

## Highlights from the 2009 Summary of Deposits Data

The Federal Deposit Insurance Corporation (FDIC) and the Office of Thrift Supervision (OTS) survey all FDIC-insured institutions to collect information on bank and thrift deposits and operating branches and offices each year as of June 30. The resulting Summary of Deposits (SOD) is a valuable resource for analyzing deposit trends and measuring market concentrations at the national and local levels. This article highlights findings from the 2009 SOD data, focusing on national trends in domestic deposits and banking offices but also presenting some information by state, metropolitan area, and institution.<sup>1</sup>

### Deposits Grew Faster, While Office Growth Slowed

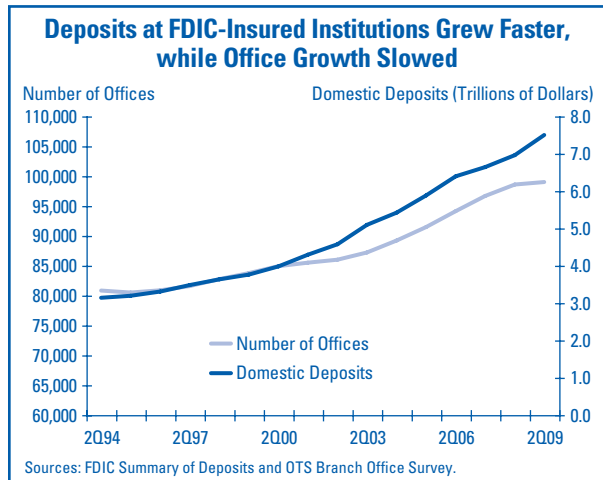
Commercial banks and thrifts reported strong deposit growth during the year ending June 30, 2009, despite a slowdown in office growth. The volume of deposits at FDIC-insured institutions increased by 7.7 percent, compared with 4.8 percent a year ago and 3.9 percent in 2007 (see Chart 1).<sup>2</sup> Meanwhile, the number of FDIC-insured institution offices rose only 0.4 percent during the year, a net increase of 411 offices. This increase—the smallest since 1996—is well below the 2.0 percent and 2.7 percent increases in 2008 and 2007, respectively.

Branch network expansion may have slowed as a result of the industry's efforts to reduce expenses during a time of economic recession. For the first two quarters of 2009, salaries and employee benefits expense decreased 2.5 percent from the same period a year ago, while premises and fixed-asset expense decreased 2.4 percent. Many FDIC-insured institutions also have reduced

<sup>1</sup> This analysis reflects updates in SOD data as of October 8, 2009. All FDIC-insured institutions that operate branch offices beyond their home office and that are required to file a financial report with one of the Federal Financial Institutions Examination Council agencies must submit responses to SOD surveys to the FDIC or the OTS. Automated teller machines are not considered offices for the purposes of the survey. Call Report information on unit banks (banks with a single headquarters office) has been combined with branch office data to form the SOD database, which can be accessed at <http://www2.fdic.gov/sod/index.asp>.

<sup>2</sup> Offices include those in the 50 states and the District of Columbia but not those in U.S. territories. The SOD data include domestic deposits only, and they are referred to in this report as "deposits."

Chart 1



staffing levels. Some 40 percent of banks and thrifts reported fewer employees as of June 30, 2009, than one year ago.

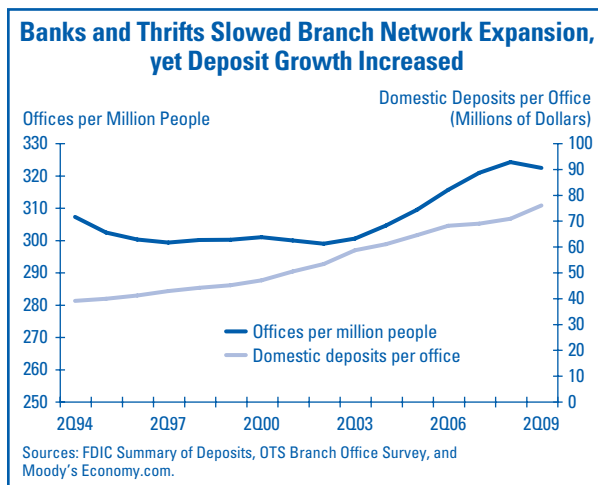
### Office Growth Slows Relative to U.S. Population

