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# Community and Mutual Banks: Metrics of Condition and Performance

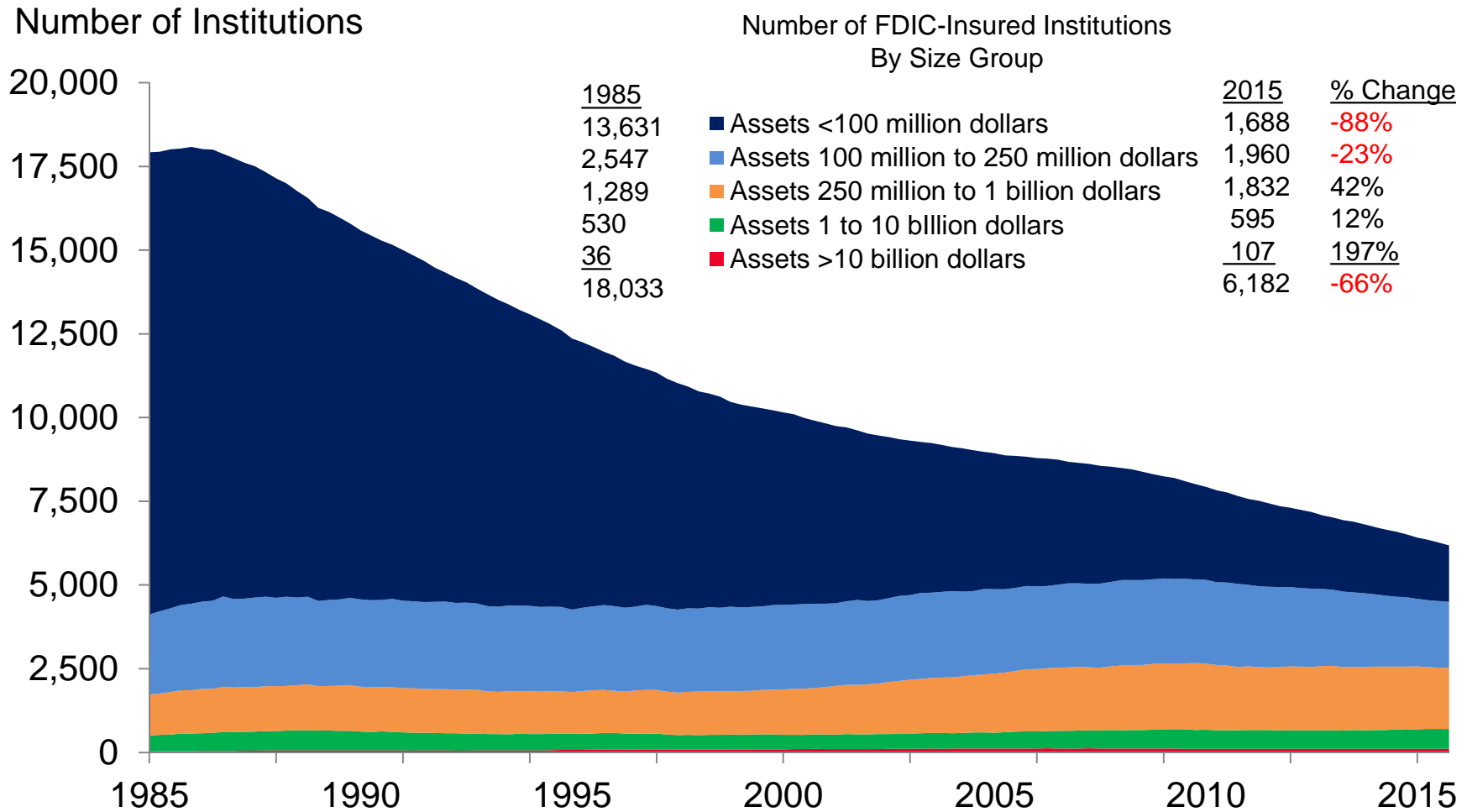


Sixth Annual Meeting  
America's Mutual Banks  
March 14, 2016

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**Richard A. Brown**  
**Chief Economist**  
**FDIC**

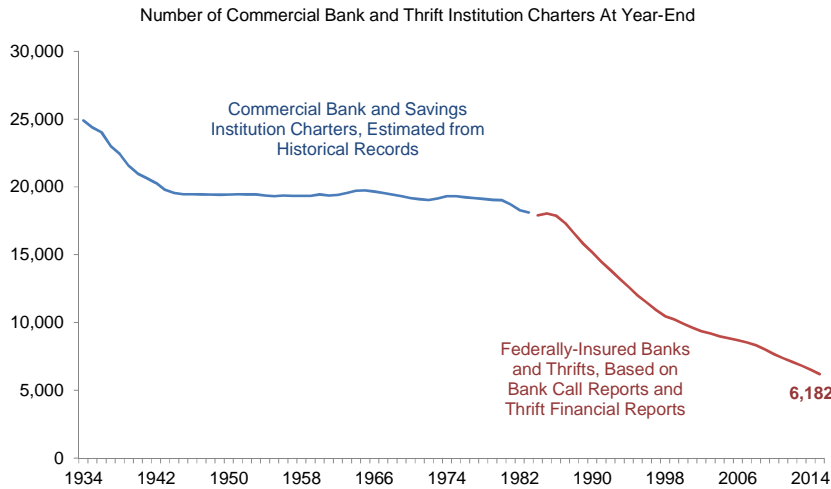
# The net decline in FDIC-insured institutions since 1985 has been concentrated among banks under 250 million dollars.



Source: FDIC

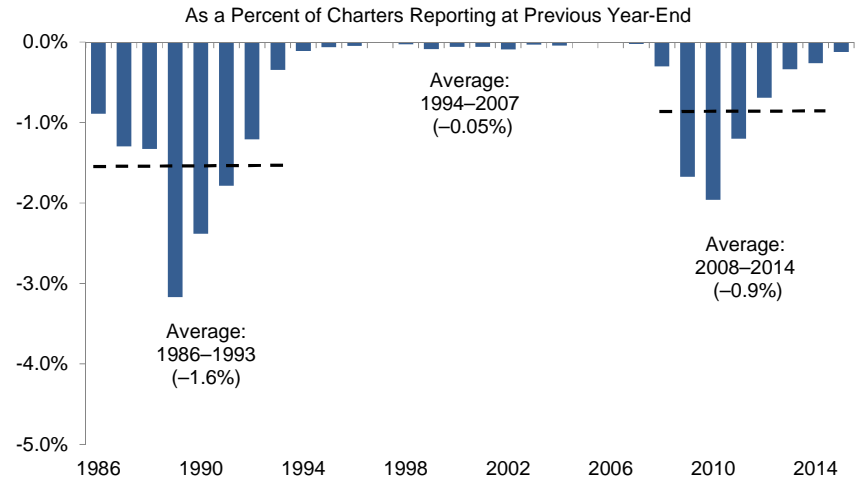
# Banking Industry Consolidation

## Consolidation in the U.S. Banking and Thrift Industries 1934 - 2015



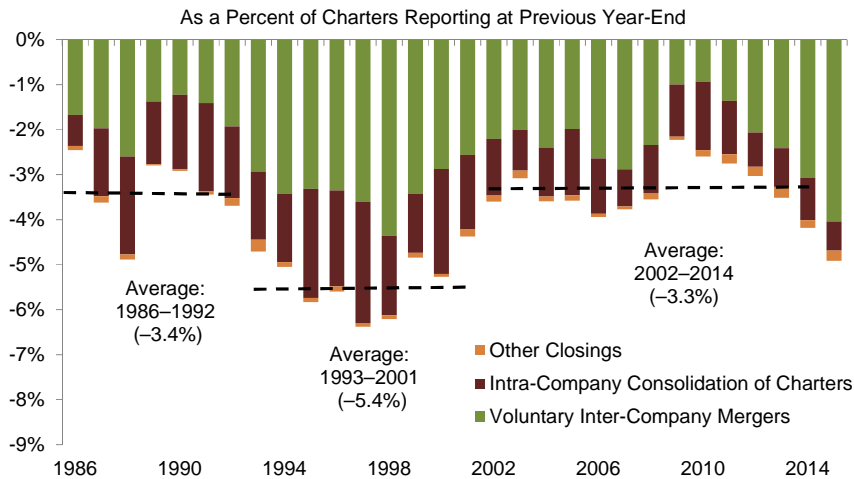
Source: 1934-83: FDIC *Historical Statistics on Banking*, Tables CB03 and SI01; Federal Home Loan Bank Board, *Savings and Home Financing Sourcebook*, 1987, pp. A1-A2. 1984-2015: FDIC, Bank Call Reports and Thrift Financial Reports.

