



**FINANCIAL  
SERVICES  
FORUM**

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# **The Value and Strength of America's Largest Financial Institutions**

March 2020

# | About the Financial Services Forum

The Financial Services Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a primary source of lending and investment in the United States and serve millions of consumers, businesses, investors, and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace, and a sound financial system.

## OUR MEMBERS





# Our value to the economy

We support economic growth by lending to consumers, businesses, and other financial institutions, and foster deep and liquid capital markets that allow the U.S. government and private institutions to finance public spending and investment

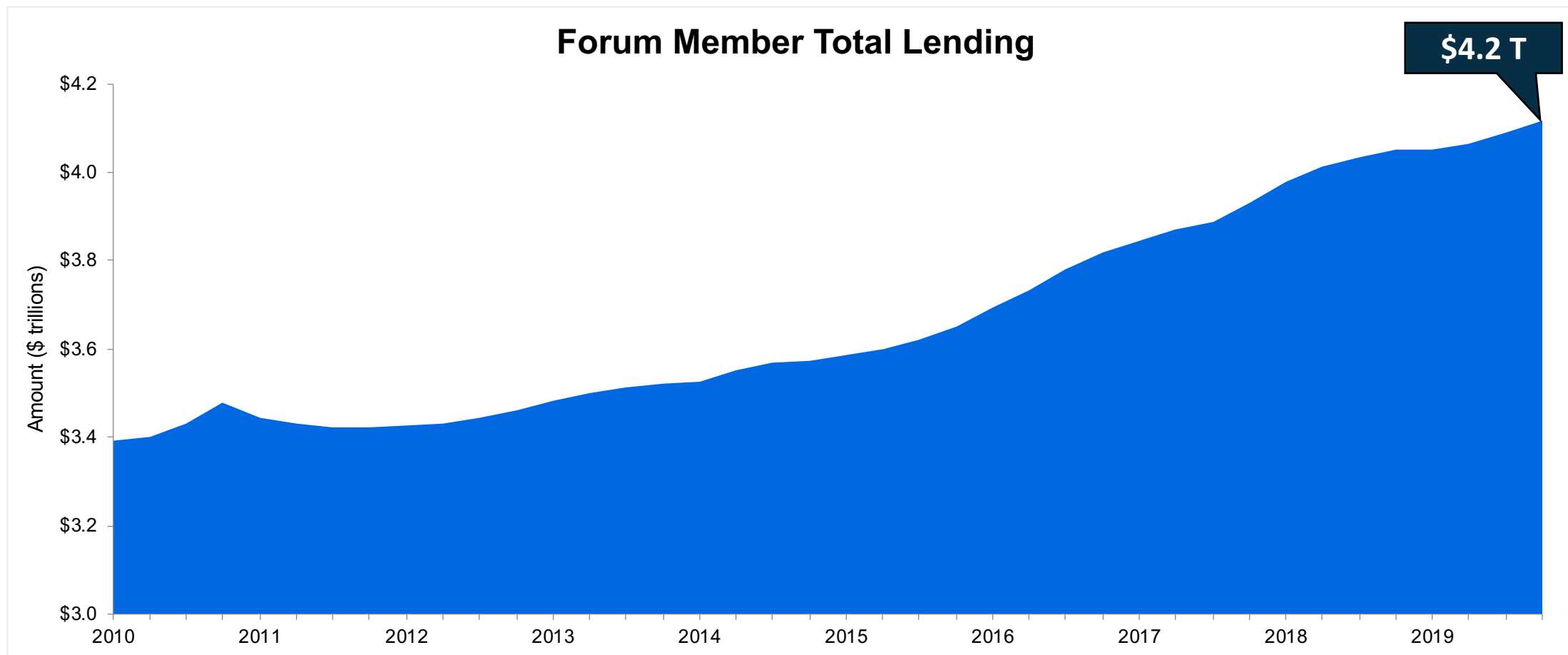


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# Supporting Savings and Investment Through Lending

# | Total Lending

Forum members hold **\$4.2 trillion in loans**, accounting for **42 percent of total lending** by banks to businesses and households.

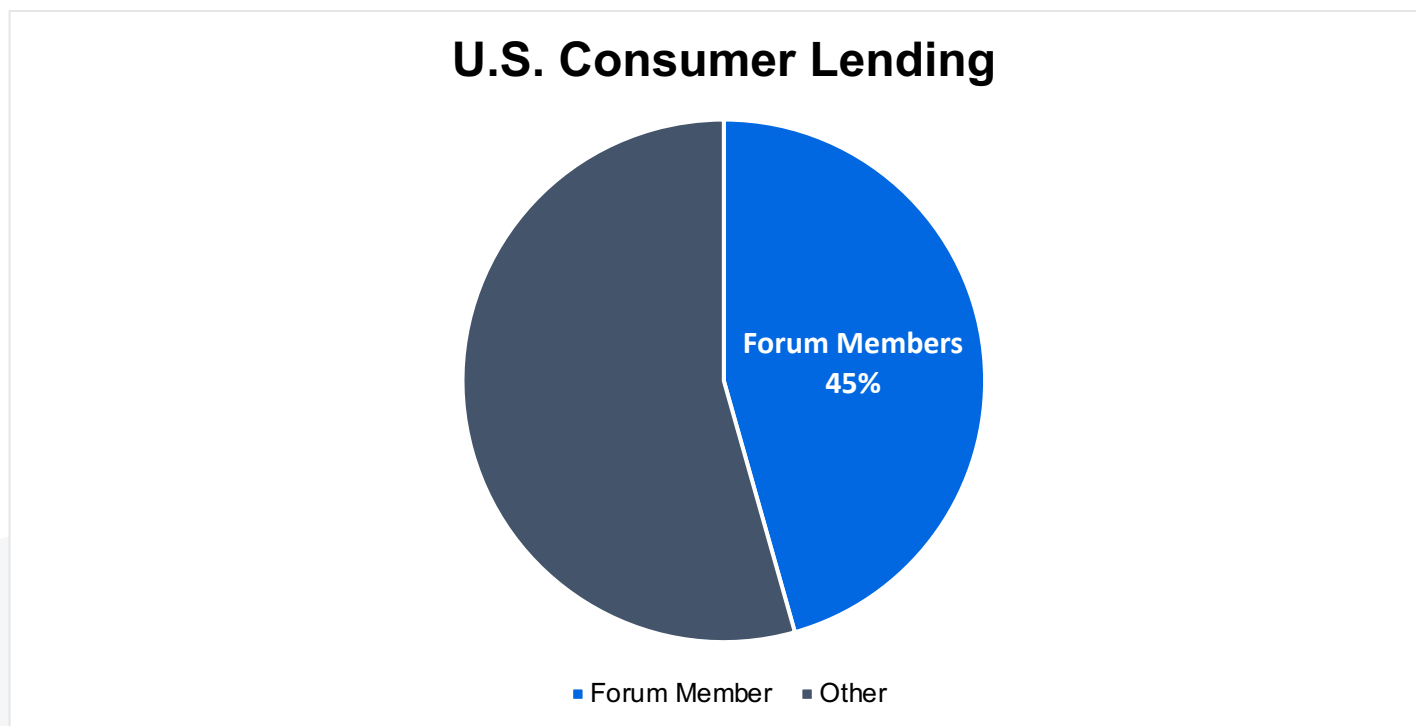


Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at <https://www.federalreserve.gov/releases/h8/default.htm>; FR Y-9C data, available at <https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx>

Note: Chart represents a rolling four-quarter average

# Lending to Consumers

**Forum members provide more than \$730 billion in consumer loans, accounting for nearly half of all consumer loans by banks in the United States.** Consumer lending supports loans for a variety of household needs, such as the purchase of a car or furnishing a new home.