To better understand the level of expansion in the U.S. banking industry, it is useful to consider various measures of deposit and office growth in relation to demographic trends, such as population. Two of these measures—the number of offices per million people and the national average deposits per office—are illustrated in Chart 2. After growing at a compounded annual rate of 1.1 percent during the past five years, the ratio of offices per million people decreased 0.6 percent from 2008 to 2009. Notwithstanding the current-year decrease, the number of offices per million people remains relatively high at 322, second highest since 1994.<sup>3</sup> In contrast, growth in domestic deposits per office accelerated during the year. Deposits per office increased 7.3 percent in 2009, more than double the 2.8 percent growth rate of 2008 and well above the five-year compound annual growth rate (CAGR) of 4.5 percent.<sup>4</sup>

<sup>3</sup> SOD data before 1994 are not available electronically.

<sup>4</sup> The CAGR is the  $n$ th root of the percentage change, where  $n$  is the number of years in the period.

Chart 2



### Metropolitan Areas Attracted Greater Deposit Growth Than Smaller Cities and Rural Areas

Deposit and office growth continue to be concentrated in metropolitan areas. As of June 30, 2009, about 78 percent of offices and 89 percent of domestic deposits were located in metropolitan areas (see Table 1).<sup>5</sup> The one-year percentage increase in deposits among offices located in metropolitan areas was more than double the increase for offices located in micropolitan areas—smaller cities and towns—or “other” areas.<sup>6</sup> In addition,

deposits among offices located in metropolitan areas grew faster in 2009 than their longer-term five-year CAGR, while current-year deposit growth for offices located in micropolitan and “other” areas lagged their respective five-year CAGRs.

Office growth also was centered in metropolitan areas, although the pace of office expansion in these areas slowed considerably compared to a year ago. Indeed, office growth in metropolitan areas was approximately one-third the 2008 increase. The number of offices in both micropolitan areas and other areas actually decreased during the year ending June 30, 2009.

### “Other” Office Types Grew Fastest During the Past Year

Although traditional brick-and-mortar offices make up 90 percent of all commercial banking offices, the SOD surveys all banking offices, including retail (e.g., offices in supermarkets or other stores), drive-through offices, and “other” office types. The “other” category, which comprises primarily mobile or seasonal offices and those that provide back-office support for Internet deposit operations, posted the highest growth rate during the past year, followed by retail offices (see Table 2).<sup>7</sup> This is the first year since 2006 that the “other” office category has posted the highest growth rate.

Table 1

Larger Population Centers Have Experienced the Most Rapid Office and Deposit Growth						
	Metropolitan Areas		Micropolitan Areas		Other Areas	
	Number of Offices	Domestic Deposits (\$ billions)	Number of Offices	Domestic Deposits (\$ billions)	Number of Offices	Domestic Deposits (\$ billions)
June 2004	67,072	4,745	11,642	411	9,745	260
June 2008	75,424	6,173	12,270	476	9,833	307
June 2009	75,945	6,681	12,159	494	9,832	318
1-Year Growth Rate	0.7%	8.2%	-0.9%	3.6%	0.0%	3.6%
5-Year Compound Growth Rate	2.5%	7.1%	0.9%	3.7%	0.2%	4.2%

Sources: FDIC Summary of Deposits and OTS Branch Office Survey.  
 Notes: Metropolitan statistical areas have urban clusters of greater than 50,000 or more inhabitants. Each micropolitan statistical area has an urban cluster of between 10,000 and 50,000 inhabitants. Other areas have less population. See Census Bureau for more details.

<sup>5</sup> Metropolitan statistical areas have urban clusters of greater than 50,000 inhabitants.

<sup>6</sup> Micropolitan statistical areas have urban clusters of between 10,000 and 50,000 inhabitants, and “other” areas have populations of 10,000 or fewer inhabitants.

<sup>7</sup> Office type information is not provided for OTS-supervised institutions.

