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Thirty Years of Banking in New York

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Thirty years is not a particularly long time, and if we were talking sports instead of banking, it would not seem that long ago that the Jets and Mets had made short work of a couple of teams from Baltimore, but in banking, the start of the seventies seems like an eternity ago. In New York, the ability to move beyond county lines with banking offices was just beginning; CDs and credit cards had been introduced seven years earlier; and rates paid on deposits were capped with thrifts having a mandated rate advantage.

In 1970, banking in New York, and elsewhere, also began a decade that would totally alter the industry's direction. Holding companies became a vehicle for offering non-traditional services and crossing county lines. Time deposits increasingly meant CDs instead of passbook savings; nonbank competition for deposits reared its ugly head via the Merrill Lynch money market fund; and the combination of nonbank deposit substitutes and rising interest rates began an era of disintermediation that would force changes in the eighties that would make the turbulent seventies look like the "good old days."

Also, in 1970, being a New York banking leader pretty much meant being a Manhattan-based money center bank. Chase was number one when measured by deposits, albeit a faltering number one. What then was called First National City was second, and it was followed in the rankings by Manufacturers Hanover, Chemical and J.P. Morgan. Bankers Trust and Irving ranked seventh and eighth. Only Buffalo-based Marine Midland in sixth place kept the New York City banks from having complete dominance. Three thrifts – Bowery, Dime and New York Savings – along with the ill-fated Franklin rounded out the top twelve.

Thirty Years of New York Banking Leaders

	<u>Deposits</u> (In mill.)	<u>Market</u> <u>Share</u>		<u>Deposits</u> (In mill.)	<u>Market</u> <u>Share</u>
<u>2000*</u>			<u>1990</u>		
1. J.P. Morgan Chase	\$103,742	22.4%	1. Citibank	\$ 47,112	11.4%
2. Citigroup	64,653	14.0	2. Chase	33,027	8.0
3. HSBC	34,822	7.5	3. Chemical	27,181	6.6
4. Bank of New York	25,247	5.5	4. Manufacturers Hanover	24,175	5.9
5. M&T	15,567	3.4	5. Bank of New York	18,921	4.6
6. Fleet	14,919	3.2	6. HSBC	14,652	3.6
7. GreenPoint	11,595	2.5	7. National Westminster	11,249	2.7
8. Washington Mutual	11,420	2.5	8. Bankers Trust	9,818	2.4
9. Deutsche Bank	11,385	2.5	9. Fleet	9,817	2.4
10. Astoria	9,863	2.1	10. Dime	9,011	2.2
11. North Fork	9,765	2.1	11. Goldome	7,775	1.9
12. KeyCorp	<u>8,377</u>	<u>1.8</u>	12. J.P. Morgan	<u>7,648</u>	<u>1.9</u>
Total	\$321,355	69.5%	Total	\$222,386	53.6%
 <u>1980</u>			 <u>1970</u>		
1. Chase	\$ 25,846	8.6%	1. Chase	\$ 14,341	11.4%
2. Manufacturers Hanover	22,436	7.4	2. First National City	12,384	9.8
3. Citibank	20,968	6.9	3. Manufacturers Hanover	8,974	7.1
4. Chemical	17,577	5.8	4. Chemical	7,437	5.9
5. J.P. Morgan	15,163	5.0	5. J.P. Morgan	6,427	5.1
6. Bankers Trust	11,597	3.8	6. Marine Midland	5,997	4.7
7. HSBC	8,046	2.7	7. Bankers Trust	5,676	4.5
8. Irving Bank	6,892	2.3	8. Irving Bank	3,821	3.0
9. Bank of New York	5,133	1.7	9. Bowery Savings	2,724	2.2
10. Bowery Savings	4,837	1.6	10. Franklin	2,357	1.9
11. Dime	4,507	1.5	11. Dime	2,233	1.8
12. Emigrant Savings	<u>2,917</u>	<u>1.0</u>	12. New York Savings	<u>1,891</u>	<u>1.5</u>
Total	\$145,919	48.3%	Total	\$ 74,262	58.9%

*Includes subsequent completed and announced mergers through July 31, 2001.

