

# Highlights from the 2008 Summary of Deposits Data

Each year, as of June 30, 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. The resulting Summary of Deposits (SOD) is a valuable resource for analyzing deposit market trends and measuring concentrations nationally and at the local level. This article highlights some preliminary conclusions from the 2008 SOD data.<sup>1</sup>

## Deposit Growth Remains Strong, While Office Growth Slows Slightly

Commercial banks and thrifts continue to expand their branching networks and deposits. The number of FDIC-insured institution offices increased 2.0 percent during the year ending June 30, 2008, slightly below the year-ago rate of 2.7 percent. Similar to prior periods, deposit growth exceeded growth in the number of offices. The volume of deposits increased by 4.8 percent, compared to a 3.9 percent increase a year ago (see Chart 1).<sup>2</sup>

## Deposit and Office Growth Continue to Outpace U.S. Population Growth

To better understand the industry's level of expansion, it is useful to look at various measures of deposit and

<sup>1</sup> This analysis reflects updates in the Summary of Deposits data as of November 21, 2008. All FDIC-insured institutions that operate branch offices beyond their home office must submit responses to SOD surveys to the FDIC or the OTS. ATMs are not considered offices for the purposes of the survey. Call Report information on unit banks (banks with a single headquarters office) have been combined with branch office data to form the SOD database, which can be accessed at [www.fdic.gov](http://www.fdic.gov). For office information related to savings institutions regulated by the OTS, the SOD can be used for current and historical branch data. The SOD is the sole source of OTS branch information derived from the annually collected OTS Branch Office Survey. Subsequent to June 30, 2008, significant business combinations among some of the nation's largest banking organizations were announced. These institutions are Bank of America, Countrywide Financial Corporation, and Merrill Lynch and Company; JPMorgan Chase and Company and Washington Mutual Corporation; PNC Financial Services Group and National City Corporation; and Wells Fargo & Company and Wachovia Corporation.

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

Chart 1

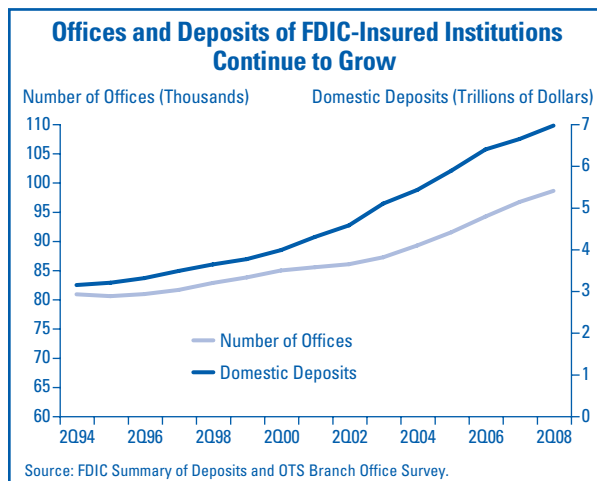
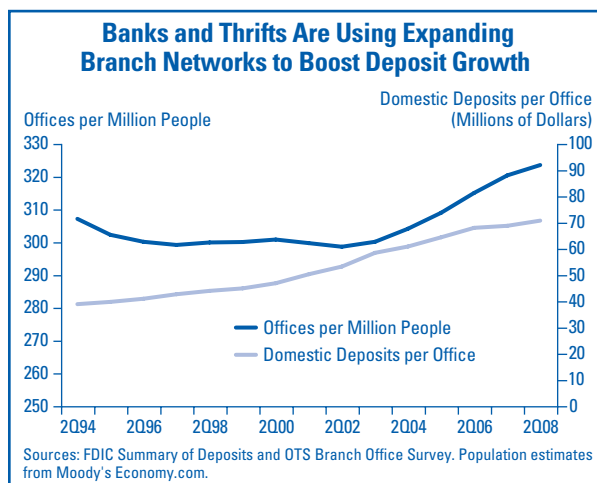


Chart 2



office growth in relation to demographic trends. For example, trends in deposit growth and population can be compared to the number of bank offices. As shown in Chart 2, banks continue to expand their retail presence at a faster pace than population growth at the national level. Both the number of offices per million people and the volume of deposits per office continue to increase. However, the pace of this growth is slowing. Indeed, the annual growth in both domestic deposits per office and offices per million people were below their respective five-year averages.