Table 2

The Number of "Other" Banking Offices Rose Sharply Last Year					
	Brick and Mortar Offices	Retail Offices	Drive-Through Facilities	Other Office Types	Total
June 2004	66,697	4,359	2,845	577	74,478
June 2008	75,720	4,992	2,366	606	83,684
June 2009	78,150	5,338	2,330	662	86,480
1-Year Growth Rate	3.2%	6.9%	-1.5%	9.2%	3.3%
5-Year Compound Growth Rate	3.2%	4.1%	-3.9%	2.8%	3.0%

Sources: FDIC Summary of Deposits and OTS Branch Office Survey.  
Note: Commercial banks only.

### Mid-sized Organizations Reported the Strongest Office and Deposit Growth

Mid-sized organizations (those with between \$1 billion and \$10 billion in total assets as of June 30, 2009) significantly outpaced larger and smaller organizations in both deposit growth and branch expansion during the year ending June 30, 2009 (see Table 3). The 2009 deposit growth rate for mid-sized organizations was almost four times that of small organizations and 1.4 times that of large organizations. In addition, the volume of deposits among mid-sized banks and thrifts grew at approximately double the pace of its five-year compound annual growth rate.

Office growth exhibited a similar pattern. The pace of office expansion among mid-sized organizations was considerably stronger than in larger organizations, while branches of smaller organizations declined. Mid-sized organizations expanded their branch network by 3.6

percent during the year ending June 30, 2009, compared with only 1 percent for large organizations. However, large organizations continue to report the largest share of banking offices and domestic deposits among insured banks and thrifts.

Deposit and office growth occurs not only from expansion of existing branch networks and collection of additional deposits through those networks, but also from mergers and other business combinations. Although it is difficult to disaggregate the independent contributions of each of these factors, recent growth patterns suggest that most of the movement between categories, on an institution basis, consisted of smaller organizations growing into or being acquired by mid-sized organizations. The number of large organizations—113—was coincidentally the same in 2004, 2008, and 2009; however, the composition of the group changed between these periods.

Table 3

Mid-sized Organizations Reported the Greatest Deposit and Office Growth During the Past Year									
	Large Organizations			Mid-sized Organizations			Small Organizations		
	Number of Institutions	Number of Offices	Domestic Deposits (\$ billions)	Number of Institutions	Number of Offices	Domestic Deposits (\$ billions)	Number of Institutions	Number of Offices	Domestic Deposits (\$ billions)
June 2004	113	39,875	3,404	461	17,405	923	8,487	31,859	1,084
June 2008	113	46,888	4,688	551	19,590	1,074	7,770	32,039	1,188
June 2009	113	47,378	5,078	574	20,294	1,187	7,491	31,257	1,221
1-Year Growth Rate	0.0%	1.0%	7.6%	4.3%	3.6%	10.5%	-3.6%	-2.4%	2.8%
5-Year Compound Growth Rate	0.0%	3.5%	8.2%	4.5%	3.1%	5.2%	-2.5%	-0.4%	2.6%

Sources: FDIC Summary of Deposits and OTS Branch Office Survey.  
Notes: Small organizations are those with consolidated deposits less than \$1 billion. Mid-sized organizations are those with consolidated deposits of \$1 billion to \$10 billion. Large organizations are those with consolidated deposits greater than \$10 billion.

Table 4

More Banking Organizations Are Operating in 15 or More States				
Company	Number of States with Deposit Offices	Reported Number of Deposit Offices	Domestic Deposits (\$ billions)	Share of Total Domestic Deposits (%)
Wells Fargo & Company	40	6,691	759.7	10%
Bank of America Corporation	36	6,221	907.4	12%
JPMorgan Chase & Co.	24	5,077	639.8	9%
U.S. Bancorp	24	2,898	152.0	2%
BNP Paribas	20	707	42.8	1%
First Citizens BancShares, Inc.	17	391	14.4	0%
Dickinson Financial Corporation	17	214	4.5	0%
Northern Trust Corporation	17	94	23.6	0%
Capitol Bancorp Ltd.	17	77	4.7	0%
Regions Financial Corporation	16	1,882	93.7	1%
PNC Financial Services Group	15	2,728	188.1	3%
Citigroup Inc.	15	1,023	317.5	4%
Keycorp	15	999	67.4	1%
Woodforest Financial Group, Inc.	15	655	2.8	0%

Sources: FDIC Summary of Deposits and OTS Branch Office Survey.  
Note: See SOD instructions for definition of deposit offices.

