The Transformation of Banking and Its Impact on Local Economies

Bill Keeton
Senior Economist
Federal Reserve Bank of Kansas City

October 2000
Chart 1

Assets Acquired in Bank Mergers

Billions of dollars

Chart 2

Deposit Distribution by Size of Banking Organization

Percent of total deposits

- <$100m
- $100m - $1b
- $1b - $10b
- $10b - $100b
- >$100b

Size of organization (1999 dollars)

- 1989
- 1994
- 1999
Chart 3

Deposits Acquired in Mergers*

* For 12-month periods ending in June

Billions of dollars

- Out-of-state mergers
- All other mergers

Chart 4

Deposit Distribution by Geographic Ownership

Percent of total deposits

- In-market
- Out-of-market but in-state
- Out-of-state

Type of ownership

Year:
- 1989
- 1994
- 1999
Chart 5

Estimated Bank and Thrift Web Sites

- All web sites
- Transactional web sites

<table>
<thead>
<tr>
<th>Quarter</th>
<th>All Web Sites</th>
<th>Transactional Web Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4-97</td>
<td>1,500</td>
<td>103*</td>
</tr>
<tr>
<td>Q2-98</td>
<td>1,800</td>
<td>258*</td>
</tr>
<tr>
<td>Q4-98</td>
<td>2,000</td>
<td>350</td>
</tr>
<tr>
<td>Q2-99</td>
<td>2,200</td>
<td>650</td>
</tr>
<tr>
<td>Q4-99</td>
<td>3,500</td>
<td>1,100</td>
</tr>
</tbody>
</table>

* Actual
Source: OCC
Chart 6
National Banks With Transactional Websites by Size of Bank

Percent of banks

Size of bank

< $100m  |  $100m to $1b  |  $1b to $10b  |  > $10b

7       |  27              |  61           |  100

Source: OCC
Key Provisions of Gramm-Leach-Bliley Act of 1999

• Bank holding companies can merge with insurance and securities companies and cross-sell products

• Bank holding companies can engage in new financial activities:
  • Securities underwriting
  • Insurance sales and underwriting
  • Merchant banking (equity investments in business firms)
Chart 8

Concentration of Local Banking Markets*

* Weighted average of Herfindahl Index
Chart 9

Banking Concentration in Urban Markets*

* Weighted average of Herfindahl Index
## Average Retail Banking Fees in 1999 by Type of Banking Organization

<table>
<thead>
<tr>
<th>Service</th>
<th>Single-State</th>
<th>Multi-State</th>
<th>Unadjusted Difference</th>
<th>Adjusted for Size &amp; Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stop-payment orders</td>
<td>$14.50</td>
<td>$20.10</td>
<td>$5.60</td>
<td>$2.70</td>
</tr>
<tr>
<td>Bounced checks</td>
<td>$17.00</td>
<td>$21.80</td>
<td>$4.80</td>
<td>$2.40</td>
</tr>
</tbody>
</table>
Chart 11

Business Loans by Size of Banking Organization

June 2000

Percent of domestic assets

<table>
<thead>
<tr>
<th>Size of organization</th>
<th>Large business loans</th>
<th>Small business loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $100m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$100m to $1b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1b to $10b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$10b to $100b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; $100b</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Chart 13

Business Loans at U.S. Banks*

* As of June 30
Chart 14

Loan-Deposit Ratio at U.S. Banks

Percent