

## Deposit Trends In Banking Industry

### *Larger Banks Are Winning The Growth Battle*

- Deposits in the U.S. Banking system grew by 1.5% in 1st Quarter 2018 vs. the prior quarter in late 2017. On a year-over-year basis, Total Deposits rose 3.8%. The compound growth rate over the past 41 quarters since 2007 is 7.2%.
- The FIG Partners Research team examined all FDIC institutions in existence in 2007 and tracked all Banks in subsequent years (some merged or failed, while a handful of new companies joined the FDIC). Total Deposit dollars were tracked and we also examined individual categories such as DDAs, NOW, Money Market (MMDAs), and CDs.
- Banks above \$10 Billion in Assets were the only institutions with growth in the past 12 months. We assert this is partly due to a trend of fewer FDIC players at the smaller end of the size scale. In the past year and decade, the number of larger institutions has expanded. This is particularly true above \$10 Billion, but the same trend can be seen for Banks between \$1B to \$10B as industry-wide consolidation continues to be a driving force.
- Banks in the \$1B to \$10B category experienced a Deposit contraction both in 1Q18 vs. 4Q17 and in the past year. We feel the graduation of Banks across the \$10 Billion threshold is driving sheer dollars to a greater extent than those institutions rising above \$1 Billion (i.e., see Page 4 and note the decline in smaller Banks \$200M to \$500M and also \$500M to \$1B).
- Money Market Deposits and CDs both expanded for the largest Banks, but contracted elsewhere (albeit a tiny gain in CDs for institutions \$1B to \$10B). Again, the contraction of smaller Banks is the key trend that investors should note.

Please see important disclosures regarding FIG Partners' equity rating system, distribution of ratings, and other report disclosures on the last page of this report



**Deposit Growth Summary:** *Near-Term & Long-Term Trends*

**Deposit Growth: 1Q-2018 vs. 1Q-2017**

All FDIC Institutions By Asset Size



Source: FIG Partners Research, S&P Global MI, FDIC call report filings

*Banks above \$10 Billion in Assets were the only institutions with growth in the past 12 months.*

*We assert this is partly due to a trend of fewer FDIC players at the smaller end of the size scale.*

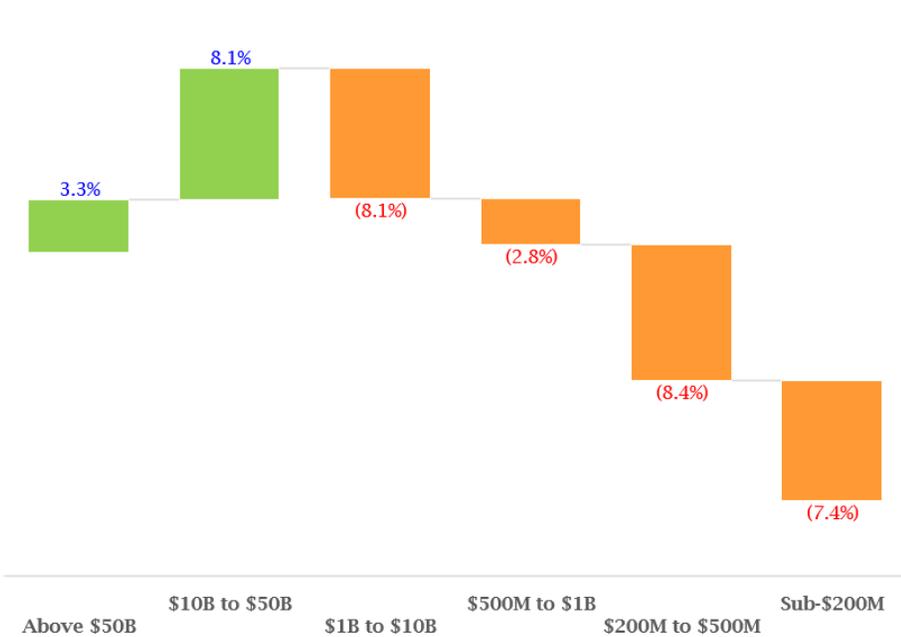
*Our analysis summarizes total dollars of Deposits and computes annual growth rates in the past quarter, year, and decade. Compound growth from 2007 includes the prior 41 quarters.*