### The Number of Banking Organizations with Operations in Multiple States Increased

Banks and thrifts continue to slowly push toward a 50-state franchise. Although no banking organization, even the largest or most geographically diverse, operates in all 50 states and the District of Columbia, the number that operate in at least 15 states increased from 12 to 14 during the year (see Table 4). As banking organizations grow larger, they may encounter nationwide deposit concentration limits.<sup>8</sup>

Overall, the number of FDIC-insured commercial banks and savings institutions declined from 8,451 to 8,195 during the year. This decrease of 256 institutions was significantly greater than the decrease of 163 institutions during the prior year. The decline in the number of institutions reflects the long-term trend of industry consolidation and the increase in bank failures during the current economic downturn. The decline in merger and acquisition activity among insured institutions is also likely a reflection of the current economic environment. The 89 mergers and acquisitions during the past

<sup>8</sup> Concentration limits are set forth in the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, as codified by the FDIC in Section 44 of the Federal Deposit Insurance Act. The Act states in part that bank regulatory agencies cannot approve an interstate merger transaction if the resulting bank (including all insured depository institutions that are affiliates of the resulting bank), upon consummation of the transaction, would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States, with certain exceptions.

two quarters was only 64 percent of the rate reported during the first half of 2008.

### Office Growth Followed State Demographic Trends

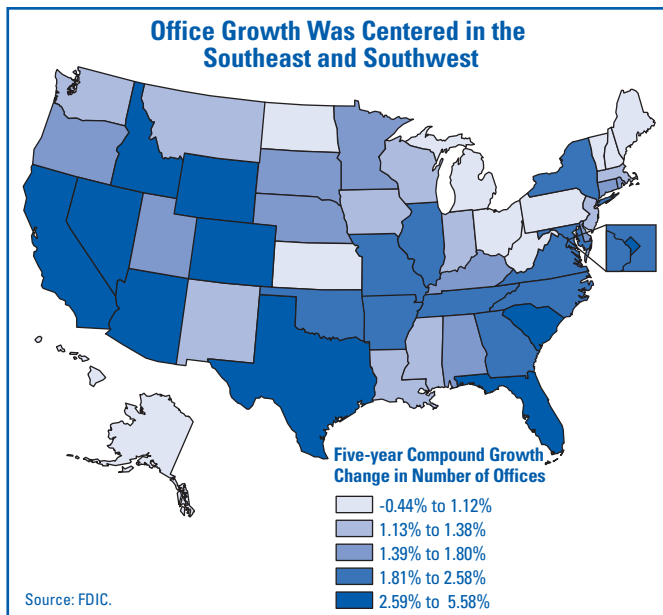
Studies have shown that office growth is related to demographic factors such as population, employment, and per capita income growth.<sup>9</sup> In general, states with a faster growing population have experienced greater office growth over the past five years.<sup>10</sup> For example, six of the ten states with the fastest population growth also ranked among the top ten states for office growth during the past five years. Likewise, of the ten states with the lowest population growth, six ranked among the bottom ten for office growth.

Deposit volumes, however, are driven by other factors, such as state law. Institutions also may follow different procedures when assigning deposits to branches, such as the proximity to the account holder's address, the office where the deposit account is most active, the office where the account originated, or the office assignment used when determining employee compensation. The factors affecting office and deposit growth have contrib-

