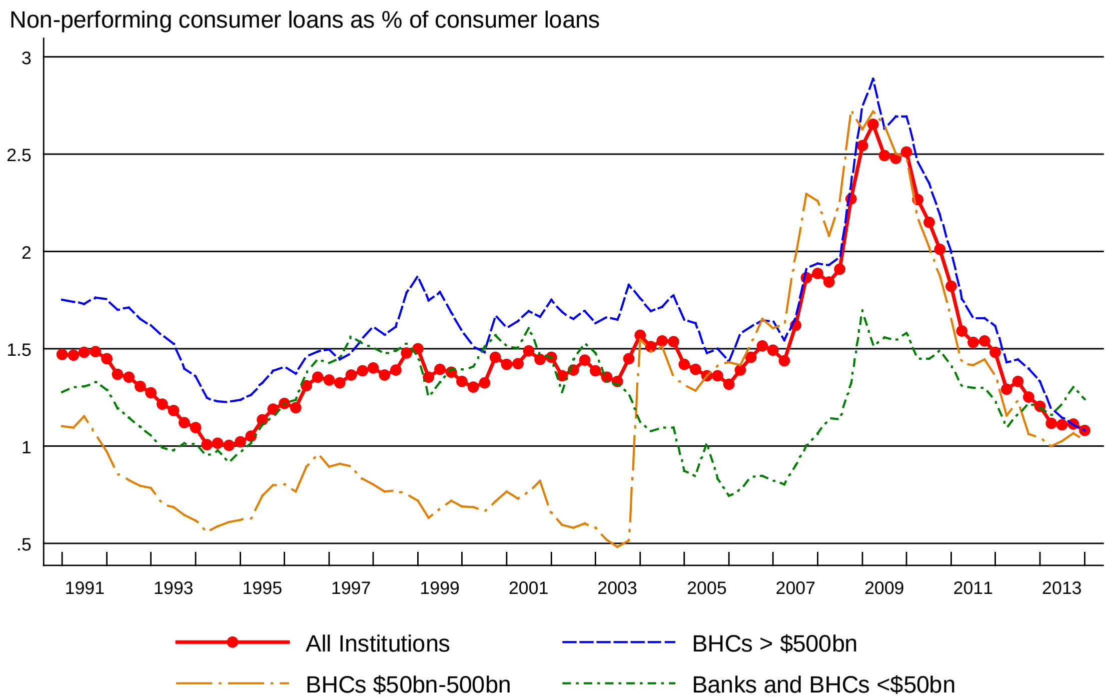
Non-performing Commercial Real Estate Loans



