

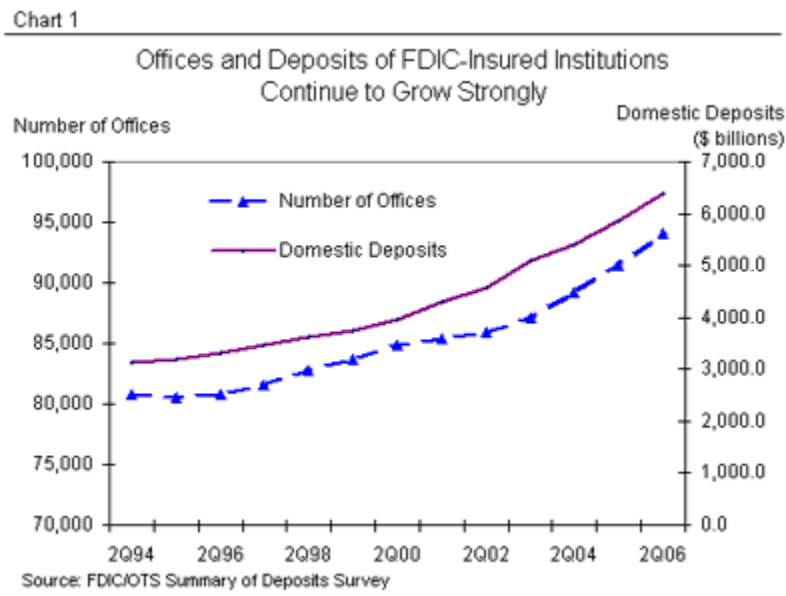
Highlights from the 2006 Summary of Deposits Data

October 25, 2006

The Federal Deposit Insurance Corporation (FDIC) and the Office of Thrift Supervision (OTS) survey all FDIC-insured institutions annually as of June 30 to gather information on deposits and offices in operation. The resulting Summary of Deposits (SOD) is a valuable resource for conducting analyses of local and national deposit market trends and measuring market concentrations. This issue of *FYI* graphically highlights preliminary conclusions from the 2006 SOD data.¹

Nationwide, deposit and office growth remains strong.

Commercial banks and thrifts continue to consolidate into larger, more diverse entities. Although the number of institution charters has declined during recent years, banking organizations continue to expand deposits and branching networks. The number of FDIC-insured institution offices increased 2.9 percent during the year ending June 30, 2006 (see Chart 1).² However, the rate of increase in deposits (8.9 percent) considerably exceeded the growth in the number of offices. During the past five years, as the number of offices has expanded at a 1.9 percent compounded rate, deposits grew at a compounded rate of 8.3 percent.



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The most robust office and deposit growth has occurred in areas with the greatest population density.

As has been the case in past years, the volume of deposits and number of offices continue to expand most rapidly in the nation's larger metropolitan areas, eclipsing growth in smaller micropolitan and non-metro areas (see Table 1).³

Table 1

Most Rapid Rates of Office Growth Have Occurred in the Nation's Larger Population Centers						
	Other Areas		Micropolitan Areas		Metropolitan Areas	
	Number of Offices	Domestic Deposits (\$ billions)	Number of Offices	Domestic Deposits (\$ billions)	Number of Offices	Domestic Deposits (\$ billions)
June 2001	9,735	238	11,561	372	64,144	3,679
June 2005	9,804	267	11,890	431	69,713	5,177