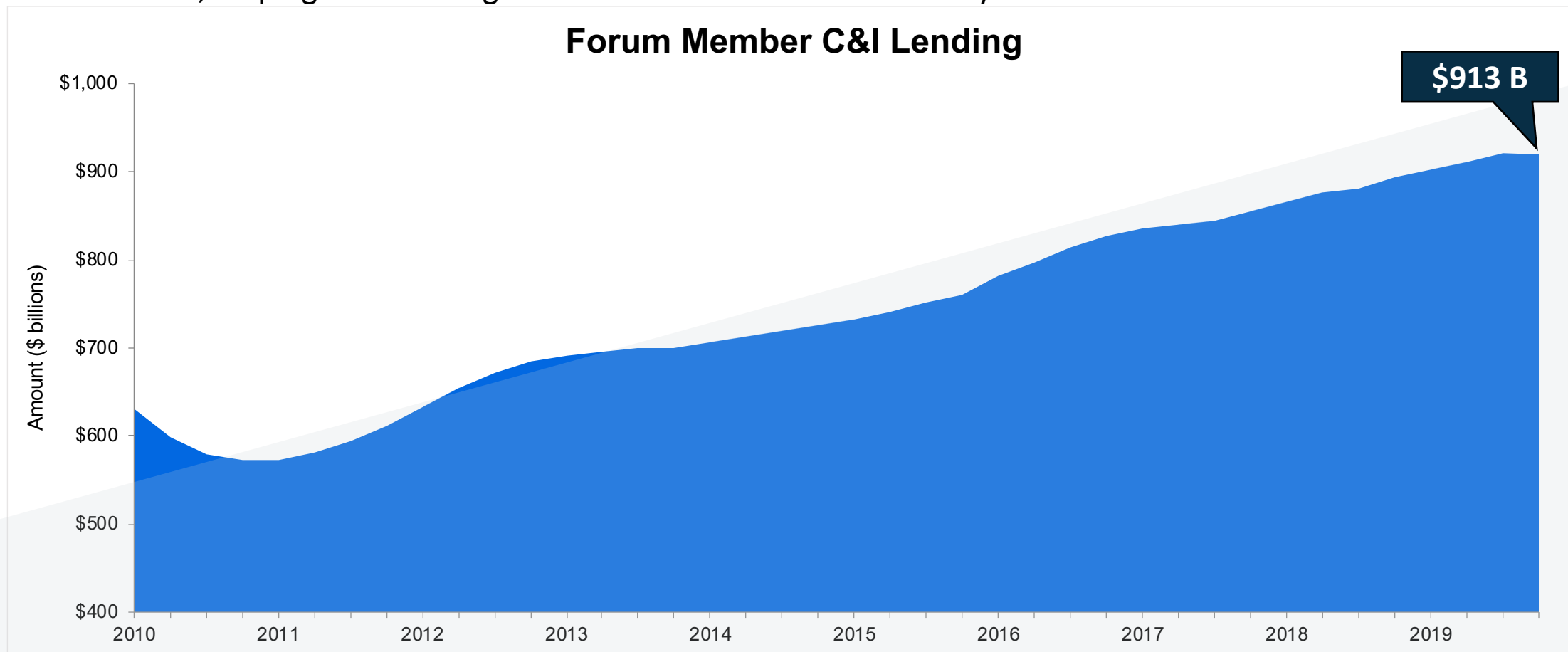


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Note: Consumer lending defined as credit cards, other revolving credit plans, automobile loans, and other personal loans held for trading

# Commercial and Industrial (C&I) Lending

We have increased C&I lending in each of the past eight years, accounting for **39 percent of total C&I lending by banks** in the market, helping businesses grow and contribute to the economy.

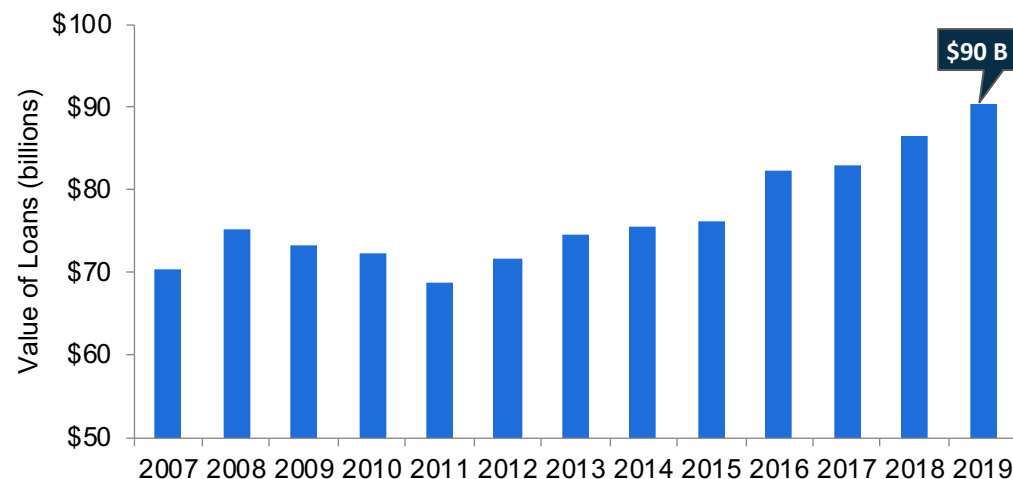


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# Small Business Lending

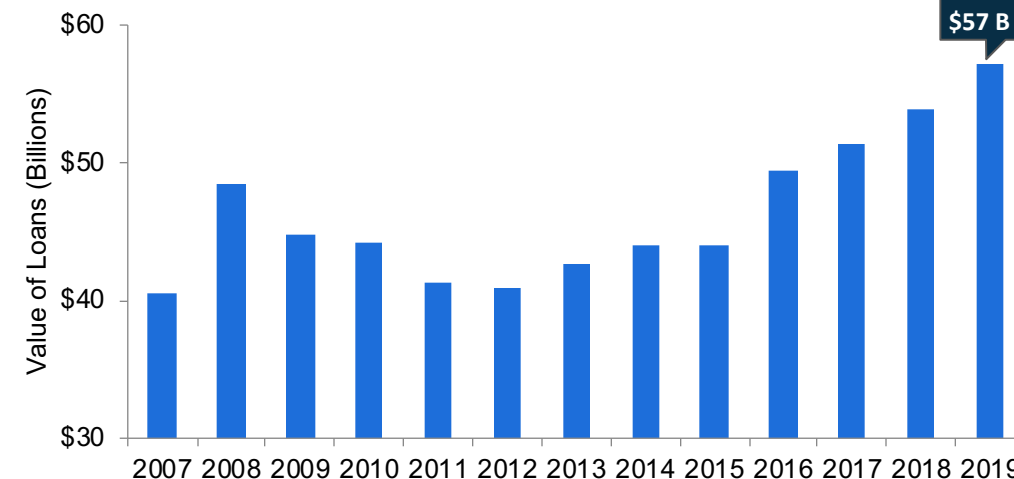
We are a major source of lending to small businesses, helping the economy grow at both a community and national level. Our members hold more than **\$90 billion in small business loans**.

**Forum Member Amount of Outstanding Business Loans Less Than \$1 Million**



- For example, we provide \$90 billion in business loans less than \$1 million, representing one-quarter of all such loans by banks to small businesses

**Forum Member Amount of Outstanding Business Loans Less Than \$100,000**

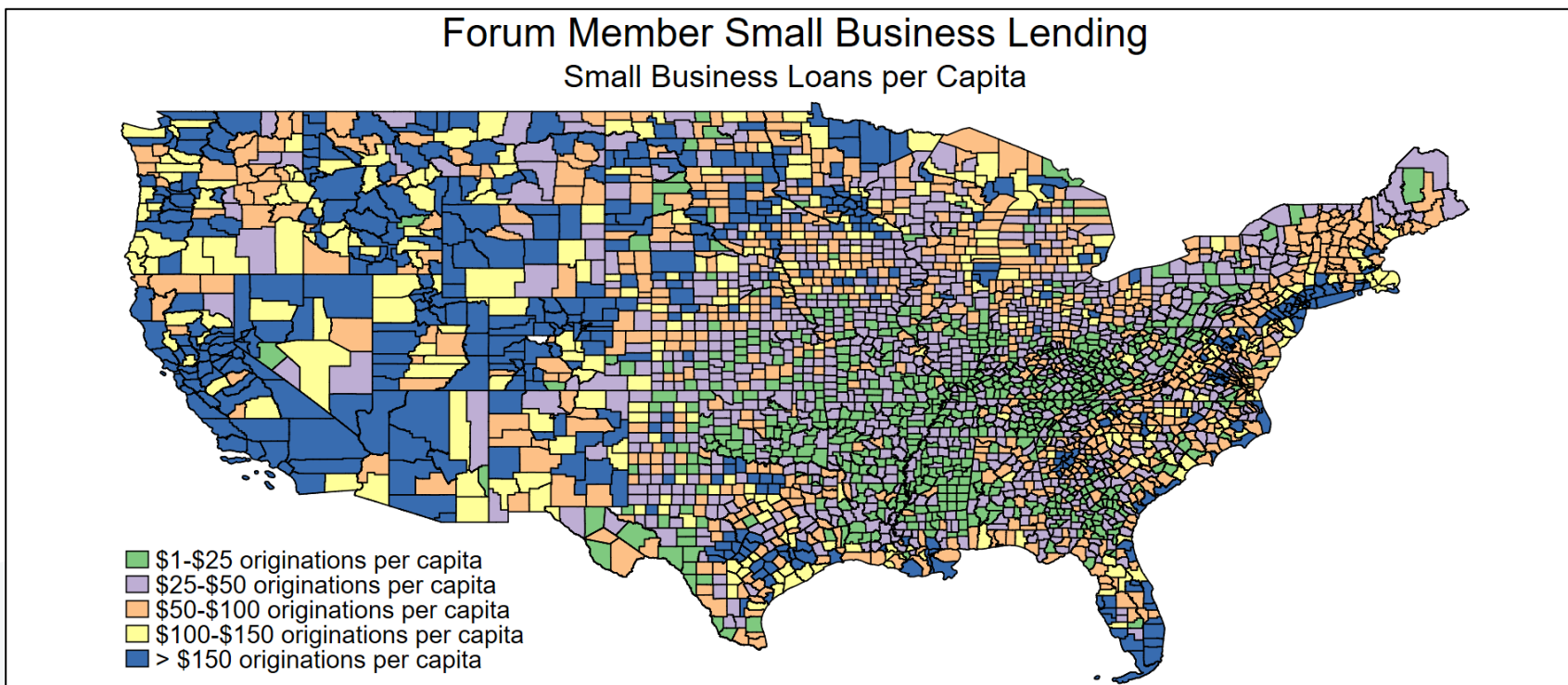


- We also provide \$57 billion in business loans less than \$100,000, representing more than one-third of all such loans by banks to small businesses