## Annual Rates of Failure in the US 1986-2015



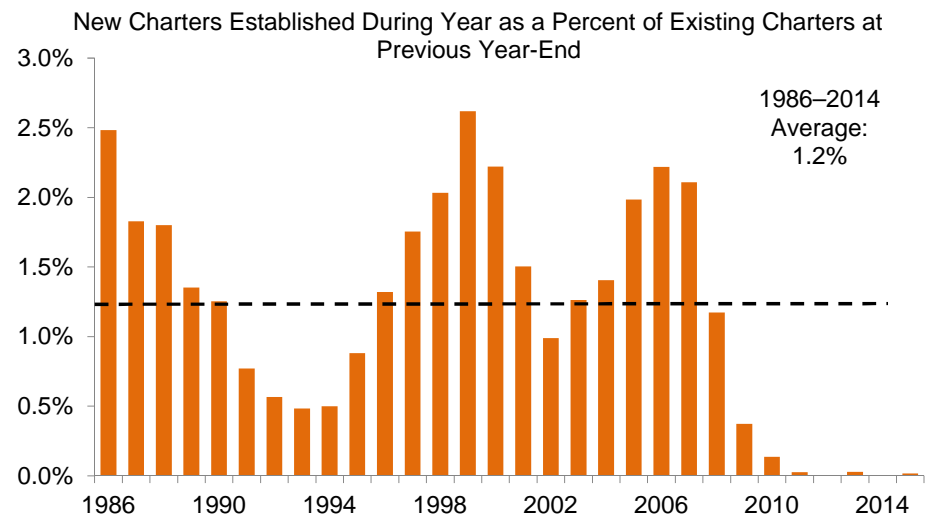
Source: FDIC.

## Annual Rates of Voluntary Attrition in the US 1986-2015



Source: FDIC.

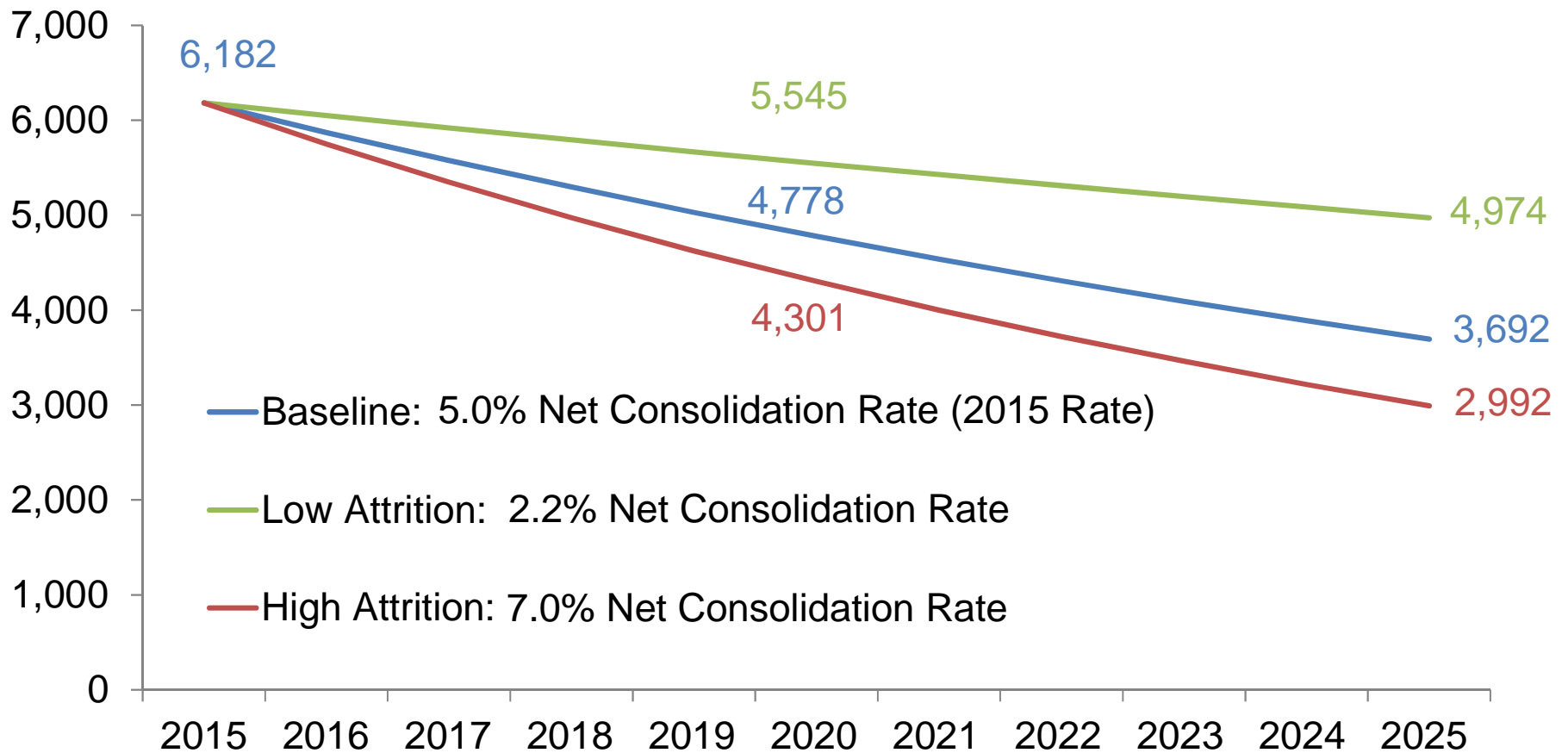
## Annual Rates of New Chartering Activity in the US 1986-2015



Source: FDIC.