Source: Various sources.

Surprisingly, even with the spread of the holding company concept and its ability to put banks in different markets under the same ownership, the seventies actually lessened the degree of banking concentration. In 1970, the state's twelve largest banks had almost 60% of the deposits. Ten years later, they had less than half.

This decline was a little misleading in that most of New York's biggest banks doubled in size during this period, and the five largest, along with Bank of America, were far-and-away the country's biggest banks. Their increase in deposits, though, was more than matched by "all other" banks and thrifts as the branching boom that shifted banking activity from urban centers to the suburbs that began in the mid-fifties reached its peak in the seventies. This was as true in New York City as elsewhere. Also in the seventies, thrifts with their built-in rate advantage grew rapidly, and New York had more than its fair share of savings institutions.

The seventies also brought some new players or ownership to the state's twelve largest banks. Bank of New York and Emigrant Savings took the places of the failed Franklin and New York Savings, and new ownership came via Hong Kong Shanghai Banking Corporation's acquisition of Marine Midland.

It was not until the eighties that the combination of mergers and a thrift crisis began an era of true consolidation. The share of New York's twelve largest banks rose from a little over 48% to almost 54%. In Upstate New York, two Albany banks, Key and Norstar, acquired large branch networks, and Bank of New York was the fastest growing New York City bank with an emphasis on local, not national, banking. Among money center banks, the eighties also saw Citibank rise to pre-eminence while Chase continued to lose ground. Chemical was struggling, but moving up the ladder, while Manufacturers Hanover was greatly diminished in importance.

The new major players that emerged in the eighties were generally short-lived. Natwest acquired its way to number seven in deposit share in 1990, but it was to sell to Fleet in the mid-nineties. Goldome was occupying the eleventh spot while in the process of being sold by the regulators. Having a more lasting impact was Fleet, which acquired Norstar in 1987 and buttressed this position with the purchase of Natwest's American operation.

The degree of concentration was greatly increased in the nineties as the deposit share held by the twelve leaders rose from 54% in 1990 to almost 70% in 2000. The major impetus was the joining forces of Chemical and Chase followed by the acquisition of J.P. Morgan, which resulted three of the state's four largest banks in 1990 being part of a single bank, J.P. Morgan Chase. Also contributing to the consolidation was HSBC buying Republic and the aforementioned Fleet purchase of NatWest.

Thus, as the new millennium begins, more than half of the state's twelve largest banks were not among the elite ten years earlier. The biggest jump was made by M&T whose merger activities lifted it to the fifth position. Washington Mutual and Deutsche Bank are eighth and ninth in deposit share, respectively, with their acquisitions of Dime and Bankers Trust. GreenPoint and Astoria Federal are there as the largest survivors of a greatly diminished thrift group. North Fork, which is by far the most acquisitive of mid-sized banks in the state is number eleven, and KeyCorp, which lost share in the nineties, backed into the twelfth position as others disappeared.

While the greatest concentration has been at the very top with Citigroup and J.P. Morgan Chase accounting for more than 36% of the state's deposits, a major change in the last thirty years has been the diminishing number of large banks headquartered in New York City. In 1970, ten of the twelve biggest banks were based in New York, and only one, Marine Midland, had its headquarters outside of the New York metropolitan area. Today, Citigroup, J.P. Morgan Chase, Bank of New York and GreenPoint are all that remain with corporate headquarters in Manhattan. Two of the top twelve are foreign-owned; three others are subsidiaries of banks based in Boston, Cleveland and Seattle; Long Island is home to two more, Astoria Federal and North Fork; and M&T is based in Buffalo.

Another major change in the New York banking structure has been the decline of a once very large thrift industry. In 1970, thrifts, and mostly savings banks, accounted for 35% of the state's deposits, and if the out-of-state deposits held by the money center banks were removed that percentage would have been much higher. The decline also was not gradual as New York thrifts grew rapidly in the seventies and eighties, and in 1990, they still had almost the same deposit share as in 1970.