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

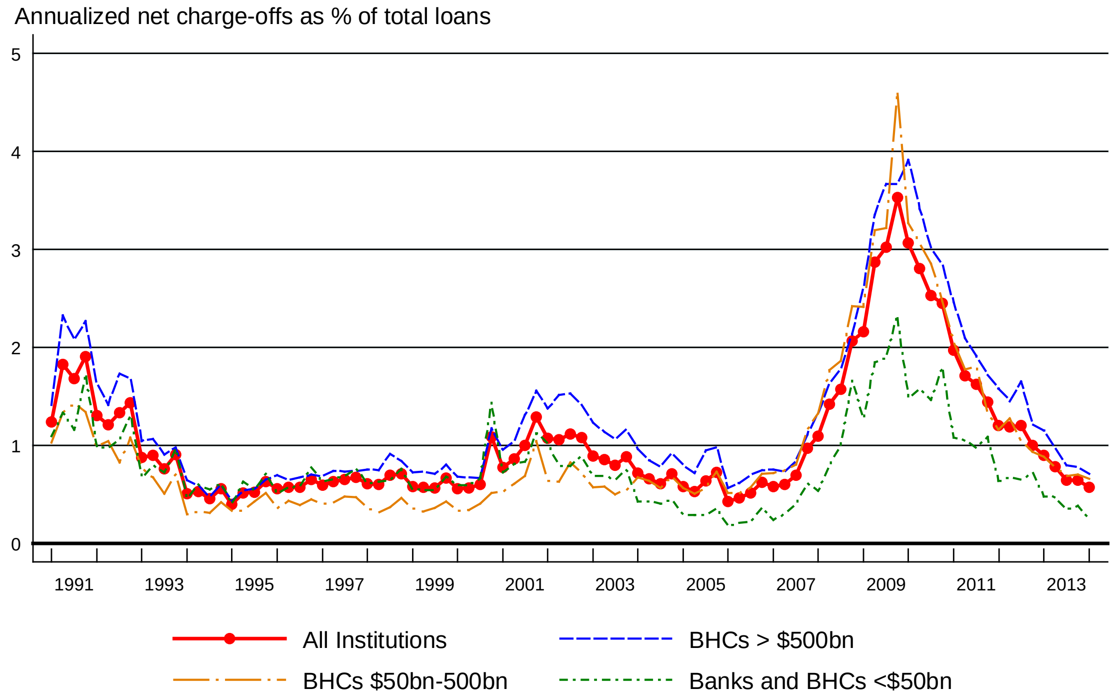


Non-performing Consumer Loans

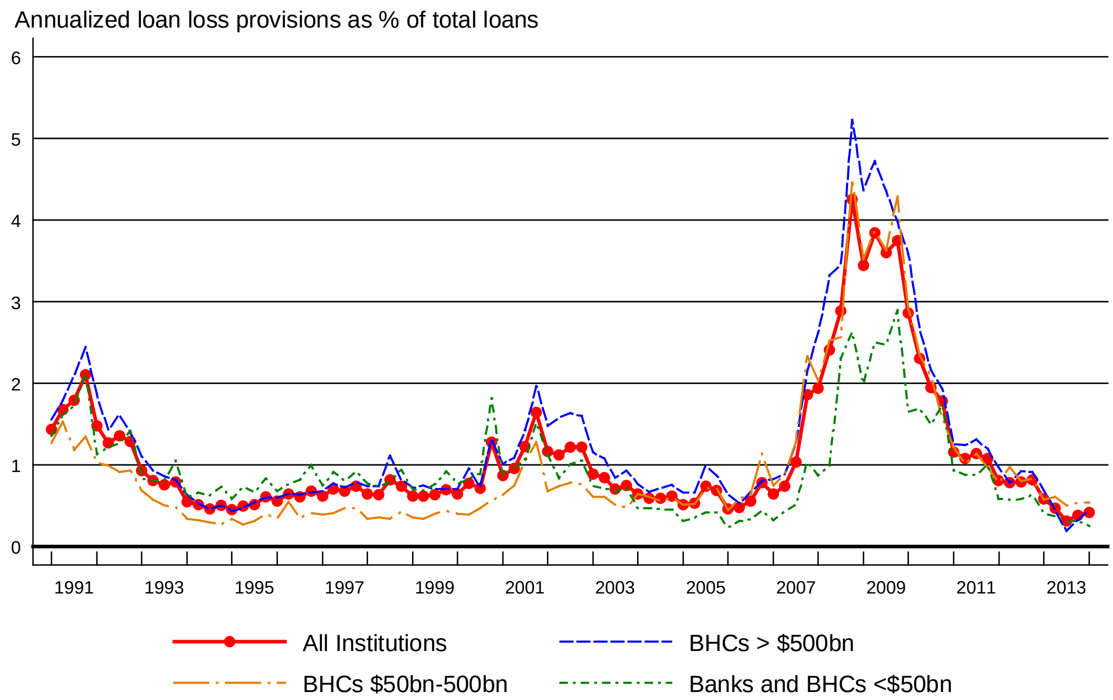


Note: Consumer loans are defined as the sum of credit card loans, other revolving credit plans, automobile loans, and other consumer loans.