# Projected Number of FDIC-Insured Charters Under Alternative Rates of Net Consolidation

Number of Charters at Each Year-end, 2015 Actual and 2016 - 2025 Forecast

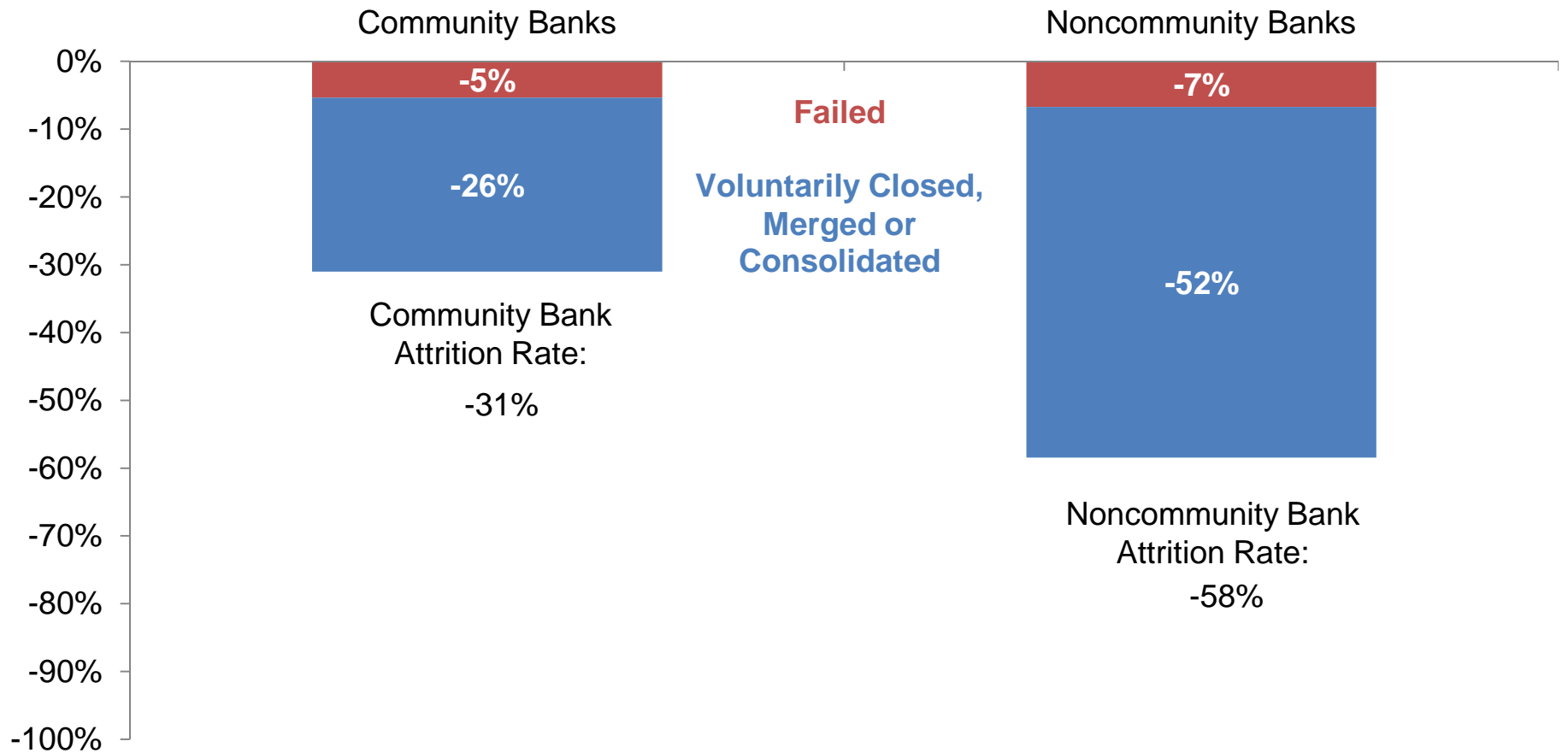


Source: FDIC.

