

THE 15 LARGEST ARE MASSIVE

by [Steve Brown](#)

Why do people say "no offense, but..." when they clearly are gearing up to offend you? It is strange, but we see it played out over and over again in meetings and when interacting with people now and then. It is such an odd thing to utter when you clearly intend to offend.

We were intrigued by an article in Bloomberg recently that talked about the largest 15 banks in the world. It ranked them by assets (see table above) as of June 30, 2010 and converted them all using the currency conversion rates as of that date. We know what you are thinking - where is the 3Q data? However, when you think about all the time it takes to research this, read through their quarterly corporate financials, convert everything to a common currency and then get it all ready for prime time, you can see why 2Q is still the most recent data point.

What jumped out at us first was that BNP Paribas is the largest bank in the world. Also of interest, the bank has grown nearly 35% over the past 3Ys, despite having a balance sheet the size of a small country and loan/securities prepayments alone that must come in like a broken dam in flow every month just due to the enormous size of this behemoth. This is truly a mega bank.

The next thing that jumped off the page was the 3Y growth rate for Lloyds Banking Group at 191%. All that growth must surely put strains on the systems that support it, not to mention regulators, management teams and auditors that surround it and try to make sense of it all. Lloyds has grown out of its shoes primarily due to the banking crisis, after acquiring HBOS in 2009. The British Government owns 41% of the company.

It is also interesting that Bank of China has grown so fast at a 66% clip over the past 3Ys. While perhaps not surprising, given the country's extremely high growth rates, this bank has really taken off over this period. Overall, the bank has been around since 1912 and it is also the oldest bank in China. Outside of mainland China, Bank of China also operates in 27 countries.

Finally, here in the US the biggest beast is Bank of America, ranked #5 in the world overall. The bank does business in 150 countries and touts a relationship with 99% of the Fortune 500 companies. Interestingly, the bank is also the 5th largest company in the US. It has 6,100 retail branches and 18,700 ATMs across the US and has grown at a healthy 3Y pace of 54% (see above).

In closing, much has been made about large banks being too big to fail and their potential impact on the economy and taxpayers. We have seen time and again the issues this can bring. As a company that only supports community banks we admit our position is biased, but firmly believe once a bank becomes the size of a country itself, it is unwieldy at best and risk has certainly increased simply due to size. We need a longer term solution to protect the downside, while also keeping us competitive on an international scale. Not an easy problem to solve, but certainly one that will be discussed in coming years.

Finally, no offense, but we found it interesting to note that France has 4 banks with more than \$1T trillion in assets, which is the same as the US. That is unusual because France's economy is only 1/5 the size of ours. As one final aside, BNP Paribas' exposure to Portugal, Ireland, Greece and Spain amounts to 15.4% of its tier 1 capital and if Italy and Belgium are included it jumps to 76%. Given all

that is going on in Europe related to the crisis, we hope both the bank and the French government are paying really close attention.

BANK NEWS

WikiLeaks

Bank of America's stock sold off as rumors circulated that WikiLeaks has 5GB of e-mails from a former bank executive. BofA dismissed speculation as "unfounded."

Fed Release

Look for the Fed to release detailed information later this week on banks that borrowed from various liquidity programs from 12/07 to 7/10.

State Street

The Bank said that it will lay off 1,400 jobs or 5% of its workforce in an effort to cut expenses. In addition, it will close an unspecified number of branches and offices.

Fannie and Freddie

The GSE's sent letters to brokers on Wed giving the go-ahead for sales to resume on foreclosed properties; the sales had been halted in Sept amid allegations of faulty paperwork.

Christmas Index

PNC's annual index tracking the cost of the 364 gifts in "The Twelve Days of Christmas," noted a 10.8% rise from last year to \$96,824. The cost of 5 gold rings saw a 30% jump, less than the 233% rise for the French hens.

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