

# Quarterly Trends for Consolidated U.S. Banking Organizations

## Second quarter 2015

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 and are inclusive of BHCs' nonbank subsidiaries<sup>1</sup>. Separate statistics are reported on a merger-adjusted basis for the subset of BHCs with >\$500bn in total assets as of 2015:Q2<sup>2</sup>, for BHCs with \$50bn-500bn in total assets, and for the remainder of the industry.

### Highlights

- Industry capitalization, measured as common equity tier 1 (CET1) as a percentage of risk-weighted assets (RWA), increased from 11.88% in 2015:Q1 to 12.07% in 2015:Q2. The leverage ratio, defined as the ratio of tier 1 capital to average assets, also rose, from 9.14% in 2015:Q1 to 9.28% in 2015:Q2.

[Note: Starting in 2015:Q1, all firms began reporting standardized risk-weighted assets using Basel III formulas, rather than Basel I formulas, and firms not subject to advanced approaches under Basel III began reporting CET1 rather than the components used to calculate tier 1 common equity, and tier 1 capital instead of tier 1 risk-based capital. (Advanced approaches firms began reporting regulatory capital in this way starting in 2014:Q1.)]

- Profitability, as measured by industry annualized return on assets, slightly increased to 1.01% in 2015:Q2, from 1.00% in 2015:Q1. Return on equity decreased slightly to 9.0%, from 9.1% in Q1.
- Non-performing loans as a percentage of total loans decreased to 1.7% in 2015:Q2, from 1.9% in the prior quarter. This ratio has now declined for 22 consecutive quarters. The non-performing loan ratio fell for real estate loans and consumer loans, although it rose slightly for commercial and industrial loans.
- Four-quarter-ended loan growth and asset growth were both positive for the industry, at 4.8% and 2.1%, respectively. Industry concentration, measured as the asset share of the largest 5, 10 or 50 banking firms, declined slightly, continuing its downward trend in recent quarters.

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<sup>1</sup> 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.

<sup>2</sup> Six BHCs exceed this \$500bn size threshold: J.P. Morgan Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, and Morgan Stanley.

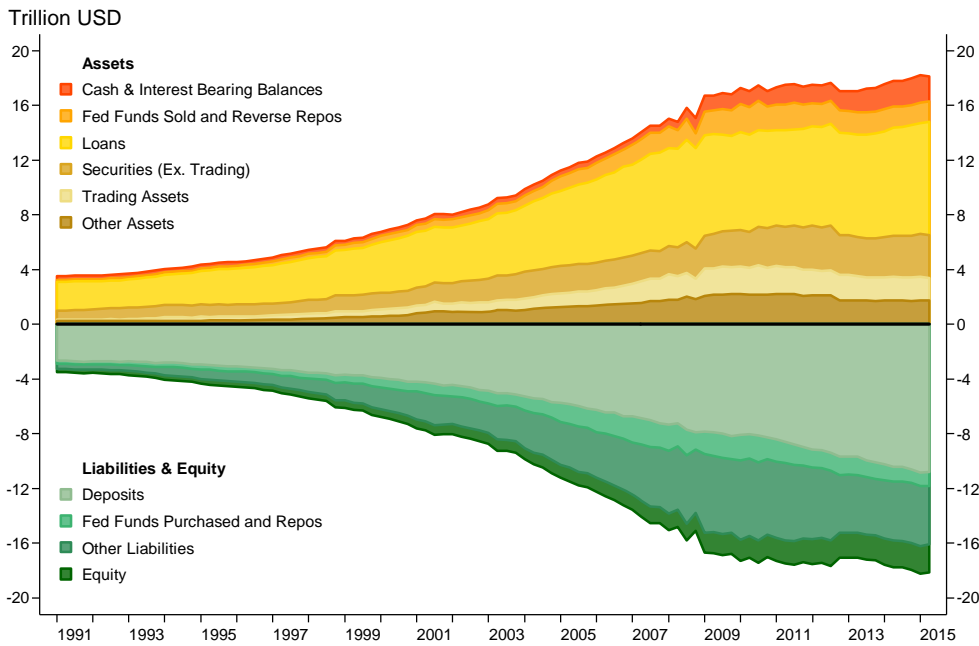
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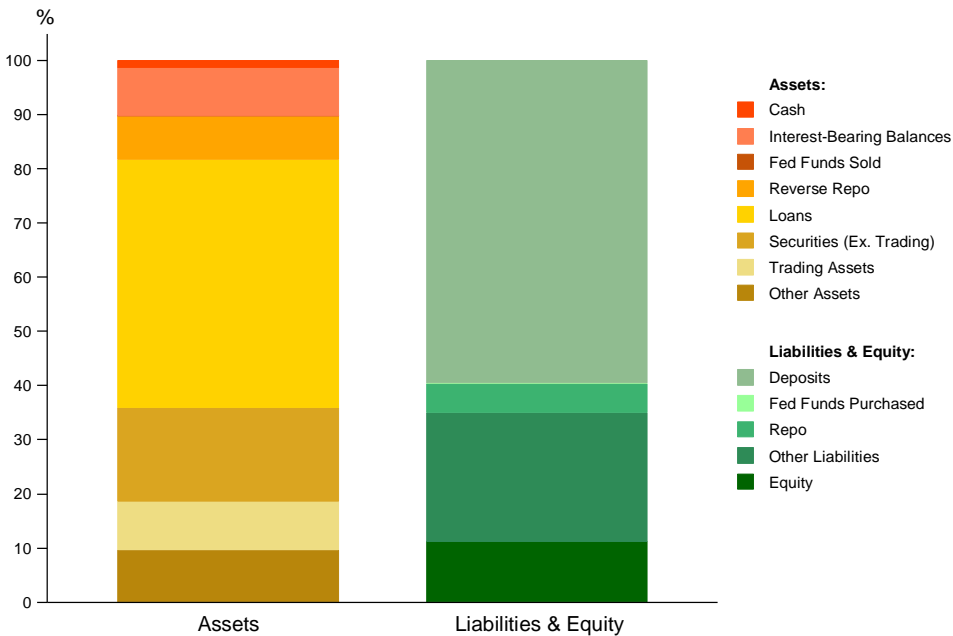
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# 1. Composition of Banking Industry Assets and Liabilities

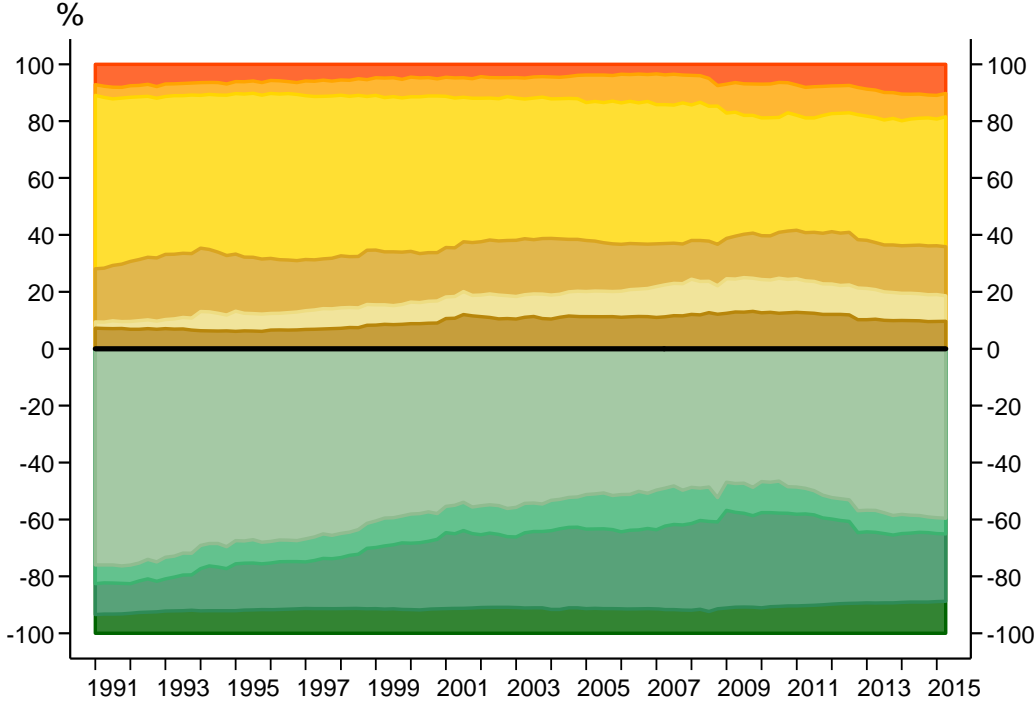
## Balance Sheet Composition



## Balance Sheet Composition, Percent of Assets, Current Quarter



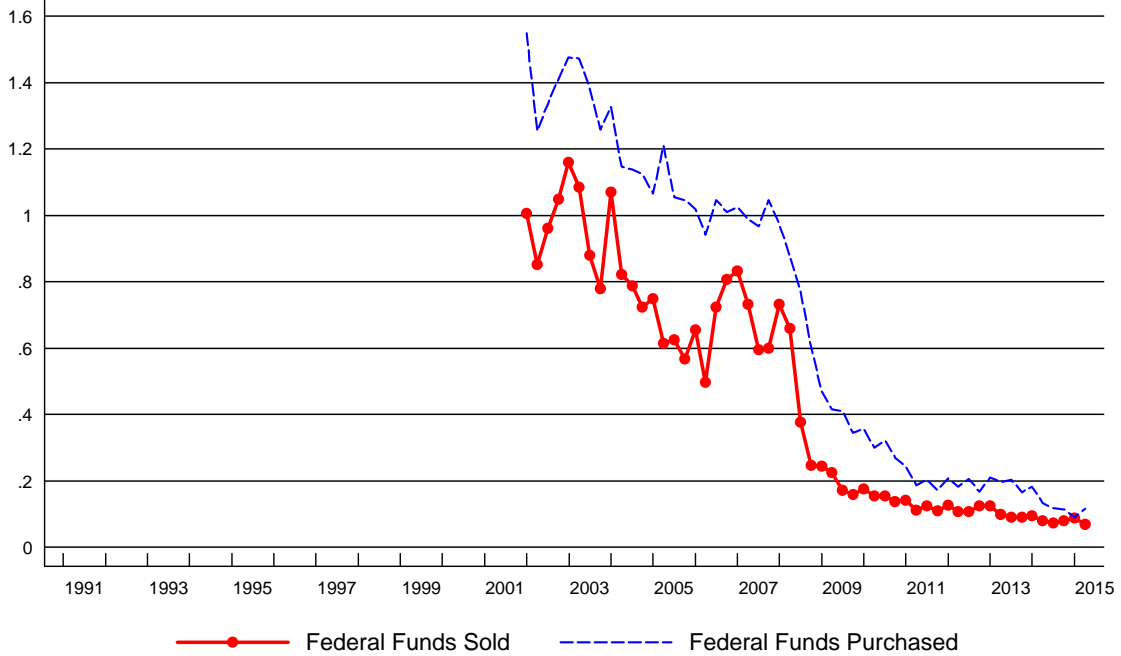
# Balance Sheet Composition, Percent of Assets



- | Assets   | Liabilities & Equity  |
|--|---|
| <span style="color: red;">■</span> Cash & Interest Bearing Balances    | <span style="color: lightgreen;">■</span> Deposits                |
| <span style="color: orange;">■</span> Fed Funds Sold and Reverse Repos | <span style="color: teal;">■</span> Fed Funds Purchased and Repos |
| <span style="color: yellow;">■</span> Loans                            | <span style="color: darkgreen;">■</span> Other Liabilities        |
| <span style="color: brown;">■</span> Securities (Ex. Trading)          | <span style="color: darkgreen;">■</span> Equity                   |
| <span style="color: tan;">■</span> Trading Assets                      |   |
| <span style="color: darkbrown;">■</span> Other Assets                  |   |