### Metropolitan Areas Have Attracted Greater Deposit and Office Growth Than Less Populated Areas During the Past Five Years

Metropolitan areas hold the largest share of bank offices and bank deposits.<sup>3</sup> About 77 percent of offices, holding 89 percent of domestic deposits, were located in metropolitan areas during the year ending June 30 (see Table 1).

The rate of deposit growth was highest in metropolitan areas during the year. The one-year growth rate in deposits among offices in metropolitan areas was 5.1 percent, more than double the growth rate of deposits in micropolitan areas.<sup>4</sup> This pattern of deposit growth is in line with the long-term trend. The five-year compound growth rate of domestic deposits in offices located in metropolitan areas was slightly more than twice that of micropolitan areas and almost twice the rate of growth in other areas.<sup>5</sup>

Similar trends are also found in the rate of increase in the number of bank offices. The five-year compound growth rate in the number of offices in metropolitan areas was almost twice that of micropolitan areas and more than ten times that of other areas. This trend continued during the past year.

### Office Growth Is Related to State Demographic Trends

States with the most rapid office growth during the past five years are not necessarily the ones where deposit growth is also robust. Generally, the pace of office growth is strongest in the southeastern and southwestern regions of the country and along the West Coast, whereas deposit growth varies more widely (see Map 1 and Map 2). Other studies have shown that demographic factors, such as population, employment, and per capita income growth, are associated with the growth in deposits and number of offices.<sup>6</sup> However, state law and specific local market conditions also drive these changes.

Table 1

Office Growth Has Been Faster in the Nation's Largest Cities						
	Other Areas		Micropolitan Areas		Metropolitan Areas	
	Number of Offices	Domestic Deposits (Billions of Dollars)	Number of Offices	Domestic Deposits (Billions of Dollars)	Number of Offices	Domestic Deposits (Billions of Dollars)
June 2003	9,729	254	11,559	410	65,252	4,424
June 2007	9,812	295	12,104	467	73,803	5,874
June 2008	9,840	307	12,269	476	75,418	6,173
1-Year Growth Rate	0.3%	3.9%	1.3%	2.1%	2.2%	5.1%
5-Year Compound Growth Rate	0.2%	3.9%	1.2%	3.0%	2.1%	6.9%

Source: FDIC Summary of Deposits and OTS Branch Office Survey.  
 Note: Metropolitan statistical areas have urban clusters of greater than 50,000 inhabitants. Each micropolitan statistical area has an urban cluster of between 10,000 and 50,000 inhabitants. Other areas have less than 10,000 inhabitants. See U.S. Census Bureau definitions for greater detail.

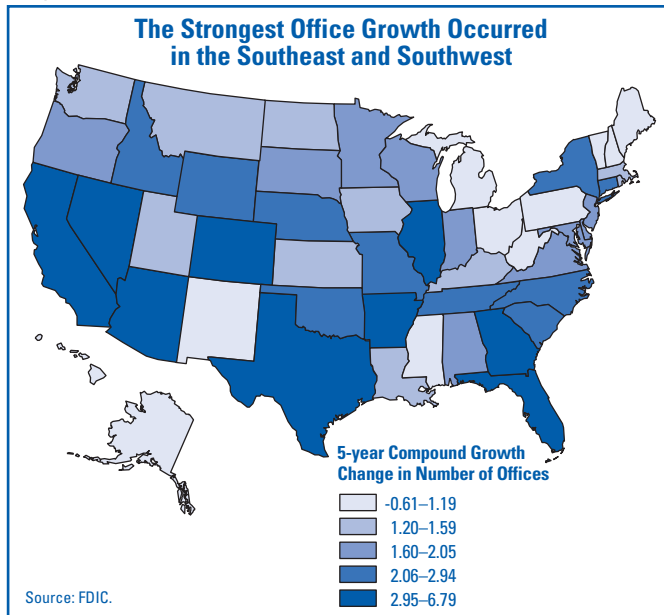
<sup>3</sup> Metropolitan statistical areas are characterized by urban clusters of greater than 50,000 inhabitants.