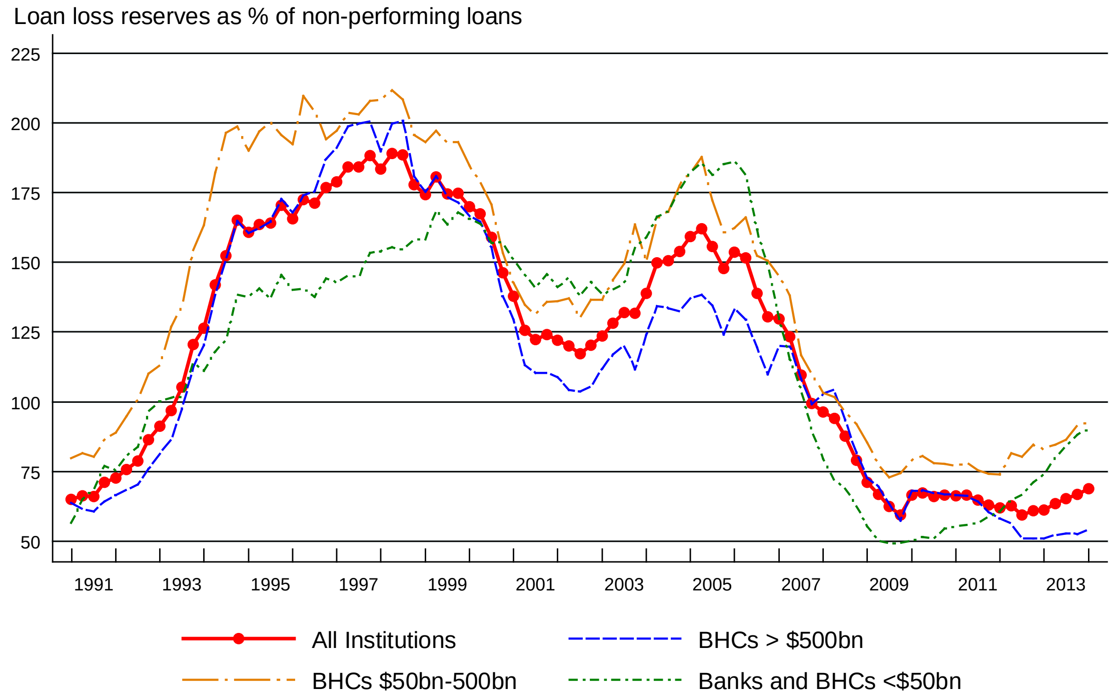
Net Charge-offs



Loan Loss Provisions



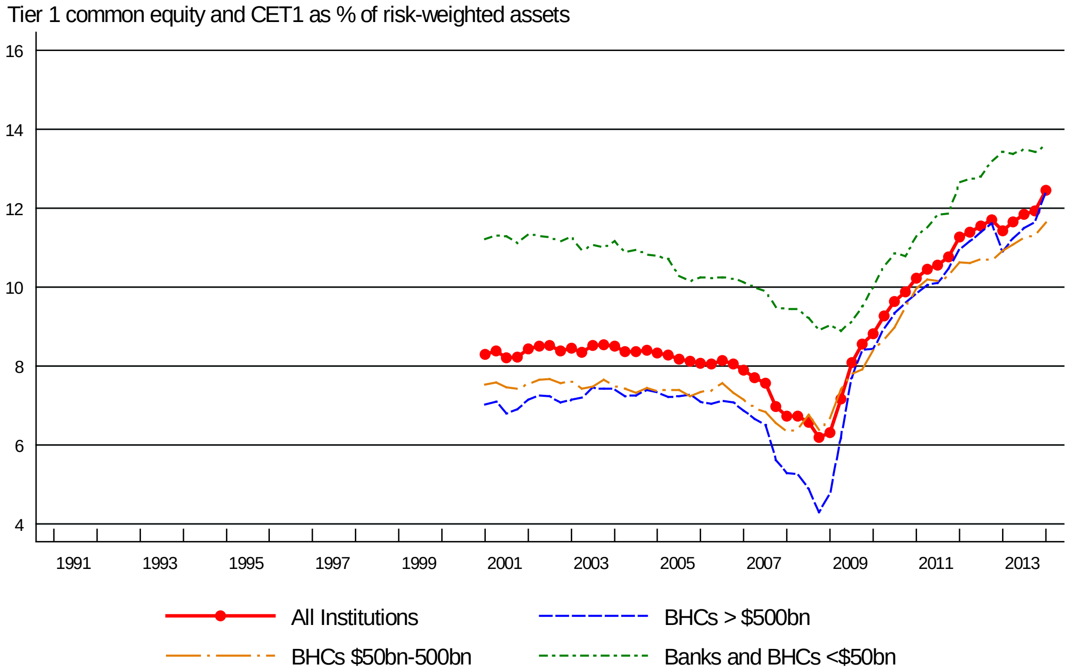
Loan Loss Reserves



4. Capital Adequacy and Asset Growth

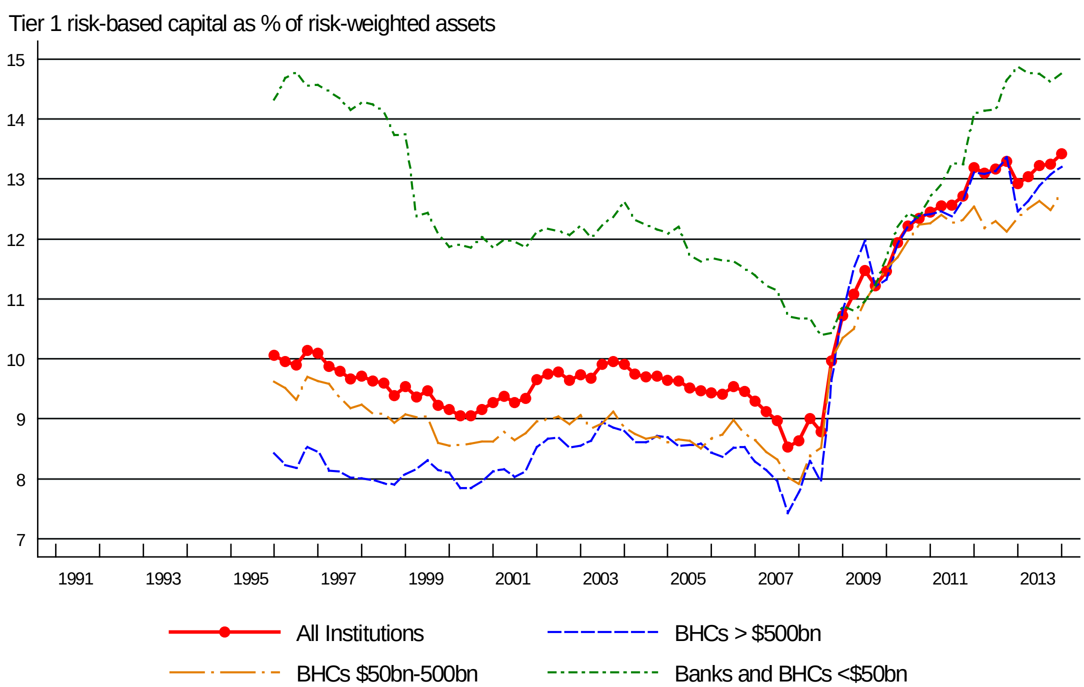
Note: Changes in the measurement of risk weighted assets in 2013:Q1 and capitalization for advanced approaches firms in 2014:Q1 affect the measurement of capital ratios beginning in those quarters. See "Caveats and Limitations" for details.