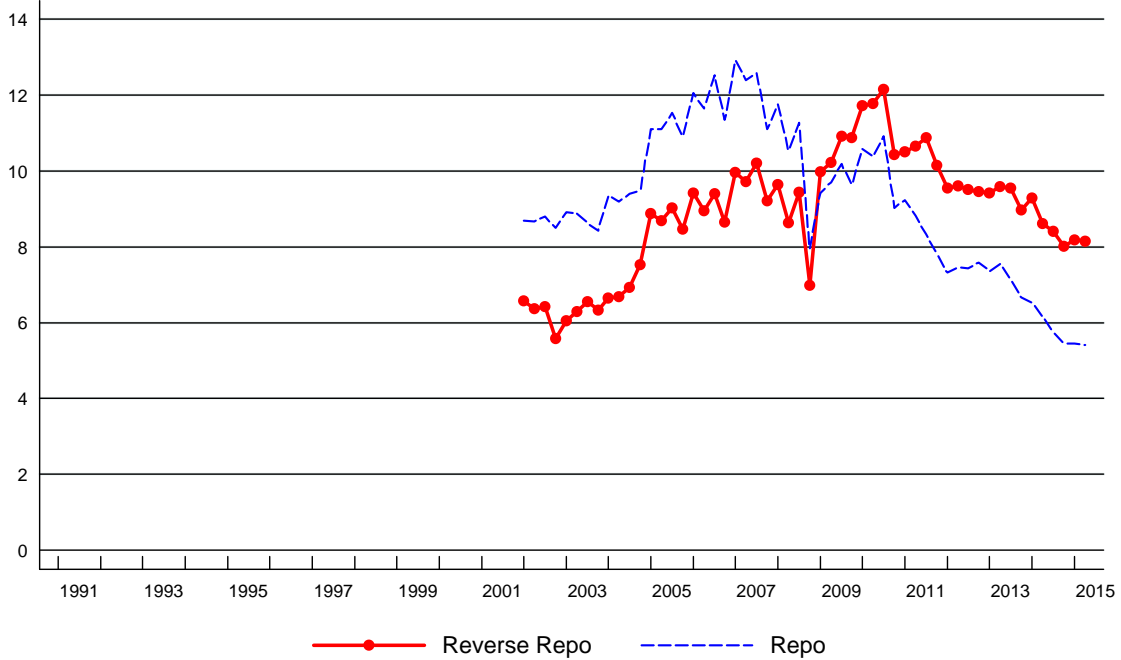
# Federal Funds Sold and Purchased

Federal funds sold and purchased in domestic offices as % of total assets



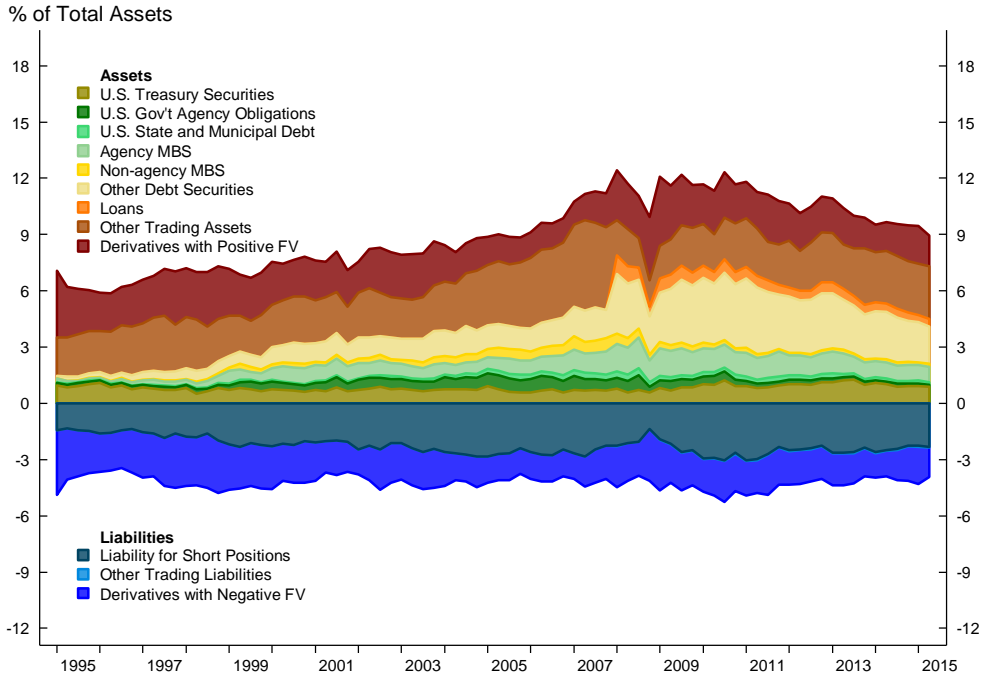
# Repurchase Agreements

Repurchase agreements as % of total assets



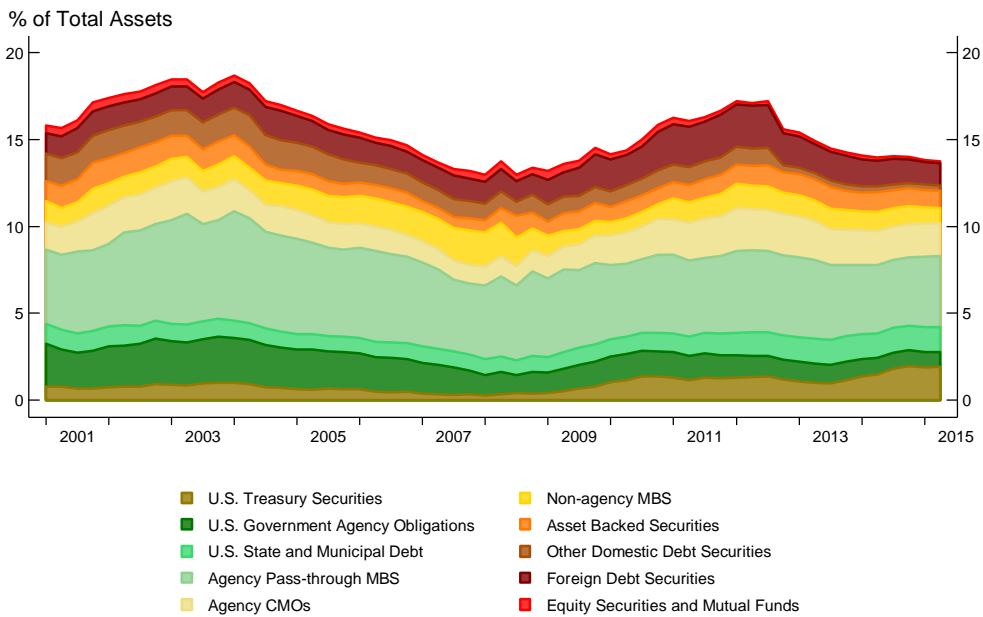
**Note:** These charts begin in 2002:Q1 because data for repurchase agreements and federal funds are not consistently reported separately prior to that date.

## Trading Assets and Liabilities

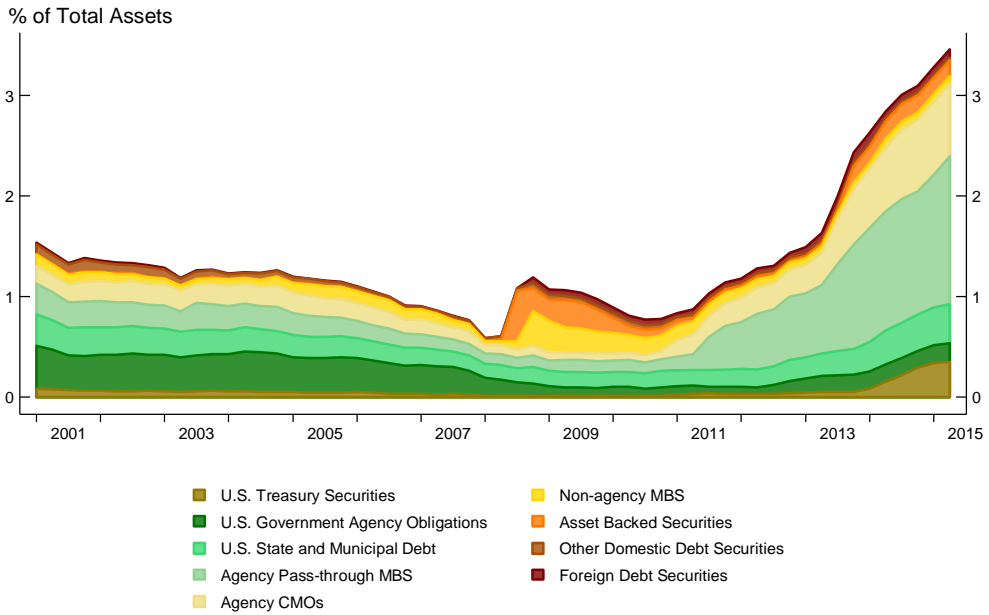


**Note:** The subcomponents of trading assets and liabilities in the above chart only represent banks and BHCs that reported average trading assets of \$2 million or more in any of the four preceding quarters.

