

Deposit Growth in New York Bank Branches, 2000 – 2005

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The Summary of Deposits from the FDIC provides information annually on bank offices and deposits at all FDIC-insured institutions at the end of the second quarter. We present an historical overview of deposits and offices in New York, then report results of our study of bank performance according to branching profile, size, charter, office type, institution type, and regional and county location. This analysis yields important distinctions between banking institutions and highlights trends in deposit activity:

- the total number of offices and total deposits grew steadily, despite continued consolidation in the banking industry;
- growth in offices has been fastest in metropolitan areas;
- deposits grew at a faster rate than the number of offices; and
- mergers have shifted deposits between markets.

New York Overview

An additional 105 offices of banks and savings institutions were opened in New York State between June 30, 2004, and June 30, 2005. Over the same period, deposits in the state grew by over \$50 million, for an increase of 9.1%. This was a slight decline from the 9.15% rate of increase between June 30, 2003, and June 30, 2004, but above the national rate of 8.47% in the period 6/30/04 – 6/30/05.

Table 1. Bank Offices and Deposits in New York.

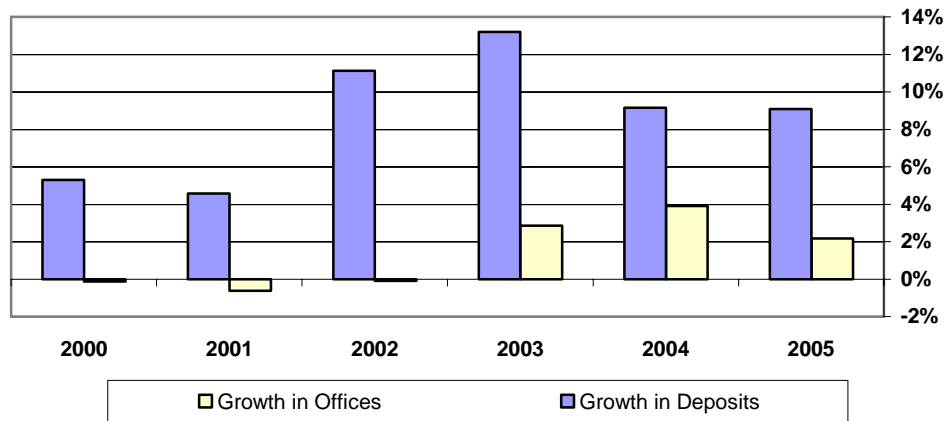
Years	Banks with Branches in New York	Offices* in New York	Deposits in New York (\$millions)	Year-over-Year Percent Change
2005	239	4,942	695,495	9.1
2004	239	4,837	637,592	9.2
2003	243	4,655	584,130	13.2
2002	249	4,526	516,010	11.1
2001	259	4,530	464,340	4.6
2000	269	4,558	444,010	5.3
1999	273	4,564	421,670	-

* Includes main offices.

While there was no change in the number of institutions with branches in the state from June 2004 to June 2005, the number of main offices declined from 213 to 209. Two institutions relocated their main offices outside New York State, seven institutions were the subject of acquisitions, and five new institutions were established in the state. At the same time, the number of branches increased by 2.36%, which resulted in a net increase of 2.17% in the total number of offices.

During the period June 2000 to June 2005, deposits grew at a faster rate than the number of offices and branches. In fact, for the first three years of the period the number of offices actually declined while deposits increased.