Deposit Change by Type of Institution – New York

	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
	<u>Deposits</u> (In millions)			
Commercial banks	\$348,795	\$266,240	\$202,384	\$ 81,525
Thrifts	79,446	133,939	96,872	44,014
Credit unions	<u>19,257</u>	<u>11,685</u>	<u>2,939</u>	<u>800*</u>
Total	\$447,498	\$411,864	\$302,195	\$126,339

	<u>Market Share</u>			
Commercial banks	77.9%	64.7%	67.0%	64.5%
Thrifts	17.8	32.5	32.0	34.9
Credit unions	<u>4.3</u>	<u>2.8</u>	<u>1.0</u>	<u>.6</u>
Total	100.0%	100.0%	100.0%	100.0%

*Estimated.

Source: Various sources.

The 1990 thrift deposit share, though, was inflated by troubled thrifts whose rapid growth had not solved their problems and were soon to disappear; and with them, much of the thrift deposit share. In 1990, New York thrifts still held almost one-third of the state's deposits, but by 2000, the total was below 18% and falling.

The thrift decline was statewide, but deposit share figures for the entire state, including the Manhattan main office deposits of large banks, distorts the true market position of many banks and the remaining thrifts. This is particularly the case upstate, but it is also true in the New York City area.

In metropolitan New York, eliminating the main offices of the big banks reduces the share, but does not lessen dominance, of Citigroup and Chase. It does, though, eliminate non-factors in the market like Deutsche Bank and makes more visible the second-tier banks that can through consolidation become the main local challengers to the "big two." HSBC is the second tier leader, but it is far from alone. GreenPoint, Washington Mutual, Astoria Federal, North Fork, Bank of New York and Fleet each have between \$8 and \$12 billion in deposits.

Deposit Share in Upstate and Metropolitan New York*

	Deposits 2000 (In mill.)	Market Share			
		June 30,			
		2000	1999	1998	1996
<u>Metropolitan New York</u>					
J.P. Morgan Chase	\$51,001	22.0%	21.9%	20.9%	22.4%
Citigroup	36,349	15.7	10.3	10.3	10.4
HSBC	20,346	8.8	4.3	4.2	3.0
GreenPoint	11,595	5.0	5.0	4.9	5.9
Washington Mutual	11,420	4.9	-	-	-
Astoria Federal	9,863	4.3	4.0	2.6	2.1
North Fork	9,765	4.2	2.7	2.8	1.6
Bank of New York	9,746	4.2	4.2	4.3	4.7
Fleet	8,344	3.6	4.5	4.9	4.1
Emigrant	5,111	2.2	2.3	2.4	2.6
Apple	4,952	2.2	2.2	1.9	1.8
<u>Upstate New York</u>					
M&T	\$13,096	14.0%	12.9%	12.6%	9.0%
HSBC	12,125	13.0	12.8	13.0	9.6
KeyCorp	8,032	8.6	7.8	8.3	10.8
Fleet	6,574	7.0	7.6	8.5	10.4
Charter One	5,334	5.7	5.9	2.7	-
J.P. Morgan Chase	3,193	3.4	4.2	4.2	2.5
Citigroup	2,996	3.2	3.0	3.0	2.6
NBT	2,084	2.2	1.1	1.1	1.0
Community Bank System	2,014	2.1	1.5	1.6	1.2
Trustco	2,001	2.1	2.2	2.3	2.2
BSB	1,949	2.1	1.7	1.6	1.2
First Niagara	1,915	2.0	1.2	1.1	1.0

*Excludes large bank headquarters.

Source: SNL Securities LC, Charlottesville, Virginia.

M&T and HSBC are the major players in Upstate New York with 27% of the deposits, and this represents a major shift in the last few years. As recently as 1996, KeyCorp and Fleet were one-two, but while M&T and HSBC were buying, they were selling branches. Today, their combined deposit share is only slightly more than that of M&T.