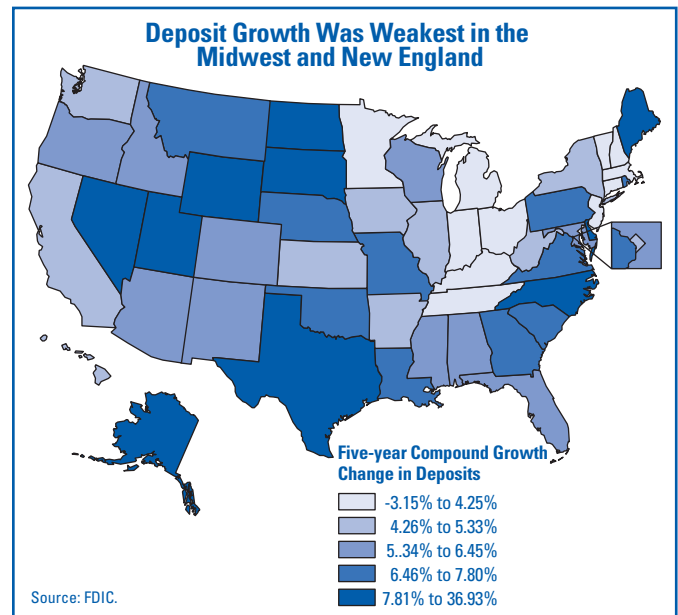
<sup>9</sup> See Ron Spieker, "Bank Branch Growth Has Been Steady—Will It Continue?" *FDIC Future of Banking Study*, August 2004, [http://www.fdic.gov/bank/analytical/future/fob\\_08.pdf](http://www.fdic.gov/bank/analytical/future/fob_08.pdf).

<sup>10</sup> The five-year compound growth rate in the number of offices by state has a correlation coefficient of 0.63 to the five-year compound growth rate in population by state. The correlation coefficient is a statistic that measures the degree to which two or more data series move together.

Map 1



Map 2



uted to divergent office and deposit growth rates across the nation (see Maps 1 and 2).

### One-Fifth of the Nation's 25 Largest Metropolitan Areas Are Now "Highly Concentrated"

Continued industry consolidation has led to increased market concentration in many of the nation's largest metropolitan areas. By law, bank regulatory agencies and the Department of Justice must consider market concentration in their analysis of proposed mergers and acquisitions. The Herfindahl-Hirschman Index (HHI) is a commonly used measure of market concentration.<sup>11</sup> As of June 30, 2009, 5 of the 25 largest metropolitan areas had an HHI in the "highly concentrated" range with a score of more than 1,800. Another 15 metropolitan areas had an HHI in the "moderately concentrated" range with a score between 1,000 and 1,800 (see Table 5). Ten of the 25 largest metropolitan areas saw an increase in their HHI during the past year.

Market concentration increases as banking organizations dominate deposit market share in a metropolitan area. For instance, PNC Bank N.A. and National City Bank (both owned by PNC Financial Services Group)

<sup>11</sup> Under the Department of Justice (DOJ) guidelines, markets with an HHI of less than 1,000 are considered "unconcentrated," those with an HHI between 1,000 and 1,800 are considered "moderately concentrated," and those with an HHI greater than 1,800 are considered "highly concentrated." For more details, see the joint Federal Trade Commission and DOJ Web site on "Horizontal Merger Guidelines" at [http://www.usdoj.gov/atr/public/guidelines/horiz\\_book/hmg1.html](http://www.usdoj.gov/atr/public/guidelines/horiz_book/hmg1.html).

reported a combined deposit market share of 51 percent for the Pittsburgh metropolitan area as of June 30, 2009. In the Cincinnati metropolitan area, two institutions (Fifth Third Bank and U.S. Bank) controlled 58 percent of total deposits. Three institutions (Bank of America N.A., Wells Fargo N.A., and Citibank N.A.) controlled 63 percent of total deposits in the San Francisco metropolitan area.

### Conclusion

This article summarizes recent trends in the deposits and offices of FDIC-insured institutions. While both offices and deposits tend to grow over time in relation to demographic factors, such as population, other factors such as economic conditions and competition are at work as well. Growth in the number of offices slowed in the year ending June 30, 2009, but deposits grew faster than during the previous year. Both trends may be related to the economic and financial turmoil that affected the operating environment for banks and thrifts. These divergent trends speak to the fact that growth in deposits is not determined solely by growth in the number of offices.