# Forum members lend to small businesses across the United States

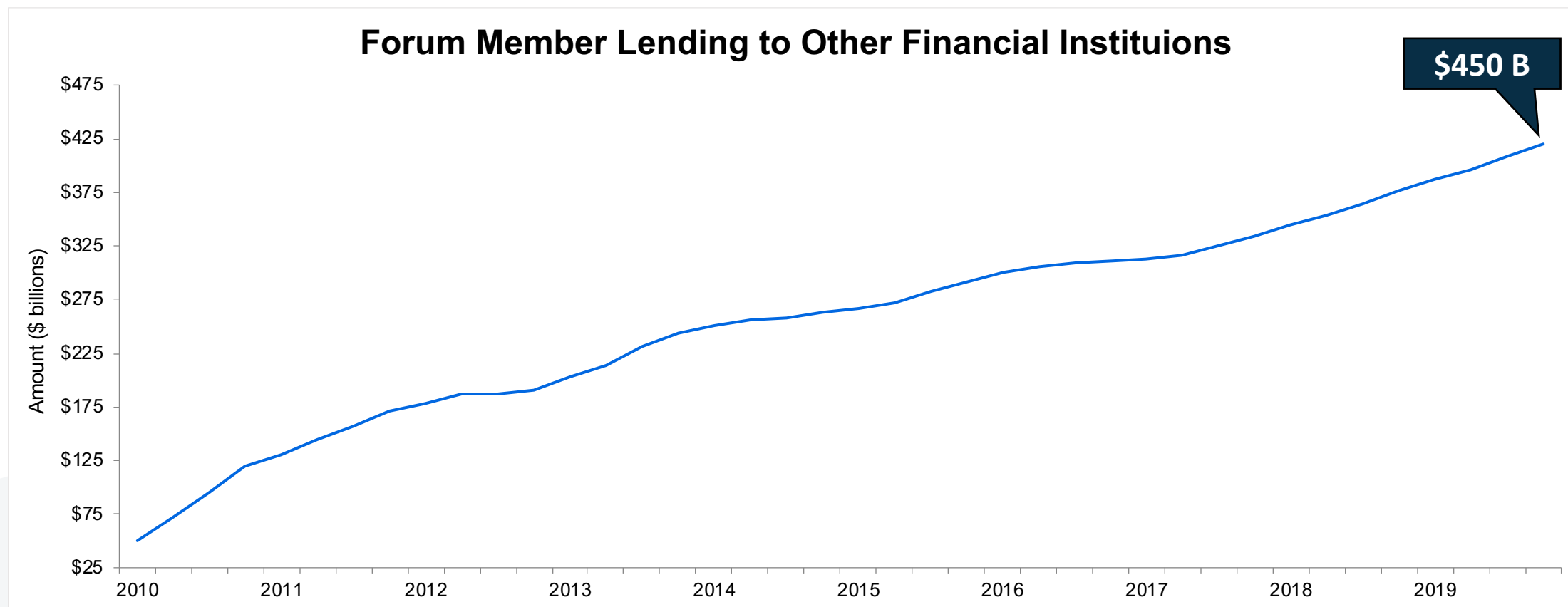
Forum member small business lending supports entrepreneurship across the nation and in a wide array of communities.



- These data reflect originations of small business loans from 2010-2018 by Forum members
- Small business lending is spread throughout the United States and areas with the highest percentage of small business lending per capita represent a diversity of geographic regions

# Lending to Other Financial Institutions

**We meet three-quarters of the bank funding needs of other financial institutions.** Lending to financial institutions supports the needs of community banks, insurance companies, and mortgage finance companies, which provide important services to businesses and households.



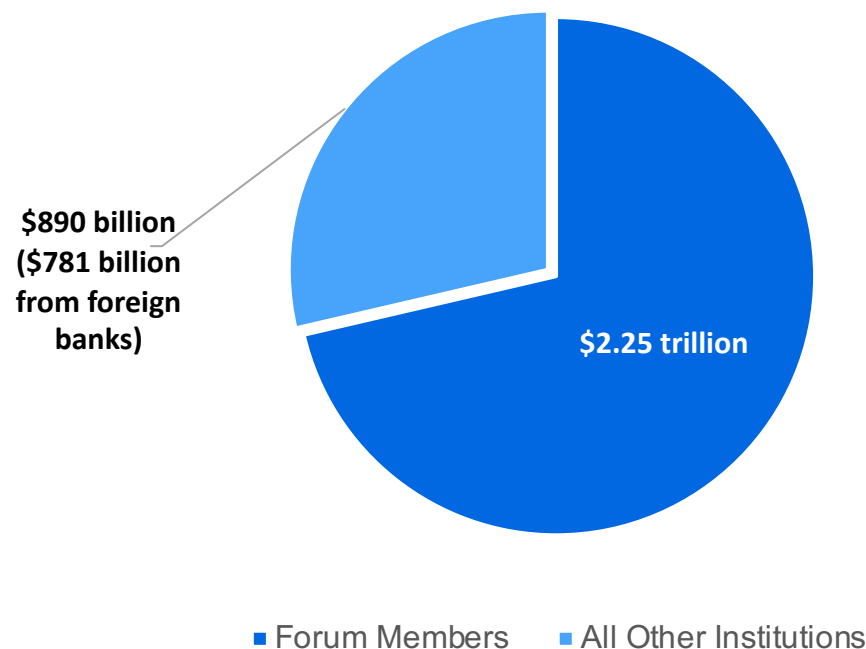
Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at <https://www.federalreserve.gov/releases/h8/default.htm>; FR Y-9C data, available at <https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx>  
 Note: Chart represents a rolling four-quarter average

# Supporting Deep and Liquid Capital Markets

# Total Debt and Equity Underwriting Activity

Our members underwrite nearly three-quarters of debt and equity transactions—such as initial public offerings—among large institutions in the U.S., providing a critical service that other U.S. institutions cannot offer on a similar scale.

**Four-quarter average trough Q3 2019**



Our underwriting activities:

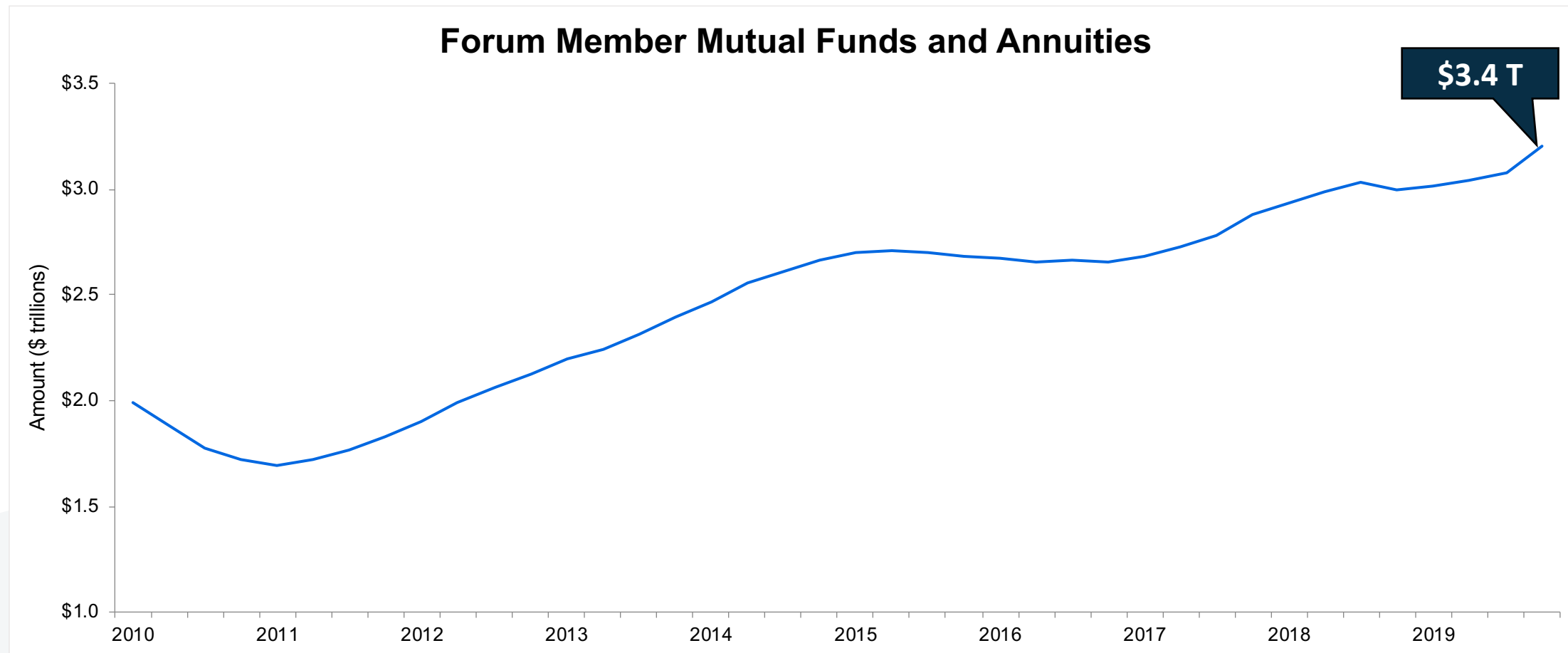
- foster deep and liquid capital markets
- support corporate investment in the real economy

Source: FR Y-15 data, available at <https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx>

Note: The data cover debt and equity underwriting for all holding companies with total consolidated assets in excess of \$50 billion

# Mutual Funds and Annuities

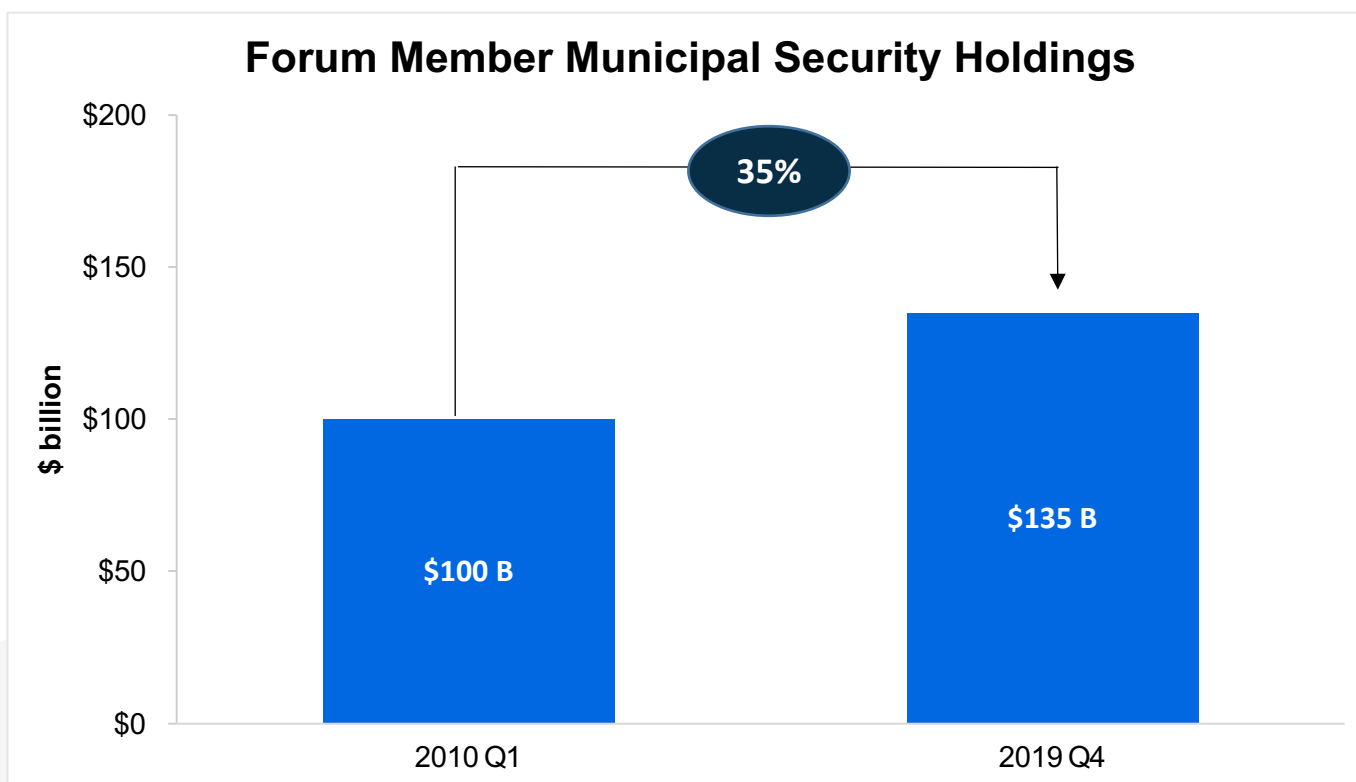
With over **\$3 trillion** of mutual funds and annuities under management, we support retirement and other saving needs.



Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at <https://www.federalreserve.gov/releases/h8/default.htm>; FR Y-9C data, available at <https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx>  
 Note: Chart represents a rolling four-quarter average

# Municipal Securities Holdings

With **more than \$130 billion in municipal securities holdings**, we finance a significant portion of state and local government expenditures for vital projects, such as hospitals, roads, bridges, and schools.



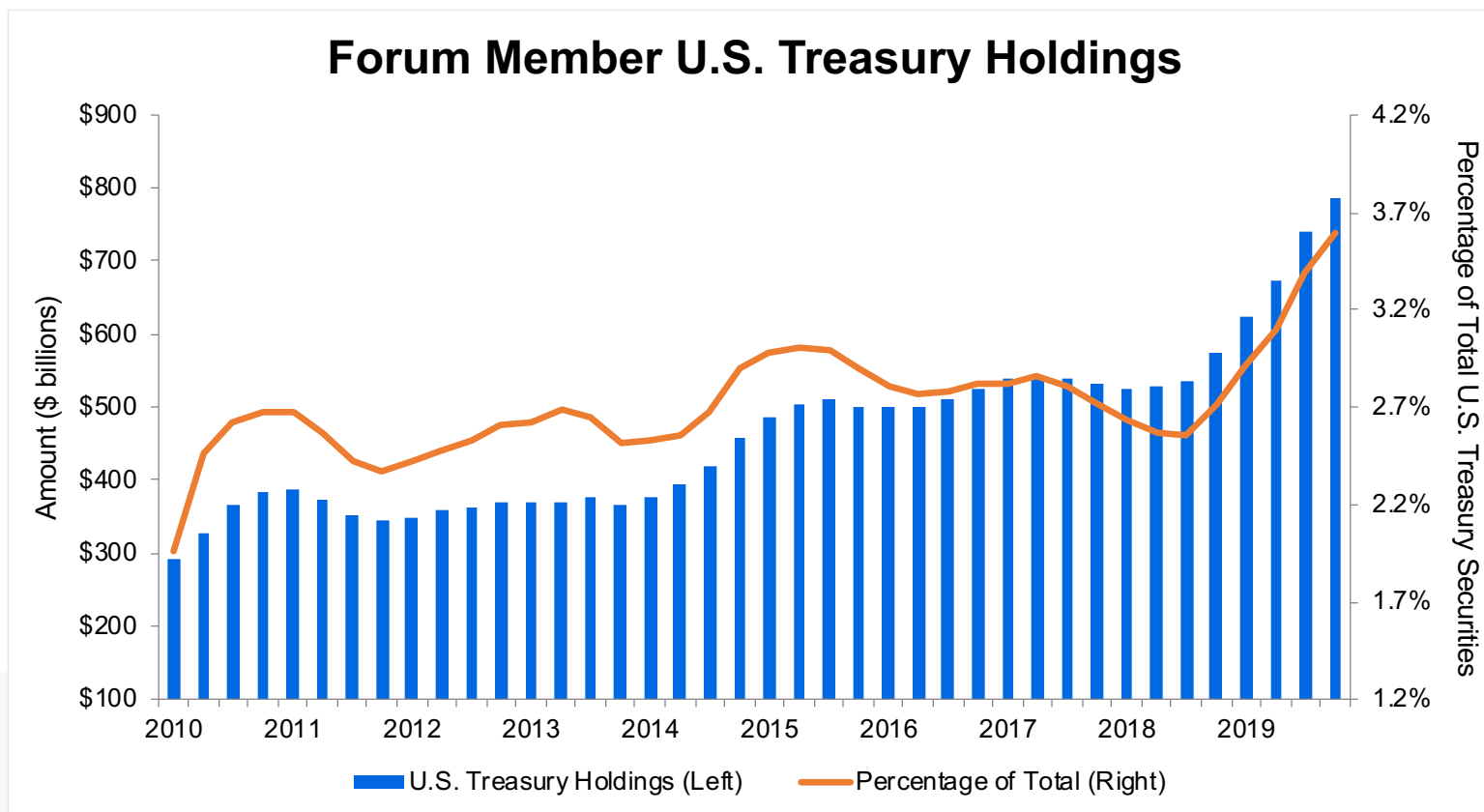
- Our holdings of municipal securities also foster liquid secondary markets, thus improving the ease and cost with which state and local governments can access capital markets and finance public spending and investment

