Feature Article:

Highlights From the 2012 Summary of Deposits

Each year as of June 30, the Federal Deposit Insurance Corporation (FDIC) collects deposit data for branches and offices of all FDIC-insured institutions. The resulting Summary of Deposits (SOD) is a valuable resource for analyzing deposit gathering and branching trends, as well as domestic deposit market share.[1]

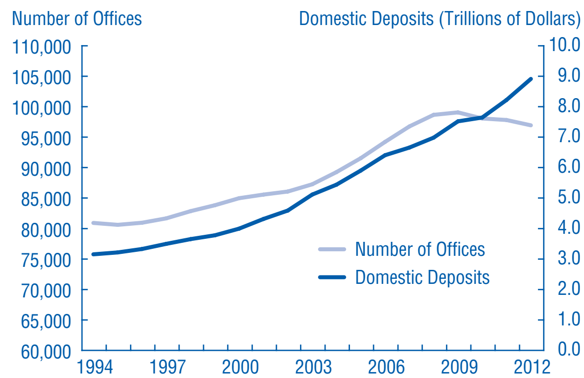
FDIC-insured institutions reduced the number of offices they operate in 2012, continuing the trend of office contraction seen over the past three years. Despite the decline in offices, deposits held by FDIC-insured institutions continued to increase in 2012, experiencing the largest one-year percentage increase in the past six years. The number of offices operated by FDIC-insured institutions relative to the U.S. population declined in 2012, extending a trend that has persisted over the past several years.

Offices are contracting and deposits are growing in both metropolitan and nonmetropolitan statistical areas. Metropolitan areas continue to report stronger deposit growth and weaker office contraction relative to nonmetropolitan areas. Deposits held within the most populated metropolitan areas in the country are held mostly by larger institutions, similar to previous years. Many of these high-population metropolitan areas reported an increase in market concentration in 2012, reflecting growing market power of several institutions located in the area. Looking across the country, the number of banking offices declined in most states from 2011 to 2012. States where offices declined most significantly were generally located on the East Coast and Great Plains regions.

Large institutions have heavily influenced the overall trend in office contraction and deposit growth.

Chart 1

The Number of Offices of FDIC-Insured Institutions Decreased While Deposit Growth Increased



Source: FDIC Summary of Deposits and OTS Branch Office Survey.

Although institution size groups consisting of large, midsize, and small institutions all reported deposit growth in 2012, large institutions reported significant deposit growth relative to other size groups. Additionally, although offices contracted for all institution sizes in 2012 compared with 2011, only large institutions have reported office contraction over the longer term.

This summary highlights some key findings from the 2012 SOD, focusing on national trends in domestic deposits and banking offices, and presents information by state and metropolitan area and for selected institutions.

Offices Contracted and Deposits Grew at an Accelerated Rate in 2012

The number of offices operated by FDIC-insured institutions fell 0.9 percent, or 857 offices, to 96,823 for the year ending June 30, 2012 (see Chart 1). This is the third consecutive yearly decline in offices and greater than the 0.3 percent (275 offices) decrease in 2011.

Contraction in the number of offices largely reflects the continuing decline in the number of FDIC-insured institutions. The number of FDIC-insured institutions declined by 267 during the year ending June 30, 2012, compared with declines of 317 and 365 in the previous

[1] This analysis reflects updates in SOD data through October 1, 2012. All FDIC-insured institutions that operate branch offices beyond their headquarters must submit responses to SOD surveys to the FDIC. Institutions that previously filed the Branch Office Survey administered by the Office of Thrift Supervision (OTS) have filed the SOD starting as of June 2011. Automated teller machines are not considered offices for the purposes of the survey. Call Report information on banks with a single headquarters office has been combined with branch office data to form the SOD database. The data are available on the FDIC's website at http://www2.fdic.gov/sod/index.asp.