Tier 1 Common Equity and CET1 Ratio



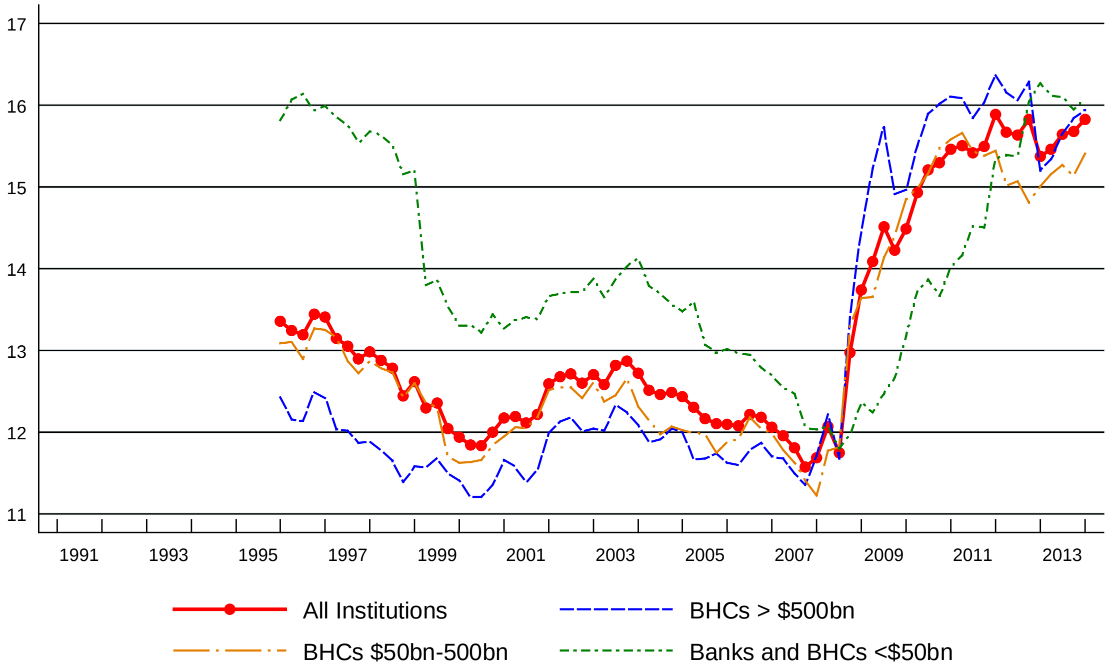
Note: See data notes for the definition of tier 1 common equity and CET1. CET1 is reported by advanced approaches institutions beginning in 2014:Q1.