ALL BANKS			
1Q18-g	1.5%		
YR/YR-g	3.8%		
Annual: 4Q-07 to 1Q-18	7.2%		
Above \$50B		\$500M to \$1B	
1Q18-g	1.6%	1Q18-g	(1.6%)
YR/YR-g	4.6%	YR/YR-g	(1.4%)
Annual: 4Q-07 to 1Q-18	9.3%	Annual: 4Q-07 to 1Q-18	2.1%
\$10B to \$50B		\$200M to \$500M	
1Q18-g	6.3%	1Q18-g	(1.5%)
YR/YR-g	11.9%	YR/YR-g	(4.4%)
Annual: 4Q-07 to 1Q-18	7.7%	Annual: 4Q-07 to 1Q-18	(0.2%)
\$1B to \$10B		Below \$200M	
1Q18-g	(2.1%)	1Q18-g	(1.7%)
YR/YR-g	(3.5%)	YR/YR-g	(5.2%)
Annual: 4Q-07 to 1Q-18	4.5%	Annual: 4Q-07 to 1Q-18	(4.0%)

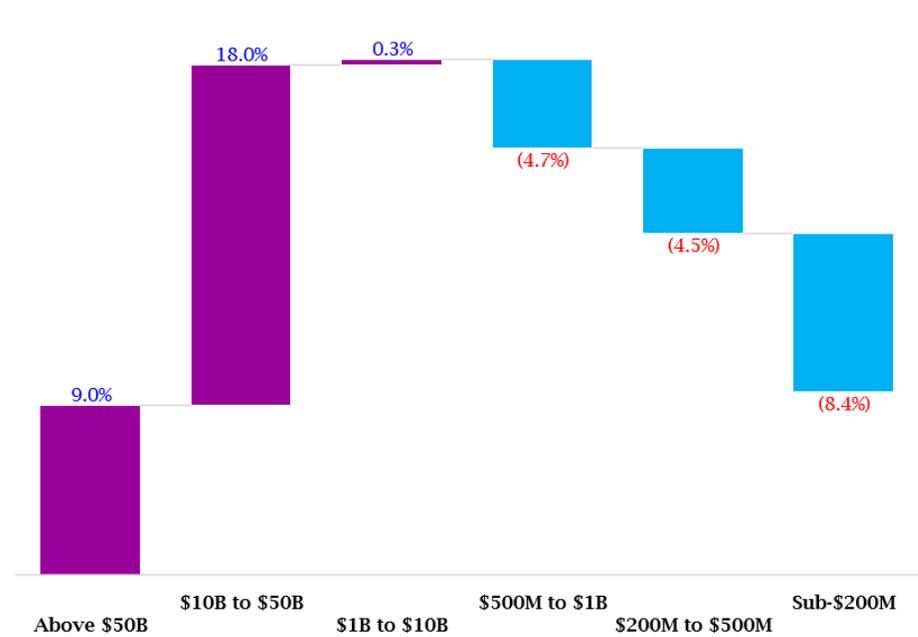


**Money Market (MMDAs) & Time Deposits (CDs):** *Year-Over-Year Growth Pace*

*Money Market Deposits (MMDAs): YR/YR, 1Q-18 vs 1Q-17*



*Time Deposits (CDs): Yr/YR, 1Q-18 vs 1Q-17*

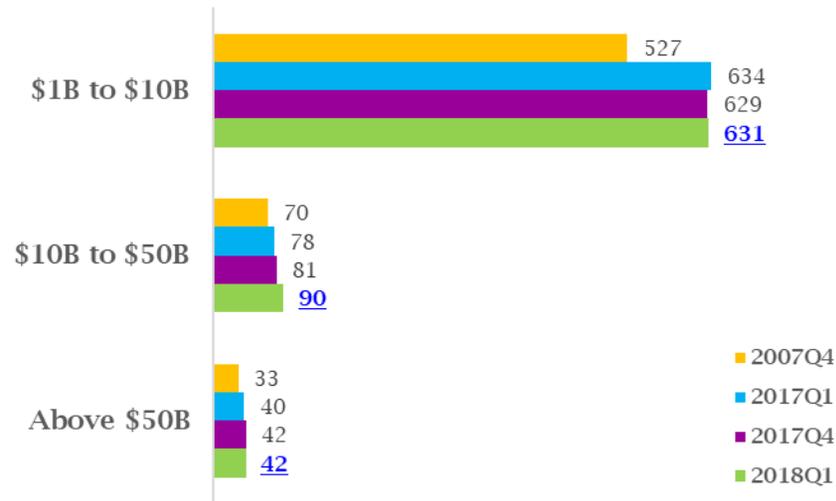


*Money Market Deposits and CDs both expanded for the largest Banks, but contracted elsewhere (albeit a tiny gain in CDs for institutions \$1B to \$10B). Again, the contraction of smaller Banks is the key trend that investors should note.*

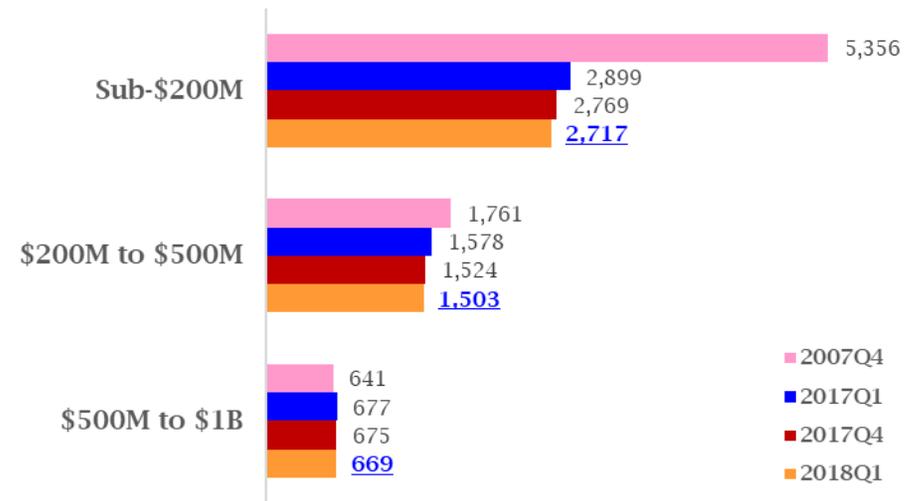


**Why Are Deposits Growing At Larger Banks? A Shift In The Number Of Players Must Be Considered**

*Number of FDIC Institutions By Asset Size*



*Number of FDIC Institutions By Asset Size*



*We think the Deposit success at the largest Banks \$10B to \$50B and also above \$50B can be somewhat attributed to the change in headcount among these larger institutions. More large banks in the past decade and also the past 12 months is a major factor.*

