



## Thinking Big In Banking

by [Steve Brown](#)

No matter your politics, you might be interested to note that Donald Trump is credited with saying "You have to think anyway, so why not think big?" Speaking of big thinking and all things big, when it comes to banking, one must look at asset size.

On this front, recently SNL Financial did some interesting work around the asset size of the largest 50 banks and thrifts in the US. The analysis included proforma for recent mergers and acquisitions. We looked at that data and found some interesting things we thought you might like to know.

First, JPMorgan remains the largest bank in the country at \$2.5T in assets. The interesting thing here isn't that JP is so large, but rather that Bank of America at #2 is only \$2.2T. We say only because at that level, believe it or not, BofA is 13% smaller than JP. Put another way, the difference is \$326B or slightly larger than the 10th largest bank.

As you ponder that, we go to our second tidbit. Here we find that the difference between the largest bank (JP) and the smallest of the top 50 (EverBank Financial, FL) is huge. Remember that these are the Top 50 largest banks in the country after all. Yet, EverBank at #50 is only about 1.1% the size of JP - despite having \$28.7B in assets in its own right.

Next, the data shows a jarring difference between US Bank as the 5th largest in the US vs. JP just four slots above it in size. This is because JP is at \$2.5T and US Bank is only at \$454B. That means US is about 18% the size of JP or it would take more than five US Banks to be the size of just one JP.

Further, while on the subject of US Bank, consider that even if they bought up the next five banks rounding out the top 10 (Bank of New York Mellon, PNC Financial, TD Group, Capital One and HSBC North America) they would be only slightly larger than BofA with \$2.21T (vs. \$2.20T) in the #2 position and would still be well behind JP.

The next point is that JP by itself represents 17% of total cumulative assets of the entire group of 50. Additionally, the top four players (JP, BofA, Wells and Citigroup) control a whopping 58% of the total assets (\$8.48T) of the entire group of the 50 largest (\$14.69T).

On a name by name basis, you might be interested to note that BB&T is larger than SunTrust, USAA is ranked #19, American Express is much larger than Discover, and Synchrony Financial is larger than Zions. On a quirkier note, 11% of this group's assets are controlled by the nine foreign banks operating in the US.

Finally, while geographic locations don't really matter much when your bank is this big, we were intrigued to see what was going on here anyway. By count, the top five states are NY (13 banks); CA (5); TX (4); IL, NC, OH (3 each) and CT, GA, MA and PA (2 each). Meanwhile, by assets the five states with the most were: NY (\$5.9T), NC (\$2.5T), CA (\$2.3T), PA (\$398B), MA (\$395B), and OH (\$380B).

As we leave you this morning to ponder all of this, here is one more factoid to consider. The top three largest US banks (JP, BofA, Wells) last reported a total of 104.9mm active online or digital customers. When you consider there are about 242.5mm adults in the US as of the latest Census report, that means they have somewhere around a 40%+ marketshare probably - crazy.

We hope you have enjoyed this "yuge" discussion today.

# ECONOMY & RATES

## Yesterday

Yields jumped 7bp after the ECB's announcement that it would extend its quantitative easing program through next year leading investors to unwind risk positions in the US.

Rates As Of: 12/09/2016 11:38AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.53	0.00	0.00
6M	0.63	0.00	0.00
1Y	0.85	0.00	0.00
2Y	1.13	0.00	0.00
5Y	1.89	0.00	0.00
10Y	2.47	0.00	0.00
30Y	3.16	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.50	0.00	
Prime	Unemployment	Oil	
3.50	0.00	\$0	

[More Market Rates](#)

## BANK NEWS

### Pay Hike

Bank of America said it will increase the minimum wage it pays to its employees to \$15 per hour starting in 2017. The move would impact tellers, customer service representatives and other lower paid workers.

### Dropping Hammer

Reuters is reporting the OCC is preparing to hit Wells Fargo with a two notch downgrade to "needs to improve" on its fair lending practices. If so, Wells would see greater regulatory scrutiny.

### Lawsuit

The ABA has joined the ICBA in filing suit against the NCUA over the field of membership rule (the ABA filed in Dec, while the ICBA filed back in Sep).

### Dodd Frank

Speculation continues to swirl around what action Trump and the Republican controlled Congress will take to weaken Dodd Frank. Expectations include modifying certain components such as the Volcker Rule, increasing the asset threshold required for a bank to be considered a Systemically Important Financial Institution (SIFI) and perhaps even modifying the structure of the CFPB. A full repeal of the law is not expected at this juncture.

### NIM

FDIC research finds the net interest margin (NIM) for commercial banks and savings institutions below \$1B was 3.68% YTD vs. 3.58% for those \$1B to \$10B and 2.69% for those institutions above \$250B.

### Bank Stocks

Good news all around and high expectations for the coming year have helped push bank stocks to their highest levels since 2007 for some of the largest banks.

### Unrealized Losses

The Fed reports that as of Nov 23, US bank securities holdings showed a \$6.5B unrealized loss due to the upward shift in interest rates. Banks will have to take this into account moving forward and may want to remind

directors of what it means at the next board meeting to keep everyone informed as to the shift.

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