Sources: Federal Reserve data, Assets and Liabilities of Commercial Banks in the United States – H.8, available at <https://www.federalreserve.gov/releases/h8/default.htm>; FR Y-9C data, available at <https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx>

Note: Chart represents a rolling four-quarter average

# U.S. Treasury Securities

With **\$860 billion** in U.S. Treasury securities holdings, we also finance a significant portion of federal government expenditures.



- Our holdings of U.S. Treasury securities also foster liquid secondary markets, thus improving the ease and cost with which the U.S. government can access capital markets and finance public spending and investment

Sources: Federal Reserve data, Financial Accounts of the United States - Z.1, available at <https://www.federalreserve.gov/releases/Z1/current/default.htm>; FR Y-9C data, available at <https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx>

Note: Chart represents a rolling four-quarter average

# Improvements in resiliency, resolvability, and supervision

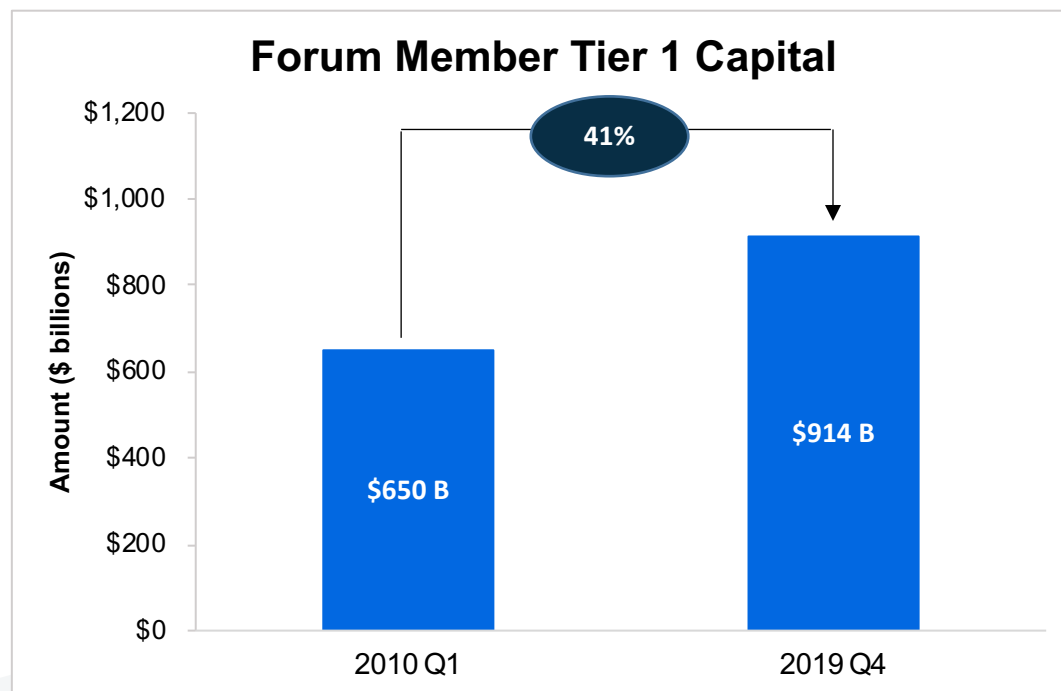
- We have substantially improved our capital and liquidity positions in the past several years
- In addition, a number of regulatory and supervisory changes have led to further improvements in our resiliency and resolvability
- These changes have resulted in a more robust banking system that supports a strong economy
- Prudential regulation should promote safe and sound institutions that can lend in both good and bad times



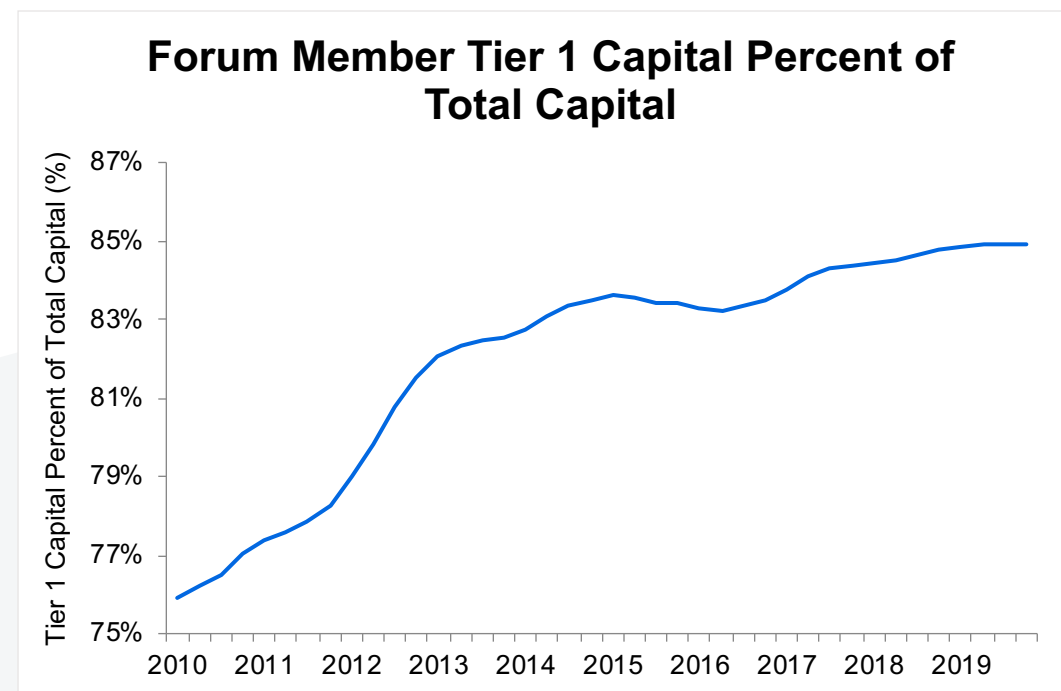
# Improvements in Capital and Liquidity

# Improvements in Tier 1 Capital and Resiliency

We have significantly enhanced the quality and quantity of our capital. Since 2010, **Tier 1 capital has increased by more than 40 percent** and has grown as a share of risk-weighted assets and total capital. Our members currently maintain **\$914 billion of Tier 1 capital**.



- Both dollar amounts of capital and capital ratios have improved markedly since 2010



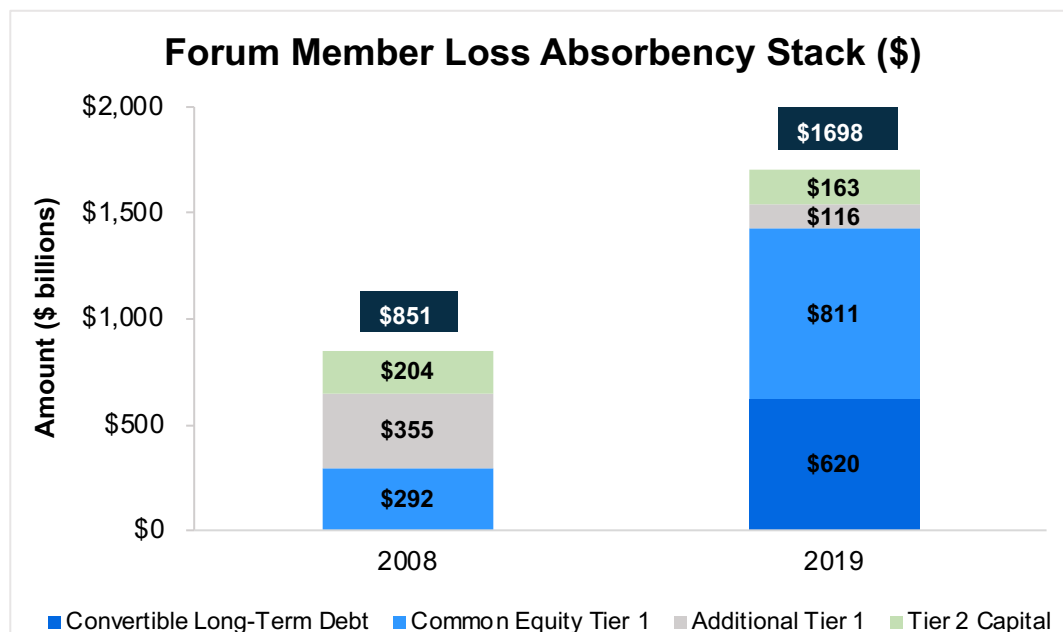
- The share of capital accounted for by high-quality and loss-absorbing Tier 1 capital has improved markedly