Tier 1 Capital Ratio



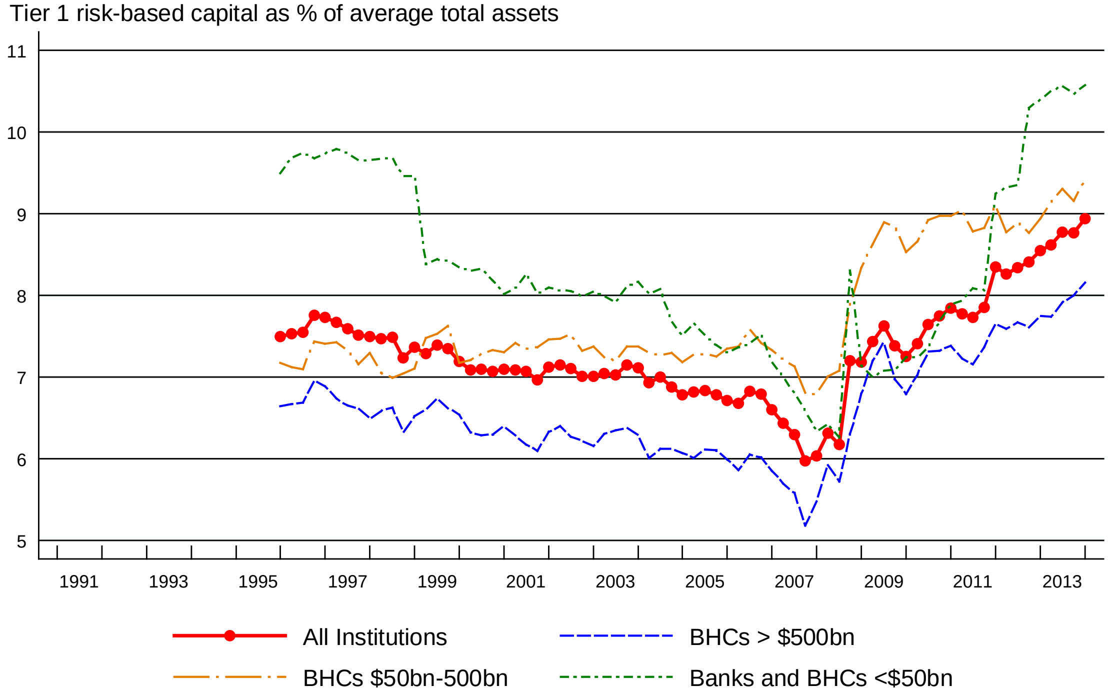
Total Capital Ratio

Total risk-based capital as % of risk-weighted assets



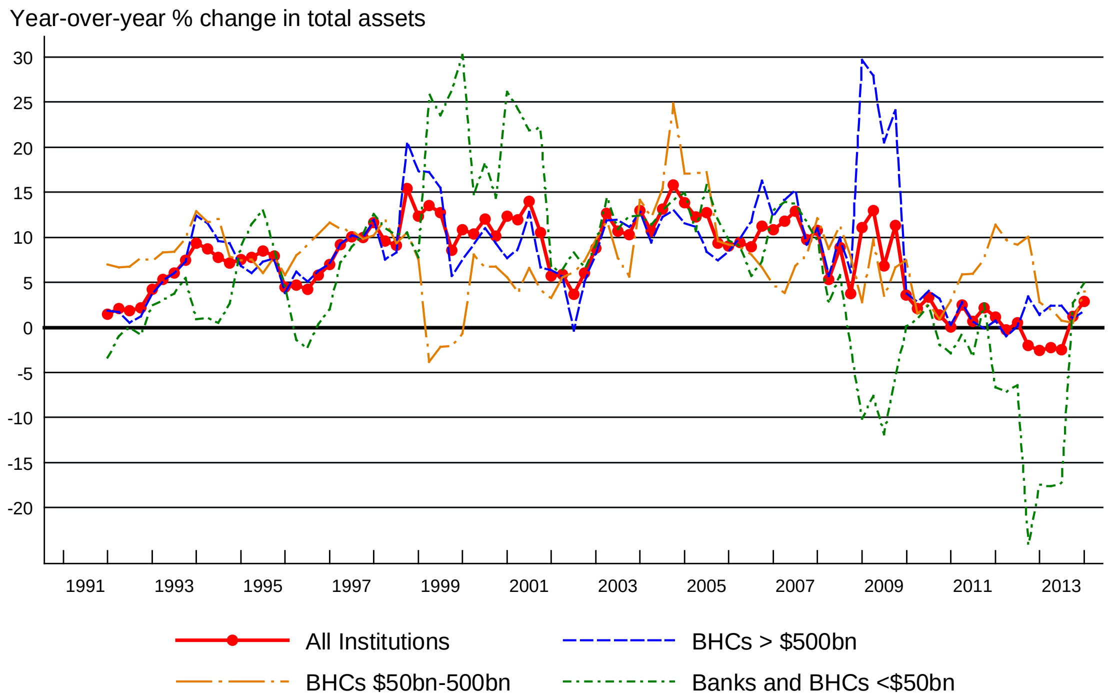
Leverage Ratio

Tier 1 risk-based capital as % of average total assets

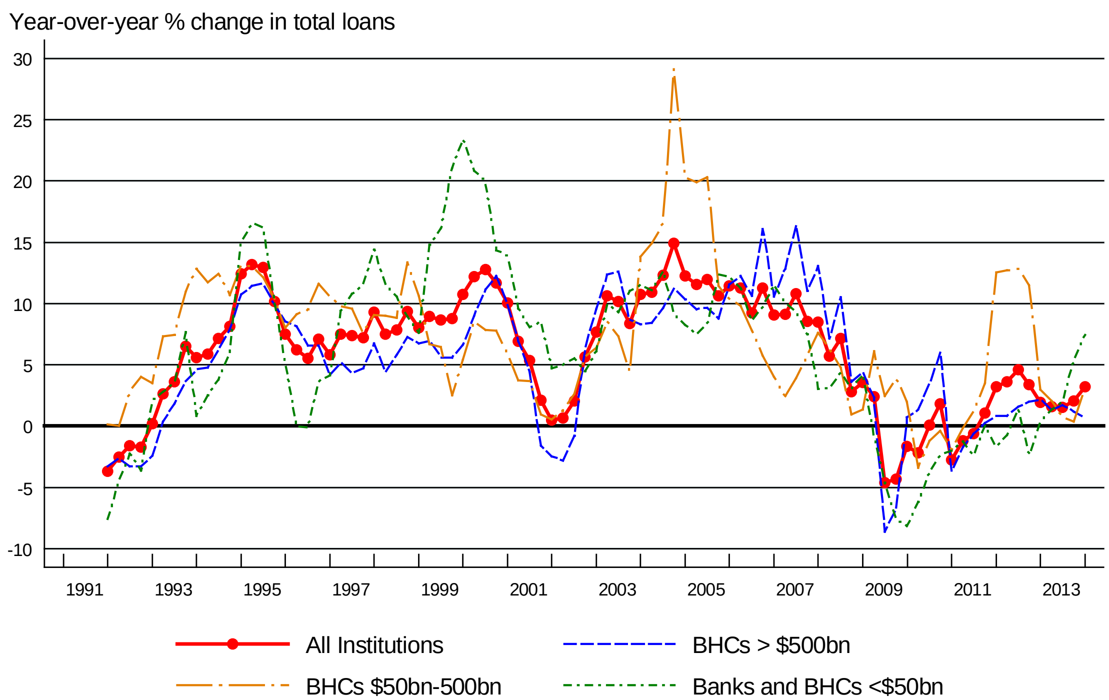


Note: Asset, loan and deposit growth rates presented below are affected by mergers with nonbanking firms, and conversions to and from a BHC charter during the sample period. This particularly affects the year-over-year growth rate for assets between 2009:Q1 and 2009:Q4, due to the entry of several new firms in 2009:Q1. See “Caveats and Limitations” for details.