<sup>4</sup> Each micropolitan statistical area has an urban cluster of between 10,000 and 50,000 inhabitants.

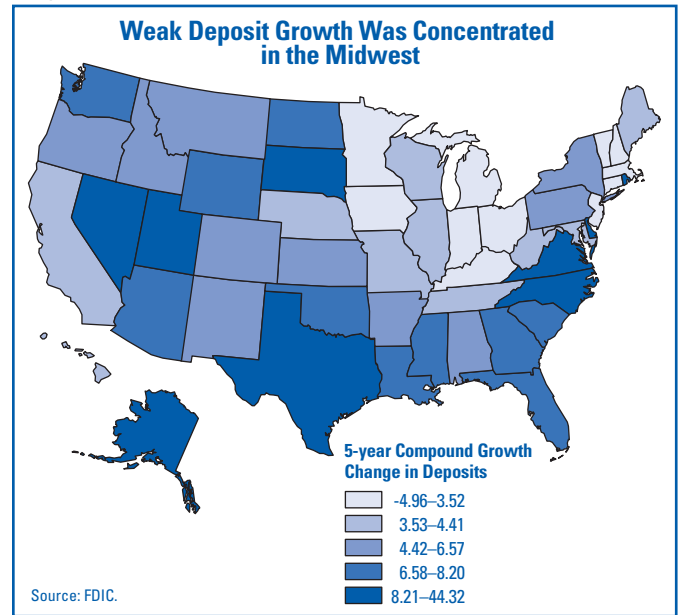
<sup>5</sup> Other areas have populations of 10,000 or fewer inhabitants.

<sup>6</sup> See Ron Spieker, "Bank Branch Growth Has Been Steady—Will It Continue?" (Future of Banking Study, Federal Deposit Insurance Corporation, August 2004), [www.fdic.gov/bank/analytical/future/fob\\_08.pdf](http://www.fdic.gov/bank/analytical/future/fob_08.pdf).

Map 1



Map 2



### The Largest Banks and Thrifts Reported Higher Deposit and Office Growth Than Smaller Banking Organizations

Large bank and thrift organizations (those with \$10 billion or more in total assets as of June 30, 2008) hold a substantial share of domestic deposits (67 percent) and offices (48 percent). This category of banks also reported higher compound growth rates in domestic deposits over the past five years, although the pace of deposit growth eased in the 2008 period.

The pace of office expansion among large institutions has slowed during the past year (see Table 2). In contrast with the five-year trend, the rate of office growth for banks characterized as small and mid-sized matched or exceeded the growth rate for large institutions. The stronger long-term growth rates for offices and deposits among institutions in the largest size category are likely related to ongoing industry consolidation. However, growth occurs not only from expansion of existing branch networks and collection of additional deposits through those networks, but also from mergers and from the migration of institutions

Table 2

Institutions Categorized as "Large" Reported Higher Deposit Growth						
	Small Organizations		Mid-size Organizations		Large Organizations	
	Number of Offices	Domestic Deposits (Billions of Dollars)	Number of Offices	Domestic Deposits (Billions of Dollars)	Number of Offices	Domestic Deposits (Billions of Dollars)
June 2003	32,050	1,075	17,405	895	37,679	3,112
June 2007	31,593	1,165	18,773	1,033	46,247	4,432
June 2008	32,039	1,188	19,590	1,074	46,888	4,688
1-Year Growth Rate	1.4%	2.0%	4.4%	3.9%	1.4%	5.8%
5-Year Compound Growth Rate	0.0%	2.6%	2.4%	3.7%	4.5%	8.5%

Source: FDIC Summary of Deposits and OTS Branch Office Survey. Excludes institutions in U.S. territories.  
 Note: Small = organizations with consolidated deposits less than \$1 billion. Mid-size = organizations with consolidated deposits of \$1 billion to \$10 billion. Large = organizations with consolidated deposits greater than \$10 billion.

between categories. It is difficult to disaggregate the independent contributions of each of these factors.