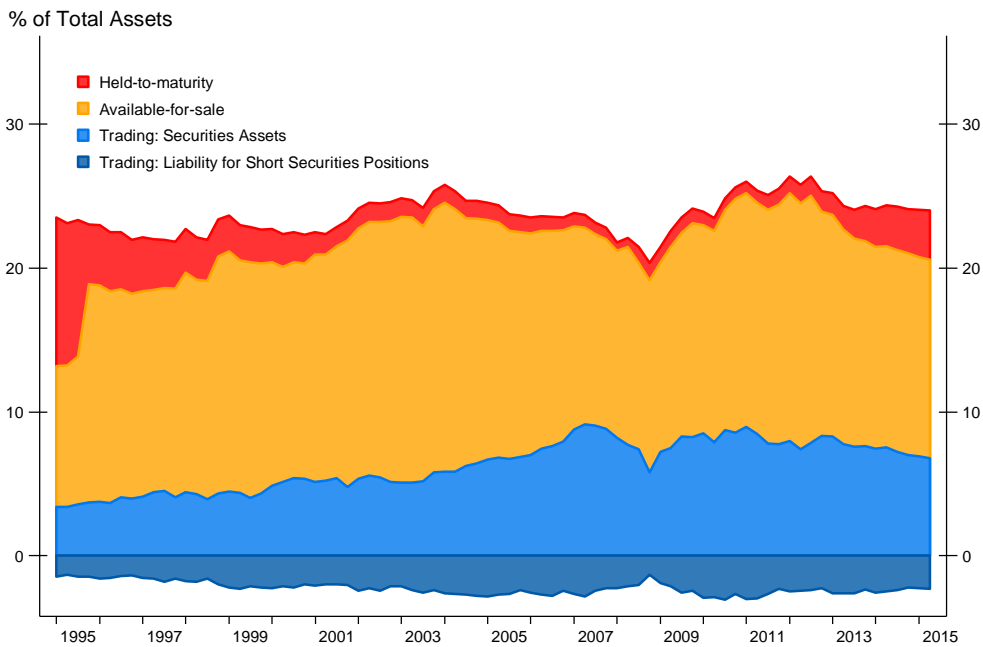
## Available-for-Sale Securities



## Held-to-Maturity Securities



## Securities Portfolios

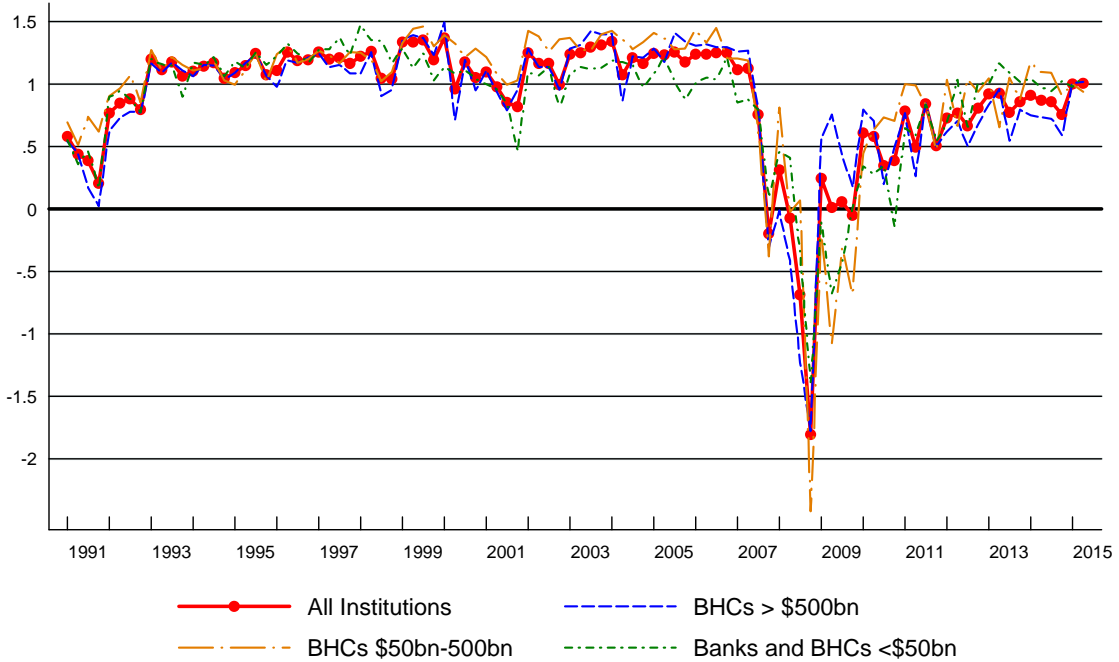


Note: Chart measures debt and equity securities portfolios. Thus, trading portfolio excludes other types of trading assets such as whole loans and derivatives.

## 2. Earnings and Pre-Provision Net Revenue

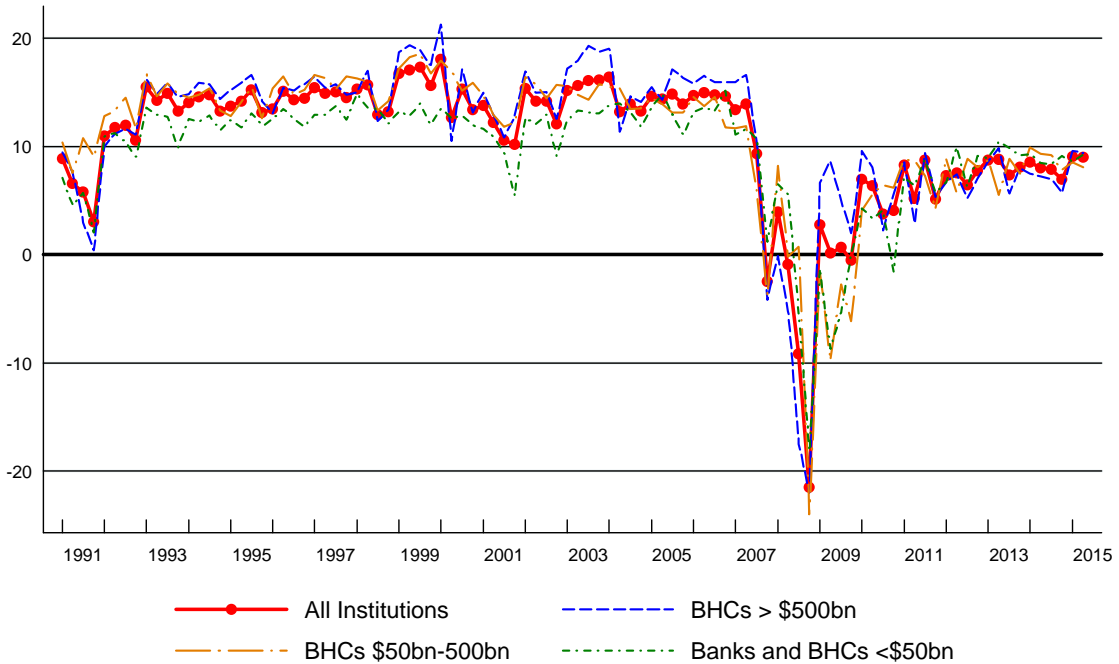
### Return on Assets

Annualized net income as % of total assets



### Return on Equity

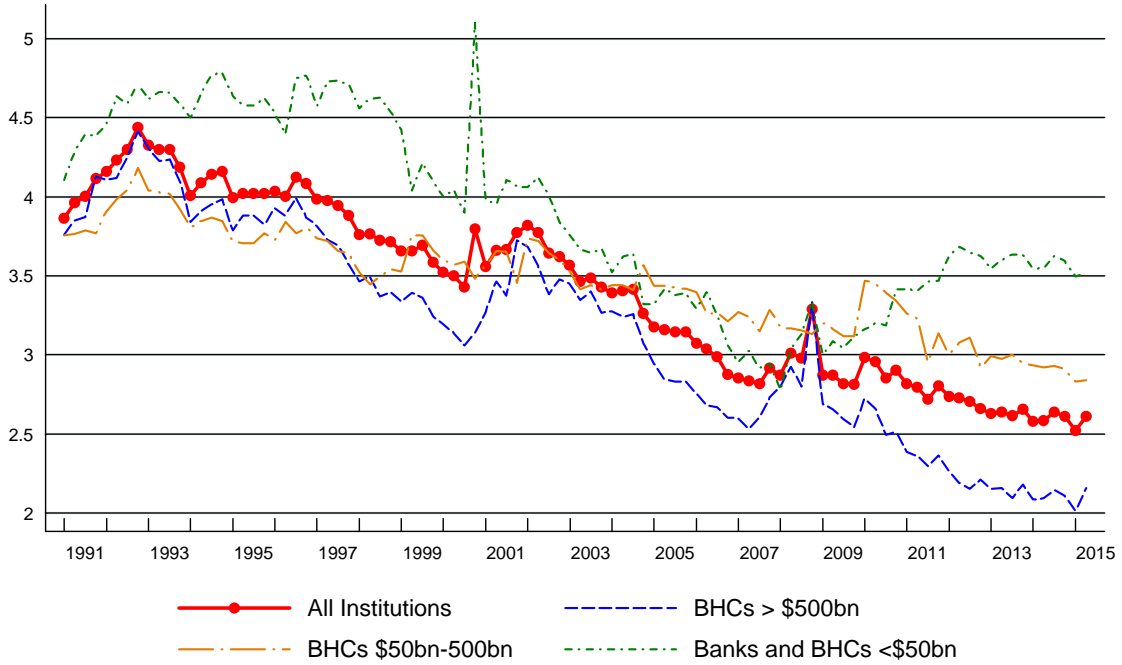
Annualized net income as % of equity





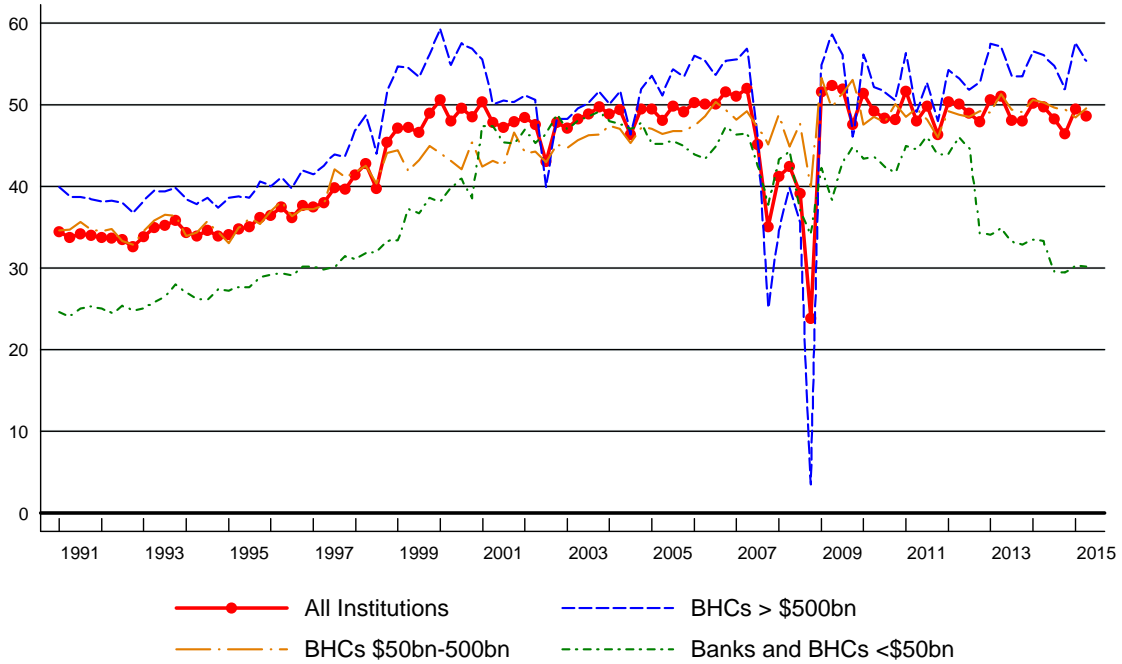
# Net Interest Margin

Annualized net interest income as % of interest-earning assets



# Noninterest Income Share

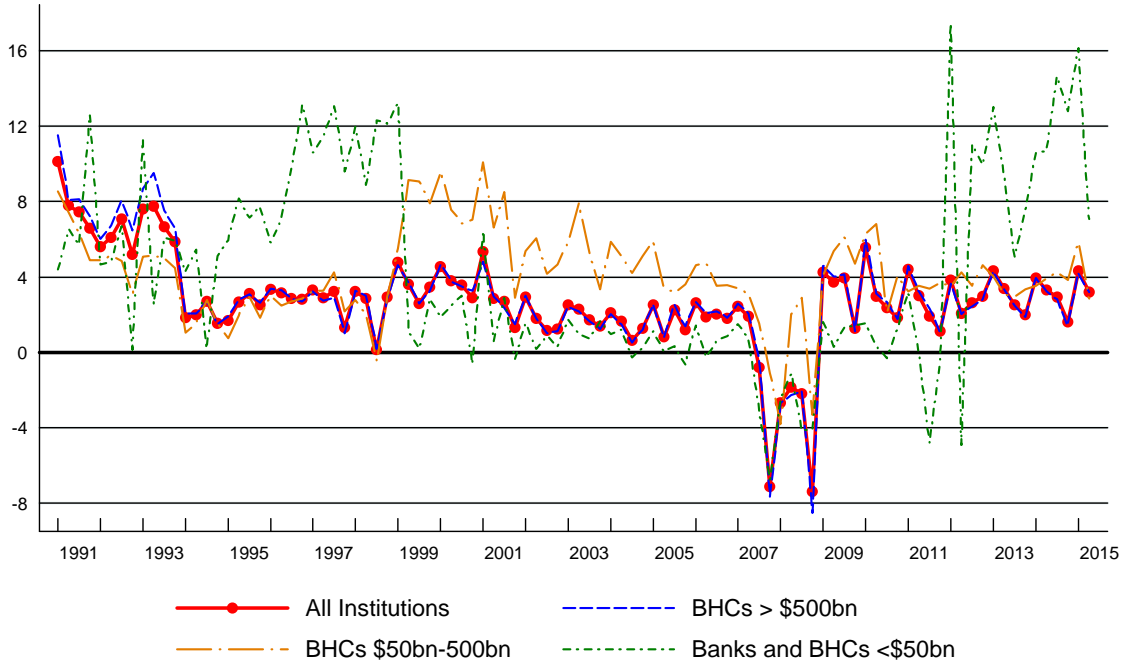
Noninterest income as % of net operating revenue