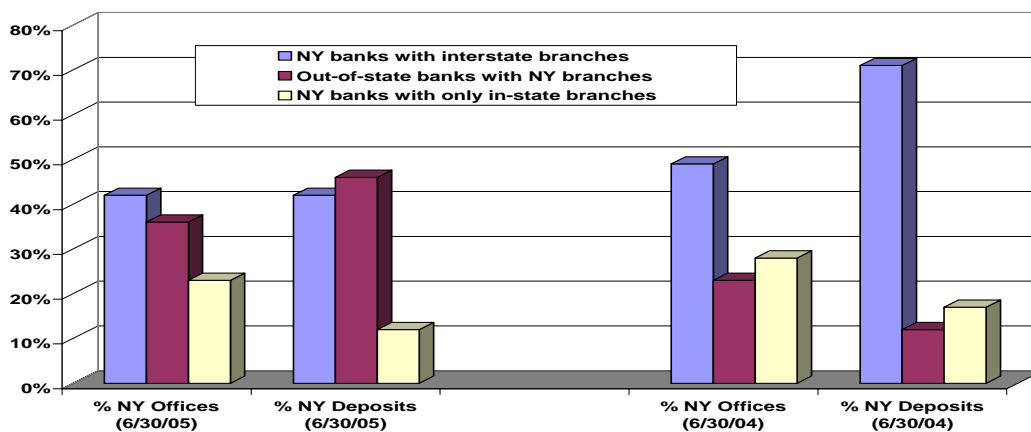
Chart 1. Growth in Offices and Deposits (2000 – 2005)



Branching Profile

Banks with interstate branches increased their market share between 6/30/04 and 6/30/05. New York banks with branch offices only in New York State showed a decline of 30% in deposits and 20% in offices. This change follows the national trend of growth in market share for banks with interstate branches.

Chart 2. Bank Branches in New York

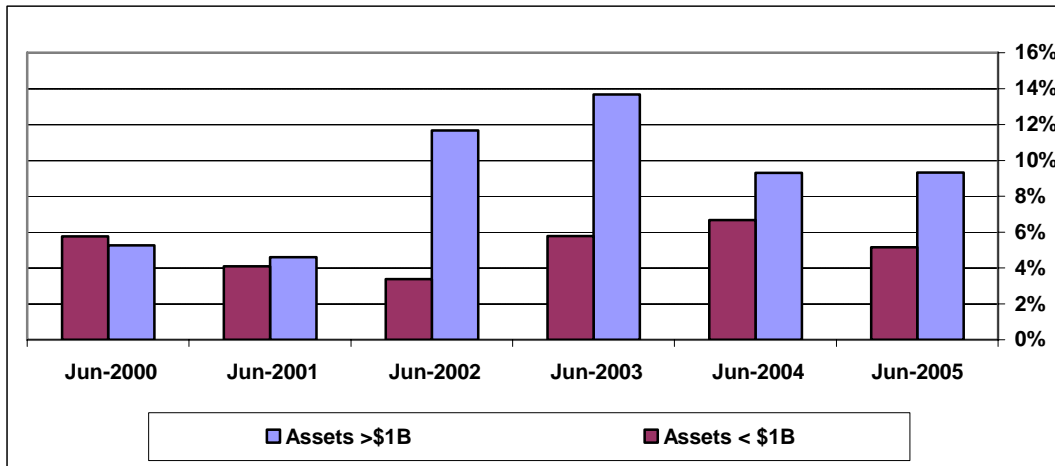


Although JPMorgan Chase and HSBC both increased their deposits in New York over 6/30/04 to 6/30/05, the relocation of their main offices changed the share of state deposits held by New York banks, defined by the FDIC as those with main offices here. The share of deposits held by New York banks declined, by more than a third over this period.