# Rate of Attrition for Community and Noncommunity Banks

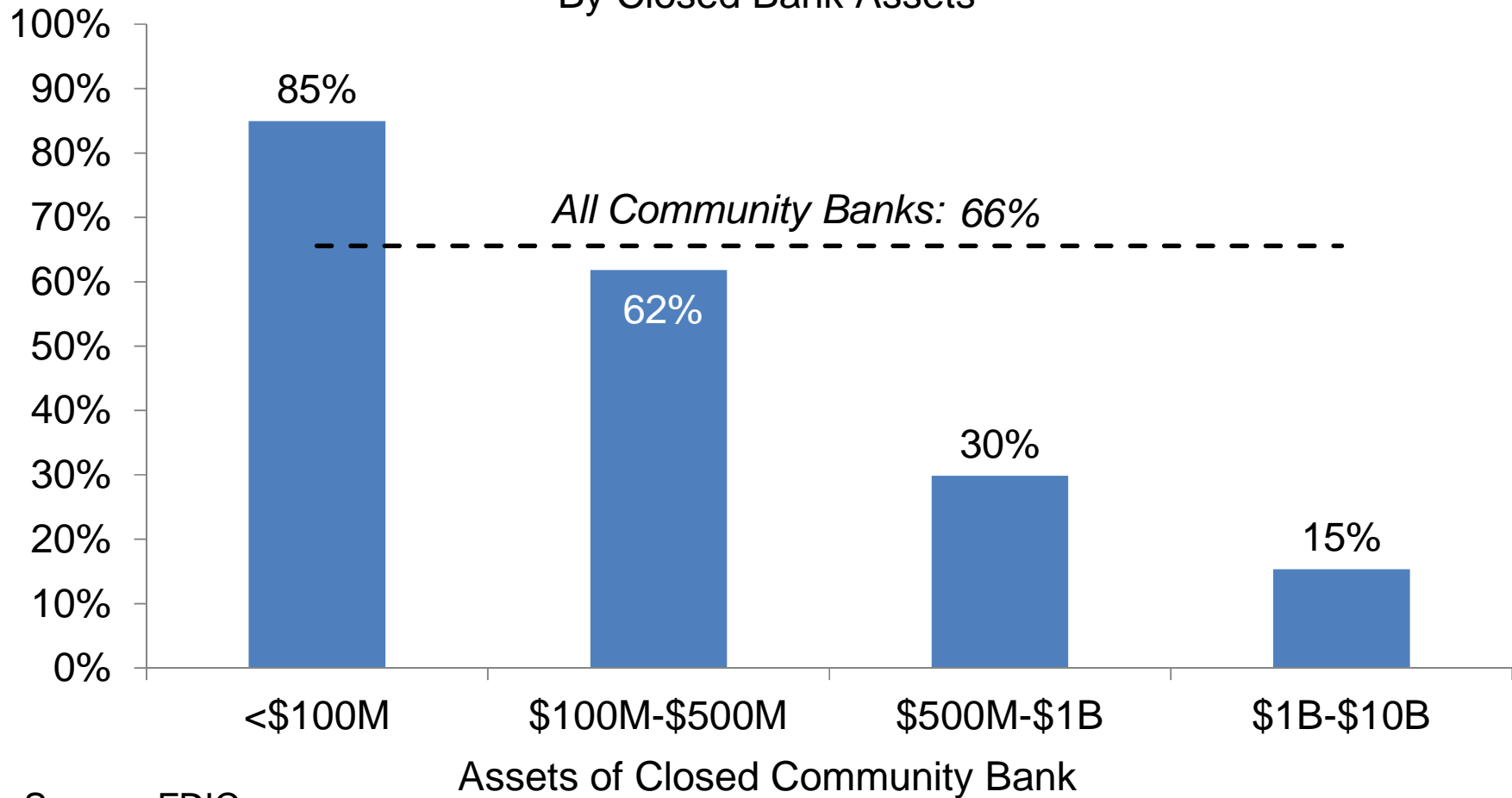
2006 – 2015

Percent of Institutions Reporting Year-End 2005



# Small community banks were overwhelmingly acquired by other community banks.

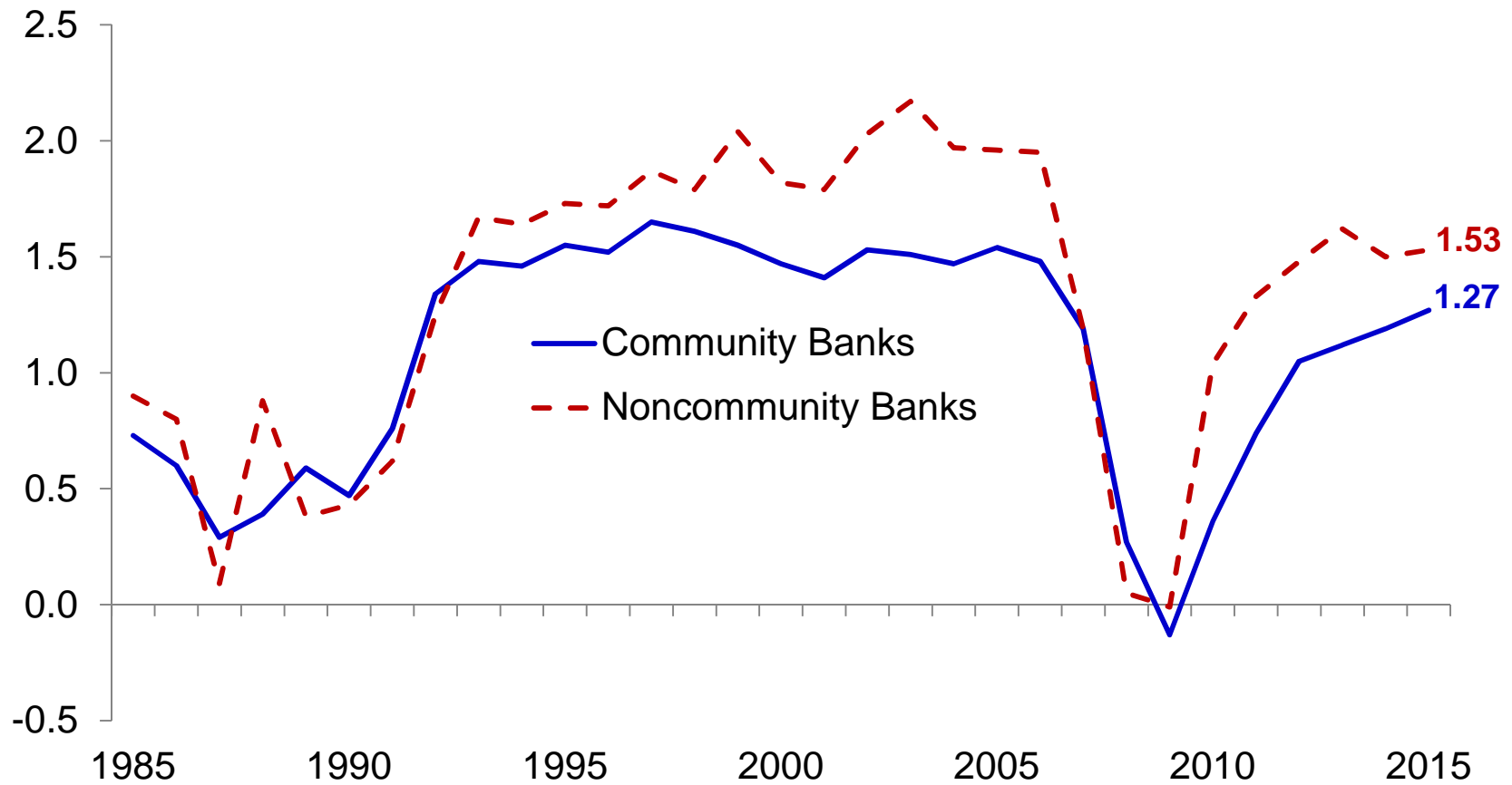
Percent of Closed Community Bank Charters Acquired by Other Community Banks Between 2006 and 2015 By Closed Bank Assets



Source: FDIC

# Pretax Return on Assets, 1985-2015

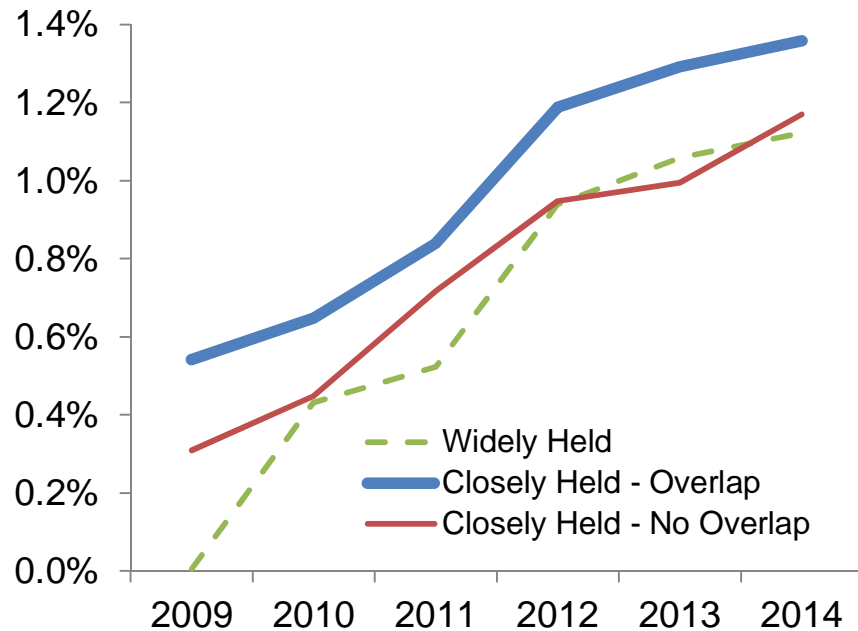
Net Income Before Taxes as a Percent of Average Assets



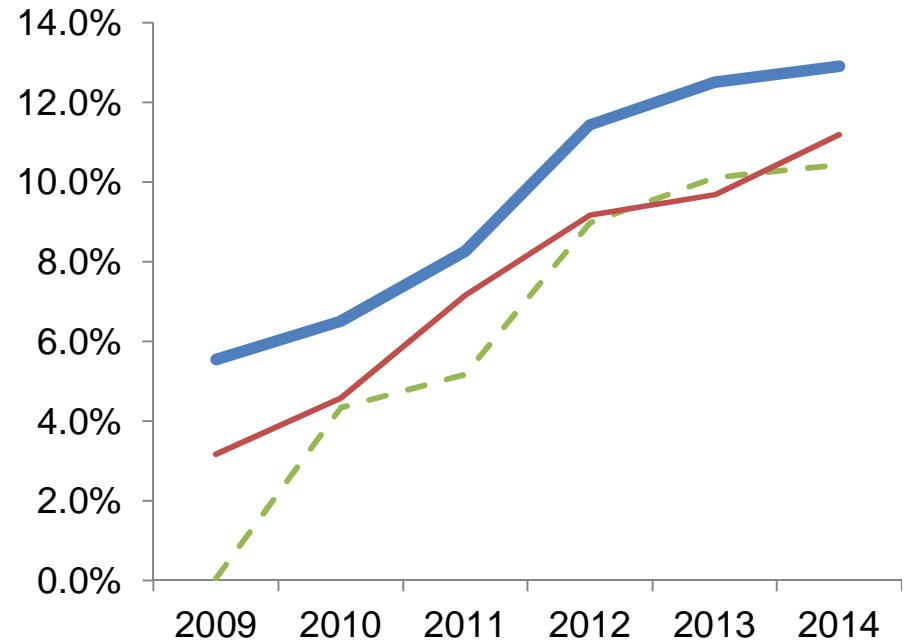
Source: FDIC.