Upstate New York also includes several banks among its leaders that get totally lost in the statewide figures. NBT is now the second largest bank that is indigenous to Upstate New York having more than doubled its share in the last few years, and First Niagara is the largest thrift based in the area.

What can be expected in the future relative to New York banking? The most obvious answer is surprises. No one would have guessed ten years ago that Chemical would come out the winner in a merger with Chase and then go on to buy J.P. Morgan; Deutsche Bank would acquire Bankers Trust; the biggest thrift in the area would be bearing the name of Washington Mutual; or that North Fork would be the state's fifth largest locally-headquartered commercial bank.

Surprises would not be surprises if they could be predicted, but in 2010, it is unlikely that the banking structure in New York will look much like it does today. Because of their immense size, Citigroup, J.P. Morgan Chase and HSBC should still be among global banking leaders, and probably will rank one, two and three in the world, but it is unlikely that they all will continue to operate branch networks in the metropolitan New York or that J.P. Morgan Chase will keep its cumbersome name. It conceivably could sell its branches and the Chase name to someone like Washington Mutual – a la Mellon – and still maintain a top three spot internationally.

The more imminent changes, though, will be the consolidation below the big three. Washington Mutual's acquisition of Dime and the Royal Bank of Scotland's purchase of the Mellon branches in Pennsylvania through its Citizens subsidiary will almost certainly set off a race for retail supremacy in the northeast that will have its primary acquisition focus on the metropolitan New York area. While surprises may play a major role in this consolidation, recent events suggest at least some of the following:

- Washington Mutual and the Royal Bank of Scotland actively buying what is available in the area with GreenPoint, Astoria Federal and North Fork along with Hudson City and Hudson United over in New Jersey being likely targets.
- Bank of New York pulling a "Mellon" and selling its branches to Washington Mutual or Royal Bank of Scotland.
- KeyCorp being involved in a Midwest merger that will result in it selling its New York branches with M&T and Charter One

joining Washington Mutual and the Royal Bank of Scotland as possible buyers.

If there is real surprise, look for Fleet or HSBC to be part of it. Fleet is likely to “pass” on the metropolitan New York retail consolidation, but it will not go five years without a major merger. It could be a buyer of a PNC or Mellon; an equal partner with a Fidelity or First Union; or the piece that moves HSBC into the Citigroup class. HSBC has to be considered among the likely, if not the most likely, buyers of not only Fleet, if it chooses to sell, but also of American Express, Merrill Lynch and Goldman Sachs.

A less pleasant surprise to many will be that Saturday and Sunday hours become a standard in retail banking within five years. Commerce Bank will be bringing this north from Philadelphia with its expansion into the New York City area, and Citizens, Washington Mutual and others will have little choice but to respond in kind. It always has been just a matter time before banks would no longer be the only retail establishments closed on Sundays.

Deposit Share in New York

	Deposits 2000 (In mill.)	Market Share			
		June 30			
		2000	1999	1998	1996
<u>Market Leaders</u>					
J.P. Morgan Chase	\$103,742	23.2%	22.4%	21.9%	21.5%
Citigroup	64,653	14.4	10.2	9.6	9.7
Subtotal	\$168,395	37.6%	32.6%	31.5%	31.2%
<u>Second Tier</u>					
HSBC	\$ 34,821	7.8%	5.0%	4.9%	3.9%
Bank of New York	25,247	5.6	5.3	5.3	5.1
M&T	15,567	3.5	3.2	3.2	2.6
Fleet	14,918	3.3	4.0	4.3	4.7
Subtotal	\$ 90,553	20.2%	17.5%	17.7%	16.3%
<u>Other Large</u>					
GreenPoint	\$ 11,595	2.6%	2.7%	2.5%	3.3%
Washington Mutual	11,420	2.6	-	-	-
Deutsche Bank	11,385	2.5	3.8	6.1	2.4
Astoria	9,863	2.2	2.2	1.4	1.2
North Fork	9,765	2.2	1.5	1.4	.9
KeyCorp	8,377	1.9	2.0	2.0	2.9
Charter One	5,413	1.2	1.3	.6	-
Emigrant	5,111	1.1	1.2	1.2	1.4
Apple	4,952	1.1	1.2	1.0	1.0
New York Community	4,415	1.0	.3	.2	.3
Roslyn	4,021	.9	1.0	.5	.4
Independence Community	3,575	.8	.8	.8	.9
Lehman Brothers	3,026	.7	-	-	-
First Union*	2,870	.6	.5	.5	.6
Charles Schwab	2,836	.6	-	-	-
Safra	2,439	.6	.5	.5	.2
TrustCo	2,001	.5	.5	.5	.5
Subtotal	\$103,064	23.1%	19.5%	19.2%	16.0%
Other Banks	\$ 49,165	11.0%	19.0%	19.5%	19.0%
Other Thrifts	17,059	3.8	7.1	8.2	13.3
Credit Unions	19,257	4.3	4.3	3.9	4.2
Total	\$447,493	100.0%	100.0%	100.0%	100.0%