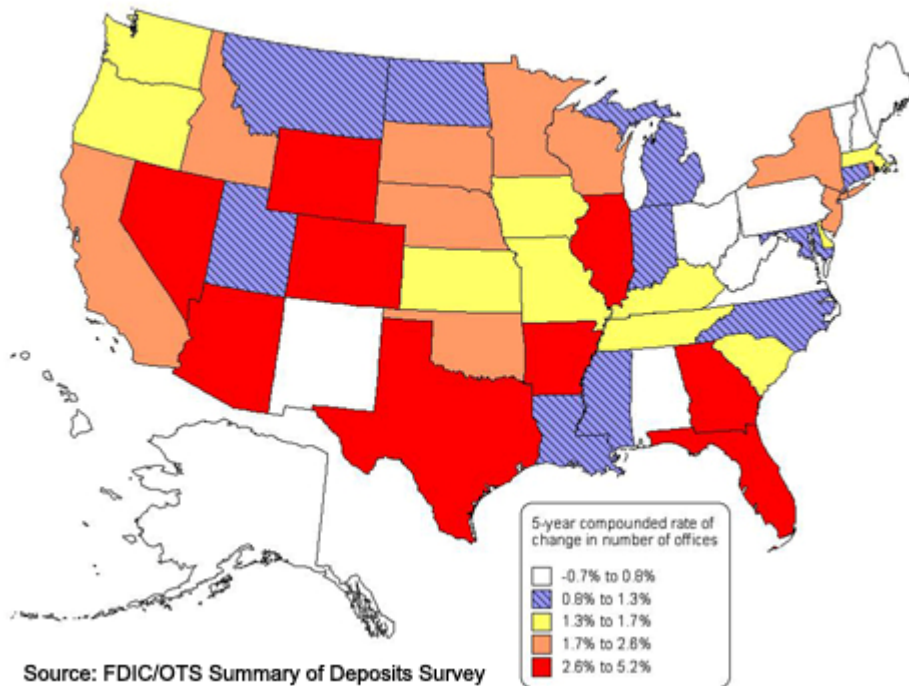
June 2006	9,853	281	12,051	443	72,187	5,662
1 Year Growth Rate	0.5%	5.2%	1.4%	2.7%	3.5%	9.4%
5 Year Compound Growth Rate	0.2%	3.3%	0.8%	3.5%	2.4%	9.0%

Source: FDIC/OTS Summary of Deposits 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 population. See U.S. Census Bureau definitions for greater detail.

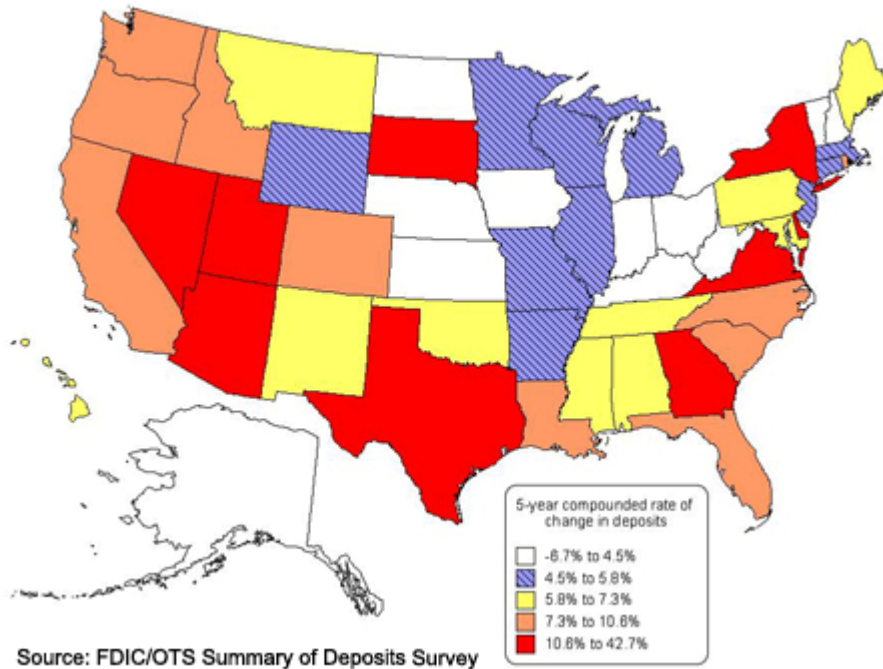
States experiencing the most rapid rates of growth in number of branches are not necessarily those where the volume of deposits also is expanding rapidly. Generally, with few exceptions, deposit growth is strongest in coastal areas, whereas office growth varies more widely across the country (see Map 1 and Map 2). In many cases, demographic factors, such as population, employment, and per capita income growth, correlate well with the growth in deposits and number of offices. However, state law and specific local market conditions also drive branching decisions.

Map1
Growth in the Number of Banking Offices Varies Considerably Across the Country



Map 2

The Strongest Deposit Growth Generally Has Occurred in the Nation's Coastal Areas



The nation's largest banking organizations report the most rapid rate of growth in banking offices.

Consolidated banking organizations holding more than \$10 billion in deposits have reported the most rapid growth in the number of offices during the past five years (see Table 2). In contrast, banking organizations holding deposits under \$1 billion have reported a small decline during this period. Mid-size companies (\$1 billion to \$10 billion in deposits) reported a moderate increase in both the number of offices and volume of deposits. The stronger growth rate of larger companies also reflects longer-term consolidation trends.

