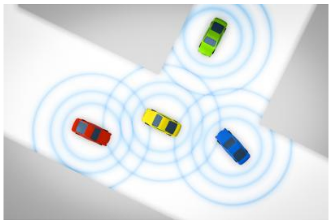

Driving Around In The Banking Industry

by Steve Brown

After monitoring the success of Uber and others, Google has announced it is jumping into ride sharing by offering a service of its own. Google is offering rides at only 54 cents per mile, far less than Uber. Both companies are trying to launch driverless cars and Uber recently purchased a driverless truck company so things are really heating up.

While banking too must cope with competition, every quarter the FDIC provides an update on the industry with a whole bunch of detail. Every so often, we like to take a quick look at this data to see how things are going. Since the FDIC has just released Q2 data, we took a look at the 6,068 financial institutions buried deep within and pulled these 12 reasonably interesting factoids for you:

- The 6,068 financial institutions control total industry assets of $16.63T.

- The largest category (we will call Group 1) represents only 4 institutions (JPMorgan, Wells Fargo, Bank of America and Citibank), but these behemoths control $6.774T in assets or 41% of the entire industry.

- The next category (Group 2) is a list of 104 institutions by count. We drew the line here, because that is how many institutions it would take on a combined basis to equal the assets controlled by Group 1.

- Our final category (Group 3) is the rest of the 5,959 institutions by count. This is everyone else in the entire industry other than the first two groups. In total, Group 3 holds a combined $3.082T in assets. Put another way, this massive group by count is less than 50% the size of either Group 1 or 2.

- Going strictly by asset size, the smallest institution in the country is $3.5mm (Emigrant Mercantile Bank, NY), which is about 0.0002% the size of the largest (JPMorgan).

- If you exclude the largest 4 institutions, the rest of the industry has an average asset size of about $1.63B. However, if you exclude both Group 1 and 2 institutions, the rest of the industry has an average asset size of about $517mm.

- You may also find geographic analysis interesting. Here, we find by state the following number of institutions: AK (4), AL (128), AR (104), AZ (18), CA (186), CO (91), CT (42), DC (3); DE (22), FL (152), GA (192), HI (8), IA (308), ID (12), IL (483), IN (116), KS (269), KY (165), LA (131), MA (137), MD (57), ME (26), MI (108), MN (320), MO (288), MS (79), MT (55), NC (64), ND (78), NE (187), NH (19), NJ (89), NM (40), NV (17), NY (155), OH (203), OK (210), OR (25); PA (168), RI (9), SC (58); SD (69); TN (163); TX (474); UT (47); VA (90), VT (12); WA (52); WI (231); WV (59); WY (25).

- The state with the least number of institutions is DC (3) followed closely by AK (4).

- The state with the most number of institutions is IL (483) followed closely by TX (474).

- There are 23 states with 100 or more institutions.
- On average, each state has just over 118 institutions with a median of 89.
- Also by geography, there is 1 institution in the Federated States of Micronesia; 2 in the Virgin Islands; 3 in Guam; and 5 in Puerto Rico.

While there is plenty more data to analyze, we thought you might like some of this high level information as you get ready to head into strategic planning in the next month or two. In the meantime, maybe you should try to hail yourself a Google Waze car to test it out and compare it to Uber.

BANK NEWS

Tech Change

Research by the World Economic Forum on jobs finds the top technological drivers of change are: mobile internet, cloud technology (34%), processing power, Big Data (26%), new energy supplies and technologies (22%), internet of things (14%) and sharing economy, crowdsourcing (12%).

M&A Activity

1) National Bank of Commerce ($1.7B, AL) will acquire Private Bank of Buckhead ($291mm, GA) for about $59mm in cash and stock or roughly 1.77x tangible book.

Marketplace Cuts

Online marketplace lender Avant has cut 30% of its workforce according to news reports.

Satisfied

Research by the Society for HR Management finds 88% of employees say they are satisfied with their job overall, the highest level of satisfaction in the past 10Ys.

CECL Assets

Bankers should note that the new current expected credit loss (CECL) methodology applies to more than just loans. Crowe Horwath research indicates it includes measuring credit losses on financial assets including financing receivables, held to maturity debt securities, receivables from repurchase agreements and securities lending transactions, reinsurance receivables, off balance sheet credit exposures not accounted for as insurance (such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments), and net investments in leases recognized by a lessor to name a few. Check with your accounting firm on specific questions.

ROE Performance

The FDIC reported return on equity for various asset size groups as follows: <$100mm (7.20%); $100mm to $1B (9.62%), $1B to $10B (9.08%), $10B to $250B (9.22%) and $250B or > (9.68%). The difference between the lowest and highest is 34%.

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