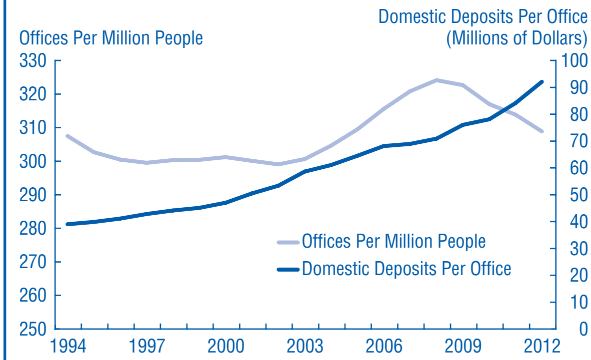
two years, respectively. The rate of decline in the number of FDIC-insured institutions continues to outpace the rate of contraction in offices. As a result, the number of offices per institution continues to increase, reflecting industry consolidation.

FDIC-insured institutions reported strong deposit growth in the year ending June 30, 2012, despite a contraction in the number of offices.[2] Total domestic deposits increased 8.5 percent, the largest one-year percentage increase in domestic deposits in the past six years and higher than the five-year compound annual growth rate (CAGR) for total deposits of 6 percent.[3]

The number of offices per million people declined 1.6 percent to 309 for the year ending June 30, 2012, the lowest level for this ratio since 2004 (see Chart 2). Because of the overall growth in deposits, however, total deposits per office grew 9.4 percent to $92 million in 2012. The one-year percentage increase in total deposits per office was the highest since 2003.

Chart 2

Deposits Per Office Increased While Offices Per Million People Decreased



Source: FDIC Summary of Deposits and OTS Branch Office Survey.
Note: Population data from U.S. Census Bureau via Haver Analytics.

Deposits and offices continue to be concentrated in metropolitan areas. As of June 30, 2012, roughly 78 percent of deposit-taking offices and 90 percent of deposits were held by insured institutions located in metropolitan areas.

Metropolitan Areas Continue to Report Strong Deposit Growth

All geographic areas reported deposit growth and office contraction from 2011 to 2012 (see Table 1). Deposit growth was strongest in metropolitan areas and weakest in "other" areas.[4] Deposits held within metropolitan areas grew 9.1 percent in 2012, the highest one-year percentage increase since 2006. Deposits in all geographic areas grew at a faster rate than in 2011, and all locations reported a positive five-year CAGR in deposits. Office contraction was slowest in metropolitan areas. The number of offices in metropolitan areas declined 0.8 percent from 2011 to 2012 compared with declines of 1.4 percent and 1.1 percent in micropolitan and "other" areas, respectively. Offices declined in all geographic areas for the third consecutive year. Additionally, offices in all geographic areas declined at a faster rate in 2012 than in 2011.

The Number of Brick-and-Mortar Offices Grew in 2012

Brick-and-mortar offices expanded in 2012 among commercial banks. The number of brick-and-mortar offices increased 0.9 percent after showing no change in 2011 (see Table 2a).[5] Traditional brick-and-mortar offices represented 90 percent of all commercial banking offices in 2012, a share unchanged from the previous year. "Other" offices represent less than 1 percent of all offices, but grew at the fastest rate of all office types for the fourth consecutive year. The number of retail offices fell 3.1 percent after increasing 3.3 percent in 2011. Drive-through facilities declined by 3.7 percent and are the only office type to show a negative five-year CAGR.

Offices within most office type categories declined when combining total commercial bank and thrifts. As shown in Table 2b, total industry brick-and-mortar offices declined 0.9 percent from 2011 to 2012. Total offices designated as "Other" were the only office type category to show growth over the past year.

[2] The SOD covers offices in the 50 states and the District of Columbia but not those in U.S. territories. The SOD data include domestic deposits only, referred to in this report as "deposits."

[3] CAGR is a methodology for smoothing annual growth over time. It can sometimes be a better indication of a trend than a single year's growth, which may have been atypical. The compound annual growth rate is the nth root of the percentage change, where n is the number of years in the period.

[4] Metropolitan statistical areas have urban clusters of greater than 50,000 inhabitants. Micropolitan statistical areas have urban clusters of between 10,000 and 50,000 inhabitants. "Other" areas have populations of 10,000 or fewer inhabitants.

[5] The SOD survey covers banking office type categories, including brick-and-mortar, retail (e.g., offices in supermarkets and other stores), drive-through, and "other" (e.g., mobile offices, seasonal offices, back-office support for Internet deposit operations).