Institution Size

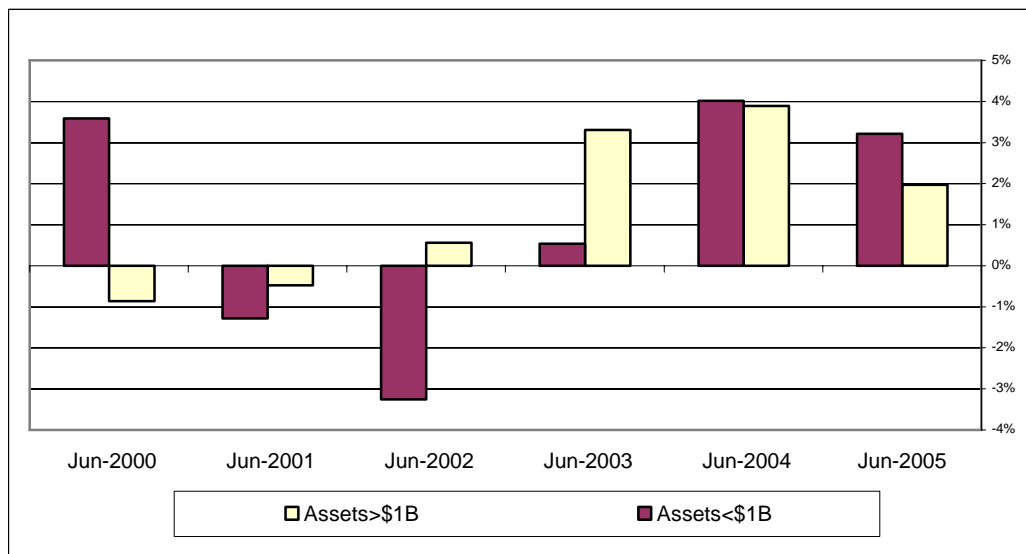
In analyzing bank performance by size, the larger banks had significantly better deposit growth than smaller banks. Banks with assets greater than \$1 billion increased deposits at a greater rate than banks with assets below \$1 billion; further, deposit levels at banks with assets greater than \$50 billion increased more than at either banks with assets less than \$1 billion or at banks with assets between \$1 billion and \$50 billion.

Chart 3. Change in Deposits in New York by Size of Institution, 2000-2005.



In 2000 and 2001, growth in deposits was relatively close in terms of size. Thereafter the larger banks had significant growth relative to the smaller banks. At the same time, growth in the number of offices was mixed for the size categories. In three of the years, banks with assets less than \$1 billion had faster growth in offices, and for the remaining three, the larger banks had faster growth. In 2004 and 2005, when the smaller banks had faster growth in offices, the larger banks had faster growth in deposits.

Chart 4: Change in Offices in New York by Size of Institution, 2000-2005.



During the period 2000 to 2005, banks with assets between \$100 million and \$1 billion had a more consistent growth in deposits and offices, followed by banks with assets greater than \$50 billion.

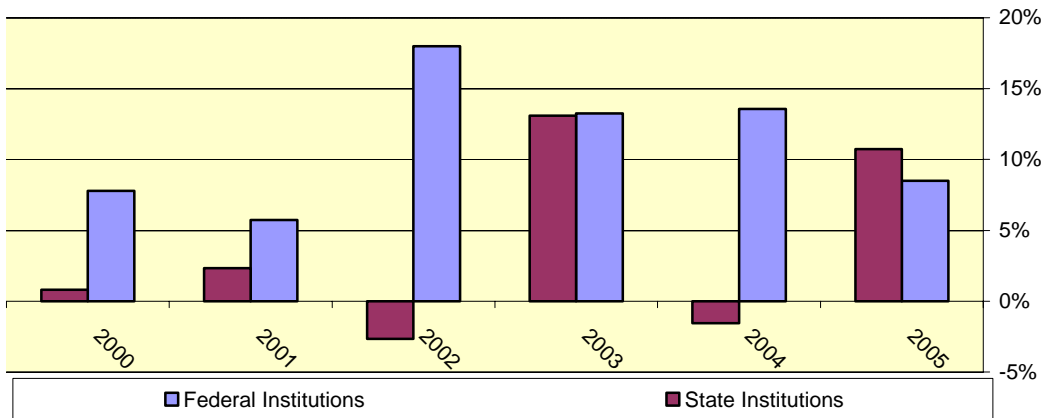
Charter

A comparison of the growth in deposits between state and federally chartered institutions shows that for the period June 2000 to June 2005, deposits in federally chartered institutions were growing at a faster rate than deposits in state chartered institutions, with the exception of 2005. In

2005, deposits in federally chartered institutions grew by 8.49% while deposits in state chartered institutions grew by 10.73%.

At the same time, and with the exception of 2000 and 2001, the annual growth rate for the number of federally chartered institutions and offices outstripped that for state chartered institutions and offices. However, when growth is averaged over the six year period, state chartered institutions added offices at a faster rate (1.97%) than federally chartered institutions (1.42%).