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

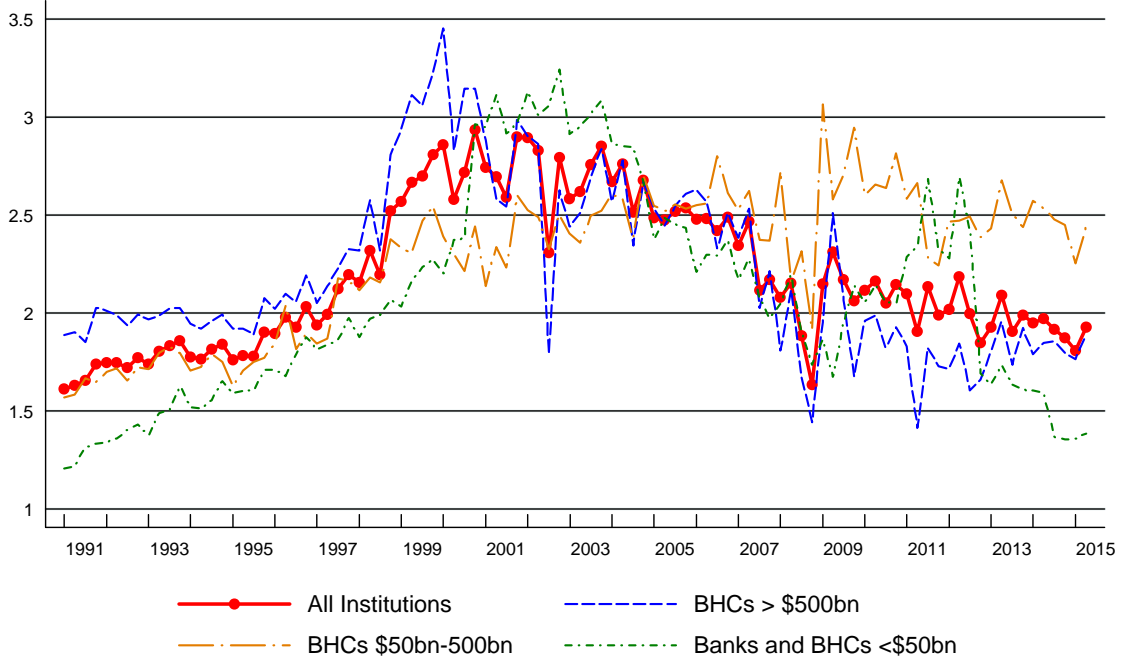
# Return on Trading Assets

Annualized trading income as % of trading assets



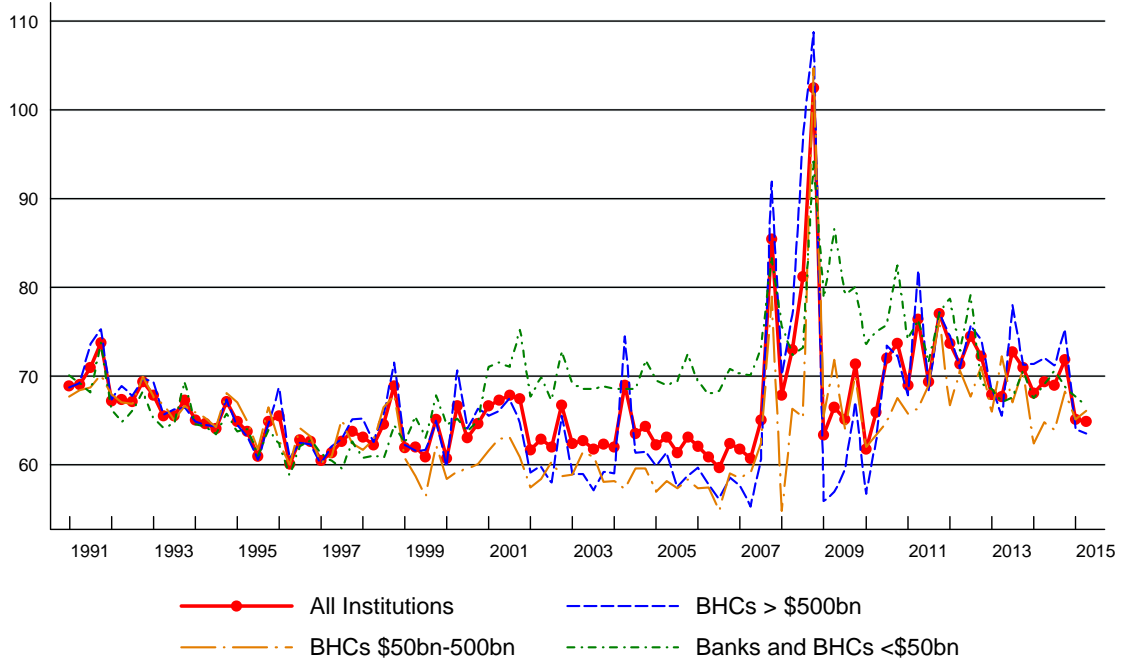
# Non-Trading Non-Interest Income Ratio

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



# Efficiency Ratio

Noninterest expense as % of net operating revenue



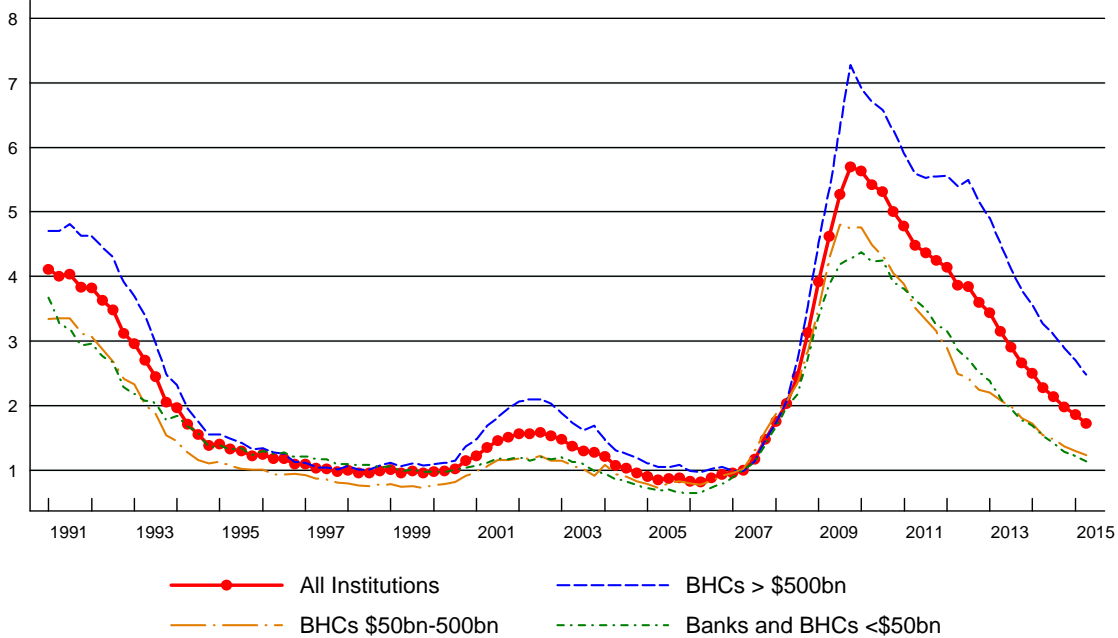
Note: Net operating revenue is defined as net interest income plus noninterest income.