Table 1

Metropolitan Areas Experienced the Highest Deposit Growth and Slowest Rate of Office Decline	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 2012	74,639	$8,026	11,904	$526	9,577	$336
June 2011	75,262	7,358	12,067	510	9,685	327
June 2007	73,860	5,874	12,106	467	9,812	295
1-Year Percent Change	-0.8%	9.1%	-1.4%	3.3%	-1.1%	2.9%
5-Year Compound Annual Growth Rate	0.2%	6.4%	-0.3%	2.4%	-0.5%	2.6%

Source: FDIC Summary of Deposits and OTS Branch Office Survey.

Note: Includes deposit-taking offices only. Metropolitan statistical areas have urban clusters of greater than 50,000 inhabitants. Micropolitan statistical areas have urban clusters of between 10,000 and 50,000 inhabitants. "Other" areas have populations of 10,000 or fewer inhabitants. See Census Bureau definitions for greater detail.

Table 2a

Commercial Bank Brick-and-Mortar Offices Expanded in 2012	Brick-and-Mortar Offices	Retail Offices	Drive-Through Facilities	"Other" Office Types	Total
June 2012	78,756	5,265	2,380	824	87,225
June 2011	78,041	5,431	2,472	808	86,752
June 2007	74,028	4,742	2,511	608	81,889
1-Year Percent Change	0.9%	-3.1%	-3.7%	2.0%	0.5%
5-Year Compound Annual Growth Rate	1.2%	2.1%	-1.1%	6.3%	1.3%

Source: FDIC Summary of Deposits.

Note: Includes only deposit-taking offices of commercial banks. Excludes offices of savings institutions and U.S. branches of foreign institutions. Similar office breakdowns for savings institutions are available beginning in June 2011, so comparisons of trends in savings institution office types prior to 2011 are not available. Of the 8,885 savings institution banking offices reported in 2012, 8,090 were brick-and-mortar offices, 636 were retail offices, 84 were drive-through facilities, and 75 were "other" office types.

Table 2b

Most Office Types for All Institutions Declined in 2012	Brick-and-Mortar Offices	Retail Offices	Drive-Through Facilities	"Other" Office Types	Total
June 2012	86,846	5,901	2,464	899	96,110
June 2011	87,595	5,949	2,565	895	97,004
1-Year Change	-749	-48	-101	4	-894
1-Year Percent Change	-0.9%	-0.8%	-3.9%	0.4%	-0.9%

Source: FDIC Summary of Deposits.

Note: Includes deposit-taking offices of commercial banks and savings institutions. Excludes U.S. branches of foreign institutions.

Large Institutions Continued to Report Strong Deposit Growth

Deposit growth at large institutions (institutions with more than $10 billion in total assets) continues to outpace deposit growth at midsize institutions (institutions with between $1 billion and $10 billion in total assets) and small institutions (institutions with less than $1 billion in total assets). Deposits held by large institutions grew 10.5 percent over the past year, compared with 4.1 percent and 3.5 percent for deposits held by midsize and small institutions, respectively (see Table 3). Additionally, the five-year CAGR for large institutions was 6.9 percent in 2012, compared with 3.7 percent for midsize institutions and 4.9 percent for small institutions. All institution size groups reported office contraction in 2012; however, large institutions were the only size group to report a negative five-year CAGR.

Table 3

Large Institutions Continue to Report Strong Deposit Growth									
	Large Institutions			Midsize Institutions			Small Institutions		
	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 2012	83	47,293	6,431	442	18,737	1,149	6,710	30,080	1,285
June 2011	83	47,751	5,821	442	19,078	1,103	6,710	30,107	1,241
June 2007	80	48,912	4,612	439	18,391	956	6,514	28,158	1,010
1-Year Percent Change	0.0%	-1.0%	10.5%	0.0%	-1.8%	4.1%	0.0%	-0.1%	3.5%
5-Year Compound Annual Growth Rate	0.7%	-0.7%	6.9%	0.1%	0.4%	3.7%	0.6%	1.3%	4.9%

Source: FDIC Summary of Deposits and OTS Branch Office Survey.

