

## THIS OLD BANK

by [Steve Brown](#)

While yesterday we highlighted the world's oldest bank, today we focus on the US. Despite the fact that there are still 4 banks in the country that have been around for more than 200Ys, each has taken a remarkably different path. According to FDIC data, the oldest surviving bank in the country at 217 years old is State Street Bank and Trust Company (\$160B, MA). State Street has grown assets by more than \$735mm every year since inception. They are the only bank remaining in the country that opened in the 1700's (opened in 1792) and are still around today.

Of the other three banks that are more than 200 years, only PNC has grown nearly as much (\$147B in size). The remaining two banks, Washington Trust Company of Westerly (\$2.9B, RI) and Beverly National Bank (\$530mm, MA) still retain their independent bank status. Interestingly, while State Street and PNC focused on growth, the smallest of this group, Beverly National, added a mere \$2.6mm per year. This growth disparity is even more interesting when you consider Beverly is physically located only about 3 miles from State Street.

Looking at the next group of banks formed in the 1800's, a whopping 1,451 are still in business. This number is down 10% from a couple of years ago, a fact that highlights even 100+ year old banks are prone to failure, merger and consolidation at about the same clip as a 50 year old bank. Of those banks that have been open well over 100Ys, 66 have less than \$25mm in total assets. The smallest in the bunch, Oakwood State Bank out of Oakwood, TX, tips the scales at just over \$3mm in assets. Our point here is that you obviously don't have to grow to survive. In fact, you don't even have to be in this century as Oakwood State Bank holds a gaggle of other distinctions in the banking industry such as the only bank without a computer, the only bank that still types deposit slips by hand, the only bank that keeps a manual general ledger, the only bank without voicemail and the bank with the oldest workforce (with an average age of 77).

Looking at the universe of FDIC insured financial institutions, the weighted average (based on assets) years in business is 90Ys. Even on a simple basis, the average bank has been in existence some 57Ys.

While we are talking about bank age, it is interesting to note a couple points on age. One note is that, while weak, bank age and performance are positively correlated in that an age of a bank tends to explain about 2% of net income performance. Granted, that is not much, but older banks do tend to perform slightly better than their younger counterparts. This tendency happens to be the strongest for banks that are 30Ys to 80Ys old as that is the "sweet spot" where age is the greatest protective factor to earnings.

The last point we would like to make, that despite the fact that few new bank charters have been approved in the last 2Ys, banks are getting younger. While older banks failing are a part of this, reorganizations and restructurings (such as BankUnited, OneWest or a bridge bank) that generate a new charter are the largest drivers. In fact, there is a record 746 banks that are technically younger than 5Ys (9% of all banks).

Finally, for the history buffs out there, the first bank ever formed in the U.S. was literally The First Bank. Its charter was drafted in 1791 by Congress and signed by George Washington with the intention of becoming our central bank. In 1811, however, Congress voted to abandon the bank and its charter due to the need for greater capital - a trend that is unfortunately still with us today.

## **BANK NEWS**

### **Bankers In The House**

A group of community bankers met with the President yesterday and carried the message that the regulatory burden and "overzealous examiners" aren't helping in the creation of credit. Reportedly, President Obama was receptive to their messages and said, "We are looking to see if there are possibilities to cut some of the red tape."

### **Fair Lending**

The FTC and Fed issued final rules requiring banks to provide a notice when, based on a credit report, a loan is originated with terms that are "less favorable" than average. Under the new rules (mandated by the Fair and Accurate Credit Transactions Act), consumers who receive such a risk-based pricing notice are eligible to obtain a free credit report. The new rules go into effect this Jan 1st.

### **Checking**

According to Novantas, net interest income and debit charges account for only 37% of checking account revenue. Overdraft fees, total over 50% of revenues while transaction and maintenance fees bring in about 9%.

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*