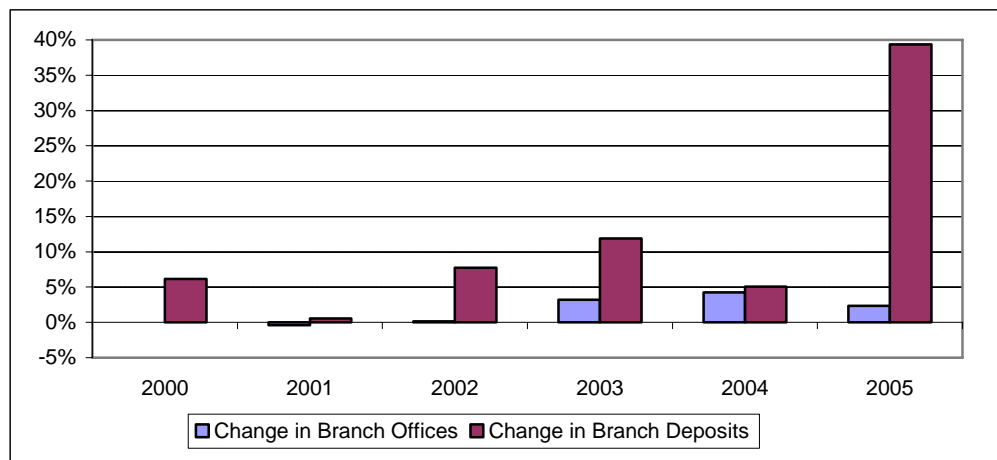
Chart 5. Growth in Deposits by Charter; 2000-2005



Branch Office Deposits

A number of institutions changed main office locations -- including location outside New York State -- during the period under review. Since these relocations had an impact on reported deposits for New York, analysis with deposits in main offices removed was carried out. The result shows that deposits in branch offices increased throughout the period, and with the exception of 2005, somewhat at a slower pace than when the main offices are included. In only two of the years (2000 and 2005) deposits in the branches grew at a faster rate than deposits in the main offices. This occurred even though the number of main offices declined steadily during that period. (The almost 40% increase in branch deposits in 2005 resulted in large part from the designation of main office deposits as branch office deposits when main offices relocated out of the state.)

Chart 6: Growth in Branch Offices and Branch Deposits

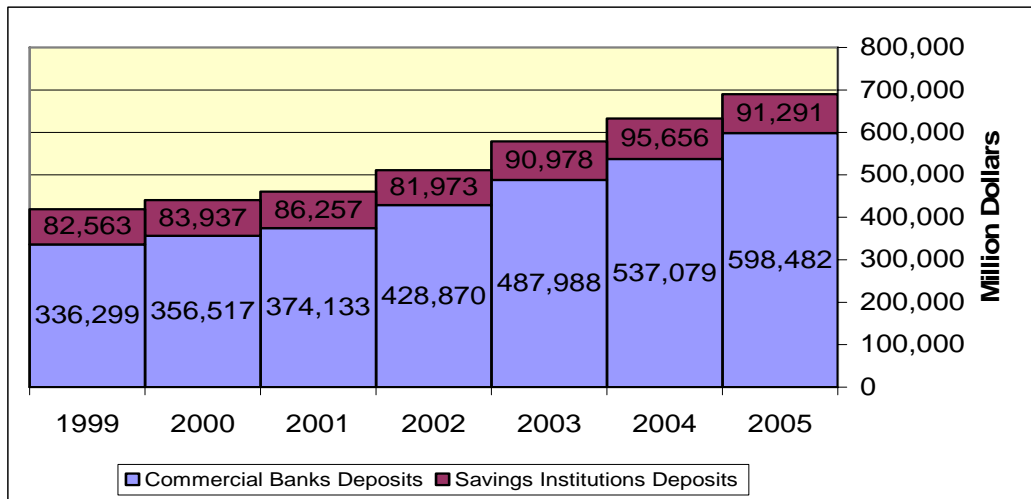


Commercial and Savings Institutions

For commercial banks, domestic deposits grew at a faster rate than offices, while savings institutions had a mixed performance. Between 2002 and 2004, offices of savings institutions grew at a faster rate than deposits, and for the rest of the period deposits grew at a faster rate. In fact, deposits of savings institutions fell between 2002 and 2004, after increasing between 2000 and 2002.