Source: FR Y-9C data, available at <https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx>

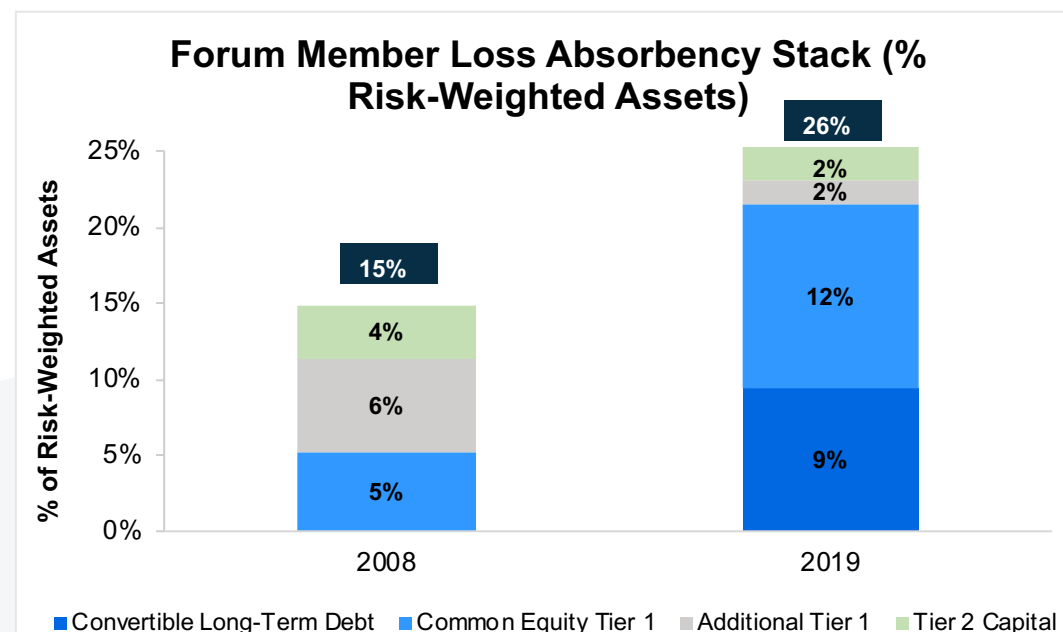
Note: Capital amounts are reflective of the regulatory definition of capital at each point in time; Chart represents a rolling four-quarter average

# Forum Member Total Loss Absorbency

Since 2008, **Forum member's total loss absorbency**—measured by convertible long-term debt, Tier 2 capital, common equity Tier 1 and additional Tier 1 capital—has grown by **\$850 billion**, a doubling that substantially improves Forum members' ability to withstand losses.



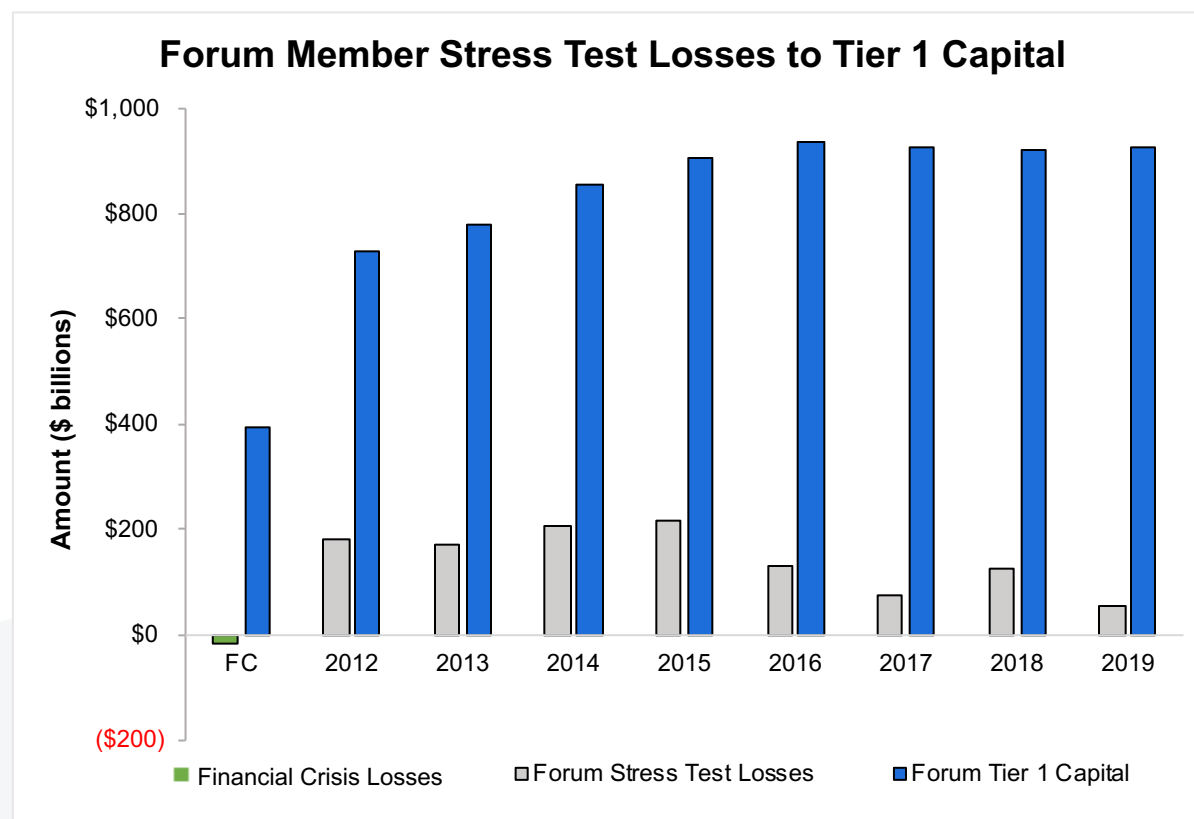
- Common equity Tier 1, the most loss absorbing form of capital, has grown more than \$515 billion since 2008, and has increased as a percent of total Tier 1 capital, from 45 percent to 87 percent



- Estimated convertible long-term debt, debt that may be converted into equity to absorb losses

# Forum Capital Resiliency and Stress Tests

Stress tests have become an important part of the capital regime for Forum members. While losses sustained from stress tests are significant, they pale in comparison to the amount of Forum member Tier 1 capital.