Midsized institutions reported the fastest deposit growth of any size group during the year. This trend is largely explained by the acquisition of smaller institutions by midsized institutions and the organic growth of smaller institutions into midsized institutions. Meanwhile, certain large institutions continue to exert significant local market power. The three banking organizations with the largest branch networks report 18 percent of



Table 5

Five of the Largest Metro Areas Are Characterized as “Highly Concentrated” Markets According to the Department of Justice’s Herfindahl-Hirschman Index Measurement (Top 25 metropolitan areas by population as of June 30, 2009)				
Metropolitan Area	Herfindahl-Hirschman Index	Population Estimate (Millions)	5-Year Compound Growth Rate in Offices (Percent)	5-Year Compound Growth Rate in Deposits (Percent)
Pittsburgh, PA	2,863	2.3	0.3	6.1
Cincinnati-Middletown, OH-KY-IN	2,015	2.2	2.2	4.8
San Francisco-Oakland-Fremont, CA	2,012	4.3	2.4	6.9
Dallas-Fort Worth-Arlington, TX	1,878	6.4	6.2	11.1
Minneapolis-St. Paul-Bloomington, MN-WI	1,875	3.3	2.6	7.9
Sacramento--Arden-Arcade--Roseville, CA	1,792	2.1	4.7	12.7
Phoenix-Mesa-Scottsdale, AZ	1,603	4.4	6.5	6.4
Houston-Sugar Land-Baytown, TX	1,455	5.8	5.4	7.1
Detroit-Warren-Livonia, MI	1,417	4.4	1.3	4.1
Portland-Vancouver-Beaverton, OR-WA	1,291	2.2	2.0	6.8
New York-Northern New Jersey-Long Island, NY-NJ-PA	1,238	19.1	2.6	4.6
Baltimore-Towson, MD	1,202	2.7	1.8	6.0
Atlanta-Sandy Springs-Marietta, GA	1,186	5.5	1.8	7.3
San Diego-Carlsbad-San Marcos, CA	1,184	3.0	3.3	3.6
Riverside-San Bernardino-Ontario, CA	1,120	4.2	4.9	3.5
Seattle-Tacoma-Bellevue, WA	1,098	3.4	1.5	4.8
Washington-Arlington-Alexandria, DC-VA-MD-WV	1,062	5.4	3.7	6.7
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1,055	5.9	1.1	9.3
Tampa-St. Petersburg-Clearwater, FL	1,019	2.7	3.3	7.3
Denver-Aurora, CO	1,008	2.5	2.8	6.2
Boston-Cambridge-Quincy, MA-NH	986	4.5	1.4	1.7
Los Angeles-Long Beach-Santa Ana, CA	964	13.0	3.0	5.2
Miami-Fort Lauderdale-Pompano Beach, FL	741	5.4	2.7	4.3
St. Louis, MO-IL	677	2.9	3.6	9.0
Chicago-Naperville-Joliet, IL-IN-WI	571	9.6	3.5	5.2

Sources: FDIC Summary of Deposits, OTS Branch Office Survey, and Moody’s Economy.com.  
 Note: The Herfindahl-Hirschman Index (HHI), a commonly accepted measure of market concentration, is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. Markets in which the HHI is between 1,000 and 1,800 points are considered to be “moderately concentrated,” and those in which the HHI is in excess of 1,800 points are considered to be “highly concentrated.” For more information, please refer to the joint U.S. Department of Justice and Federal Trade Commission Web site at <http://www.usdoj.gov/afr/public/testimony/hhi.htm>.

the nation’s deposit offices but hold 31 percent of domestic deposits. In 5 of the nation’s 25 largest metropolitan areas, three or fewer institutions report a market share of more than 50 percent.

Expectations for future growth in bank offices may be modest as long as the industry continues to cope with weak earnings and high credit losses (see accompanying *Quarterly Banking Profile*). However, after this process is complete, we should expect to see a new round of office growth as institutions compete for deposits to fund new lending activity. Other things being equal, we would expect office expansion to be most pronounced in the more competitive deposit markets, and less so in highly concentrated markets. As in other retail industries, competitive markets provide the greatest incentive for

banks and thrifts to expand their physical presence in order to reach more customers and provide them a higher level of service.

SOD data were publicly released on October 8, 2009, and are available to the public through the FDIC’s Web site at <http://www2.fdic.gov/sod/index.asp>. Available SOD data include information on the deposits and branching activities of individual FDIC-insured institutions, market share information, and various summary charts and tables.

Author: Robert E. Basinger, Senior Financial Analyst

The author would like to thank Michael Bachman, Economic Assistant, Division of Insurance and Research, for his contributions to this article.