

# US superregional banks had noisy Q4'17 due to tax reform

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The bottom-line results for U.S. superregionals — select banks with \$50 billion to \$500 billion in total assets — was noisy in the fourth quarter of 2017 because of recently enacted U.S. tax reform.

The group's median effective tax rate for the quarter dropped to 23.86% from 29.24% a year ago. Of the 15 superregionals, eight reported a lower year-over-year income tax provision, and six of the provisions were negative.

PNC Financial Services Group Inc.'s provision for the recent quarter was negative \$1.02 billion, compared to \$319.0 million in the year-ago period. Aside from taxes, Piper Jaffray analyst Kevin Barker noted positive trends in the company's loan growth, particularly on the consumer side.

Gross loans also continued to grow at SVB Financial Group, up 16.1% in 2017, driven by increases in its private equity and

venture capital segment. The loan growth, combined with margin expansion and higher noninterest income, propelled the company to 57.1% normalized EPS growth for the quarter, on a year-over-year basis, topping all superregionals. The group's median earnings growth rate was 16.2%, while median normalized revenue growth was 6.8%.

Just two of the superregionals, KeyCorp and First Republic Bank, booked a lower year-over-year net interest margin. The quarter-over-quarter comparison was a different story, however, skewed by tax reform. Only six of the 15 companies experienced margin expansion relative to the third quarter of 2017.

Meanwhile, year-over-year total deposit growth continued to decline, falling to 1.1% from 1.3% in the prior quarter and 7.1% in the fourth quarter of 2016. Even with rising rates, superregionals managed to increase noninterest-bearing de-

## Superregionals impacted by tax law in Q4'17

Ranked by market cap

Company (ticker)	Jan. 25, 2018 market cap (\$B)	Effective tax rate (%)		Income tax provision (\$M)	
		Q4'17	Q4'16	Q4'17	Q4'16
U.S. Bancorp (USB)	96.01	-28.60	26.91	-375.0	549.0
PNC Financial Services Group Inc. (PNC)	74.64	-94.69	23.35	-1,017.0	319.0
Capital One Financial Corp. (COF)	50.54	165.90	30.13	2,170.0	342.0
BB&T Corp. (BBT)	42.77	23.86	30.86	209.0	287.0
SunTrust Banks Inc. (STI)	33.25	-11.08	29.24	-74.0	193.0
M&T Bank Corp. (MTB)	28.17	48.72	35.20	306.3	179.5
KeyCorp (KEY)	23.17	56.15	14.07	251.0	38.0
Citizens Financial Group Inc. (CFG)	22.91	-32.41	31.88	-163.0	132.0
Fifth Third Bancorp (FITB)	22.78	-29.52	22.40	-116.0	114.0
Regions Financial Corp. (RF)	21.70	39.05	31.31	214.0	134.0
Huntington Bancshares Inc. (HBAN)	17.21	-4.85	23.63	-20.0	74.0
Comerica Inc. (CMA)	16.37	66.06	27.43	218.0	62.0
First Republic Bank (FRC)	14.64	17.88	21.71	42.3	49.7
SVB Financial Group (SIVB)	13.80	52.00	34.60	135.1	54.8
Zions Bancorp. (ZION)	10.47	52.51	33.59	136.0	69.5
<b>Median of superregional US banks</b>		<b>23.86</b>	<b>29.24</b>		

Data compiled Jan. 26, 2018.

Analysis includes public U.S. banks and thrifts with total assets between \$50 billion and \$500 billion at Dec. 31, 2017, and with noninterest income less than two-thirds of operating revenue for the quarter ended Dec. 31, 2017.

Data based on GAAP filings for the quarter ended Dec. 31, 2017.