# Closely Held Community Banks Where Ownership and Control Overlap Have Consistently Been More Profitable

Pre-tax Return on Assets, Percent



Pre-tax Return on Equity, Percent



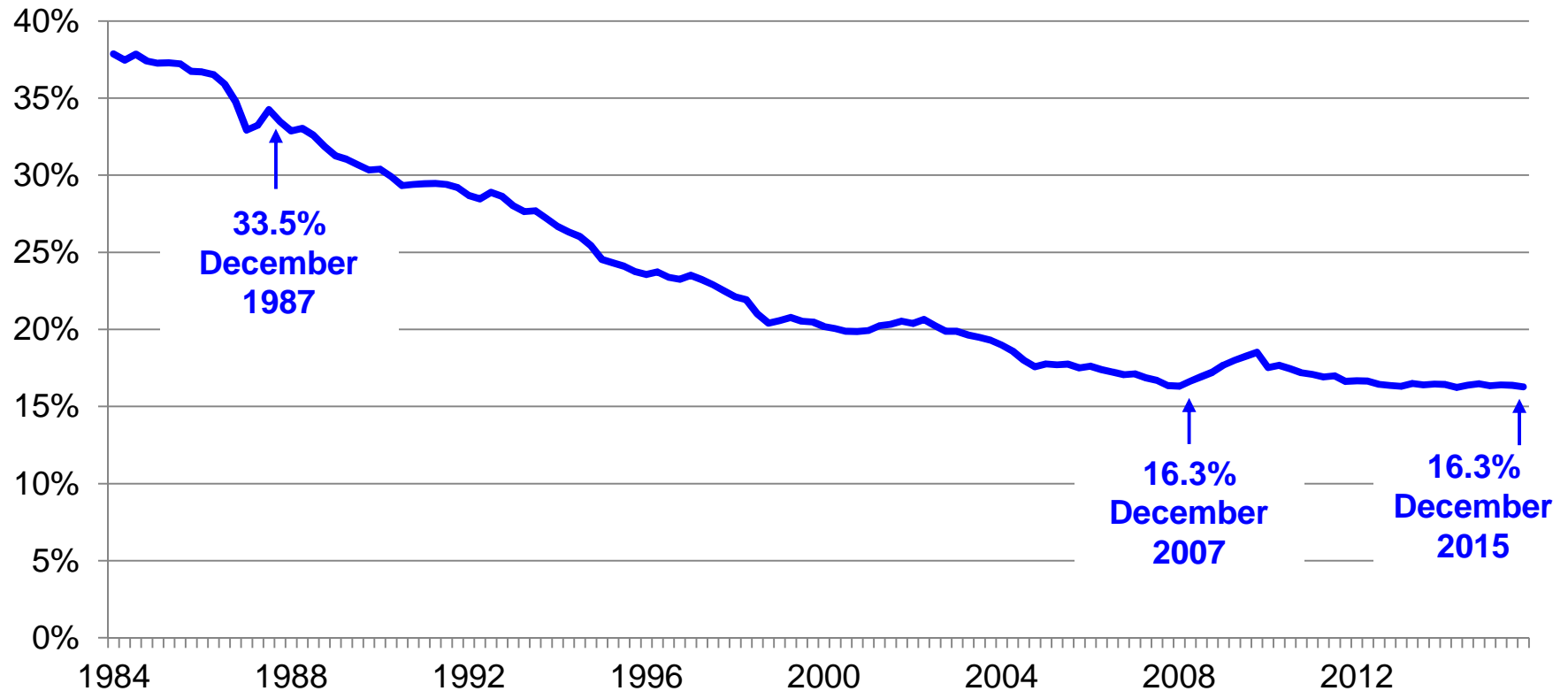
Source: Anderlik, John, M., Richard A. Brown, and Kathryn L. Fritzdixon. "Financial Performance and Management Structure of Small, Closely Held Banks," *FDIC Quarterly*, Vol. 10, No. 1, 2016.

Closely held community banks are owned by an identifiable primary owner or ownership group. Closely held banks where there is overlap are run by a key officer that is part of or affiliated with that ownership group.



# The community banks share of industry loans fell by half in the 20 years leading up to the crisis, but has remained virtually unchanged since December 2007.

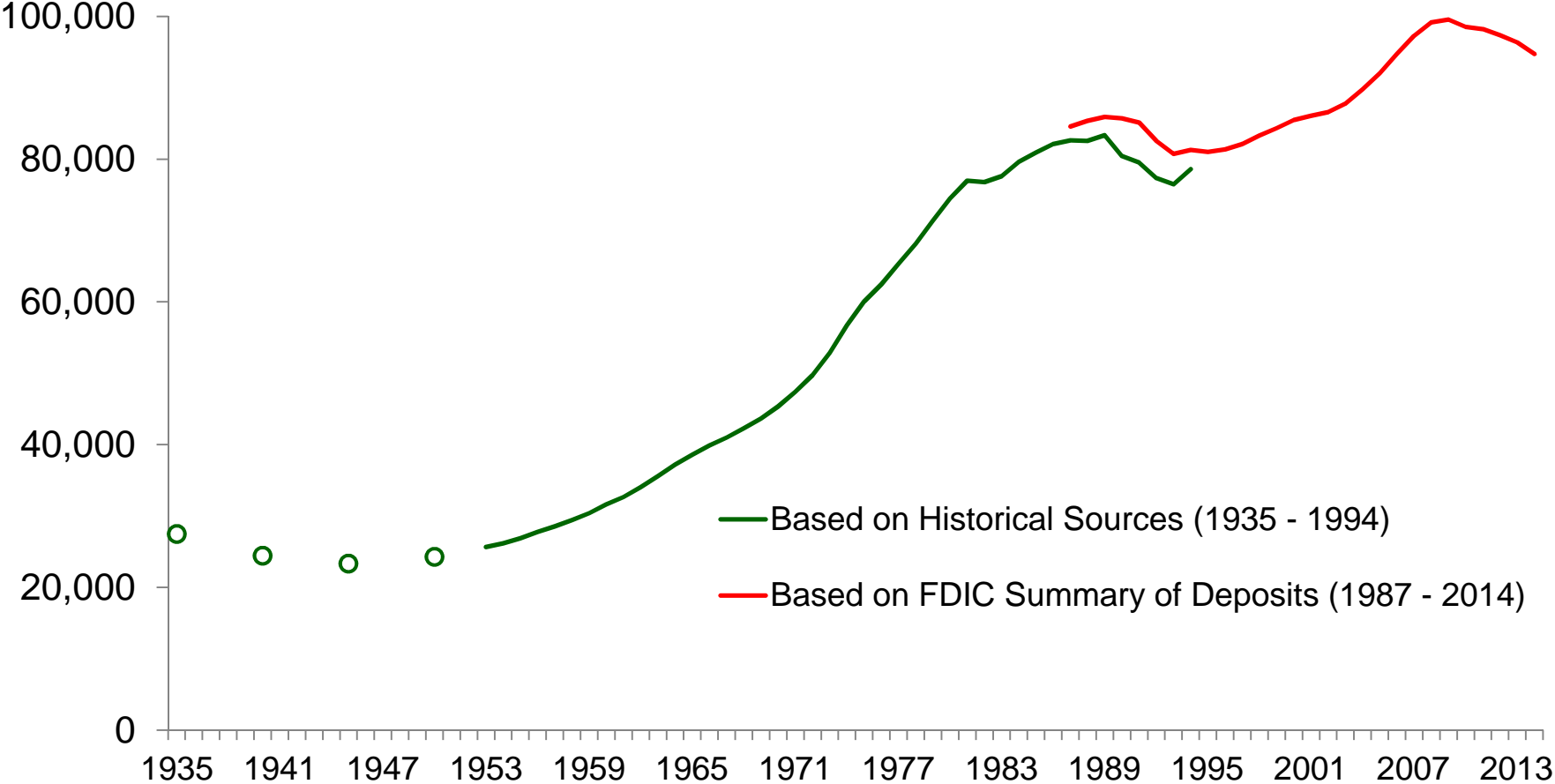
Gross Loans and Leases Held by Community Banks  
as Percent of Holdings of All Federally-Insured Banks and Thrifts



Source FDIC. Community bank definition as described in the *FDIC Community Banking Study* (2012)