### 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.

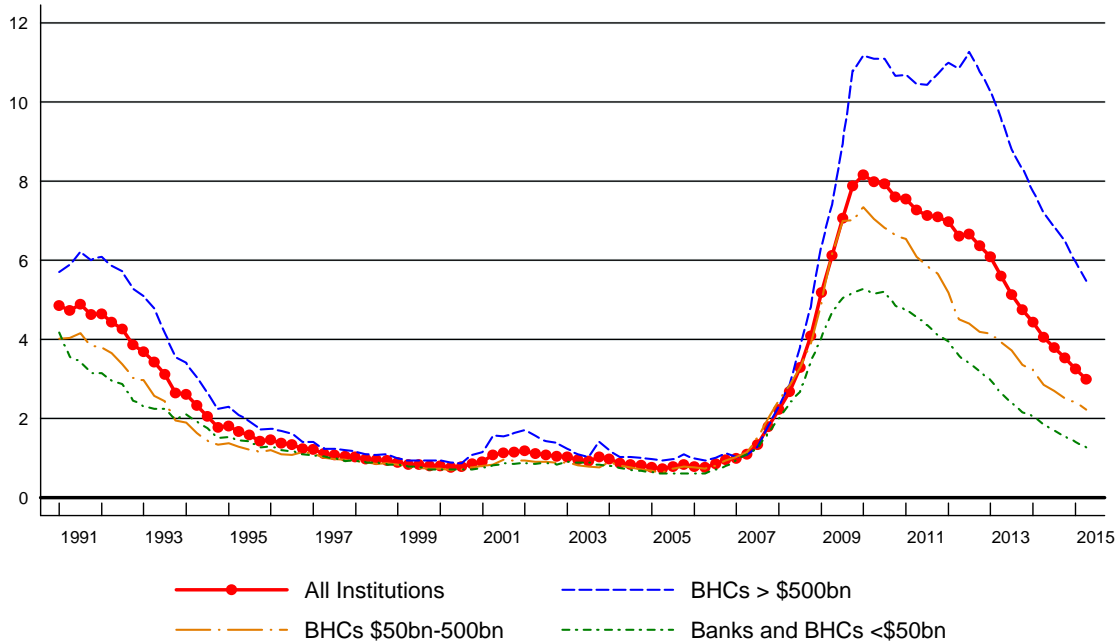
#### Non-performing Loans

Total non-performing loans as % of total loans



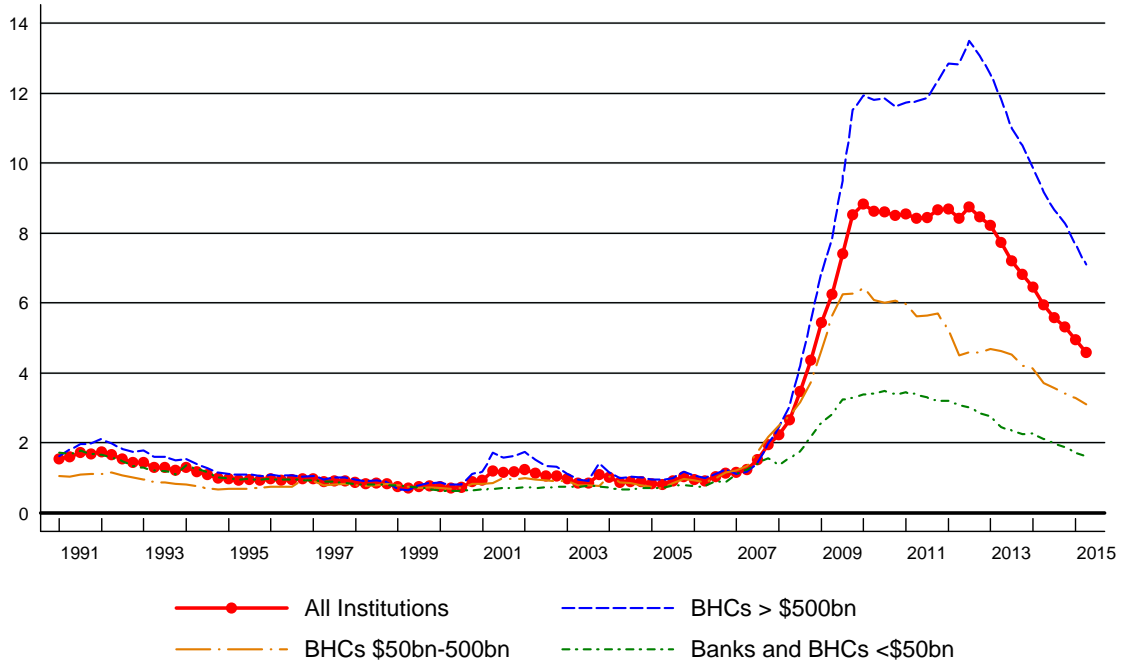
#### Non-performing Real Estate Loans

Non-performing real estate loans as % of real estate loans



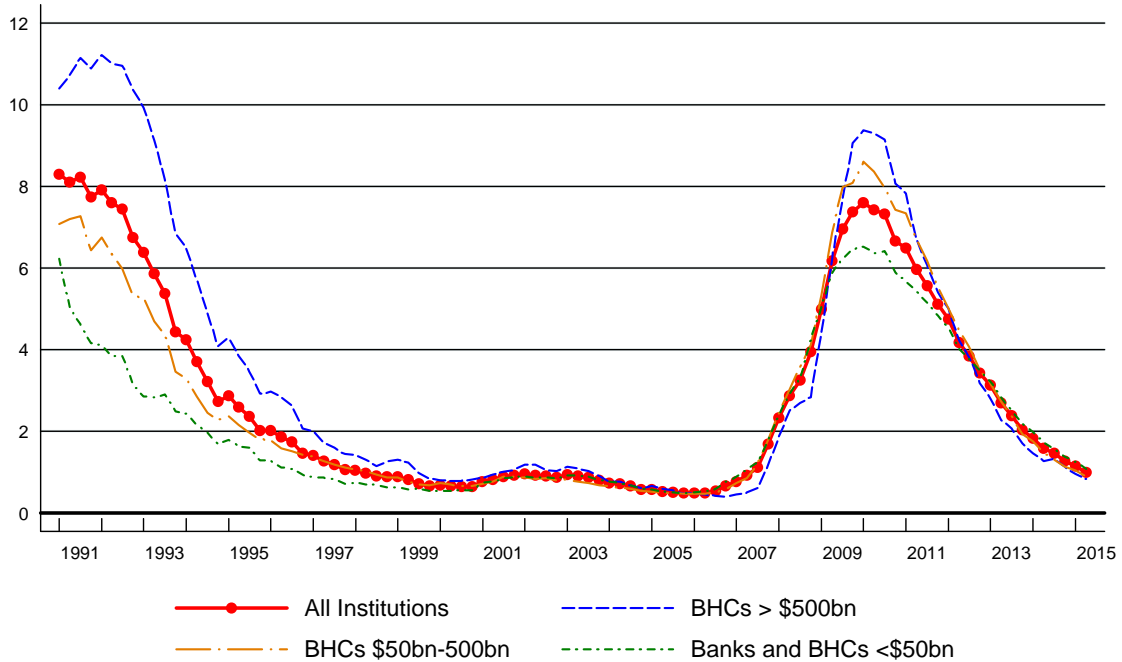
# Non-performing Residential Real Estate Loans

Non-performing residential real estate loans as % of residential real estate loans



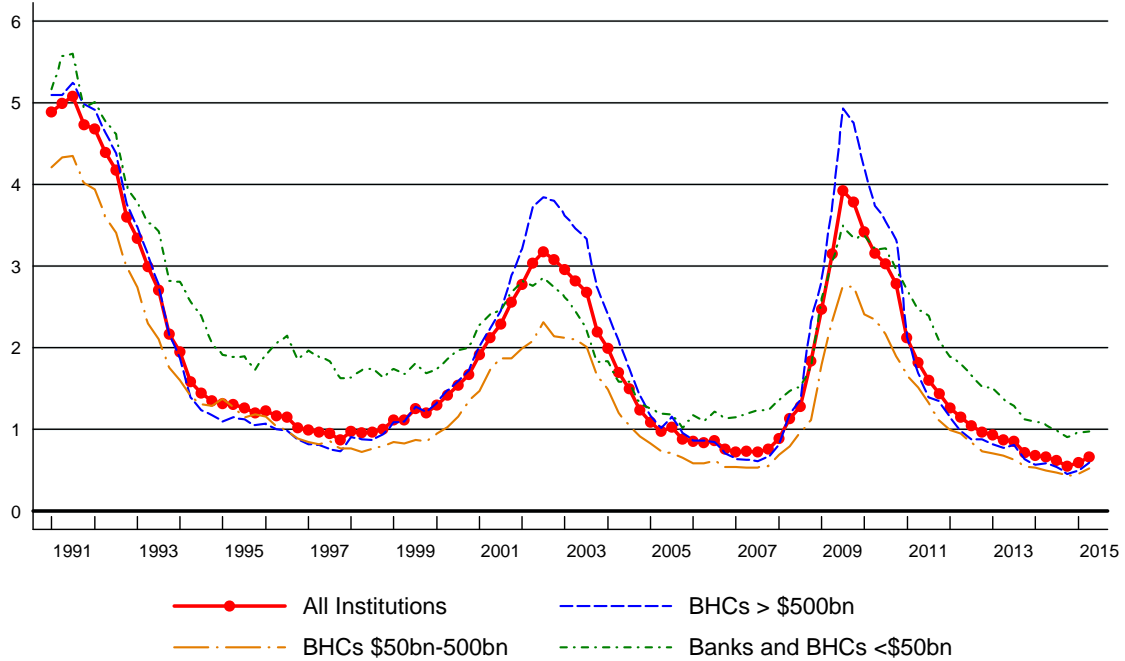
# Non-performing Commercial Real Estate Loans

Non-performing commercial real estate loans as % of commercial real estate loans



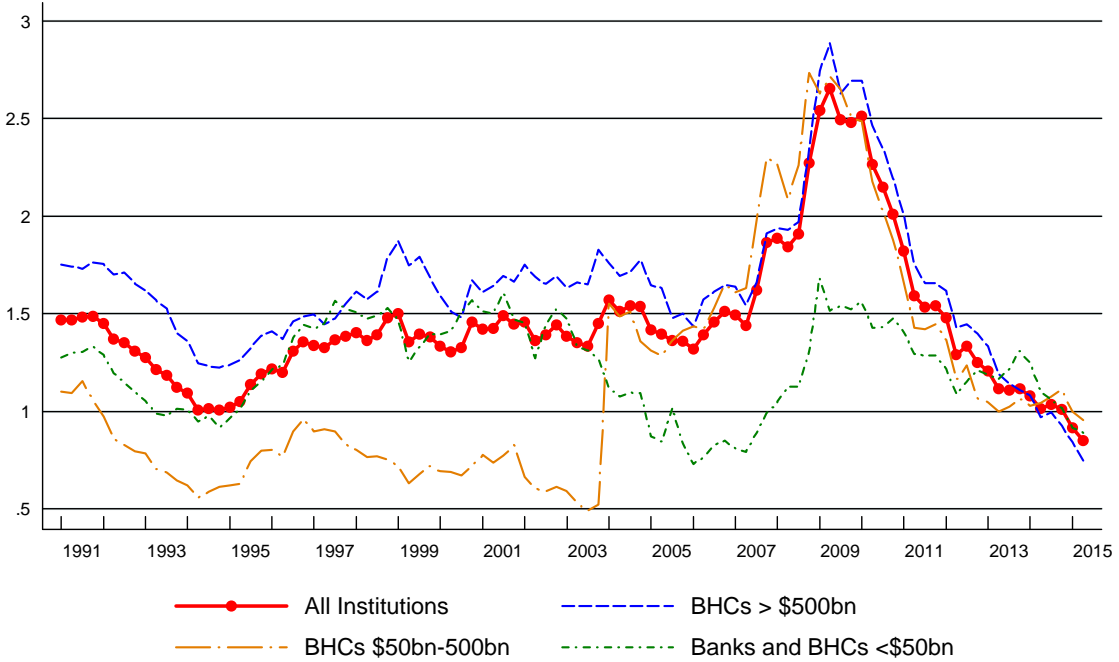
# Non-performing Commercial and Industrial (C&I) Loans