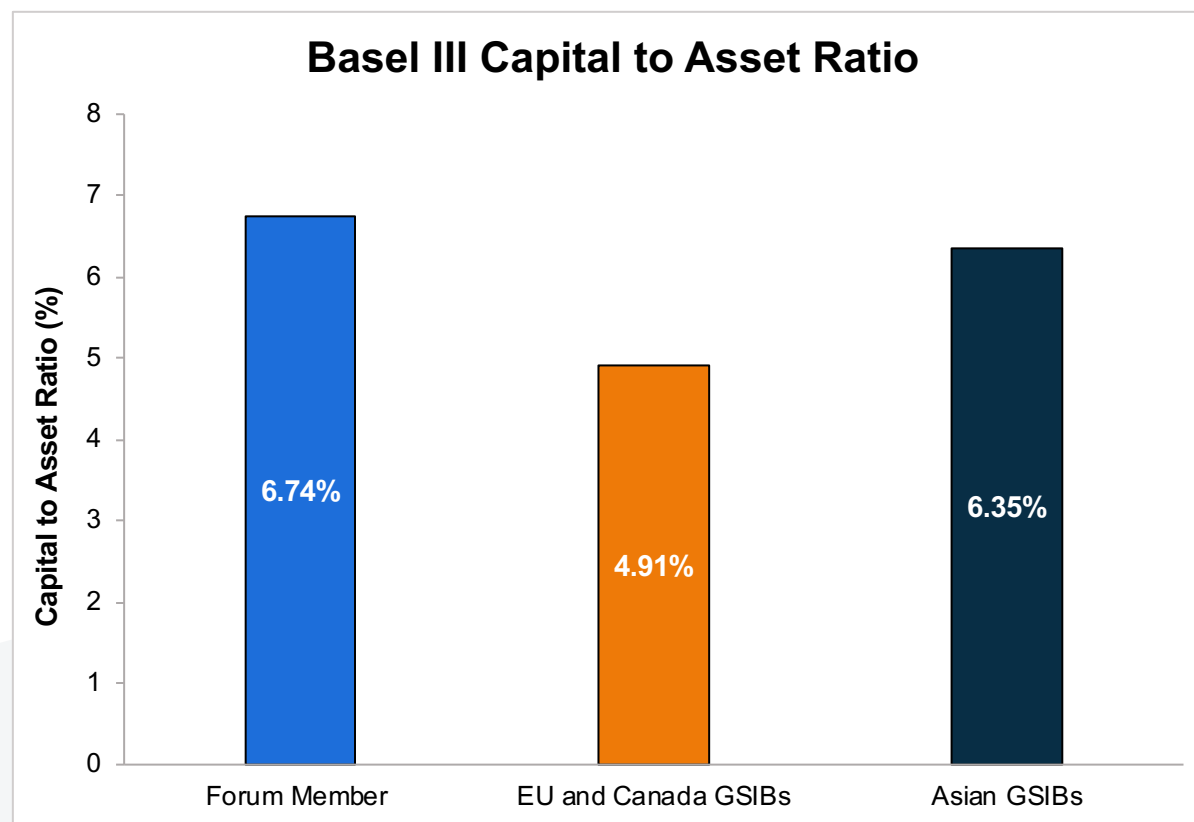


- Forum aggregate stress test losses range from 13.7 percent to 26.5 percent of Forum aggregate Tier 1 capital, demonstrating that Forum members maintain substantial capital to sustain losses as severe as those contemplated in the stress tests
- In addition, stress test losses are significantly more severe than the experience of the financial crisis

# Forum Resiliency vs. International Peers

**Forum members maintain significantly more capital than their foreign counterparts.**

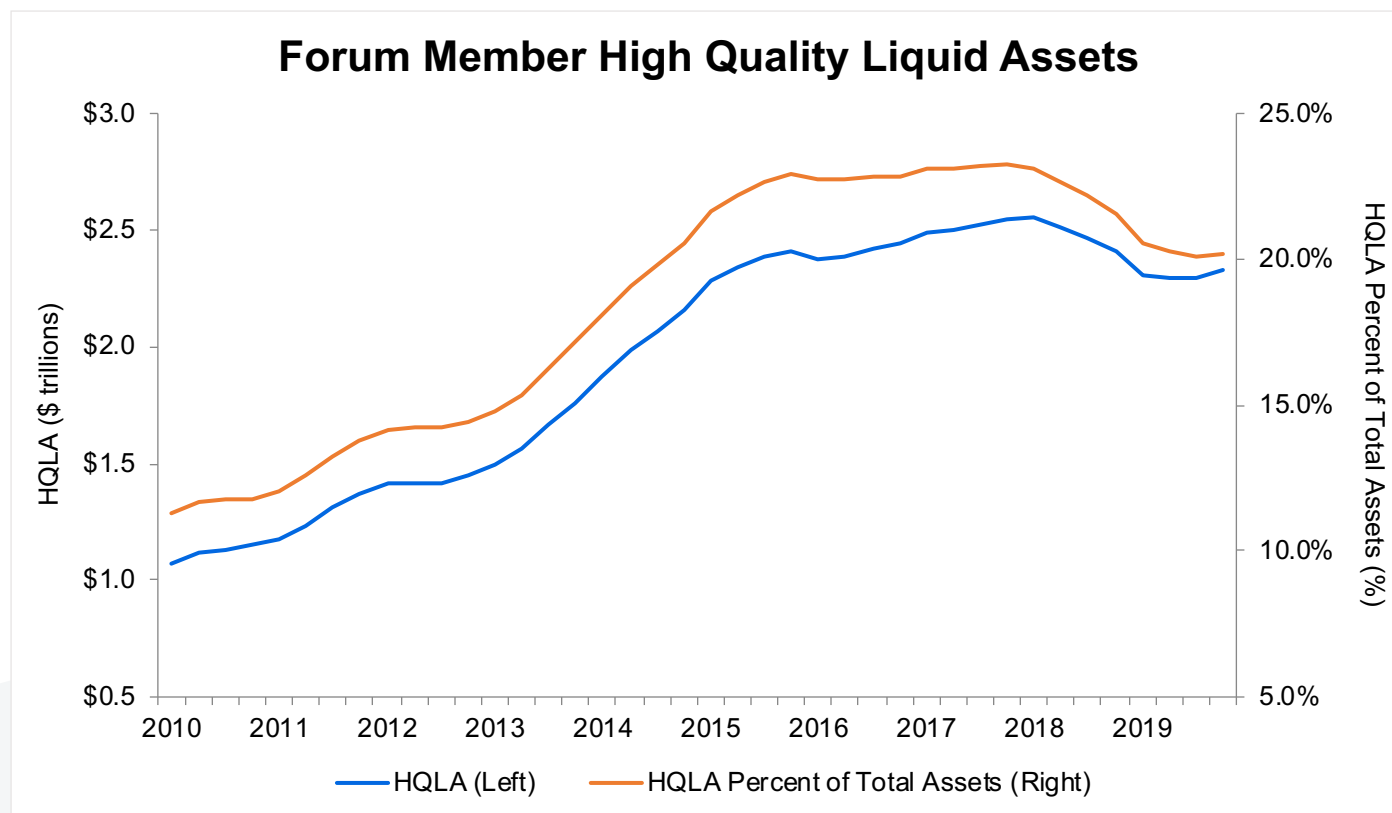
This enhanced resiliency leads to a strong banking system that supports economic growth.



- Forum members have a higher capital-to-asset ratio when compared to their EU/Canadian and Asian counterparts
- This difference is especially large compared to EU and Canadian GSIBs, with Forum members maintaining 37% more capital relative to assets

# Improvements to Liquidity Profile

We have also greatly increased our liquidity profiles and now hold **over \$2.4 trillion in high-quality liquid assets (HQLA)**. Since 2010, HQLA has doubled.



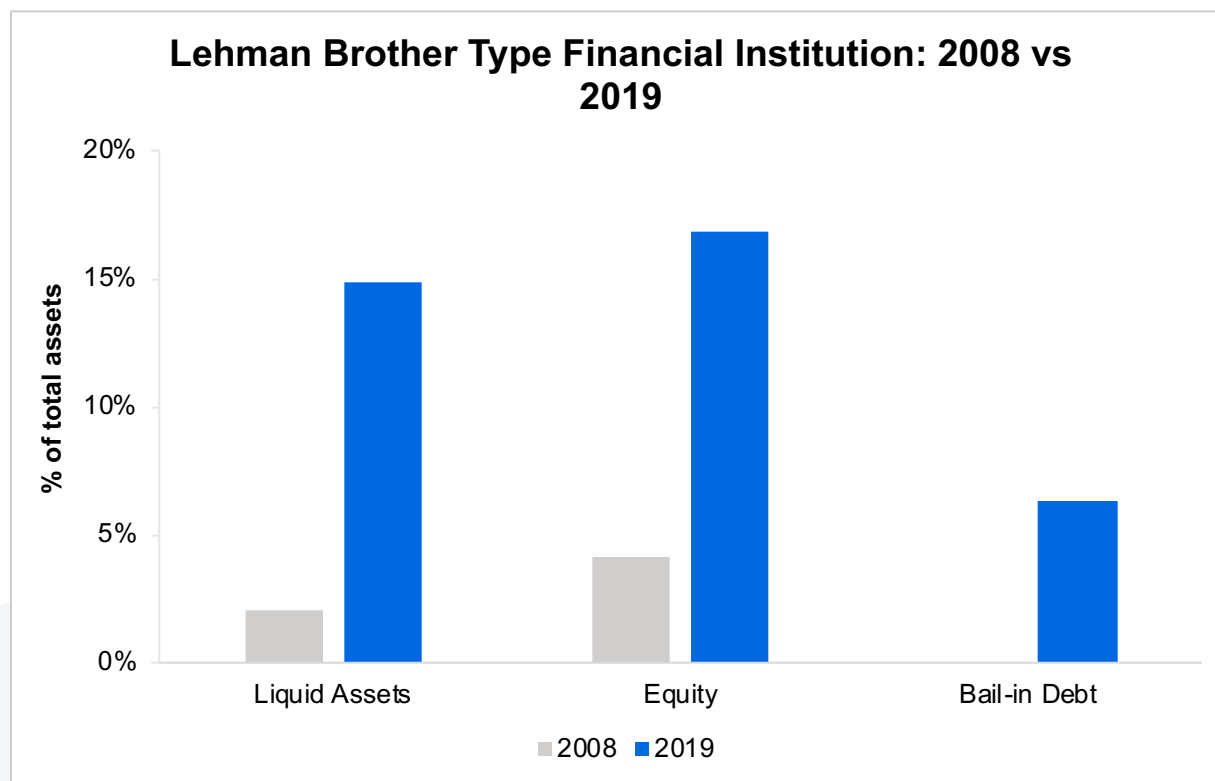
- Increased liquidity complements increased capital and improves resiliency to adverse shocks
- We have substantially increased HQLA, both in dollar amount and relative to total assets

Source: FR Y-9C data, available at <https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx>.

