# LOOKING INTO INDUSTRY NUMBERS

by Steve Brown

We enjoy crunching numbers now and again, as we seek out new and interesting information to enlighten, delight and satiate our community bank readers. The data is finally out on the Top 200 banks in the US for 2Q (it takes that long to officially tick and tie the information to include banks doing business here, but with international parent companies). The information is enlightening and useful in many ways that we outline it here.

The first thing that jumps out at you is that the 7 biggest banks are truly massive indeed, representing an aggregate $10.3T in assets and a whopping 62% of the total for all banks in this list (each one has assets that range from a low of $771B to $2.3T). Even more surprising, this group has jumped from $9.8T in total assets last year (growing about 5%), despite generally weak loan demand and pressure from all sides to increase capital ratios. Too big to fail is alive and well with this group given that sort of industry dominance. The Top 7 banks in order as of 2Q are now Bank of America; JPMorgan Chase; Citigroup; Wells Fargo; Goldman Sachs; Morgan Stanley and MetLife. Going a few levels deeper into the data for this group, we find the only bank to shrink year over year (YOY) was Bank of America (down 4%), while MetLife soared 34% and JP Morgan jumped 12%. When you are talking about such lofty asset footings, the growth given their sheer size is truly amazing.

On the other hand, if you thought the growth for MetLife sounded impressive, consider that while it does make the Top 5 in percentage terms, it is in last place. As a whole, the Top 5 in asset growth shot up a monstrous 60% YOY, with the very top spot going to Hancock Holdings in MS at 132%. Rounding out this group, we find First Niagara Financial, NY (50%), Ameriprise Bank, MN (43%) and Bank of the Ozarks, AR (40%).

Shifting to the other end of the spectrum, some banks shrank aggressively. Those that decreased the most YOY in percentage terms declined a significant 21% on average. They included in order: Capmark Bank, UT (-30%); Johnson Financial Group, WI (-24%); First BanCorp, PR (-22%); First Banks, MO (-18%) and Pacific Capital Bancorp, CA (-18%).

In total, banks that shrank assets YOY lost about 5% overall or $202B. That aggregate total is about the same as the bottom 47 banks in the Top 200 combined. Put another way, it would total the 13th largest bank in the country, so it is significant indeed.

As for banks that increased assets, this group YOY grew nearly 10%, picking up about $1.2T. Merger and acquisition activity, assisted transactions and other major moves to consolidate assets helped move the needle higher for this group. All told, the assets this group picked up are about the size of Wells Fargo.

When it came to the new additions, some were surprising. Of note, 7 new banks showed up on the list, including: RBC USA Holdco, NY ($85B - was part of Royal Bank of Canada and not reported separately before this); First Republic Bank, CA ($23B - was part of Bank of America); Barclays Delaware Holdings LLC ($15B); Doral Financial, PR ($8B); North American Financial Holdings, FL ($5B); NBH Holdings, MA ($5B) and Community Bancorp LLC, TX ($4B).

Finally, we end with a closer look at the entire list of 200. Despite all of the moving around, these banks were able to increase assets by 6% YOY, to an amazing $16.5T. On a final note, it is interesting when you consider it would take 610 of the smallest bank ($3.7B Carter Bank and Trust, VA) to equal Bank of America in the top spot at $2.3T. We look forward to seeing what interesting information the 3Q data brings, once it too gets finalized later this month.

## BANK NEWS

**M&A**

BB&T will acquire BankAtlantic ($3.3B, ,FL) for approximately a $301mm premium, or 2x book. The deal adds 78 branches to BB&T's community bank network and expands its south FL presence.

**Fed Fees**

The Fed released its 2012 fee schedule and prices for services are expected to rise by about 4%.

**HARP 2.0**

The FHFA will publish specifics on the revised HARP mortgage refi program by Nov 15. Unlike last time, we think the market is underestimating this program's impact on speeds (from what we know now) and banks that own 30Y and ARM product should run an analysis (we will do this for you if you purchased the bonds from us) to see the potential impact. We estimate the Program will impact about $700B of MBS and portfolio loans while increasing speeds by about 12% CPR.

**Wealth Management**

Bank of the West will open a series of standalone wealth management / private banking offices to better service its high net worth customers. Denver, Los Angeles and San Francisco are all planned for this year, as well as 2 unnamed locations.

**Delinquent Housing**

Analysis by DataQuick finds the average homeowner that received a default notice was 8 months behind on payments and the median amount they owed at the time of notification has climbed 27% vs. the prior year period.

**Small Biz Pain**

The SBE reports 95.6% of all businesses that closed nationwide due to the economic crisis had less than 100 employees. States that lost the most number of small and medium businesses (2007 to 2009) were CA (-937k), FL (-564k), OH (-322k), MI (-304k) and AZ (-282k).

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