Non-performing C&I loans as % of C&I loans



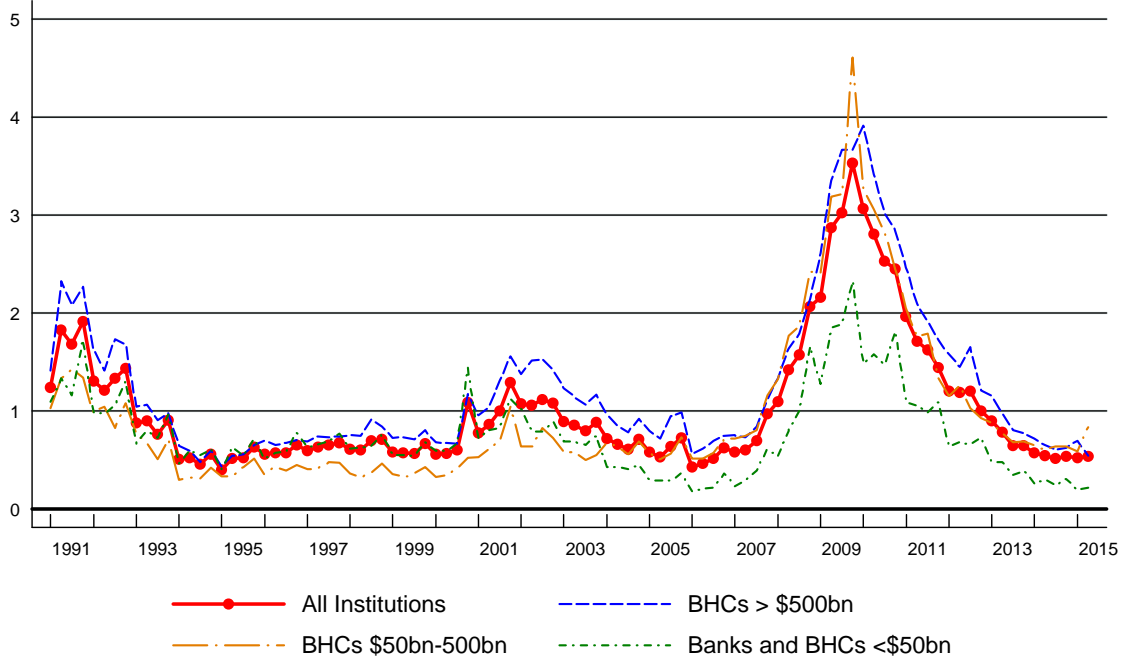
# Non-performing Consumer Loans

Non-performing consumer loans as % of consumer loans



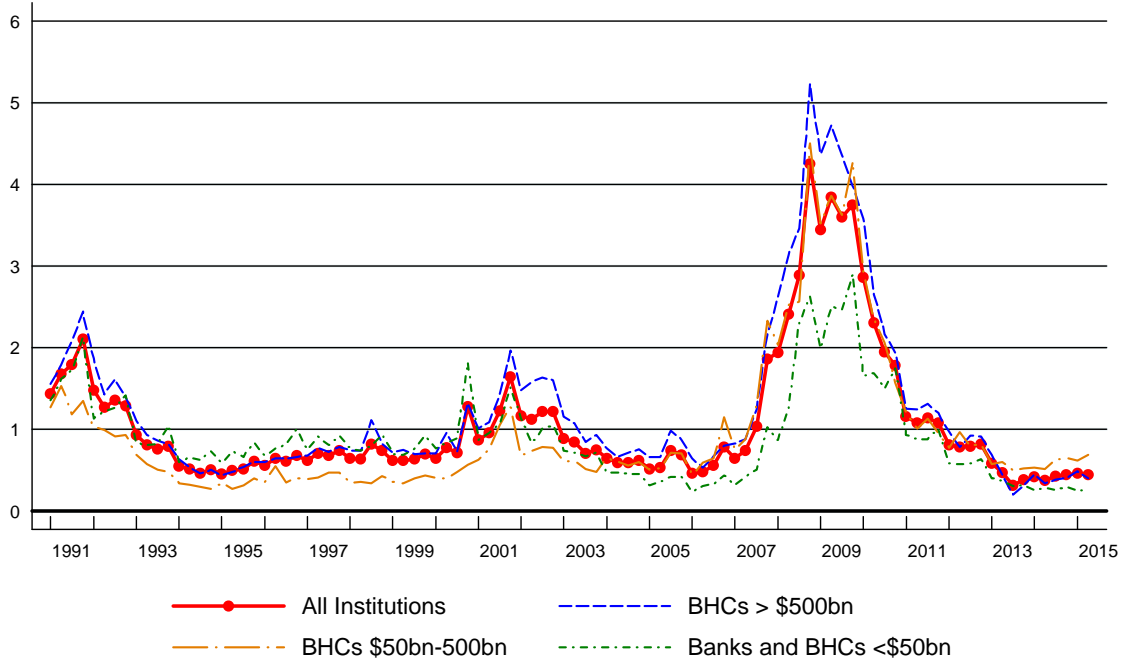
# Net Charge-offs

Annualized net charge-offs as % of total loans



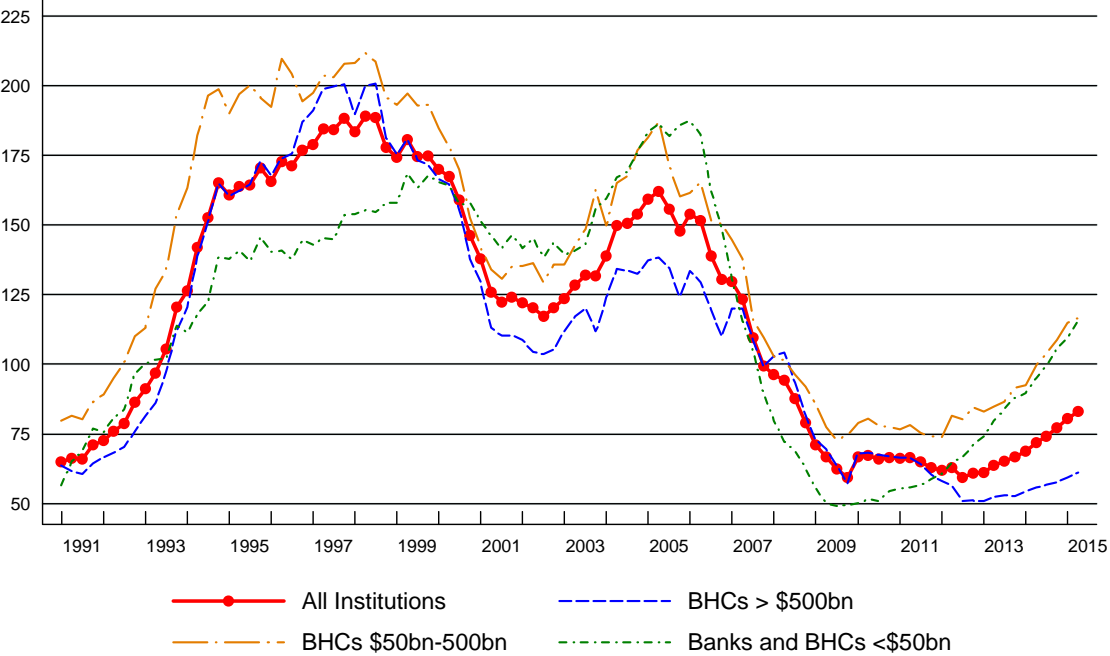
# Loan Loss Provisions

Annualized loan loss provisions as % of total loans



# Loan Loss Reserves

Loan loss reserves as % of non-performing loans



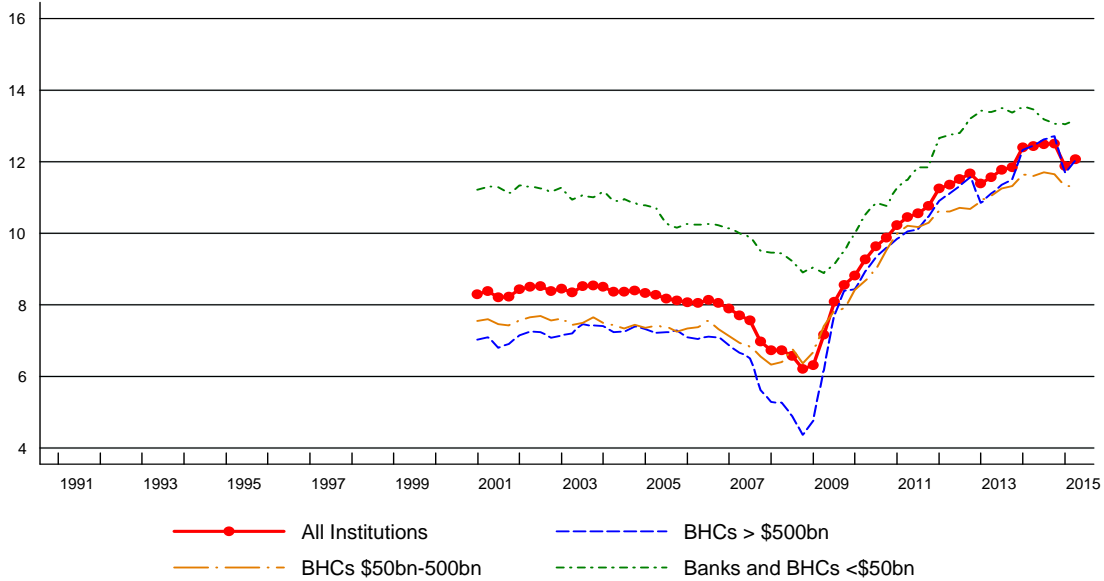


## 4. Capital Adequacy and Asset Growth

**Notes:** CET1, tier 1 and total capital is reported instead of the components of tier 1 common equity and tier 1 and total risk-based capital by advanced approaches firms starting in 2014:Q1, and by all other firms starting in 2015:Q1, causing series breaks in some capital ratios in those quarters. Changes in the measurement of RWA starting in 2013:Q1 and 2015:Q1 also affect measurement of risk-weighted capital ratios and the ratio of RWA to total assets starting in those quarters. See "Caveats and Limitations" for details. See data notes for definition of tier 1 common equity.

