

## DIALING UP A CHANGING LIST OF BANKS

by [Steve Brown](#)

We don't have to tell community bankers that things can change very quickly. It wasn't so long ago when every house in the neighborhood used to have a hard-wired phone in it. Now that cell phones are prevalent, roughly 16% of homes have shifted and gone completely wireless. While the phone industry may just be starting to grapple with this quantum shift in its industry, banking has been shifting for decades. To better understand this shift, we take a closer look at the top 30 banks and changes in their asset growth.

We begin with the top 5 bank and thrift holding companies (based on assets) in the country, as of 12/31/2007. In order of size, this group includes Citigroup, Bank of America, JPMorgan Chase, Wachovia and Deutsche. As a group, the top 5 grew year-over-year (YOY) assets by an average of just over 23% and controlled just a shade under a whopping \$7T in total assets.

As we move to the next tier and review companies ranked 6 through 10, more interesting things begin to surface. The biggest bank in this group is Wells Fargo, with roughly \$575B in assets. While their asset footings are impressive overall, at that level you could put almost 4 Wells Fargo's inside the largest bank, Citigroup. Rounding out the rest of the top 10 in order are MetLife, HSBC, Barclays and Washington Mutual (WAMU). Of equal interest within this group, note that a life insurance company sits in the #7 spot overall and there are also 2 foreign banks within this grouping. Finally, the largest thrift in the country makes its debut within this group, showing up with total assets roughly 7 times smaller than the largest bank in the country. Overall, this group had YOY asset growth of about 11% and controlled just over \$2T in total assets.

That takes us to the next group of bank and thrift holding companies holding spots 11 to 20. This group is an interesting collection as well and includes (again, in order) U.S. Bank, Bank of New York, SunTrust, Royal Bank of Scotland, Capital One, National City, State Street, Regions Financial, PNC Financial and BB&T. Of particular interest in this group, Bank of New York (with a specialty in trust management), grew assets by 91%, which propelled the overall group average to a touch more than 18%. Excluding Bank of New York's astounding growth, however, the average would have been about 10% YOY. As can be seen from the names, this group only contained 1 foreign bank

Recapping the top 20: 4 holding companies are controlled by foreign entities; total assets are \$10.8T, YOY asset growth averaged close to 18% and the biggest geographic concentrations are New York (4 companies), North Carolina (3) and London (2). Meanwhile, the biggest YOY growth was delivered by Bank of New York (at 91%) and the biggest drop came from WAMU (which contracted 5%).

The next group of banks (ranked 21 to 30), drops below the \$100B threshold for assets pretty quickly and averages \$83B per company. On average, this group is 26x smaller than Citigroup. Names found in this tier include Countrywide, Fifth Third, Key, Sovereign, ING, BNP Paribas, Northern Trust, Bank of Montreal, M&T and Comerica. Of interesting note, this group grew YOY at just over 5%. Meanwhile, Countrywide's woes led it to shrink by 40%. Excluding Countrywide, average assets increased 10%.

As can be seen from this data and the world around us, it is a tough task to continually keep up with shifting trends - particularly in the financial services industry. We hope this brief synopsis helps, albeit

only in some small way.

## BANK NEWS

### **M&A**

Washington Banking Co. (\$893mm, WA) has terminated a merger agreement with Frontier Financial (\$4B, WA), claiming that Frontier's delay in obtaining regulatory approval breached agreement obligations. Frontier purports otherwise. In accordance with the agreement, one of the parties will be entitled to a \$5mm termination fee. Frontier was to purchase Washington Banking for \$191mm.

### **M&A**

First Tennessee Bank (subsidiary of First Horizon) will sell its residential loan origination/servicing platform (some \$65B in product) along with 230 offices nationwide. MetLife will purchase the assets at book value. Since FTN is largely known for its mortgage strength, the question arises as to the bank's focus going forward.

### **Fed Intentions**

Chair Bernanke signaled a definitive pause in rate cuts, saying 'policy is well positioned to promote moderate growth and price stability.' Bernanke went on to discuss how the Fed is collaborating with domestic and foreign bank regulators in order to strengthen capital, liquidity and disclosure rules. In addition, the Fed said it will place an increased emphasis on enterprise-wide risk management.

### **Young and Busy**

People 18Ys to 34Ys of age use web banking accounts an average of 16.2x per week, more than triple the frequency of those 35Ys and older.

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