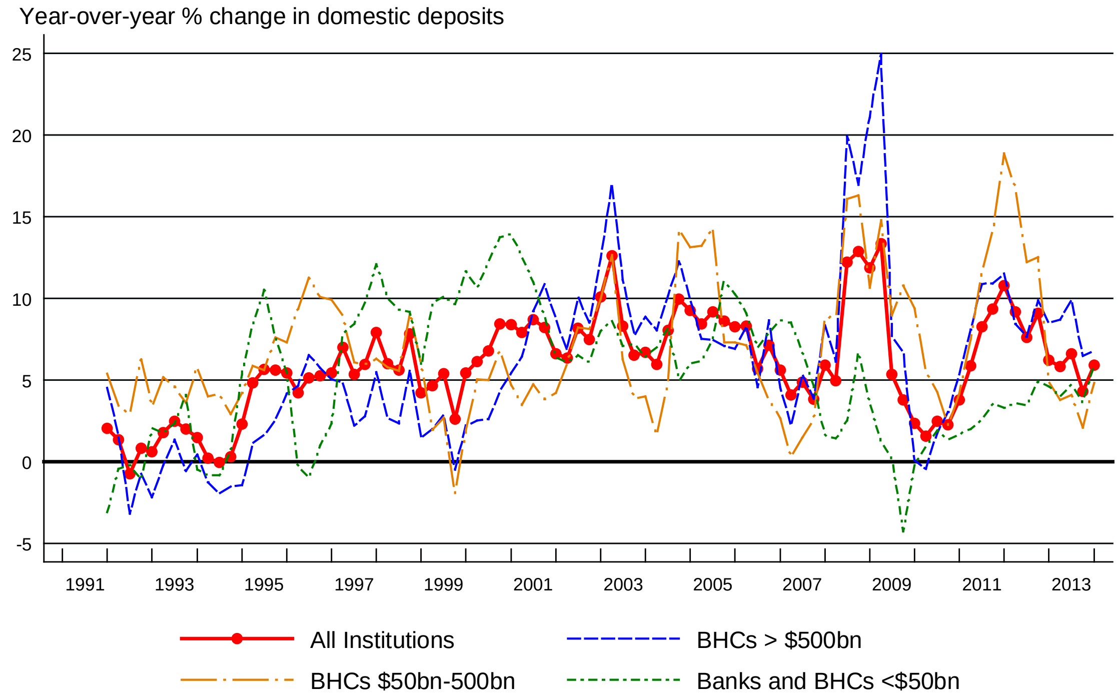
Asset Growth Rates



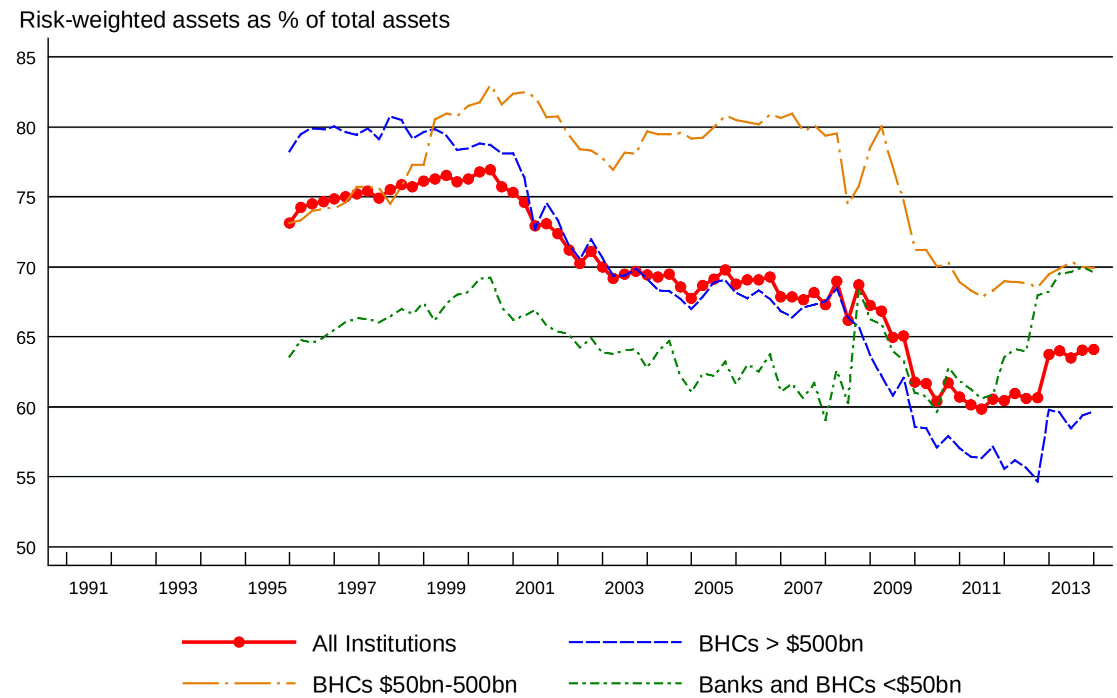
Loan Growth Rates



Domestic Deposit Growth Rates



Risk-Weighted Assets Ratio



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)	Profitability: Annualized Return on Assets	Profitability: Annualized Return on Equity	Capital Adequacy Ratios (%): Tier 1 Common or CET1 Ratio	Capital Adequacy Ratios (%): Tier 1 Capital Ratio	Capital Adequacy Ratios (%): Total Capital Ratio	Advanced Approaches Firm
1	JPMORGAN CHASE & CO	2,477.0	5,274.0	0.85	9.60	10.91	12.06	14.49	Yes
2	BANK OF AMER CORP	2,152.5	-276.0	-0.05	-0.48	11.77	11.93	14.83	Yes
3	CITIGROUP	1,894.7	3,943.0	0.83	7.57	14.59	14.59	17.30	Yes
4	WELLS FARGO & CO	1,546.7	5,893.0	1.52	13.42	11.36	12.63	15.71	Yes
5	GOLDMAN SACHS GROUP THE	915.7	2,033.0	0.89	10.28	14.58	16.31	19.32	Yes
6	MORGAN STANLEY	831.4	1,505.0	0.72	8.98	14.12	15.61	17.71	Yes
7	U S BC	371.3	1,397.0	1.51	13.29	9.73	11.43	13.45	Yes
8	BANK OF NY MELLON CORP	368.2	674.0	0.73	7.10	15.67	17.02	17.80	Yes
9	PNC FNCL SVC GROUP	323.6	1,062.2	1.31	9.81	10.83	12.55	15.80	Yes
10	HSBC NORTH AMER HOLD	308.8	237.4	0.31	3.08	16.10	17.19	25.98	Yes
11	CAPITAL ONE FC	290.9	1,153.5	1.59	10.78	12.98	13.36	15.42	Yes
12	STATE STREET CORP	256.7	363.0	0.57	6.83	16.44	18.29	20.96	Yes
13	TD BK US HC	237.5	268.1	0.45	4.33	8.29	8.49	10.96	Yes
14	BB&T CORP	184.7	538.3	1.17	9.18	10.22	12.11	14.61	No
15	SUNTRUST BK	179.6	404.8	0.90	7.47	9.90	10.88	12.81	No
16	AMERICAN EXPRESS CO	151.5	1,432.0	3.78	28.67	13.58	13.58	15.13	Yes
17	ALLY FNCL	148.5	227.0	0.61	6.28	9.14	12.12	13.02	No
18	FIFTH THIRD BC	129.7	317.6	0.98	8.57	9.51	10.45	14.02	No
19	RBS CITIZENS FNCL GRP	127.3	166.0	0.52	3.42	13.41	13.41	16.01	No
20	REGIONS FC	118.1	318.6	1.08	7.90	11.38	11.83	14.87	No
21	BMO FNCL CORP	114.5	138.4	0.48	3.94	11.38	11.38	15.51	No