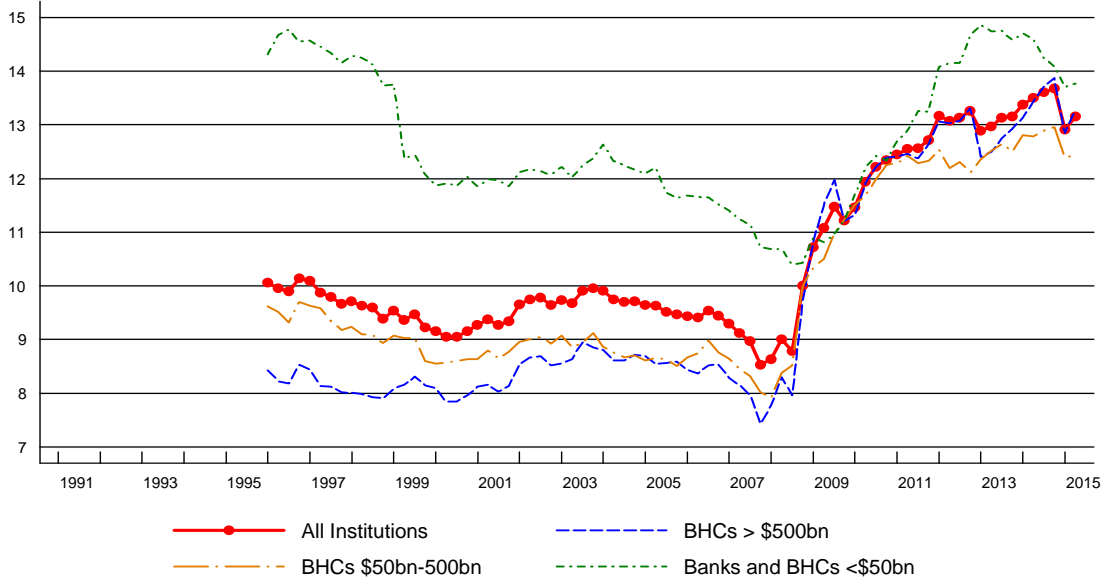
### CET1 and Tier 1 Common Equity Ratio

CET1 and Tier 1 common equity as % of risk-weighted assets



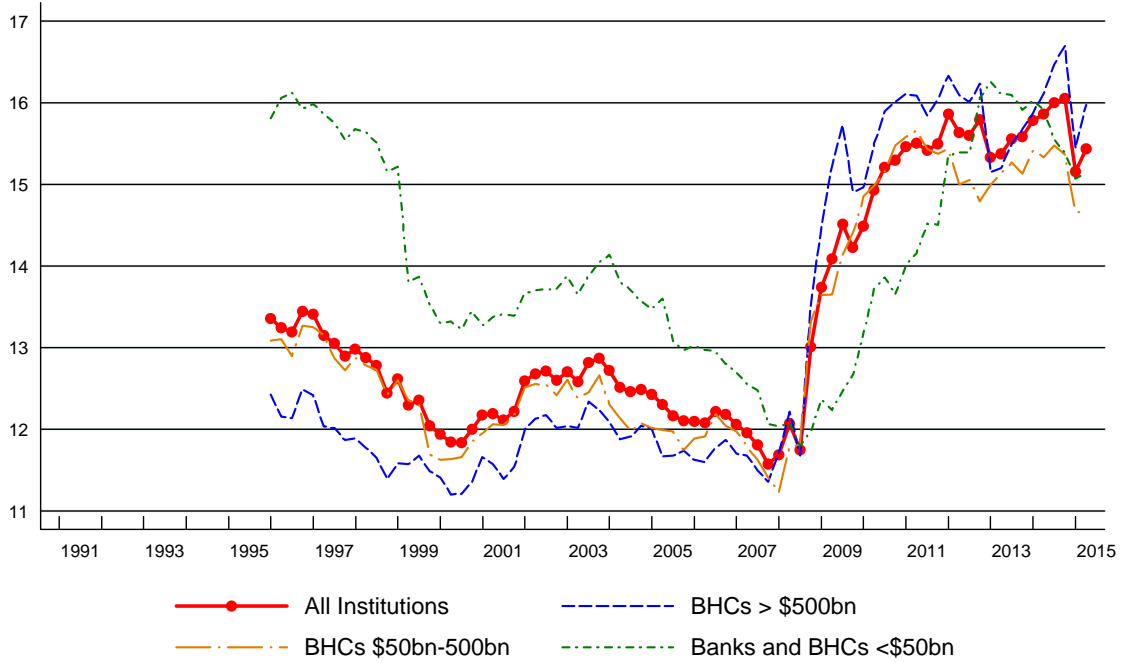
### Tier 1 Capital Ratio

Tier 1 capital and Tier 1 risk-based capital as % of risk-weighted assets



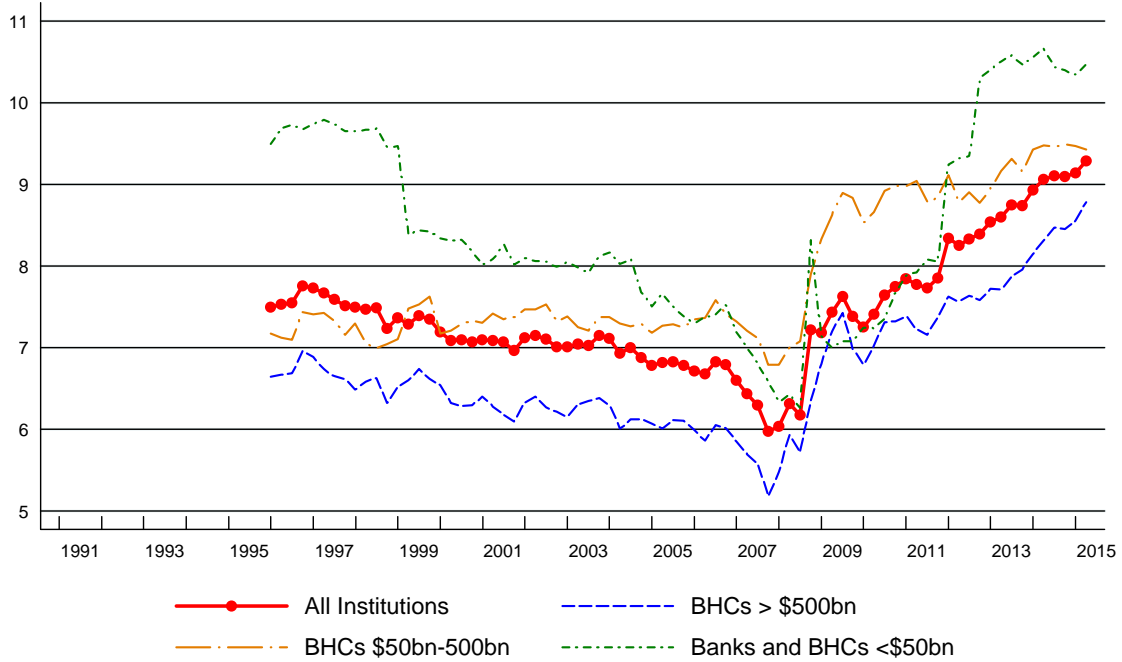
# Total Capital Ratio

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



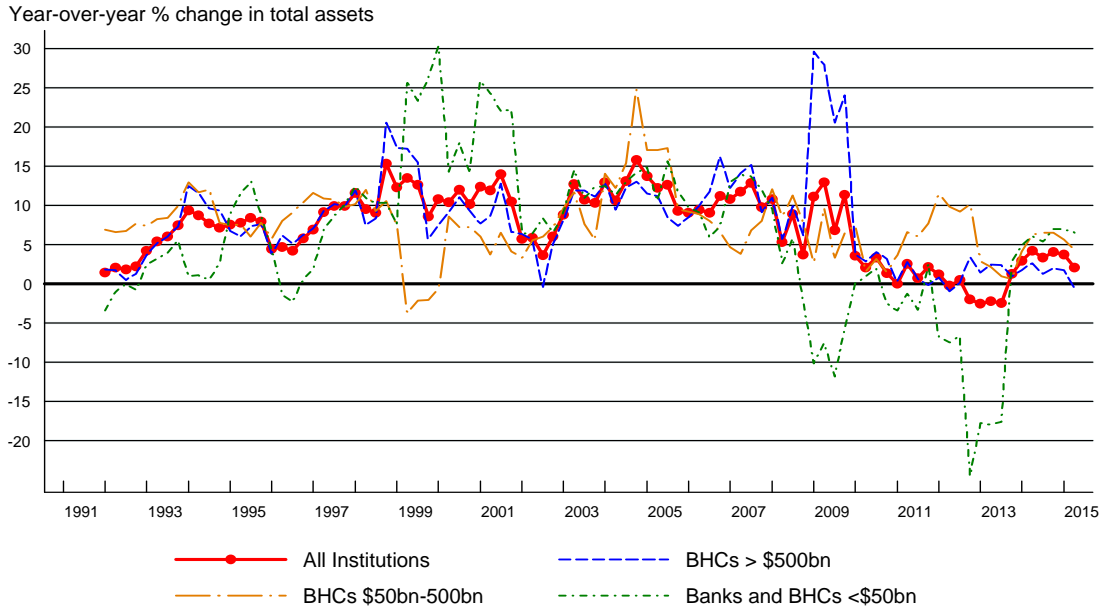
# Leverage Ratio

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

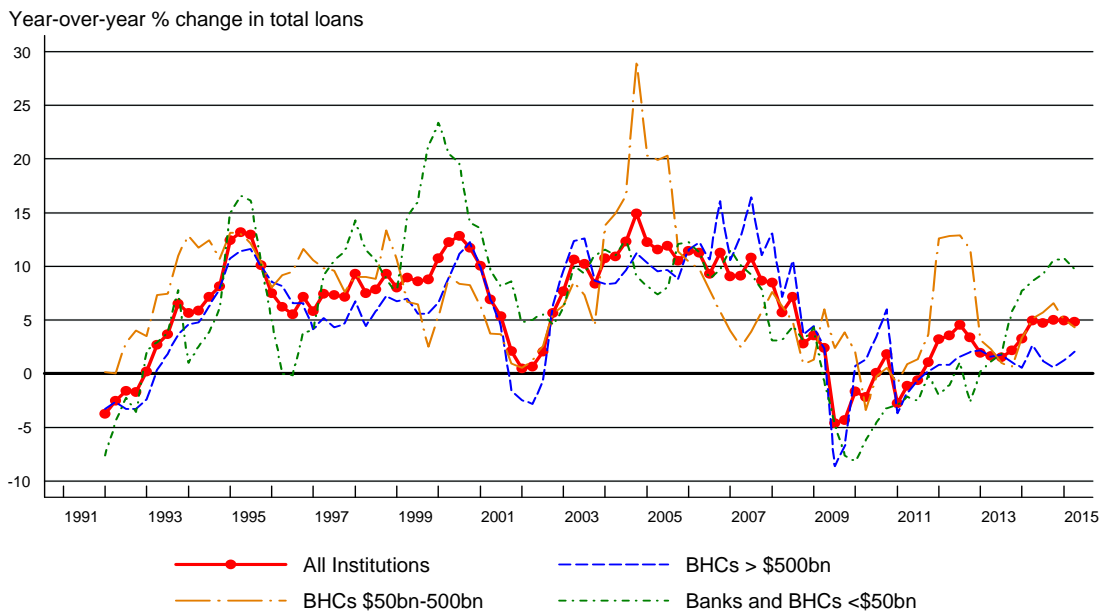


**Note:** Asset, loan and deposit growth rates presented below are affected by mergers with nonbanking firms, and conversions to and from a BHC charter during the sample period. This particularly affects the year-over-year growth rate for assets between 2009:Q1 and 2009:Q4, due to the entry of several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

