

## THE POWER OF POINTING TO THE LARGEST BANKS

by [Steve Brown](#)

If you give speeches now and again, it is important to consider carefully what you are or are not going to put into your PowerPoint presentation if you want to capture attendee interest. We came across a recent survey of the things people find most annoying in presentations and here are the 5 biggest ones in order: reading the slides (60%); using small text (51%); using sentences vs. bullet points (48%); choosing poor slide colors that make it hard to read (37%); and, too much moving around of graphics/text (25%). To prevent our own presentation of the BID this morning from getting too out of hand, we shift gears and focus on some interesting information garnered from FRB data on the Top 50 bank holding companies in the US as of March 31 2011.

Upon reviewing the data, it is apparent that "too big to fail" banks are, well, still too big to fail. It jumps off the page when you see that the 4 largest US bank holding companies (BHCs) each have assets above \$1T (Bank of America and JPMorgan Chase are above \$2T) and control roughly 52% of all assets of the entire group. All told, the top 50 BHCs control over \$14.6T in assets.

Speaking of controlling large amounts of assets, the data shows a fairly clean delineation of BHCs we would consider "Mega" banks and those that are a notch below. To step up to our Mega class, you have to have \$700B in assets or more, which delivers 7 BHCs in total. You might also be surprised when you see that list, which after the credit crisis in order now includes: Bank of America (\$2.3T); JPMorgan (\$2.2T); Citigroup (\$1.9T); Wells Fargo (\$1.2T); Goldman Sachs (\$933B); Morgan Stanley (\$836B); and Metropolitan Life (\$751B). It is truly interesting how the industry has quickly evolved.

Just below the Mega group we find 5 BHCs that have assets above \$250B. This group includes: Taunus Corp (owned by Deutsche Bank \$397B); HSBC North America (owned by HSBC \$370B); US Bancorp (\$311B); Bank of New York Mellon (\$267B) and PNC Financial (\$260B). By combining the Mega level with this second grouping, assets controlled jump to just over 80%.

In our third level, we drop down to find BHCs with assets from \$100B to \$249B. There are 10 BHCs in this group and they include: Capital One (\$199B); TD Bank (\$184B); Ally Financial (the old GMAC \$174B); SunTrust (\$171B); State Street (\$170B); BB&T (\$157B); American Express (\$143B); Citizens Financial (owned by Royal Bank of Scotland at \$132B); Regions Financial (\$132B); and, Fifth Third (\$110B). These three groups swallow up 91% of all assets of the top 50 group in total.

Finally, by city, as expected, the hot spot for larger BHCs operating in the US is New York with 11, followed with two each in Columbus, Buffalo and San Francisco.

We will be back another time with more information perhaps on this group and the potential impact of some of the Dodd Frank issues that could throw a wrinkle in their business models, but in the meantime, keep working on our presentations as you try to entertain any groups you might speak to. If you are still seeking motivation to change your presentation ways, consider nearly 30% of people think presentations are done poorly 50% of the time or more frequently - the #1 response.

## **BANK NEWS**

### **ING**

The Board of the bank will meet today to decide who should be awarded the bid. Rumors are that it could be either Capital One or GE.

### **SiFi**

The Fed is trying to define what a "systemically important financial institution" is, in order to require capital required above the Basel III limit (expected to be the 15 to 25 largest US banks). While the additional capital required could be up to 14% overall, 12% is expected (vs. Basel III top limit of 10%).

### **Sub S Capital**

The Fed is asking for final comments before the end of July on a rule that would allow Sub S banks with small bank holding companies to not include Treasury issued sub-debt (like under SBLF or TARP) in the debt-to-equity calculations. In related news the Fed adopted a final rule that allows S corps to include Treasury sub-debt in Tier 1 capital.

### **Statement Rewards**

A trend that we reported on at our annual conference now goes to the next level. BillShrink, a 3rd party company, has connected with Jack Henry core systems to allow banks to generate contextual and geo-specific discounts and coupons in their statements. Banks (and Jack Henry) receive fees each time customers use a promo code.

### **Housing**

Zillow.com estimates 30.7% of homes sold in 2010 went for less than their purchase price, up from 25.4% in 2009.

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