*Adjusted to reflect a truer market position.

Source: SNL Securities LC, Charlottesville, Virginia.

Deposit Share in the New York City Area*

	Deposits 2000 (In mill.)	Market Share			
		June 30			
		2000	1999	1998	1996
<u>Market Leaders</u>					
J.P. Morgan Chase	\$ 51,001	22.0%	21.9%	20.9%	22.4%
Citigroup	<u>36,349</u>	<u>15.7</u>	<u>10.3</u>	<u>10.3</u>	<u>10.4</u>
Subtotal	\$ 87,350	37.7%	32.2%	31.2%	32.8%
<u>Second Tier</u>					
HSBC	\$ 20,346	8.8%	4.3%	4.2%	3.0%
Greenpoint	11,595	5.0	5.0	4.9	5.9
Washington Mutual	<u>11,420</u>	<u>4.9</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$ 43,361	18.7%	9.3%	9.1%	8.9%
<u>Other Large</u>					
Astoria	\$ 9,863	4.3%	4.0%	2.6%	2.1%
North Fork	9,765	4.2	2.7	2.8	1.6
Bank of New York	9,746	4.2	4.2	4.3	4.7
Fleet	8,344	3.6	4.5	4.9	4.1
Emigrant	5,111	2.2	2.3	2.4	2.6
Apple	4,952	2.2	2.2	1.9	1.8
New York Community	4,487	1.9	.5	.5	.5
Roslyn	4,021	1.7	1.8	.9	.7
Independent Community	3,575	1.5	1.5	1.6	1.6
First Union	2,592	1.1	.8	.8	1.1
M&T	2,471	1.1	.9	1.0	1.1
Staten Island	1,877	.8	.8	.7	.8
Popular	1,854	.8	.7	.7	.7
Ridgewood Savings	1,834	.8	.8	.8	.7
U.S.B.	1,402	.6	.4	.4	.3
Dime Community	1,218	.5	.5	.5	.5
National Bank-Greece	<u>1,198</u>	<u>.5</u>	<u>.4</u>	<u>.4</u>	<u>.4</u>
Subtotal	\$ 74,310	32.0%	29.0%	27.2%	25.3%
Other Banks	\$ 12,193	5.3%	17.2%	18.3%	18.0%
Other Thrifts	5,662	2.5	8.9	11.0	11.9
Credit Unions	<u>8,676</u>	<u>3.8</u>	<u>3.4</u>	<u>3.2</u>	<u>3.1</u>
Total	\$231,552	100.0%	100.0%	100.0%	100.0%

*Bronx, Kings, Nassau, New York, Queens, Richmond, Rockland, Suffolk and Westchester counties. Also excludes large bank headquarters and nonbanks.

Source: SNL Securities LC, Charlottesville, Virginia.