Table 2

The Largest Companies Have Reported the Greatest Deposit Growth						
	Small Organizations		Mid-Size Organizations		Large Organizations	
	Number of Offices	Domestic Deposits (\$ billions)	Number of Offices	Domestic Deposits (\$ billions)	Number of Offices	Domestic Deposits (\$ billions)
June 2001	32,377	999	16,784	804	36,279	3,679
June 2005	31,623	1,107	17,503	967	42,281	5,177
June 2006	31,644	1,135	18,135	1,040	44,312	5,662
1 Year Growth Rate	0.1%	2.5%	3.6%	7.5%	4.8%	10.8%
5 Year Compound Growth Rate	-0.5%	2.6%	1.6%	2.6%	4.1%	2.6%

Source: FDIC/OTS Summary of Deposits Survey. Excludes institutions in U.S. territories.

Note:

Small = organizations with consolidated deposits less than \$1 billion

Medium = organizations with consolidated deposits of \$1 billion to \$10 billion

Large = organizations with consolidated deposits greater than \$10 billion

The number of charters included in "small organizations" has dropped from 8,726 in 2001 to 7,735 in 2006; the number of "mid-size" charters declined from 721 to 744, and "large" charters dropped from 292 to 271.

The drive-up facility is fading in popularity as offices in retail establishments are becoming more common.

Increased use of locations in retail space, such as supermarkets and department stores, continues to be a key trend in the expansion of banking offices. Although the pace of growth slowed during the past year, more banking offices were established in retail space than in any other office type during the past five years (see Table 3). At the same time, use of limited service drive-up facilities has declined steadily. The number of standard brick and mortar banking offices continues to grow and remains the most common type of office location.

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 2001	64,033	3,510	3,172	832	71,547
June 2005	68,897	4,583	2,957	960	77,397
June 2006	71,267	4,636	2,917	1,009	79,829
1 Year Growth Rate	3.4%	1.2%	-1.4%	5.1%	3.1%
5 Year Compounded Growth Rate	2.2%	5.7%	-1.7%	3.9%	2.2%

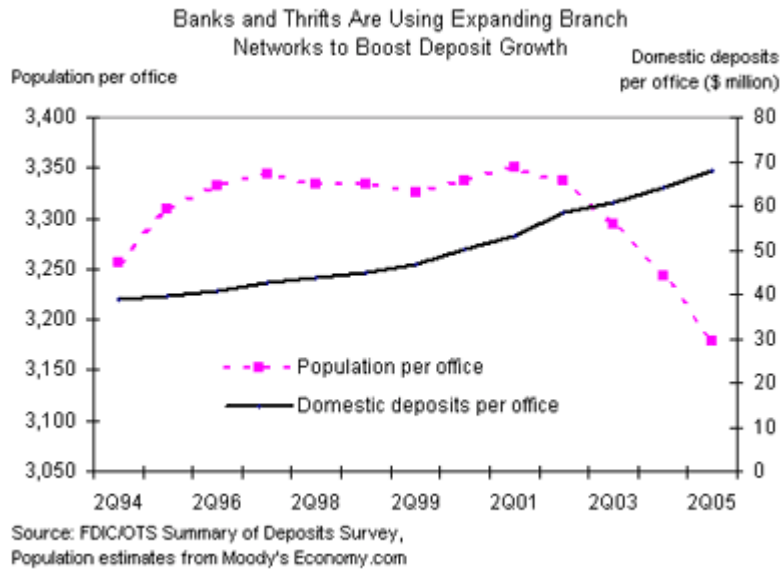
Source: FDIC/OTS Summary of Deposits Survey

Note: Commercial banks only. Retail banking offices are full service offices located in a retail facility such as a supermarket or department store.

Branch networks have expanded more rapidly than the population has increased.

Nationwide, the number of FDIC-insured institution offices has expanded more rapidly than the population has increased since 2000 (see Chart 2). However, these offices continue to attract domestic deposits. Annual growth in total domestic deposits averaged 8.3 percent between 2001 and 2005, compared with 5.4 percent between 1996 and 2000. These trends may imply a more aggressive retailing strategy as banks seek to provide a greater level of service to customers.

Chart 2



The pace of industry consolidation continues to slow.