22	SANTANDER HOLDS USA	109.2	1,769.9	6.49	39.55	8.85	12.98	15.03	No
23	UNIONBANCAL CORP	107.2	175.1	0.65	4.84	12.59	12.62	14.75	Yes
24	NORTHERN TR CORP	103.8	181.4	0.70	9.13	12.78	13.00	15.46	Yes
25	KEYCORP	90.9	241.6	1.06	9.29	11.27	12.01	14.23	No
26	M&T BK CORP	88.5	229.0	1.03	7.71	9.46	12.22	15.30	No
27	BANCWEST CORP	84.9	145.3	0.68	4.82	10.69	10.87	12.10	No
28	DISCOVER FS	79.6	631.4	3.17	22.91	14.94	15.77	18.07	No
29	BBVA COMPASS BSHRS	75.0	114.5	0.61	3.91	11.08	11.30	13.39	No
30	DEUTSCHE BK TR CORP	72.6	82.0	0.45	4.68	21.23	21.23	21.60	No
31	COMERICA	65.8	138.7	0.84	7.62	10.58	10.58	13.00	No
32	HUNTINGTON BSHRS	61.1	149.1	0.98	9.66	10.60	11.95	14.13	No
33	ZIONS BC	56.1	101.2	0.72	6.15	10.56	13.19	15.11	No
34	CIT GROUP	48.6	117.2	0.96	5.33	16.09	16.10	16.78	No
35	NEW YORK CMNTY BC	47.6	115.3	0.97	8.03	11.39	12.58	13.24	No
36	FIRST NIAGARA FNCL GROUP	38.0	59.4	0.63	4.73	7.92	9.62	11.60	No
37	POPULAR	36.7	86.0	0.94	7.25	15.08	19.35	20.62	No
38	UTRECHT-AMERICA HOLDS	35.5	22.1	0.25	13.38	-1.25	-1.25	-1.25	No
39	CITY NAT CORP	29.9	54.5	0.73	7.80	8.89	10.18	13.08	No
40	SVB FNCL GRP	29.7	91.3	1.23	17.44	12.06	12.35	13.41	No
41	EAST W BC	27.4	76.7	1.12	11.70	10.82	11.20	13.02	No
42	BOK FC	27.4	76.6	1.12	9.85	13.59	13.77	15.55	No
43	SYNOVUS FC	26.4	48.4	0.73	6.46	10.24	10.85	13.31	No
44	ASSOCIATED BANC-CORP	24.8	45.2	0.73	6.23	11.20	11.56	12.81	No
45	CULLEN/FROST BKR	24.7	61.2	0.99	9.54	12.52	14.41	15.38	No
46	FIRSTMERIT CORP	24.5	53.5	0.87	7.80	10.46	11.51	13.92	No
47	FIRST HORIZON NAT CORP	23.9	46.4	0.78	8.26	11.10	14.26	16.30	No
48	RAYMOND JAMES FNCL	22.9	104.6	1.83	10.76	19.07	19.15	20.00	No
49	COMMERCE BSHRS	22.8	64.3	1.13	11.33	13.97	13.98	15.16	No
50	FIRST CITIZENS BSHRS	22.2	22.4	0.40	4.25	13.91	14.56	16.05	No
TOTALS*	TOP 50	14,636.7	32,174.1	0.88	8.30	12.12	13.05	15.69	
	ALL INSTITUTIONS (BHCS AND BANKS)	17,566.2	40,103.6	0.91	8.53	12.44	13.42	15.82	