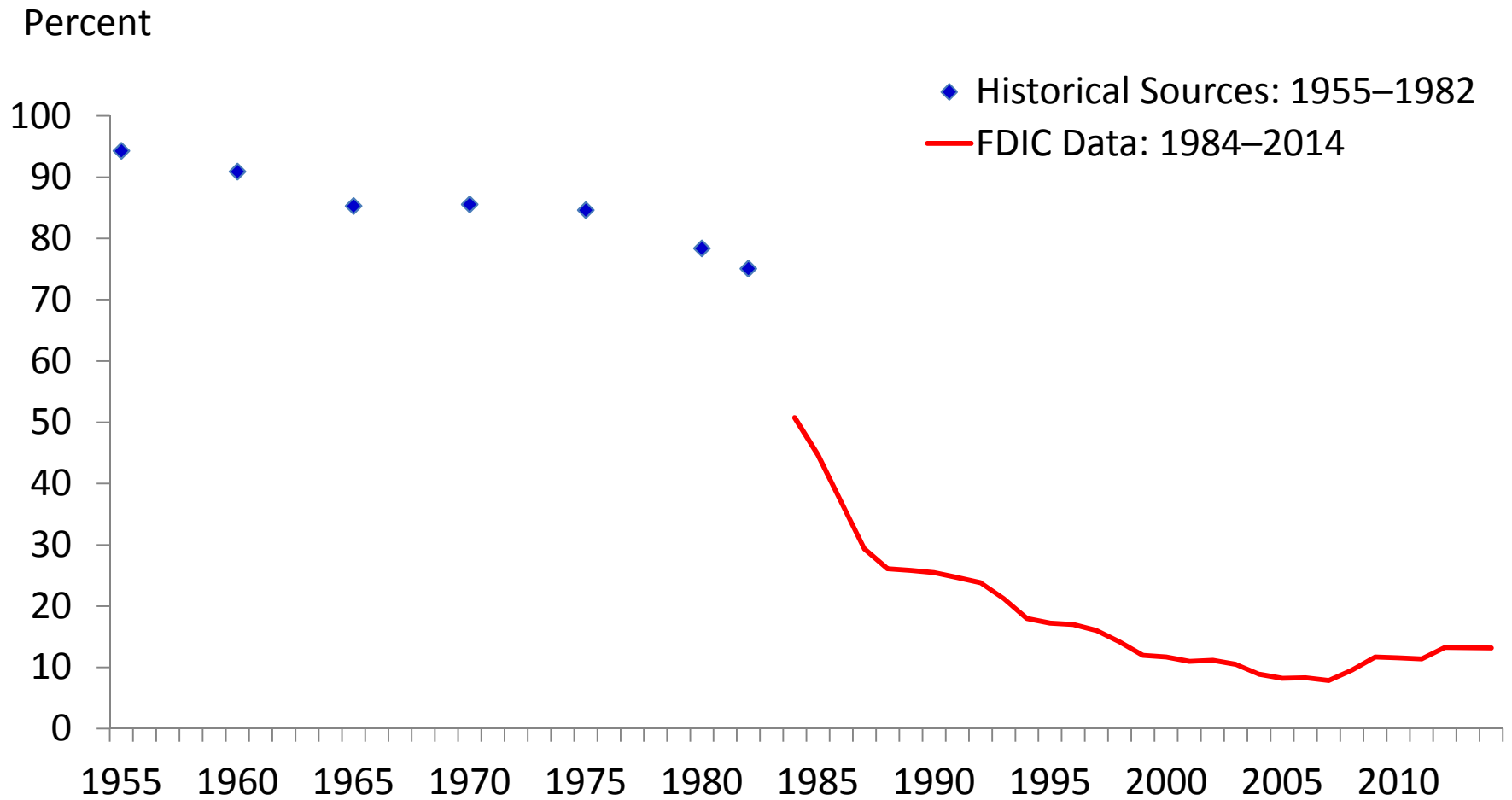
# Retail Offices of U.S. Commercial Banks and Thrifts, 1935 to 2014

Total Number of Banking Offices



Historical sources include: FDIC, *Historical Statistics on Banking*; U.S. League of Savings Associations, *Savings and Loan Fact Book*; America's Community Bankers, *Savings Institution Sourcebook*.

## The Assets of Mutual Thrifts Fell Precipitously as a Percent of Thrift Industry Assets in the 1980s

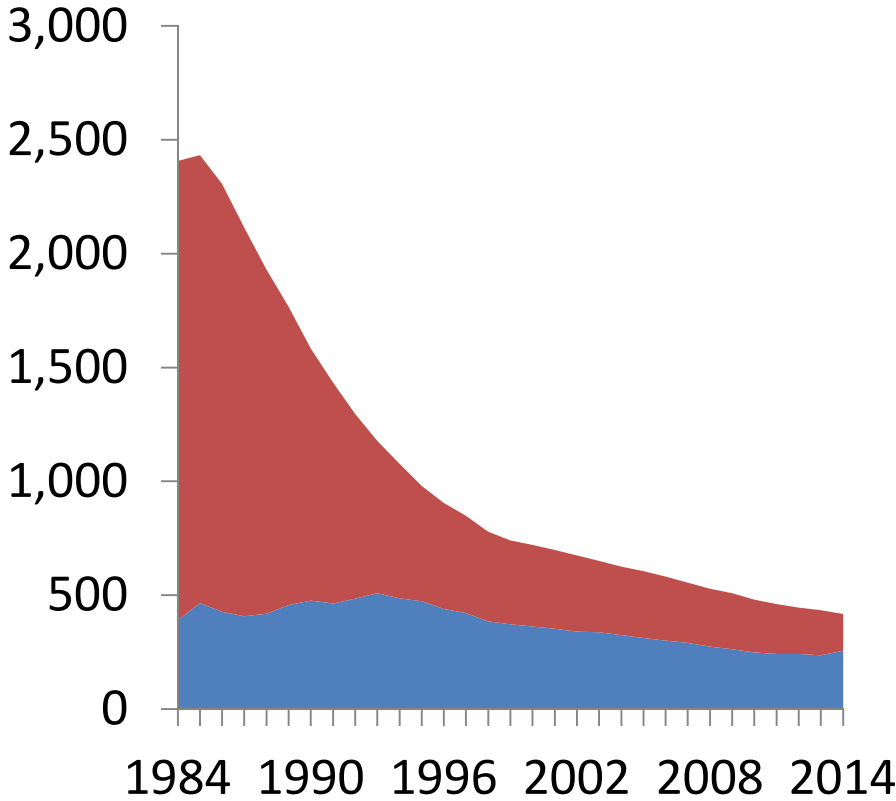


Source: FDIC data and historical sources.

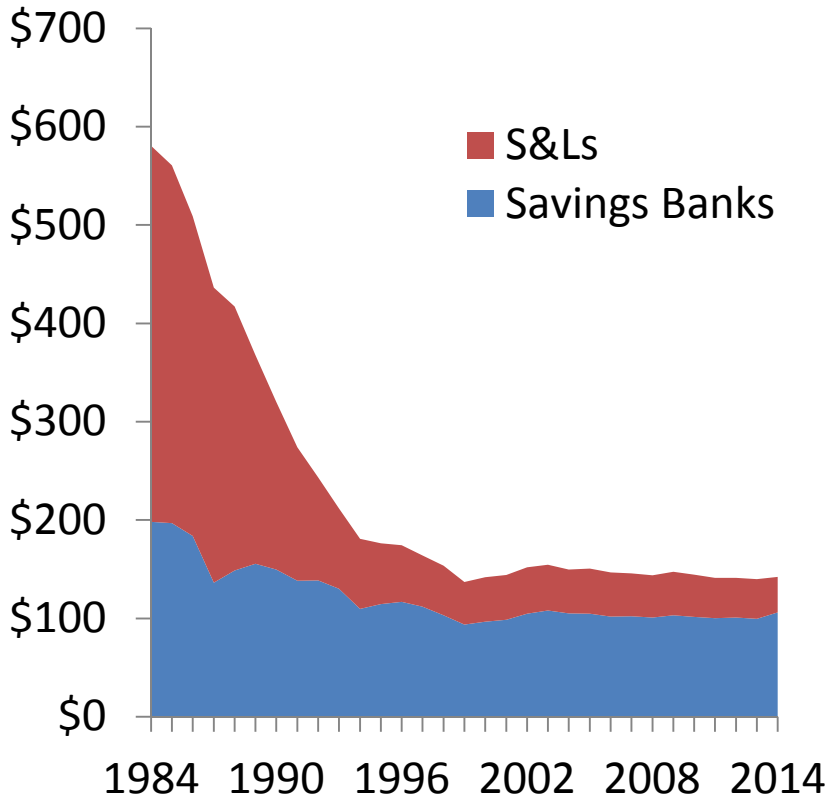
# The Number of Mutual Charters and Total Assets Have Fallen Substantially