Note: Merger-adjusted data. Deposit-taking offices only. Excludes U.S. branches of foreign institutions. Small = Institutions with consolidated deposits less than $1 billion. Midsize = Institutions with consolidated deposits of $1 billion to $10 billion. Large = Institutions with consolidated deposits greater then $10 billion.

Offices Declined in Most States in 2012

Banking offices declined in 42 states from 2011 to 2012, while offices increased in only four states (see Map 1). States where total offices declined most significantly on a percentage basis were generally located on the East Coast and Great Plains regions of the country. Five states reported no change in the number of banking offices since 2011.

The Number of Banking Organizations Operating in 15 or More States Increased

The number of banking organizations operating in 15 or more states increased to 16 in 2012, from 15 in 2011 (see Table 4). Bank of New York Mellon was the only addition to the list in 2012, and no organization from 2011 was removed from the list in 2012.[6] Four organizations expanded their branch networks into additional states in 2012, compared with 2011, including U.S. Bancorp and Citigroup. Bank of America and Beal Bank were the only two organizations to reduce their branch networks into fewer states in 2012.

Bank of America Corporation and Wells Fargo & Company were the only organizations to report more than 10 percent of total domestic deposits in 2012. Bank of America and Wells Fargo held 12.7 percent and 10 percent of total domestic deposits, respectively, compared with 13 percent and 9.7 percent in 2011. Bank of America and Wells Fargo reported a decline in total offices of 3.1 percent and 1.1 percent, respectively, from 2011 to 2012. The three organizations holding the highest individual shares of domestic deposits—Bank of America, Wells Fargo, and JPMorgan Chase—held a combined 32.5 percent of domestic deposits and 18.3 percent of offices as of June 30, 2012, up from 32.1 percent and 18.1 percent in 2011.

The Number of "Highly Concentrated" Markets in the 25 Largest Metropolitan Areas Increased

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.[7] The HHI measures increases in market concentration as banking organizations increase their deposit market share in a particular trade area. As of June 30, 2012, 20 of the 25 largest metropolitan areas were "moderately concentrated" or "highly concentrated," the same number as in 2011. However, seven of the 25 largest metropolitan areas had an HHI in the "highly concentrated" range, three higher than in the previous year (see Table 5). The Portland, Houston, and Phoenix metropolitan

[6] Bank of New York Mellon reported operations in 26 states in 2012, compared with eight states in 2011 as a result of a subsidiary institution that added 33 new offices in 2012. Although these offices are designated as "deposit-taking" within SOD, none of the offices held any deposits at June 30, 2012.

[7] Under 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 website on "Horizontal Merger Guidelines" at http://www.usdoj.gov/atr/public/guidelines/horiz_book/hmg1.html.