Deposit Share in Upstate New York*

	Deposits 2000 (In mill.)	Market Share			
		June 30			
		2000	1999	1998	1996
<u>Market Leaders</u>					
M&T	\$13,096	14.0%	12.9%	12.6%	9.0%
HSBC	<u>12,125</u>	<u>13.0</u>	<u>12.8</u>	<u>13.0</u>	<u>9.6</u>
Subtotal	\$25,221	27.0%	25.7%	25.6%	18.6%
<u>Second Tier</u>					
KeyCorp	\$ 8,032	8.6%	7.8%	8.3%	10.8%
Fleet	6,064	6.5	7.6	8.5	10.4
Charter One	<u>5,334</u>	<u>5.7</u>	<u>5.9</u>	<u>2.7</u>	<u>-</u>
Subtotal	\$19,430	20.8%	21.3%	19.5%	21.2%
<u>Other Large</u>					
J.P. Morgan Chase	\$ 3,193	3.4%	4.2%	4.2%	2.5%
Citigroup	2,996	3.2	3.0	3.0	2.6
NBT	2,084	2.2	1.1	1.1	1.0
Community Bank System	2,014	2.1	1.5	1.6	1.2
TrustCo	2,001	2.1	2.2	2.3	2.2
BSB	1,949	2.1	1.7	1.6	1.2
First Niagara	1,915	2.0	1.2	1.1	1.0
Hudson River	1,260	1.3	.7	1.0	.6
Financial Institutions	1,230	1.3	1.0	.9	.8
Bank of New York	976	1.0	1.1	1.1	1.3
Tompkins Trustco	969	1.0	.5	.5	.4
Banknorth	967	1.0	1.1	-	-
Arrow	839	.9	.8	.8	.6
Troy	799	.8	.6	.6	.7
Hudson United	<u>781</u>	<u>.8</u>	<u>1.0</u>	<u>1.3</u>	<u>-</u>
Subtotal	\$23,973	25.2%	22.4%	21.7%	16.6%
Other Banks	\$ 8,308	8.9%	11.6%	13.5%	17.1%
Other Thrifts	6,001	6.8	7.6	8.7	14.8
Credit Unions	<u>10,582</u>	<u>11.3</u>	<u>11.4</u>	<u>11.0</u>	<u>11.7</u>
Total	\$93,515	100.0%	100.0%	100.0%	100.0%

*All of New York north of Rockland and Westchester counties. Also First Union is adjusted to reflect a truer market position.

Source: SNL Securities LC, Charlottesville, Virginia.

Danielson Associates Inc.

Leaders in Acquisition Advisory Services

1996-2001* Bank Acquisitions in the Middle Atlantic and Northeast** Leading Financial Advisor Rankings - Sell Side

<u>Rank</u>	<u>Adviser</u>	<u>Headquarters</u>	<u>Number of Deals Announced</u>	<u>Aggregate Deal Value (In millions)</u>
1.	Credit Suisse First Boston	New York	3	\$33,350
2.	Merrill Lynch	New York	3	24,451
3.	Morgan Stanley	New York	3	20,389
4.	Keefe, Bruyette & Woods	New York	14	9,306
5.	Goldman Sachs	New York	2	8,623
6.	J.P. Morgan	New York	6	7,660
7.	Sandler O'Neill	New York	12	3,663
8.	Danielson Associates	Rockville, Md.	23	2,230
9.	Fox-Pitt Kelton	New York	4	1,765
10.	Wheat First Union	Charlotte, N.C.	4	1,643
11.	Berwind Financial	Philadelphia, Pa.	18	1,030
12.	Lazard Freres	New York	1	950
13.	McConnell Budd & Downes	Morristown, N.J.	10	907
14.	McDonald Investment	Cleveland, Oh.	5	854
15.	Baxter Fentriss	Richmond, Va.	9	843
16.	Austin Associates	Toledo, Oh.	6	682
17.	Scott & Stringfellow	Richmond, Va.	19	606
18.	CIBC World Markets	New York	3	577
19.	Orr Group	Winston-Salem, N.C.	6	545
20.	Friedman Billings Ramsey	Arlington, Va.	5	539

*January 1, 1996 through June 30, 2001.

**Includes East Coast states from South Carolina north plus Ohio.

Source: SNL Securities LC, Charlottesville, Virginia.

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