The number of FDIC-insured commercial banks and savings institutions dropped 1 percent during the year ending June 30, 2006 (currently a total of 8,778 institutions), the slowest decline since the mid 1980s. 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. No banking organizations, even the largest, most geographically diverse, have a presence in all 50 states (see Table 4).

Table 4

A Fifty State Banking Company Does Not Yet Exist			
Name of Company	Number of States with Deposit Offices	Reported Number of Deposit Offices	Domestic Deposits (\$ billions)
BANK OF AMERICA CORPORATION	31	5,789	590.6
JPMORGAN CHASE & CO.	26	2,721	462.3
U.S. BANCORP	26	2,526	117.4
WELLS FARGO & COMPANY	23	3,216	309.0
WACHOVIA CORPORATION *	22	3,447	370.0
BNP PARIBAS	20	724	41.3
NORTHERN TRUST CORPORATION	17	91	13.4
DICKINSON FINANCIAL CORPORATION	17	169	3.1
FIRST HORIZON NATIONAL CORPORATION	16	240	21.7
WASHINGTON MUTUAL GROUP	15	2,195	210.7
REGIONS FINANCIAL CORPORATION	15	1,397	57.2

Fifteen of the top twenty-five markets are “moderately concentrated.”

Market concentration is an important competitive factor considered by bank regulatory agencies and the Department of Justice (DOJ) in the analysis of proposed mergers and acquisitions. Although the number of banking offices continues to grow in many large metropolitan areas, none of the top 25 metropolitan areas (ranked by population) meets the DOJ’s definition of “highly concentrated,” implying an active and competitive environment in the largest metropolitan areas (see Table 5).⁴

Table 5

None of the Largest Cities Is Characterized as a "Highly Concentrated" Market (Top 25 metropolitan areas by population as of June 30, 2006)				
Metropolitan Area	Herfindahl-Hirschman Index(1)	Population Estimate (2) (millions)	5 Year Compounded Growth Rate in Offices	5 Year Compounded Growth Rate in Deposits
Dallas-Fort Worth-Arlington, TX	1,648	5.8	7.7	19.7
Cincinnati-Middletown, OH-KY-IN	1,640	2.1	1.7	0.6
Minneapolis-St. Paul-Bloomington, MN-WI	1,568	3.1	3.4	4.8
Cleveland-Elyria-Mentor, OH	1,551	2.1	1.0	4.6
Pittsburgh, PA	1,533	2.4	0.3	6.3
Phoenix-Mesa-Scottsdale, AZ	1,516	3.9	6.9	10.4
Atlanta-Sandy Springs-Marietta, GA	1,432	4.9	4.9	13.2
Detroit-Warren-Livonia, MI	1,427	4.5	2.6	5.3
San Francisco-Oakland-Fremont, CA	1,357	4.2	0.5	8.5
Portland-Vancouver-Beaverton, OR-WA	1,331	2.1	2.0	8.7
Seattle-Tacoma-Bellevue, WA	1,330	3.2	1.4	9.3
Houston-Baytown-Sugar Land, TX	1,160	5.3	6.0	6.3
Tampa-St. Petersburg-Clearwater, FL	1,139	2.6	2.4	6.7
New York-Northern New Jersey-Long Island, NY-NJ-PA	1,112	18.7	2.8	10.7
Baltimore-Towson, MD	1,030	2.7	1.1	6.6
San Diego-Carlsbad-San Marcos, CA	981	2.9	2.7	9.2

Boston-Cambridge-Quincy, MA-NH	948	4.4	1.2	5.5
Riverside-San Bernardino-Ontario, CA	916	3.9	4.1	10.9
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	860	5.8	1.3	14.1
Denver-Aurora, CO	852	2.4	4.8	8.3
Miami-Fort Lauderdale-Miami Beach, FL	833	5.4	2.1	9.8
Washington-Arlington-Alexandria, DC-VA-MD-WV	833	5.2	2.1	12.9
Los Angeles-Long Beach-Santa Ana, CA	746	12.9	2.2	8.3
St. Louis, MO-IL	649	2.8	1.4	5.0
Chicago-Naperville-Joliet, IL-IN-WI	612	9.4	5.6	5.6

Source: FDIC/OTS Summary of Deposits Survey, Moody's Economy.com

Note: (1) 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 1000 and 1800 points are considered to be "moderately concentrated," and those in which the HHI is in excess of 1800 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> (2) 2005 population estimates from Moody's Economy.com.

About the Summary of Deposits Data.