Source: S&amp;P Global Market Intelligence

### Q4'17 snapshot of superregional US banks

Ranked by total assets as of Dec. 31, 2017

Company (ticker)	Total assets (\$B)	YOY change (%)^		Efficiency ratio		Net interest margin	
		Normalized EPS	Normalized revenue	(%) vs. Q4'16*	(%) vs. Q4'16*		
U.S. Bancorp (USB)	462.04	7.3	2.8	58.40	▲	3.09	▲
PNC Financial Services Group Inc. (PNC)	380.77	16.2	10.0	75.39	▲	2.91	▲
Capital One Financial Corp. (COF)	365.69	-2.4	6.8	52.07	▼	7.03	▲
BB&T Corp. (BBT)	221.64	15.1	5.0	57.05	▼	3.44	▲
SunTrust Banks Inc. (STI)	205.96	21.1	5.2	62.72	▼	3.19	▲
Citizens Financial Group Inc. (CFG)	152.34	29.1	8.9	58.01	▼	3.12	▲
Fifth Third Bancorp (FITB)	142.19	-21.4	2.2	63.27	▲	3.04	▲
KeyCorp (KEY)	137.70	16.1	2.7	62.89	▼	3.11	▼
Regions Financial Corp. (RF)	124.29	41.7	5.9	61.60	▼	3.40	▲
M&T Bank Corp. (MTB)	118.59	34.3	8.5	54.65	▼	3.58	▲
Huntington Bancshares Inc. (HBAN)	104.19	8.3	3.8	55.68	▼	3.33	▲
First Republic Bank (FRC)	87.78	6.8	17.0	58.30	▲	3.11	▼
Comerica Inc. (CMA)	71.57	29.3	15.0	56.75	▼	3.29	▲
Zions Bancorp. (ZION)	66.29	27.5	10.7	61.57	▼	3.48	▲
SVB Financial Group (SIVB)	51.21	57.1	33.4	50.32	▼	3.23	▲
<b>Median of superregional US banks</b>		<b>16.2</b>	<b>6.8</b>	<b>58.30</b>	<b>▼</b>	<b>3.23</b>	<b>▲</b>

Data compiled Jan. 26, 2018.

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Data based on GAAP filings for the quarter ended Dec. 31, 2017.

^ Year-over-year change based on the operating version of the actual data, adjusted to align with analyst consensus treatment of nonrecurring or one-time items incurred during the period, as reported by S&P Capital IQ.

\* Change in efficiency ratio and net interest margin calculated out to two decimal places.

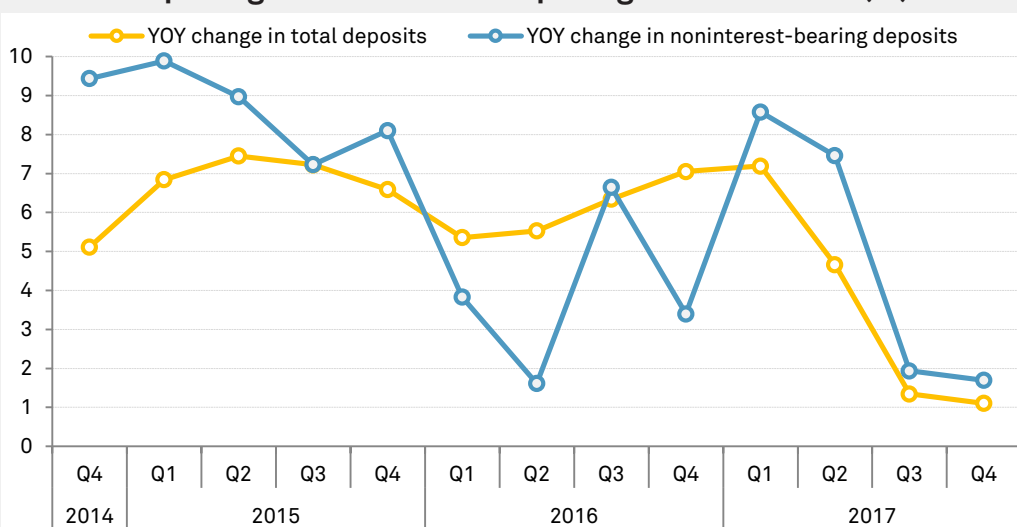
EPS = earnings per share

Source: S&P Global Market Intelligence

posits at a faster pace than total deposits for the fourth consecutive quarter. BB&T Corp. was the most extreme example, boosting noninterest-bearing deposits by 6.1% when total deposits were down 1.8%.

In 2018, Barker expects the market to change its focus to the impact of additional rate increases instead of taxes. He projects deposit betas to accelerate broadly this year.

### Median deposit growth trends at superregional US banks (%)



Data compiled Jan. 26, 2018.

Analysis includes public U.S. banks and thrifts with total assets between \$50 billion and \$500 billion at Dec. 31, 2017, and with noninterest income less than two-thirds of operating revenue for the quarter ended Dec. 31, 2017. Superregional U.S. bank group includes U.S. Bancorp, PNC Financial Services Group Inc., Capital One Financial Corp., BB&T Corp., SunTrust Banks Inc., Citizens Financial Group Inc., Fifth Third Bancorp, KeyCorp, Regions Financial Corp., M&T Bank Corp., Huntington Bancshares Inc., First Republic Bank, Comerica Inc., Zions Bancorp. and SVB Financial Group.

Data based on GAAP filings.

Source: S&P Global Market Intelligence