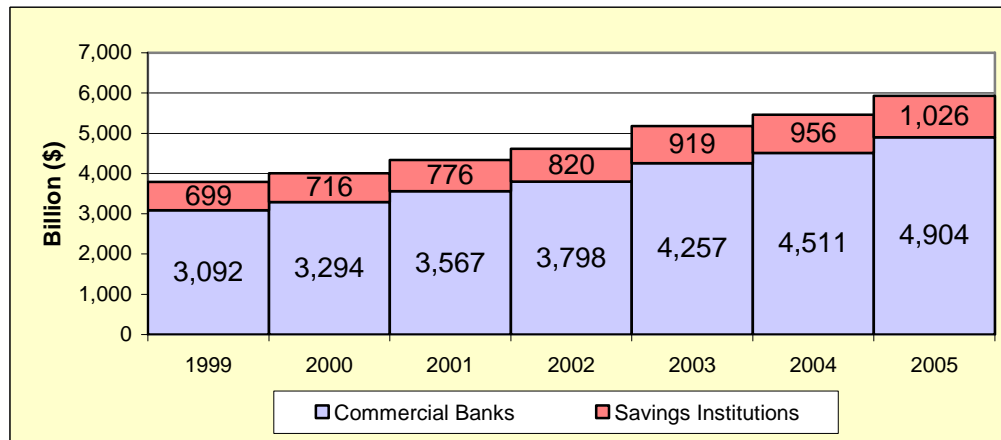
In contrast, domestic deposits in commercial banks increased steadily in each of the years 2000 to 2005. As a result, the share of savings institutions' deposits in total domestic deposits declined throughout the period, from 18.9% in 2000 to 13.13% in 2005. At the same time, commercial banks' share of total domestic deposits rose from 80.29% in 2000 to 86.05% in 2005. During the same period, FDIC-insured offices of foreign banks in New York declined from 16 to 11, while their share of total domestic deposits fluctuated between 0.76% and 1.00%.

Chart 7: Deposits in Banks and Savings Institutions in New York - June 2000-2005



At the national level, the number of institutions declined throughout the period as the number of both savings institutions and commercial banks declined due to mergers and acquisitions. The number of offices of savings institutions declined in all of the years except 2002, while deposits increased in all of the years. In contrast, both deposits and number of offices increased for commercial banks. The number of U.S. offices of institutions increased progressively during the period 2001-2005; however, the total deposits in those offices had fluctuating growth rates.

Chart 8. Deposits in U.S. Banks and Savings Institutions - June 1999 – 2005



New York State Regions

At the regional level, eight of the ten regions had growth in deposits between June 30, 2004 and June 30, 2005. At the same time, the Finger Lakes and Southern Tier Regions had declines in deposits. The Capital Region had the strongest growth in deposits at 25.65% followed by New York and the Mohawk Valley Regions with 10.31% and 9.31% respectively.

Only the New York and Central Regions had sustained growth throughout the entire period 2000 to 2005. The Long Island and Mid Hudson Valley Regions had sustained growth from 2001 to 2005 following declines in 2000. The number of offices in the New York City Region grew by 4.38% in the last year ending June 30, 2005. This was followed by the Long Island Region with growth of 2.62% and the Mid Hudson Valley Region with growth of 2.52%. None of the other regions had sustained growth in deposits during the period.

Table 2. Deposits in Banks in Regions of New York State (\$Millions)

<i>Regions</i>	<i>6/30/05</i>	<i>6/30/04</i>	<i>6/30/03</i>	<i>6/30/02</i>	<i>6/30/01</i>	<i>6/30/00</i>	<i>6/30/99</i>
Capital Region	24,001	19,102	18,973	16,264	14,369	13,979	14,158
Central Region	9,710	9,420	9,090	8,646	8,471	8,254	8,156
Finger Lakes Region	14,186	14,610	24,621	18,211	15,904	14,993	14,091
Long Island Region	79,676	75,300	69,898	63,309	60,436	57,893	58,301
Mid-Hudson Region	50,057	47,801	44,359	41,820	38,622	49,721	42,310
Mohawk Valley Region	6,060	5,544	5,606	5,506	5,146	4,981	4,823
New York City Region	471,095	427,081	375,648	326,036	289,563	263,726	250,277
North Country Region	4,187	4,116	4,146	4,059	3,908	3,832	3,698
Southern Region	7,941	8,175	8,136	7,833	7,490	7,934	7,465
Western Region	28,581	26,445	23,652	24,322	20,430	18,696	18,389

Table 3. Bank Offices in New York State Regions.