*It is true that the largest increase in Banks here is in the \$1B to \$10B category (which did experience a contraction in Deposits both in 1Q18 vs. 4Q17 and also in the past year). The graduation of Banks across the \$10 Billion threshold is driving sheer dollars to a greater extent than those institutions rising above \$1 Billion (i.e., note the decline in smaller Banks \$200M to \$500M and also \$500M to \$1B).*

*Either way, headcount must be factored into investors' 50,000 foot view of the Banking industry.*



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	<b>Buy / Outperform</b>	<b>Hold / Market- Perform</b>	<b>Sell / Underperform</b>
% Rated	44.9%	55.1%	0.0%
IB Client % in Category	22.8%	17.1%	0.0%

**Equity Rating System as of July 1, 2003**

<b>Buy/Outperform</b>	FIG expects that total return of the subject stock will outperform the industry benchmark (BIX) over the next 12 months
<b>Hold/Market-Perform</b>	FIG expects that total return of the subject stock will perform inline with the industry benchmark (BIX) over the next 12 months
<b>Sell/Underperform</b>	FIG expects that total return of the subject stock will under perform the industry benchmark (BIX) over the next 12 months

For purposes of FINRA rule 2711, outperform is classified as a buy, market-perform is a hold and underperform is a sell. The industry benchmark that used is the S&P Bank Index, referred to as the "BIX."

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