Number of Mutual Charters and Total Assets, Year-End 1984–2014

Number of Mutual Charters



Total Assets of Mutual Charters, \$ Billions

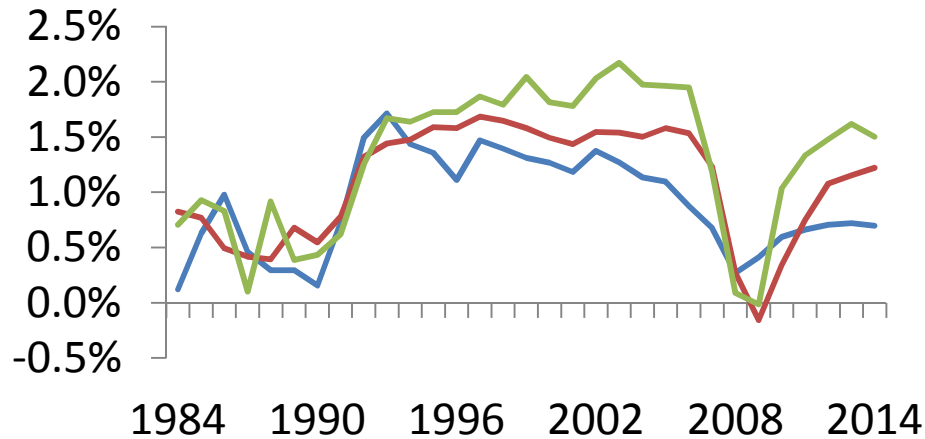


Source: FDIC.

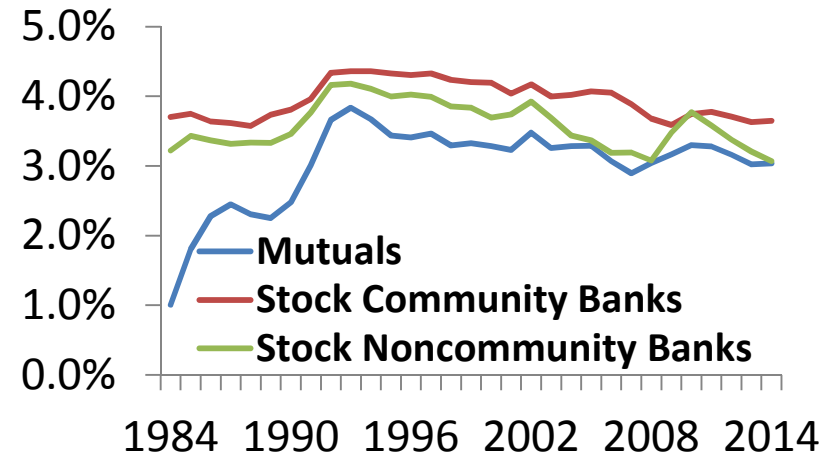
# Mutuals Report Lower ROA Than Do Stock Community Banks

Annual Income or Expense Item as a Percent of Average Assets

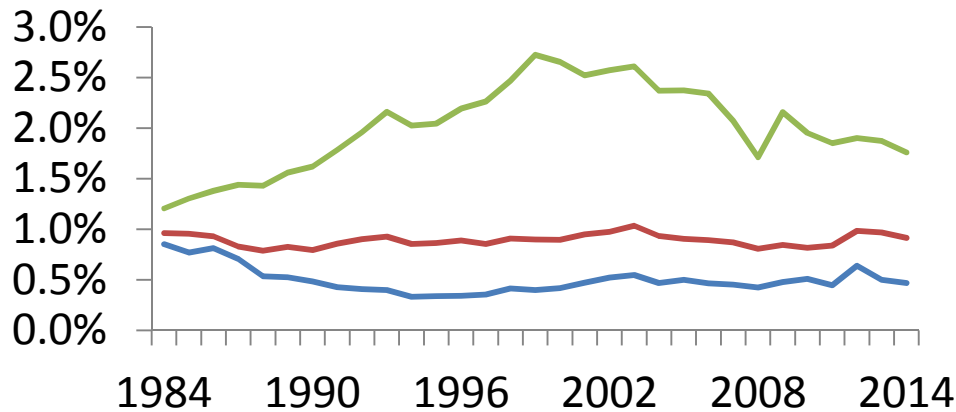
### Pre-tax ROA, Year-end 1984 to 2014



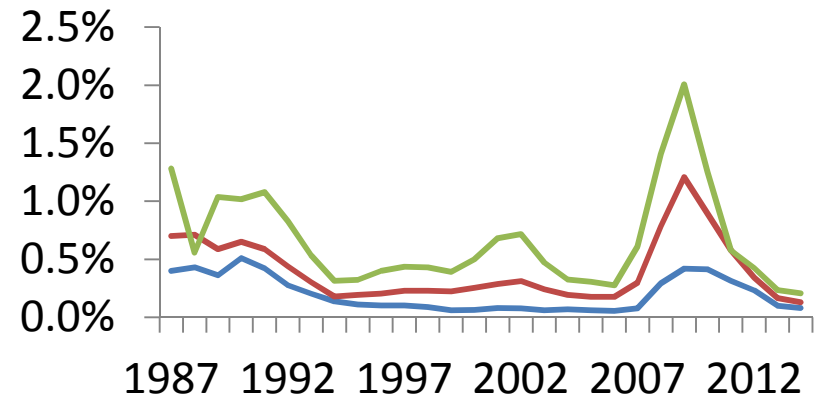
### Net Interest Margin, Year-end 1984 to 2014



### Noninterest Income, Year-end 1984 to 2014



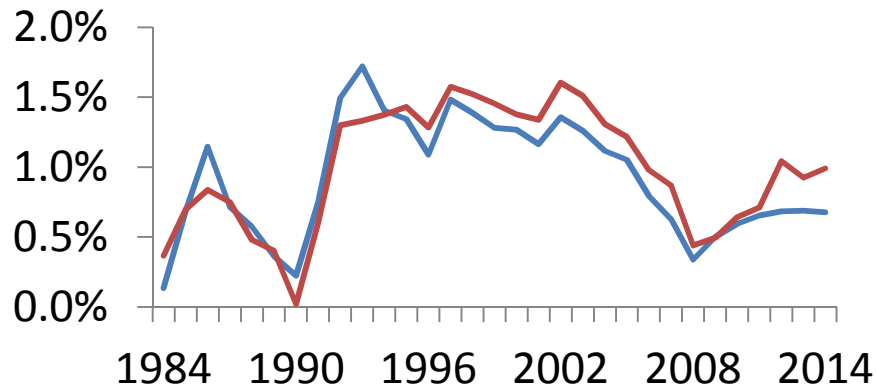
### Provision Expenses, Year-end 1987 to 2014