## Asset Growth Rates

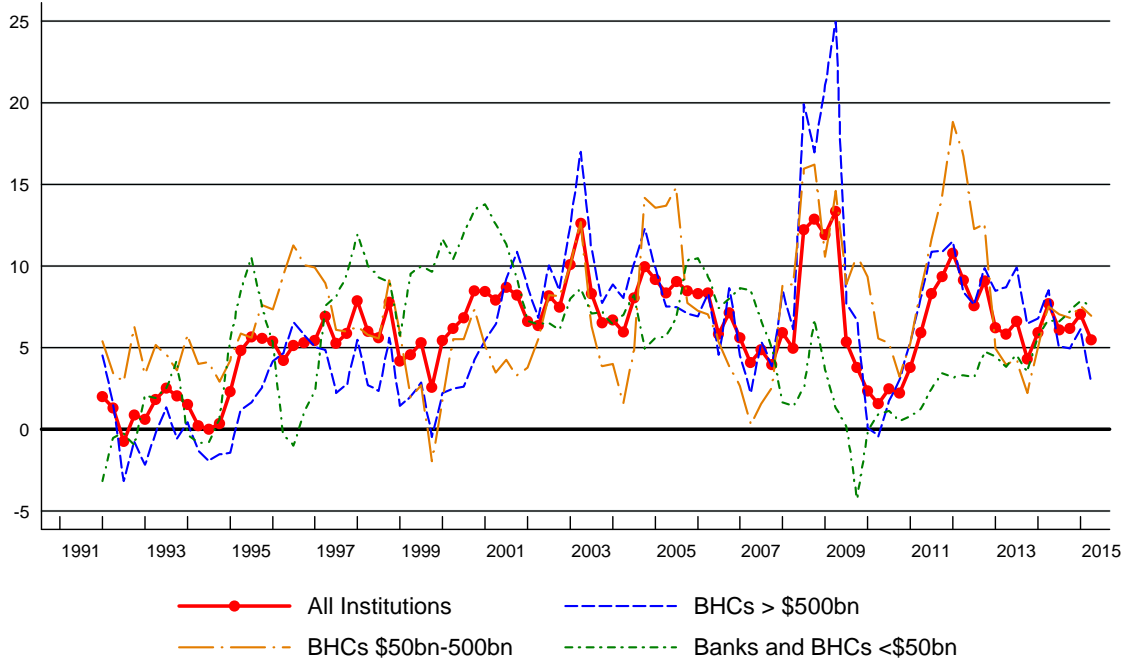


## Loan Growth Rates



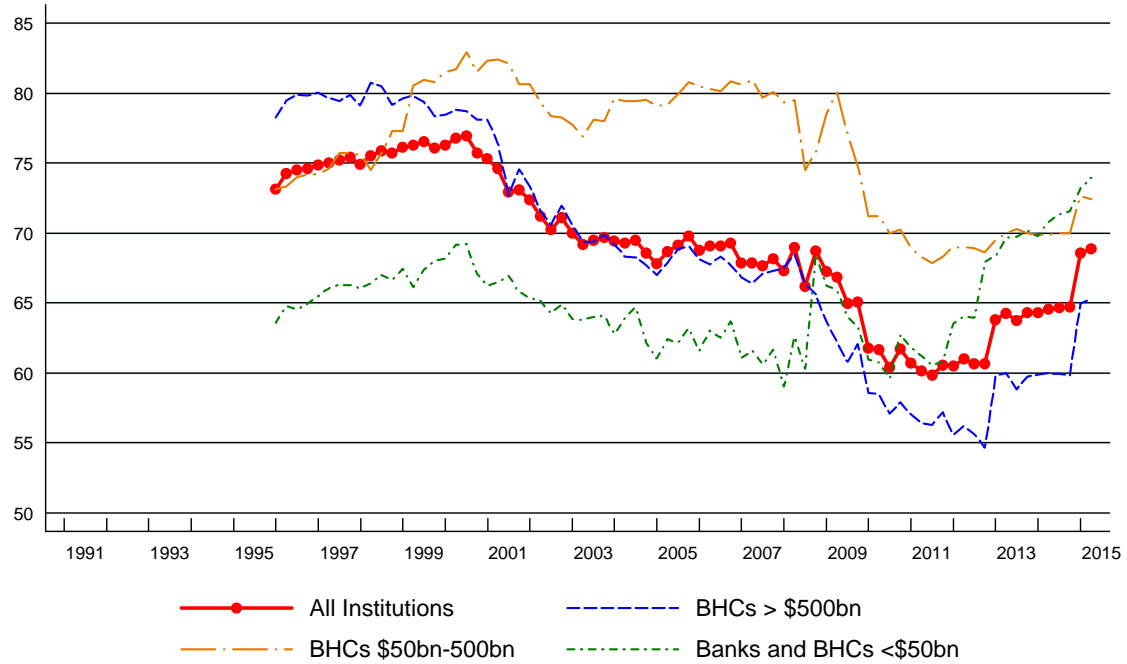
# Domestic Deposit Growth Rates

Year-over-year % change in domestic deposits



# Risk-Weighted Assets Ratio

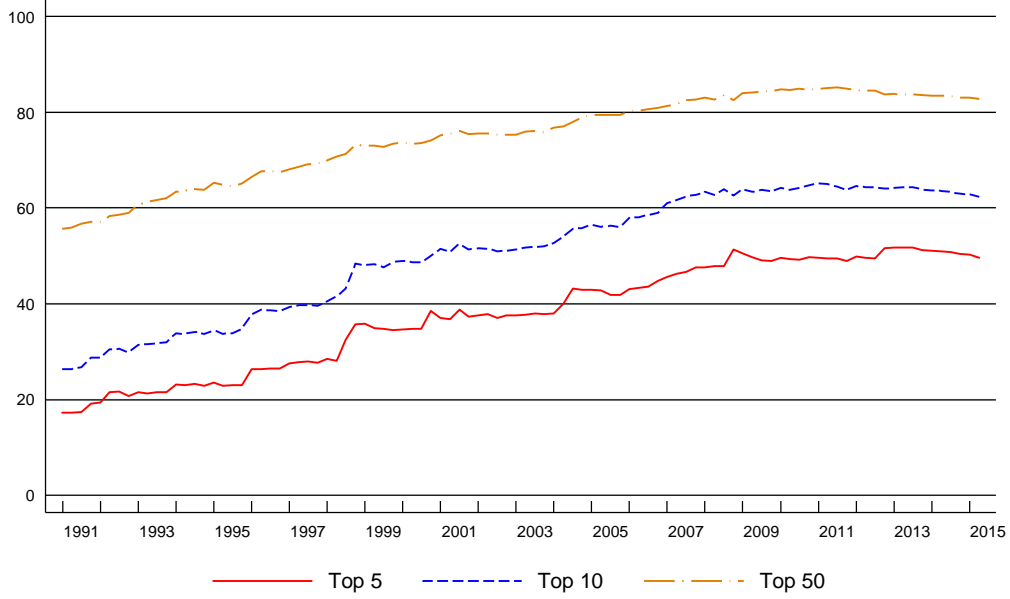
Risk-weighted assets as % of total assets



Note: This chart starts in 1996:Q1 because data for the risk-weighted assets component of this ratio are not reported prior to that date.

# Industry Concentration

Assets of the Top 5, Top 10, and Top 50 firms as % of total industry assets



## 5. Consolidated Financial Statistics for the Fifty Largest BHCs

Rank	Name of Institution	Total Assets (Bil USD)	Quarterly Net Income (Mil USD)	Profitability		Capital Adequacy Ratios (%)			Advanced Approaches Firm
				Annualized Return on Assets	Annualized Return on Equity	CET1 Ratio	Tier 1 Capital Ratio	Total Capital Ratio	
1	JPMORGAN CHASE & CO	2,448.0	6,290.0	1.03	10.43	11.32	12.98	15.23	Yes
2	BANK OF AMER CORP	2,152.1	5,320.0	0.99	8.46	11.25	12.52	15.45	Yes
3	CITIGROUP	1,829.4	4,846.0	1.06	8.83	14.54	14.56	17.37	Yes
4	WELLS FARGO & CO	1,720.6	5,719.0	1.33	12.07	10.78	12.28	15.16	Yes
5	GOLDMAN SACHS GROUP THE	859.9	1,048.0	0.49	4.78	11.80	13.54	15.94	Yes
6	MORGAN STANLEY	825.8	1,807.0	0.88	9.63	14.28	16.01	19.07	Yes
7	U S BC	419.1	1,483.0	1.42	13.32	9.51	11.03	13.06	Yes
8	BANK OF NY MELLON CORP	395.3	853.0	0.86	8.92	11.32	12.90	13.37	Yes
9	PNC FNCL SVC GROUP	354.2	1,039.0	1.17	9.34	10.61	11.98	14.87	Yes
10	CAPITAL ONE FC	310.6	863.3	1.11	7.40	12.11	13.25	15.08	Yes
11	STATE STREET CORP	294.6	422.8	0.57	7.87	11.58	14.17	16.13	Yes
12	HSBC NORTH AMER HOLDS	277.2	-99.9	-0.14	-1.29	15.19	16.93	21.91	Yes
13	TD BK US HC	253.2	251.2	0.40	3.86	8.31	8.41	10.60	Yes
14	BB&T CORP	191.0	490.8	1.03	7.83	10.38	12.06	14.17	No
15	SUNTRUST BK	189.1	483.2	1.02	8.36	9.93	10.79	12.66	No
16	AMERICAN EXPRESS CO	157.1	1,472.0	3.75	26.92	13.51	14.67	16.46	Yes
17	ALLY FNCL	156.5	182.0	0.47	5.09	9.83	11.74	12.63	No
18	FIFTH THIRD BC	141.7	314.5	0.89	8.06	9.42	10.51	13.69	No
19	CITIZENS FNCL GRP	137.6	190.4	0.55	3.89	11.83	12.05	15.27	No
20	SANTANDER HOLDS USA	126.1	167.4	0.53	3.56	11.93	13.36	15.25	No
21	REGIONS FC	122.0	285.1	0.94	6.75	11.30	12.08	14.40	No
22	NORTHERN TR CORP	119.9	269.2	0.90	12.31	10.66	11.24	13.20	Yes
23	BMO FNCL CORP	118.1	99.7	0.34	2.73	12.65	12.65	16.29	No
24	MUFG AMERS HOLDS CORP	114.3	180.3	0.63	4.72	13.56	13.56	15.30	Yes
25	M&T BK CORP	97.1	286.7	1.18	9.05	9.91	11.78	14.55	No
26	KEYCORP	94.7	237.9	1.01	8.99	10.71	11.11	12.66	No
27	BANCWEST CORP	91.2	180.0	0.79	5.60	11.21	11.24	12.35	No
28	BBVA COMPASS BSHRS	88.5	136.1	0.62	4.46	10.57	10.63	13.29	No
29	DISCOVER FS	84.9	598.8	2.82	21.26	14.52	15.29	17.17	No
30	COMERICA	70.1	135.4	0.77	7.20	10.40	10.40	12.38	No
31	HUNTINGTON BSHRS	68.8	196.2	1.14	12.08	9.65	10.41	12.62	No
32	ZIONS BC	58.4	14.0	0.10	0.74	12.00	14.26	16.32	No
33	DEUTSCHE BK TR CORP	58.2	43.0	0.30	2.33	33.91	33.91	34.06	No
34	NEW YORK CMNTY BC	48.6	123.7	1.02	8.51	10.82	11.10	12.52	No
35	CIT GROUP	46.7	115.2	0.99	5.23	14.50	14.50	15.20	No
36	SVB FNCL GRP	40.2	86.1	0.86	11.29	12.54	13.15	14.15	No
37	FIRST NIAGARA FNCL GROUP	39.1	61.0	0.62	5.92	8.50	10.03	11.96	No
38	PEOPLES UNITED FNCL INC	37.2	61.7	0.66	5.27	9.89	9.89	11.84	No
39	POPULAR	36.8	597.0	6.50	48.25	15.93	15.93	18.50	No
40	CITY NAT CORP	33.8	68.5	0.81	8.92	8.60	9.67	11.70	No
41	FIRST CITIZENS BSHRS	30.9	47.9	0.62	6.85	12.52	12.66	14.10	No
42	BOK FC	30.8	79.2	1.03	9.39	13.01	13.01	14.11	No
43	EAST WEST BC	30.1	98.7	1.31	13.14	10.85	11.01	12.69	No
44	SYNOVUS FC	28.2	55.8	0.79	7.42	10.73	10.73	12.18	No
45	CULLEN/FROST BKR	27.8	73.1	1.05	10.18	11.70	12.74	14.07	No
46	ASSOCIATED BANC-CORP	27.2	49.4	0.73	6.80	9.31	9.90	12.43	No
47	BARCLAYS DE HOLDS LLC	26.4	77.4	1.17	9.05	10.50	13.02	15.21	No
48	UTRECHT-AMERICA HOLDS	26.0	40.5	0.62	4.94	10.28	10.28	12.82	No
49	FIRSTMERIT CORP	25.3	56.6	0.89	7.84	10.47	10.47	13.61	No
50	FIRST HORIZON NAT CORP	25.2	52.1	0.83	9.38	10.41	11.98	14.00	No
<b>TOTALS*</b>	TOP 50	14,985.3	37,549.0	1.00	9.03	11.76	12.94	15.44	
	ALL INSTITUTIONS (BHCS AND BANKS)	18,146.9	45,608.2	1.01	9.01	12.07	13.16	15.43	

\*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,<sup>3</sup> 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 2015:Q2, 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 Trust Corporation. 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.

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<sup>3</sup> 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 2015:Q2): 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



\$1bn in total assets, although this reporting threshold has changed over time). 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 the Basel III capital framework, during 2014, advanced approaches holding companies commenced filing Part I.B of schedule HC-R of the Y-9C, and no longer filed Part 1.A of this schedule. (Part 1.A of schedule HC-R was still filed by non-advanced-approaches firms). One consequence of this reporting change was that advanced approaches firms no longer reported the components used to calculate tier 1 common equity, and instead reported common equity tier 1 (CET1). The change in reporting also affected 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 during 2014. It does not attempt to adjust measured capital ratios to account for the methodological differences between these two measures. Beginning in 2015:Q1, all remaining firms began reporting regulatory capital under the Basel III framework. Consequently, Part 1.A of the schedule HC-R has now been retired, and Part 1.B of this schedule has been renamed as Part 1.

In addition, in 2015:Q1 firms commenced reporting risk weighted assets according to Basel III definitions rather than Basel I definitions.

The relevant figures presented in this report represent a combination of Basel I and Basel III capital and risk weighted asset measures, depending on which measure is available for each firm at each point in time. No attempt is made to adjust these measures for comparability. As a result, these series are subject to structural breaks due to the changes in reporting definitions described above. This for example accounts for the sharp increase in the ratio of risk weighted assets to total assets observed in 2015:Q1.

- 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. 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.