**Retail Offices Continue to Grow More Rapidly Than Other Office Types**

Brick-and-mortar offices continue to make up the overwhelming majority (90 percent) of banking offices. However, retail offices, such as those found in supermarkets, represent the fastest-growing office type. The once-popular drive-through facilities continued to decline in number during the year, in line with the long-term trend (see Table 3).

**The Number of Banking Organizations with Operations in Multiple States Remains Relatively Stable**

The number of FDIC-insured commercial banks and savings institutions declined from 8,614 to 8,451 during the year. Merger and acquisition activity is affected by general economic conditions, trends in equity markets, and national and state laws, such as the nationwide concentration limits mandated by the Riegle-Neal Act (see Table 4). Although no banking organization, even the largest or most geographically diverse, operates in all 50 states and the District of Columbia, institutions continue to expand their operations across the country.<sup>7</sup> As of June 30, 2007, the banking organization with the

Table 3

The Number of Retail Banking Offices Has Risen Sharply during the Past Five Years					
	Brick-and-Mortar Offices	Retail Offices	Drive-Through Facilities	Other Office Types	Total
June 2003	65,264	3,944	2,933	532	72,673
June 2007	73,973	4,742	2,511	612	81,838
June 2008	75,718	4,991	2,366	608	83,683
1-Year Growth Rate	2.4%	5.3%	-5.8%	-0.7%	2.2%
5-Year Compound-Growth Rate	3.0%	4.8%	-4.2%	2.7%	2.9%

Source: FDIC Summary of Deposits and OTS Branch Office Survey.  
 Note: Commercial banks only. Retail banking offices are full-service offices located in a retail facility, such as a supermarket or department store.

Table 4

Banks Are Inching Closer to a 50-State Franchise			
Company	Number of States with Deposit Offices	Reported Number of Deposit Offices	Domestic Deposits (Billions of Dollars)
Wells Fargo & Company*	40	6,669	716.7
Bank Of America Corporation*	35	6,179	787.8
JPMorgan Chase & Co.*	24	5,276	685.5
U.S. Bancorp	24	2,592	127.8
BNP Paribas	20	723	43.3
First Citizens Bancshares, Inc.	17	393	13.1
Dickinson Financial Corporation	17	212	4.5
Northern Trust Corporation	17	94	19.1
Capitol Bancorp Ltd.	17	73	4.2
Regions Financial Corporation	16	1,923	86.2
Citigroup Inc.	15	1,050	265.8
Keycorp	15	991	61.0

\* Pro forma reflecting mergers and/or acquisitions announced subsequent to June 30, 2008.  
 Source: FDIC Summary of Deposits and OTS Branch Office Survey for the 50 states and the District of Columbia.  
 Note: See SOD instructions for definition of deposit offices.

<sup>7</sup> Based on pro forma results of mergers and acquisitions between large, geographically diversified banking organizations announced subsequent to June 30, 2008.