<i>Regions</i>	<i>6/30/05</i>	<i>6/30/04</i>	<i>6/30/03</i>	<i>6/30/02</i>	<i>6/30/01</i>	<i>6/30/00</i>	<i>6/30/99</i>
Capital Region	383	374	374	377	378	381	365
Central Region	237	226	226	222	229	220	214
Finger Lakes Region	333	318	318	312	319	317	316
Long Island Region	840	814	814	794	801	812	820
Mid-Hudson Region	755	734	734	719	706	720	715
Mohawk Valley Region	139	139	139	140	147	150	151
New York City Region	1,370	1,302	1,302	1,237	1,214	1,214	1,225
North Country Region	151	150	150	147	148	147	148
Southern Region	227	225	225	219	218	228	230
Western Region	402	373	373	359	370	369	380

New York Counties

At the county level, Albany County had the strongest growth in deposits with 54.49% at June 30, 2005, followed by Oneida (18.04%), Suffolk (13.26), and Niagara (12.65%). The significant increase in deposits in Albany County was due to the location of the headquarters of Citizens Bank in that county in 2005 and a 71.88% increase in deposits in Bank of America following merger with Fleet Bank. In the case of Oneida, the increase was spurred by a 59.74% increase in deposits in Partners Trust Bank following its name change from SBU Bank and the location of the headquarters of Partners Trust Municipal Bank in the county.

Montgomery and Genesee had declines in deposits in each of the last five years of the six year period. In the last year however, Broome and Hamilton had the most significant declines of 16.82% and 15.63% respectively. Monroe, Orleans, Herkimer, Franklin, and Allegany had declines in deposits in each of the last two years.

Eleven of the counties had sustained growth in deposits throughout the period.

There were mixed performances in terms of growth in deposits and branches. New York County had the largest increase in number of branches (36) and deposits (\$128.7 billion) and also the highest percentage increase in deposits (111%).

Columbia County had the highest percentage increase in branches (10.53%), followed by Ulster (7.84%), New York County (7.73%) and Chenango County (7.14%). Erie County had a 0.79% increase in branches but the highest percentage increase in branch deposits (49.32%). This large increase in Erie County is mainly due to reclassification as a result of the relocation of the main office of HSBC Bank away from Buffalo. The Buffalo office became a branch in 2005 and retained most of its 2004 deposits.

Albany County had a 0.87% increase in branches but a 44.28% increase in deposits. As stated above, the large increase in deposits was as a result of the location of the headquarters of Citizens Bank in the county in 2005 and a significant increase in deposits in Bank of America, following merger with Fleet Bank. Broome County had a 3.51% increase in branches but the largest decline in deposits of 16.81%. The decline in deposits was mainly due to the merger of BSB Bank (which had its headquarters in Broome County) with Partners Trust Bank (which has its headquarters in Oneida County) and its subsequent operation as part of Partners Trust Bank.

Both Tioga and Herkimer Counties had declines in deposits and branches. Hamilton County had no change in branches but a decline in deposits. In fact, after a decline of 25.00% in 2002 there were no changes in the number of branches in Hamilton County for the period 2003-2005. Allegany County had a 15.79% decline in branches from 2004 to 2005. This followed no changes in 2003 and 2004 and declines in each of the years 2001 and 2002. Tioga County had a 7.14% decline in branches in 2005 following no changes throughout the period 2000-2004. Washington County had no change in the number of branches throughout the entire period 2000 – 2005.