*For the industry net income and capital adequacy ratios, we sum the numerator and denominator across individual firms and then compute 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 US BHCs and bank subsidiaries of foreign banking organizations,[3] 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, for the subset of BHCs with $50 - $500 billion in total assets, and for the remainder of the industry. In 2014:Q1, 33 BHCs exceed $50 billion in total assets, 6 of which exceeded the $500 billion threshold: JPMorgan Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, and Morgan Stanley. For consistency, time-series graphs for the "> $500bn" and $50-$500bn" groups represent available historical values for this same subset of firms. Statistics for most firms with more than $50 billion in total assets 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. Note that three BHCs with more than $50 billion in total assets are not adjusted using the pro forma methodology: TD Bank, Bancwest, and Deutsche Bank. After constructing the pro forma series for each firm, we aggregate the data to create the "BHCs > $500bn" and the "BHCs $50-$500bn" series. Finally, the "all other banks and BHCs" quarterly series is constructed by subtracting the "BHCs > $500bn" and "BHCs $50-$500bn" series from the "all institutions" series.

[3] The term "foreign-banking organization" generally refers to a foreign bank that (1) operates a branch, agency, or commercial lending company subsidiary in the United States; (2) controls a bank in the United States; or (3) controls an Edge corporation acquired after March 5, 1987. The term also includes any company of which such a foreign bank is a subsidiary. *See* 12 C.F.R. § 211.11(o).

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 2014:Q1): JPMorgan Chase, Bank of America, Wells Fargo, and Citigroup. Goldman Sachs and Morgan Stanley enter 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 average the value of flow variables for mid-year entrants using up to four subsequent consecutive quarters of data to generate a usable data point for the quarter of entry. If an institution is in the sample for only one quarter, we drop the flow variables from the firm’s quarter of entry from the sample.

- 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.

- As part of the transition to Basel II/III, in 2014:Q1, advanced approaches[4] holding companies commenced filing Part I.B. of schedule HC-R of the Y-9C, and no longer file Part 1.A of this schedule. (Part 1.A of schedule HC-R is still filed by non-advanced-approaches firms). One consequence of this reporting change is that advanced approaches firms no longer report the components used to calculate tier 1 common equity, and instead report common equity tier 1 (CET1). The change in reporting also affects other capitalization measures such as tier 1 capital. This report presents capital ratios that combine the capital reported in Part 1.A and Part 1.B reported by firms. It does not attempt to adjust measured capital ratios to account for the methodological differences between these two measures.

- The implementation of the Basel II.5 US market risk rule in 2013:Q1 affects the measurement of risk-weighted assets beginning in that quarter.

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. The definition of CET1 for BHCs used for this report is: common equity tier 1 = common & treasury stock + retained earnings + accumulated other comprehensive income + CET1 minority interest – goodwill – other intangible assets – gains on cash flow hedges – cumulative DVA – other deductions before threshold deductions – nonsignificant investments in unconsolidated financial institutions – significant investments in unconsolidated financial institutions (10% threshold deduction) – MSAs (10% threshold deduction) – deferred tax assets from temporary timing differences (10% threshold deduction) – 15% threshold deduction – deductions due to insufficient tier 1 and tier 2.

[4] As of 2014:Q1, the population of advanced approaches BHCs includes: American Express, Bank of America, Bank of New York Mellon, Capital One, Citigroup, Goldman Sachs, HSBC North America, JPMorgan Chase, Morgan Stanley, Northern Trust, PNC, State Street, TD Bank, UnionBanCal, U.S. Bancorp, and Wells Fargo.

3. 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.