Map 1

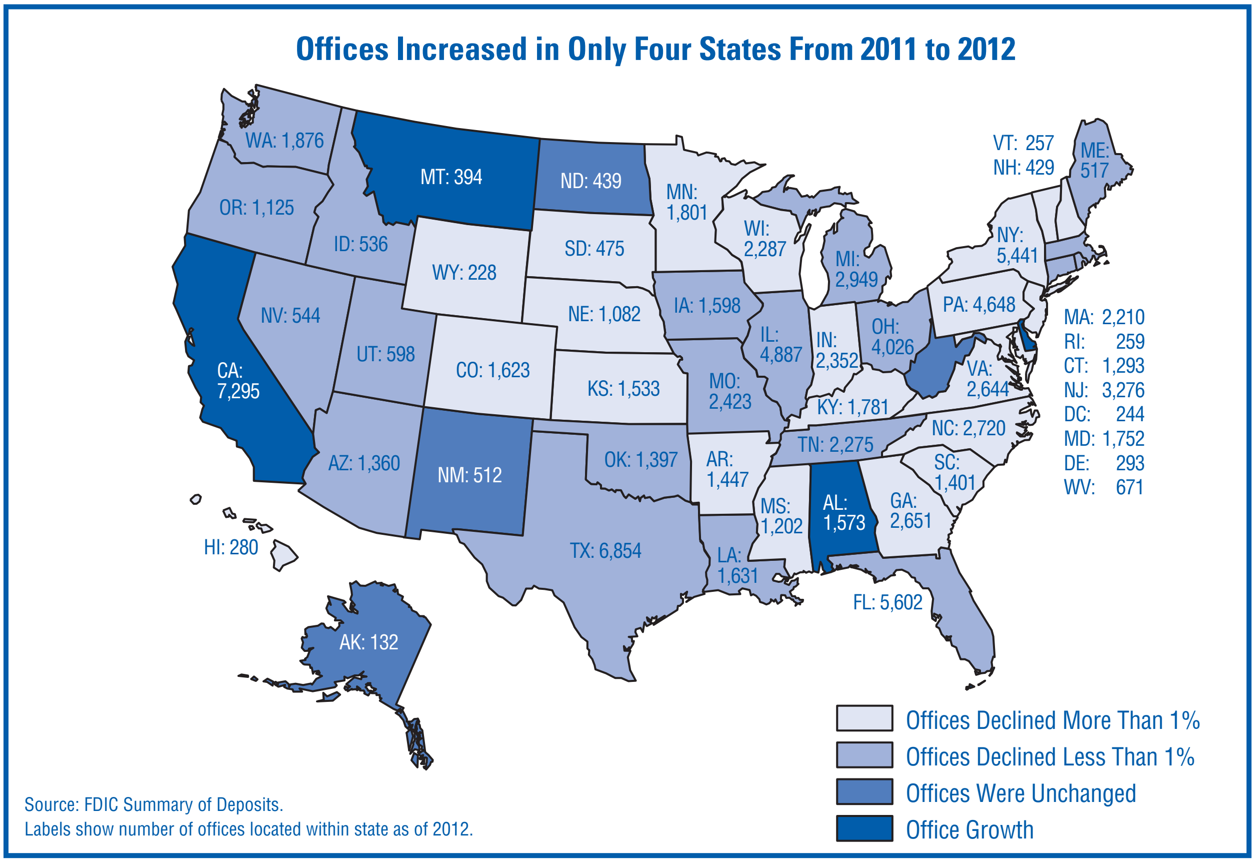


Table 4

The Same Number of Banking Organizations Operate in 15 or More States as Last Year

Name of Company	Number of States With Deposit Offices	Reported Number of Deposit Offices	Domestic Deposits ($ billions)	Share of Total Domestic Deposits (%)	Share of Total Domestic Offices (%)
Wells Fargo & Company	40	6,316	$891.4	10.0%	6.6%
Bank of America Corporation	35	5,660	1,129.3	12.7%	5.9%
U.S. Bancorp	28	3,134	220.7	2.5%	3.3%
Bank of New York Mellon Corporation	26	56	128.0	1.4%	0.1%
JPMorgan Chase & Co.	24	5,575	865.0	9.7%	5.8%
PNC Financial Services Group, Inc.	20	3,012	203.4	2.3%	3.1%
BNP Paribas	20	702	55.4	0.6%	0.7%
First Citizens Bancshares, Inc.	18	412	17.8	0.2%	0.4%
Northern Trust Corporation	18	76	35.5	0.4%	0.1%
Citigroup Inc.	18	1,064	387.5	4.4%	1.1%
Dickinson Financial Corporation II	17	167	1.6	0.0%	0.2%
Woodforest Financial Group Employee Stock Ownership Plan	17	768	3.2	0.0%	0.8%
Toronto-Dominion Bank	16	1,309	170.1	1.9%	1.4%
Regions Financial Corporation	16	1,720	95.5	1.1%	1.8%
Beal Bank USA	15	18	3.2	0.0%	0.0%
KeyCorp	15	1,067	61.7	0.7%	1.1%

Source: FDIC Summary of Deposits and OTS Branch Office Survey.
Note: Deposit-taking offices only. See SOD instructions for definition of deposit offices.