Conclusion

Analysis of the yearly Summary of Deposits data from the FDIC shows growth in offices and deposits for institutions with branches in New York State. Growth in offices continued to lag growth in deposits, as some institutions moved their main offices out of state, bank consolidation occurred, and de novo institutions were established. Banks with interstate branches and banks with assets greater than \$1 billion showed consistently stronger deposit growth. There were also regional variations in changes in deposits over the year, with the Capital region showing the strongest growth at 25.6%, while the Finger Lakes and Southern Tier regions experienced declines in deposits.

Appendix 1: Number of Institutions, Offices and Value of Deposits by County.

County	30-Jun-04			30-Jun-05		
	Number of		Deposits (\$millions)	Number of		Deposits (\$millions)
	Institutions	Offices		Institutions	Offices	
Albany	17	117	9,156	16	118	14,145
Allegany	4	19	378	4	19	372
Bronx	23	124	9,915	22	129	9,955
Broome	9	57	2,307	9	59	1,919
Cattaraugus	9	27	762	9	27	748
Cayuga	12	23	765	12	23	773
Chautauqua	9	49	1,257	11	50	1,293
Chemung	10	25	1,144	10	24	1,161
Chenango	4	15	658	4	16	726
Clinton	9	27	1,010	9	28	1,038
Columbia	6	21	942	6	22	916
Cortland	9	17	547	9	17	540
Delaware	6	19	742	5	18	762
Dutchess	18	87	3,444	17	88	3,535
Erie	18	261	21,755	18	262	23,585
Essex	6	18	409	6	18	407
Franklin	7	18	429	7	18	426
Fulton	6	16	712	6	17	653
Genesee	9	17	852	9	17	792
Greene	9	23	678	8	22	703
Hamilton	2	3	64	2	3	54
Herkimer	7	19	537	6	20	531
Jefferson	8	38	1,032	8	37	1,059
Kings	39	267	30,186	38	275	31,683
Lewis	4	9	213	4	9	213
Livingston	8	21	586	8	20	607
Madison	7	20	676	7	20	701
Monroe	15	194	9,790	14	190	9,363
Montgomery	7	20	673	7	20	672
Nassau	31	438	46,178	33	447	46,692
New York	94	529	343,988	94	566	384,213
Niagara	8	46	2,293	9	48	2,583
Oneida	17	68	3,221	18	69	3,802
Onondaga	19	146	6,453	19	146	6,707
Ontario	13	31	1,238	13	31	1,263
Orange	24	124	5,023	22	124	4,991
Orleans	6	11	289	6	11	288
Oswego	10	31	979	10	32	989
Otsego	5	27	886	5	26	886
Putnam	13	26	3,576	14	27	3,627
Queens	47	361	35,106	45	370	36,687
Rensselaer	11	48	1,934	10	49	1,927
Richmond	10	89	7,886	11	90	8,557
Rockland	17	102	6,455	17	105	6,855
Saratoga	18	77	2,496	17	80	2,511
Schenectady	12	49	2,195	11	49	2,064

County	30-Jun-04			30-Jun-05		
	Number of		Deposits (\$millions)	Number of		Deposits (\$millions)
	Institutions	Offices		Institutions	Offices	
Schoharie	8	13	337	7	12	348
Schuyler	4	5	131	4	5	138
Seneca	8	14	354	8	14	371
St. Lawrence	9	41	1,023	9	40	1,044
Steuben	8	31	729	8	30	754
Suffolk	26	402	29,122	27	415	32,984
Sullivan	11	34	976	11	35	994
Tioga	8	15	375	7	14	340
Tompkins	10	33	1,203	10	33	1,255
Ulster	15	55	2,228	16	59	2,283
Warren	8	29	1,163	8	29	1,181
Washington	6	19	538	5	19	554
Wayne	10	23	695	10	23	697
Westchester	37	327	26,099	35	336	27,772
Wyoming	4	16	559	4	16	551
Yates	4	6	247	4	6	254
TOTALS	239	4,837	637,592	239	4,942	695,495

Sources:

FDIC Summary of Deposits, June 30, 2005

FDIC Statistics on Depository Institutions

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Hirtle, Beverly, Metli, Christopher, "The Evolution of U.S. Bank Branch Networks: Growth, Consolidation, and Strategy," *Current Issues in Economics and Finance*, Federal Reserve Bank of New York, Vol. 10, No. 8, July 2004