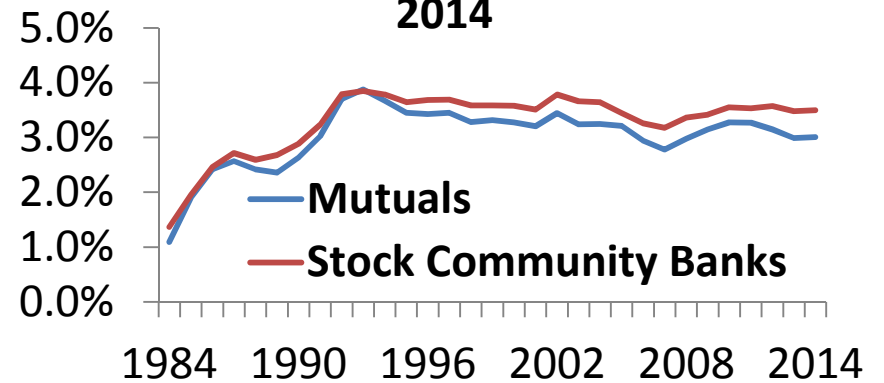
# Mutual Mortgage Specialists Have Lower Provision Expenses And Noninterest Income Than Stock Community Banks

Annual Income or Expense Item as a Percent of Average Assets

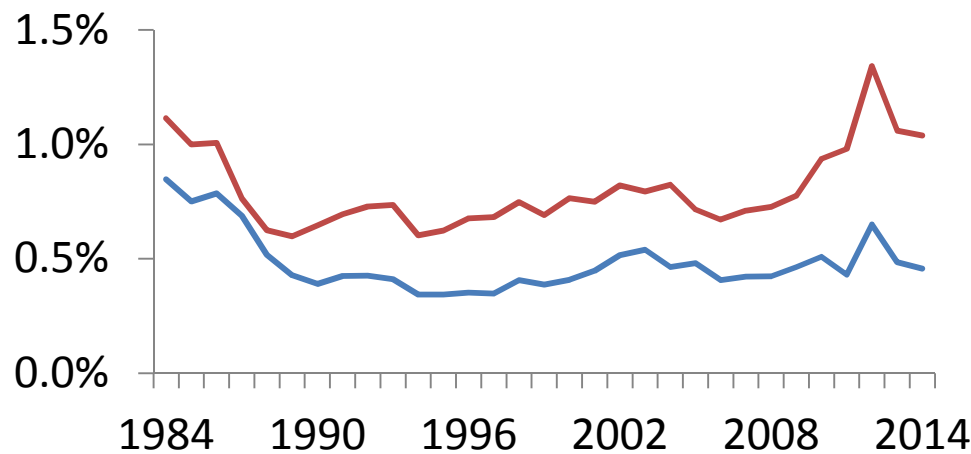
**Pre-tax ROA, Year-end 1984 to 2014**



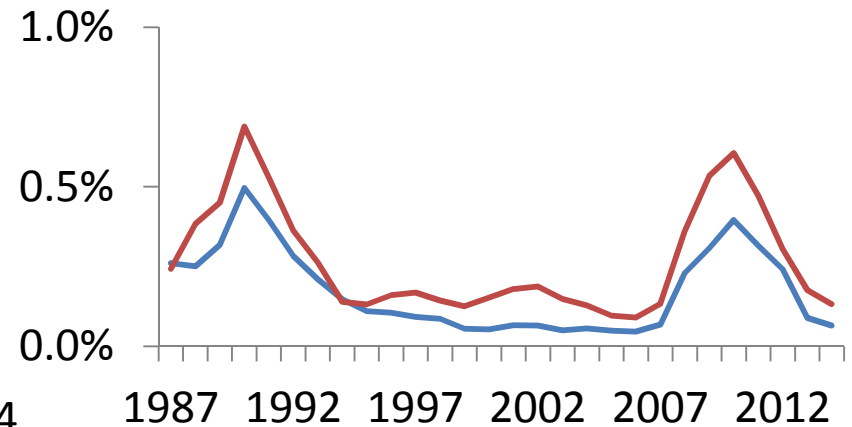
**Net Interest Margin, Year-end 1984 to 2014**



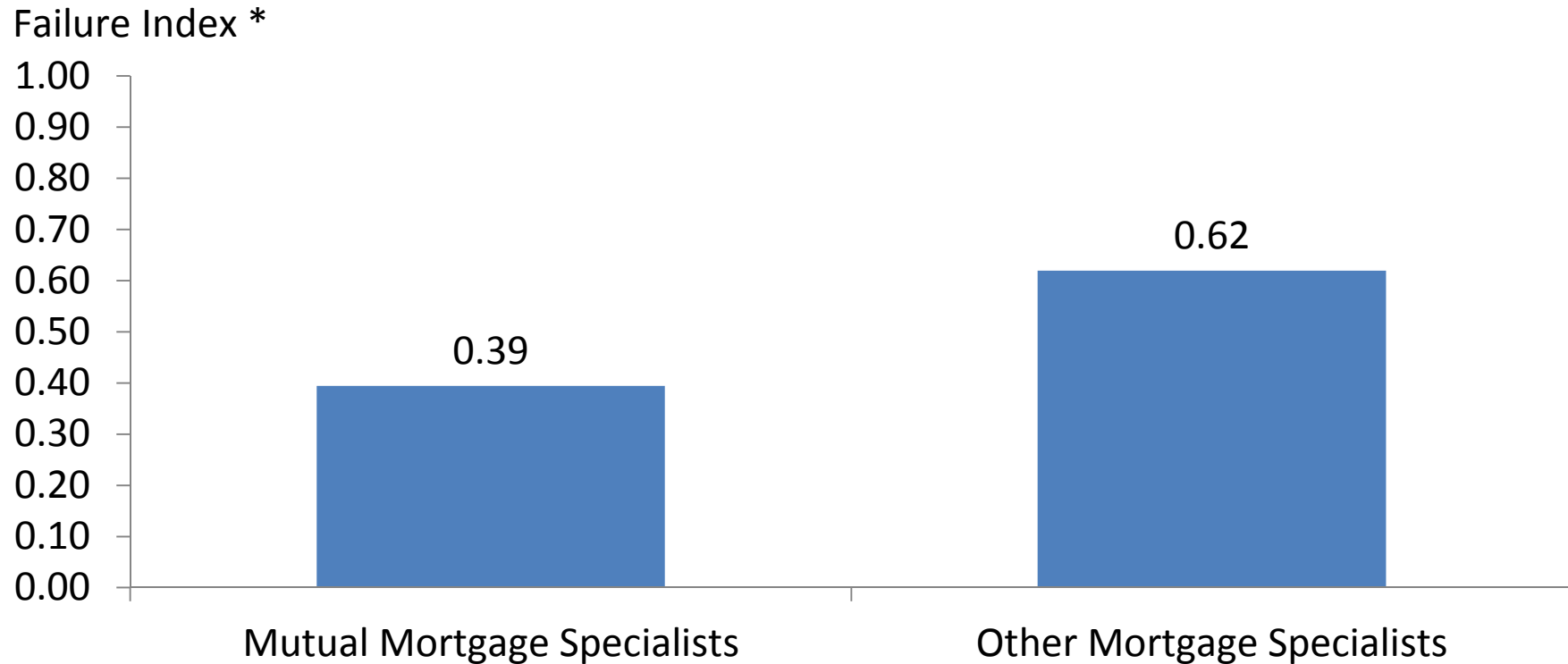
**Noninterest Income, Year-end 1984 to 2014**



**Provision Expenses, Year-end 1987 to 2014**



## Mutual Mortgage Specialists Failed At Less Than Half the Rate of All FDIC-Insured Institutions Between 2008 and 2014



Source: FDIC.

\* The failure index for each group is calculated as failures within that group as a ratio to all failures divided by institutions in that group as a ratio to all institutions in that period. Index values above 1 indicate that institutions in the group failed more often than their prevalence in the population, while index values less than 1 indicate that they failed less often.

# Discussion