Table 5

Seven of the Largest Metropolitan 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, 2012)

Metropolitan Area	Herfindahl-Hirschman Index	Population Estimate (millions)	5-Year Compound Growth Rate in Offices	5-Year Compound Growth Rate in Deposits
San Antonio-New Braunfels, TX	4,616	2.2	1.4	11.5
Minneapolis-St. Paul-Bloomington, MN-WI	3,271	3.4	-0.8	20.1
San Francisco-Oakland-Fremont, CA	2,852	4.4	0.9	10.8
Pittsburgh, PA	2,433	2.4	-0.1	8.7
Portland-Vancouver-Hillsboro, OR-WA	1,977	2.3	1.3	9.9
Phoenix-Mesa-Glendale, AZ	1,848	4.3	1.5	2.1
Houston-Sugar Land-Baytown, TX	1,824	6.2	1.0	11.4
Dallas-Fort Worth-Arlington, TX	1,487	6.7	-0.1	0.6
New York-Northern New Jersey-Long Island, NY-NJ-PA	1,451	19.1	0.5	8.2
Detroit-Warren-Livonia, MI	1,441	4.3	-1.3	1.9
Baltimore-Towson, MD	1,415	2.7	-0.9	6.3
Atlanta-Sandy Springs-Marietta, GA	1,408	5.4	-1.0	1.3
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1,352	6.0	-0.7	11.4
San Diego-Carlsbad-San Marcos, CA	1,289	3.2	1.1	5.1
Denver-Aurora-Broomfield, CO	1,268	2.6	0.2	5.6
Orlando-Kissimmee-Sanford, FL	1,261	2.2	1.3	2.9
Seattle-Tacoma-Bellevue, WA	1,243	3.5	0.4	2.1
Boston-Cambridge-Quincy, MA-NH	1,238	4.6	0.7	9.5
Riverside-San Bernardino-Ontario, CA	1,051	4.4	1.0	-1.3
Tampa-St. Petersburg-Clearwater, FL	1,002	2.9	-0.6	4.2
Washington-Arlington-Alexandria, DC-VA-MD-WV	956	5.8	0.9	4.2
Los Angeles-Long Beach-Santa Ana, CA	887	13.1	0.7	2.6
Chicago-Joliet-Naperville, IL-IN-WI	832	9.6	-0.4	3.1
Miami-Fort Lauderdale-Pompano Beach, FL	775	5.7	0.9	2.4
St. Louis, MO-IL	738	2.8	0.7	9.5

Source: FDIC Summary of Deposits and 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 website at http://www.usdoj.gov/atr/public/testimony/hhi.htm. Population estimates for 2011 are from Moody's Economy.com.

areas each increased from "moderately concentrated" in 2011 to "highly concentrated" in 2012.

HHI increased in 18 of the largest 25 metropolitan areas in 2012 and declined in seven metropolitan areas. Minneapolis, Portland, and San Francisco experienced the greatest increase in HHI while Pittsburgh experienced the greatest decline. The HHI score for the San Antonio-New Braunfels, TX, metropolitan area is the highest of any of the top 25 metropolitan areas in 2012, and increased from 4,483 in the previous year to 4,616. The high HHI score reflects the volume of deposits reported by USAA Federal Savings Bank, an institution that has a nationwide remote banking business model but assigns its deposits to its brick-and-mortar headquarters office within the area. The Minneapolis area increased to second on the list in 2012. The HHI score for this area increased primarily as a result of Wells Fargo increasing its market share within the area. Because of changes in population, the Orlando-Kissimmee-Sanford, FL, metropolitan area was added to the list in 2012 while the Sacramento-Arden-Arcade-Roseville, CA, metropolitan area was dropped.

Large institutions continue to exert significant market power in many of the largest 25 metropolitan areas. In 15 of the 25 largest metropolitan areas, at least one organization reported holding at least one-fourth of total area deposits in 2012, the same number as in 2011. In the Phoenix, Minneapolis, and Houston metropolitan areas, two separate organizations reported holding more than 25 percent of total area deposits. Additionally, Bank of America, Wells Fargo, or JPMorgan Chase was the primary driver of market concentration in nine of the 25 largest metropolitan areas in 2012, accounting for more than 50 percent of the total HHI score in the area. The total HHI score was considered "highly concentrated" in six of the metropolitan areas where one organization accounted for the more than half of the HHI score.

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