Note: HQLA is reported according to Basel III at the Bank Holding Company level; Chart represents a rolling four-quarter average

# Post-Crisis Reforms and Resiliency

The collapse of Lehman Brothers is often regarded as the turning point of the 2007-2009 recession. A similarly sized financial entity subject to today's regulatory standards would be significantly more resilient to large shocks like those experienced during the financial crisis.



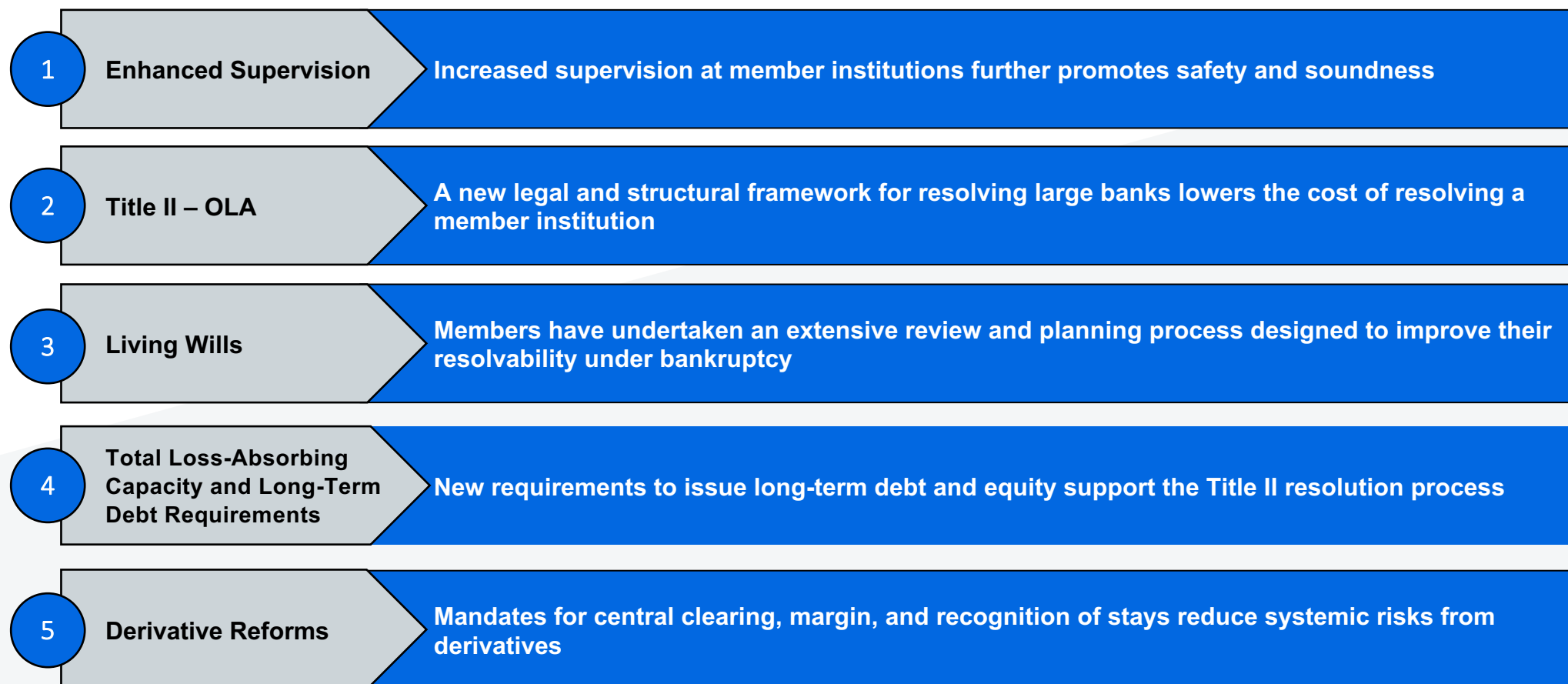
- In 2008, Lehman held low levels of cash and liquid resources making it susceptible to adverse shocks. Post-crisis liquidity regulations require much higher levels of liquidity
- Post-crisis capital requirements would result in a near doubling of capital levels relative to 2008
- Large banks now issue significant amounts of debt that can be “bailed in” to support a resolution event. Such debt was not available in 2008
- A number of additional regulatory and supervisory enhancements have strengthened the resiliency of the financial system

# Improvements in Regulation and Supervision



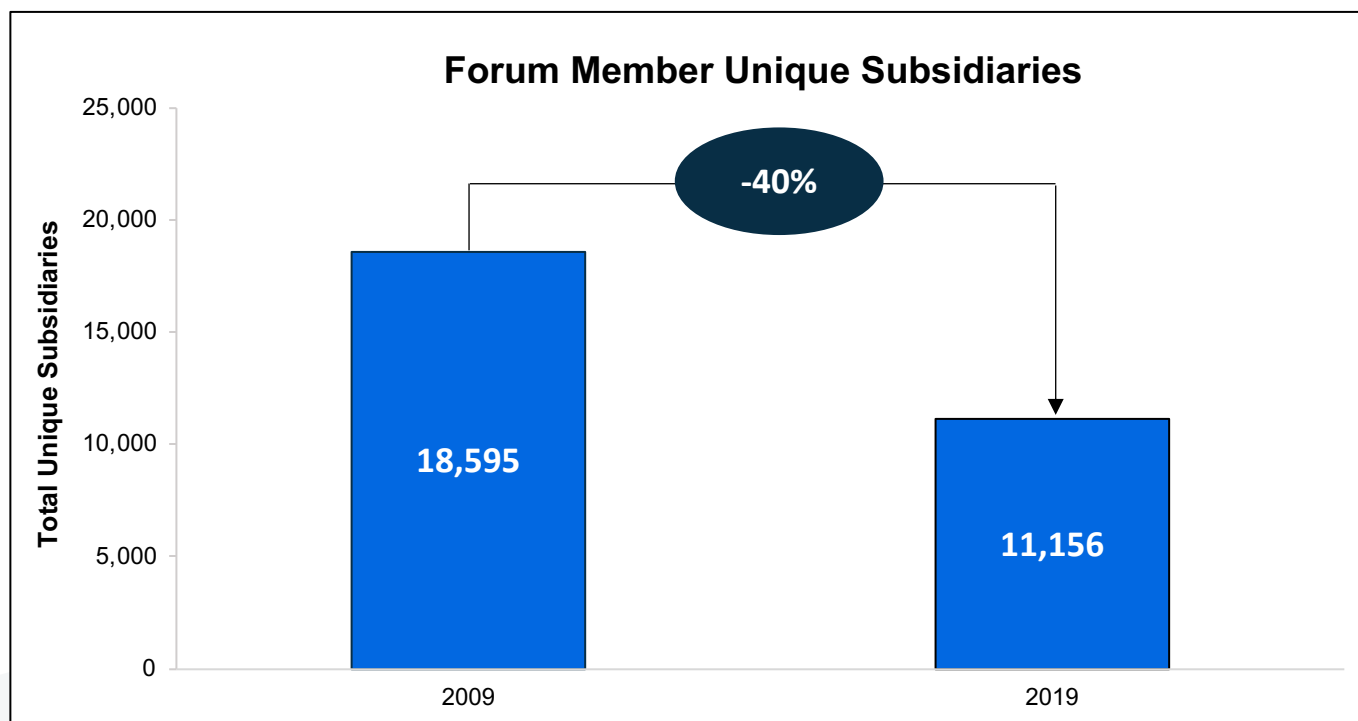
# Additional Regulatory and Supervisory Developments

In conjunction with significantly higher levels of capital and liquidity, several post-crisis regulatory and supervisory reforms have greatly increased the resiliency of the U.S. financial system.



# Resolution: Overview and Improvements

In concert with a regulatory requirement to submit resolution plans (often referred to as “living wills”), U.S. GSIBs have made **significant progress to reduce their organizational complexity and increase their resolvability**



Total subsidiaries at U.S. GSIBs have **declined by roughly 40%** since 2009, which suggests a significant decrease in organizational complexity

Through the regular submission of resolution plans to the FRB and FDIC, large banks explain how they would undergo a rapid and orderly resolution in the event of material financial distress or failure – decreased organizational complexity would facilitate such a resolution proceeding