The FDIC's SOD Web site at <https://www5.fdic.gov/sod/sodInstBranch.asp?barItem=1> has raw SOD data available as well as various summary charts and tables. Additionally, the user can find tools to help identify and analyze information on deposits and branching activities of FDIC-insured institutions in specific markets.

Endnotes

¹ This *FYI* reflects updates in the Summary of Deposits data as of October 16, 2006. 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. 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.

² Offices here 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.

³ Metropolitan statistical areas are characterized by 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 population.

⁴ Under the DOJ guidelines, markets with a Herfindahl-Hirschman Index (HHI) of less than 1000 are considered "unconcentrated;" those with an HHI between 1000 and 1800 are considered "moderately concentrated;" and those with an HHI greater than 1800 are considered "highly concentrated." For more details, access the joint Federal Trade Commission (FTC) and DOJ Web site on "Horizontal Merger Guidelines" at <http://www.usdoj.gov>.

Chart 1

Offices and Deposits of FDIC-Insured Institutions Continue to Grow Strongly		
Year/Qtr	Number of Offices	Domestic Deposits (\$billions)
2Q94	80,788	3,132
2Q95	80,473	3,190
2Q96	80,827	3,301
2Q97	81,541	3,471
2Q98	82,722	3,630
2Q99	83,703	3,753
2Q00	84,871	3,970
2Q01	85,440	4,289
2Q02	85,952	4,564
2Q03	87,149	5,088
2Q04	89,152	5,416
2Q05	91,407	5,876
2Q06	94,091	6,386

Source: FDIC/OTS Summary of Deposits Survey

Chart 2

Banks and thrifts are using expanding branch networks to boost deposit growth

Year/Qtr	Population per Office	Domestic Deposits per Office (\$millions)
2Q94	3,257	38.8
2Q95	3,309	39.6
2Q96	3,333	40.8
2Q97	3,344	42.6
2Q98	3,335	43.9
2Q99	3,334	44.8
2Q00	3,325	46.8
2Q01	3,337	50.2
2Q02	3,351	53.1
2Q03	3,337	58.4
2Q04	3,294	60.8
2Q05	3,243	64.3
2Q06	3,179	67.9

Source: FDIC/OTS Summary of Deposits Survey, Moody's Economy.com

Map 1

Growth in the number of banking offices varies considerably across the country

	5 year compounded change in number of offices
AK	-0.15
AL	0.60
AR	2.91
AZ	5.00
CA	2.01
CO	4.13
CT	1.26
DC	2.65
DE	1.52
FL	2.62
GA	3.13
HI	-0.68
IA	1.42
ID	1.65
IL	3.56
IN	1.27
KS	1.29
KY	1.37
LA	1.20
MA	1.46
MD	0.88
ME	-0.31
MI	0.92
MN	1.99
MO	1.45
MS	0.76
MT	1.11
NC	1.19
ND	1.24
NE	1.97
NH	0.09
NJ	1.66
NM	0.28
NV	4.64
NY	2.50

OH	0.54
OK	2.39
OR	1.52
PA	0.72
RI	1.82
SC	1.30
SD	1.66
TN	1.58
TX	5.17
UT	1.02
VA	0.74
VT	0.67
WA	1.59
WI	1.73
WV	0.50
WY	3.35

Source: FDIC/OTS Summary of Deposits
Survey

Map 2

The Strongest Deposit Growth Has Generally Been in Coastal States	
	5 year compounded change in number of offices
AK	6.65
AL	5.79
AR	5.07
AZ	10.76
CA	8.09
CO	7.81
CT	5.57
DC	15.41
DE	15.25
FL	10.28
GA	10.67
HI	6.67
IA	3.47
ID	8.72
IL	5.53
IN	3.30
KS	4.52
KY	2.91
LA	8.16
MA	5.15
MD	6.71
ME	6.38
MI	4.54
MN	5.10
MO	4.78
MS	5.96
MT	6.45
NC	7.30
ND	4.03
NE	3.31
NH	-6.68
NJ	4.93
NM	6.58
NV	42.73
NY	11.50

OH	2.93
OK	6.21
OR	7.69
PA	6.89
RI	10.30
SC	8.29
SD	37.05
TN	6.70
TX	10.58
UT	11.98
VA	11.35
VT	4.24
WA	8.73
WI	5.67
WV	3.07
WY	5.08

Source: FDIC/OTS Summary of Deposits
Survey