Table 5

<b>Two of the Largest Metro Areas Are Characterized as “Highly Concentrated” Markets (Top 25 metropolitan areas by population as of June 30, 2008)</b>				
<b>Metropolitan Area</b>	<b>Herfindahl-Hirschman Index</b>	<b>Population Estimate (Millions)</b>	<b>5-Year Compound Growth Rate in Offices (Percent)</b>	<b>5-Year Compound Growth Rate in Deposits (Percent)</b>
Cincinnati-Middletown, OH-KY-IN	2,179	2.1	2.1	2.7
Pittsburgh, PA	1,872	2.4	0.2	4.7
Minneapolis-St. Paul-Bloomington, MN-WI	1,742	3.2	3.2	4.4
Dallas-Fort Worth-Arlington, TX	1,698	6.3	7.6	18.9
San Francisco-Oakland-Fremont, CA	1,546	4.2	1.6	3.7
Detroit-Warren-Livonia, MI	1,508	4.5	2.2	2.9
Phoenix-Mesa-Scottsdale, AZ	1,458	4.3	8.3	7.3
Seattle-Tacoma-Bellevue, WA	1,367	3.4	1.4	6.6
Atlanta-Sandy Springs-Marietta, GA	1,306	5.4	3.9	9.1
Portland-Vancouver-Beaverton, OR-WA	1,227	2.2	2.5	6.2
Houston-Sugar Land-Baytown, TX	1,182	5.8	7.5	4.8
New York-Northern New Jersey-Long Island, NY-NJ-PA	1,177	18.9	3.2	4.9
Tampa-St. Petersburg-Clearwater, FL	1,168	2.7	3.9	8.4
Sacramento-Arden-Arcade-Roseville, CA	1,049	2.1	5.9	6.3
Baltimore-Towson, MD	1,046	2.7	1.5	4.8
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1,032	5.8	1.8	10.8
Boston-Cambridge-Quincy, MA-NH	1,021	4.5	1.2	1.4
San Diego-Carlsbad-San Marcos, CA	1,010	3.0	3.7	4.7
Washington-Arlington-Alexandria, DC-VA-MD-WV	961	5.4	3.3	8.4
Riverside-San Bernardino-Ontario, CA	927	4.2	5.5	6.5
Miami-Fort Lauderdale-Pompano Beach, FL	809	5.4	3.0	5.6
Denver-Aurora, CO	778	2.5	4.2	6.0
Los Angeles-Long Beach-Santa Ana, CA	752	12.9	3.0	5.1
St. Louis, MO-IL Metropolitan Statistical Area	692	2.8	3.3	2.8
Chicago-Naperville-Joliet, IL-IN-WI	595	9.6	5.6	4.2

Source: 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 greater than 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/atr/public/testimony/hhi.htm>. Population estimates for 2008 are from Moody's Economy.com.

widest geographic footprint reported deposit offices in 31 states. If Wells Fargo & Company consummates mergers and acquisitions announced subsequent to June 30, 2008, it could have deposit offices in as many as 40 states.

### **Two of the Nation's 25 Largest Metropolitan Areas Are Now “Highly Concentrated”**

Consolidation and growth of branch networks have led to increased market concentration in many metropolitan areas. Market concentration is an important competitive factor considered by bank regulatory agencies and the Department of Justice in the analysis of proposed mergers and acquisitions. The Herfindahl-Hirschman Index (HHI) is a commonly used measure of

market concentration.<sup>8</sup> As of June 30, 2008, 16 of the 25 largest metropolitan areas had an HHI in the “moderately concentrated” range with a score between 1,000 and 1,800; two metropolitan areas scored in the “highly concentrated” range with a score of more than 1,800 (see Table 5). Only 14 metropolitan areas reported an HHI in excess of 1,000 as of June 30, 2007, with no markets in the “highly concentrated range.” Nineteen of the 25 largest metropolitan areas saw an

<sup>8</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 (FTC) and DOJ Web site on “Horizontal Merger Guidelines” at [www.usdoj.gov/atr/public/guidelines/horiz\\_book/hmq1.html](http://www.usdoj.gov/atr/public/guidelines/horiz_book/hmq1.html).

increase in their HHI during the past year, with an average increase of 98 points.

### **Summary of Deposits Data Were Publicly Released on October 8, 2008**

The 2008 SOD data are available to the public through the FDIC's Web site at [www2.fdic.gov/sod/index.asp](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.

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