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*DBRS has issued a corrected version of today's U.S. Financial Institutions Newsletter to reflect corrections to the units on the U.S. Credit Card Issuers Table.*

*The Outstanding units should have been in thousands of dollars and the issuer outstanding amounts were miscalculated by a factor of ten.*

## GETTING LONELIER AT THE TOP *U.S. Banking Industry Consolidation And Concentration*

A strongly recurrent theme in the U.S. financial institution sector is consolidation and concentration. This trend has continued unabated for more than a decade at the institution level in addition to individual business lines.

DBRS notes 5 industry areas that have consolidated or are significantly concentrated:

1. FDIC-insured Banks
2. Deposits
3. Mortgage Production & Mortgage Servicing
4. Credit Cards
5. Investment Banking

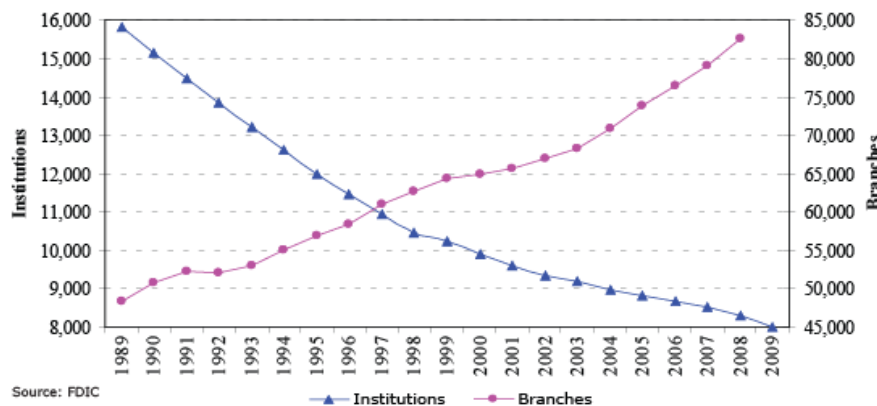
As can be seen in the summary table and detailed in the charts below, significant domestic market shares are held by the leading participants in all of the listed business lines with the exception of investment banking. In the latter business line, we used the global market to assess concentration for investment banking, given the importance of being competitive across global markets in this business. With a greater number of large international competitors, this business segment remains more fragmented than business lines that are more domestic by their nature. The mature mortgage and credit card business lines appear to be the most concentrated followed by the less concentrated deposit market.

Business Line	Top 3 Market Share %	Top 10 Market Share %
Deposits	33	48
Mortgage Production	52	72
Mortgage Servicing	49	67
Credit Card Outstandings	52	87
Investment Banking	23	55

### Bank Consolidation

The precipitous decline in U.S. commercial and savings banks is a well-recognized phenomenon. The number of FDIC-reporting institutions is approximately half the level of 20 years ago. This unrelenting consolidation is a result of the competitive and regulatory dynamics coupled with several crises over the past two decades. The surviving institutions, especially the top asset class, have grown in size and product lines. At the same time and despite the consolidation, the total number of branches has grown about 70% as the industry expands its service delivery points and convenience. Also noteworthy is that banks have deployed other new and innovative service delivery (phone and internet) channels at the same time.

**FDIC Reporting Institutions (1989-2009)**



Source: FDIC

**2009 DEPOSIT SHARE SUMMARY FOR U.S. MARKET**

Rank	Institution	Branches	Market Share %	U.S. Deposits (\$000)
1	Bank of America Corporation (NC)	6,235	13.1	904,746,041
2	Wells Fargo & Company (CA)	6,800	10.8	741,865,224
3	JPMorgan Chase & Co. (NY)	5,238	9.0	618,125,022
4	Citigroup Inc. (NY)	1,046	3.9	265,947,879
5	PNC Financial Services Group, Inc. (PA)	2,759	2.7	188,129,892
6	U.S. Bancorp (MN)	2,903	2.2	151,902,585
7	SunTrust Banks, Inc. (GA)	1,749	1.7	118,532,355
8	Royal Bank of Scotland Group Plc	1,518	1.5	102,616,128
9	BB&T Corporation (NC)	1,505	1.4	93,753,403
10	Regions Financial Corporation (AL)	1,889	1.4	93,701,749
<b>Total For Top 10</b>		<b>31,642</b>	<b>47.6</b>	<b>\$3,279,320,278</b>

Note: Market Share is for U.S. Territories only and non-retail branches are not included.

Source: SNL Financial

**2009 AGENCY MORTGAGE PRODUCERS**

Rank	Institution	Volume (\$MM)	Market Share (%)
1	Wells Fargo & Company	308,215	23.0
2	Bank of America Corp.	271,318	20.2
3	JPMorgan Chase & Co.	116,098	8.6
4	Citigroup Inc.	68,871	5.1
5	Ally Bank (FKA GMAC Mortgage)	42,816	3.2
6	U.S. Bancorp	40,496	3.0
7	SunTrust Banks	37,048	2.8
8	Metlife Bank	27,469	2.0
9	PHH Mortgage	26,457	2.0
10	Flagstar Bank	23,616	1.8
<b>Total For Top 10</b>		<b>962,403</b>	

Source: Inside Mortgage Finance

**2009 1-4 FAMILY MORTGAGE SERVICERS**

Rank	Institution	3Q09 Volume (\$Bn)	Market Share (%)
1	Bank of America Corp.	2,148	19.8
2	Wells Fargo & Company	1,794	16.5
3	JPMorgan Chase & Co.	1,420	13.1
4	Citigroup Inc.	744	6.9
5	Ally Bank (FKA GMAC Mortgage)	353	3.3
6	SunTrust Banks	175	1.6
7	PNC Financial Services Group	172	1.6
8	U.S. Bancorp	169	1.6
9	OneWest Bank (FKA IndyMac)	166	1.5
10	PHH Mortgage	150	1.4
<b>Total For Top 10</b>		<b>7,290</b>	

Source: Inside Mortgage Finance

**2009 U.S. CREDIT CARD ISSUERS**

Rank	Institution	Outstandings (\$000)	Outstandings Market Share (%)	Active Accounts* (000)	Active Accounts Market Share (%)
1	JPMorgan Chase & Co.	155,982,380	20.2	42,473	22.9
2	Bank of America Corp.	139,920,828	18.1	25,088	13.5
3	Citigroup Inc.	103,782,336	13.4	36,239	19.6
4	American Express	78,608,942	10.2	NA	NA
5	Capital One Financial Corp.	53,898,862	7.0	20,174	10.9
6	Discover Financial	47,489,685	6.2	NA	NA
7	Wells Fargo & Company	31,968,666	4.1	6,800	3.7
8	HSBC USA Inc.	24,401,204	3.2	13,588	7.3
9	U.S. Bancorp	21,235,225	2.8	5,709	3.1
10	USAA Savings	13,822,201	1.8	2,774	1.5
<b>Total For Top 10</b>		<b>671,110,329</b>	<b>86.9</b>	<b>152,845</b>	<b>82.5</b>

\*Active accounts include only Visa & Mastercard Issuers

Source: The Nilson Report

2009 INVESTMENT BANKING							
Net Revenue Rank	Institution	Net Revenues (in \$ MM)	Net Revenue Market Share (%)	M&A	Debt	Equity	Syndicated Loan
1	JPMorgan Chase	5,475	9.1	8.5	8.4	10.5	6.8
2	Goldman Sachs	4,084	6.8	9.9	4.4	8.1	NA
3	Bank of America / ML	4,076	6.8	6.1	6.8	7.0	7.6
4	Morgan Stanley	3,591	6.0	7.4	4.4	7.5	NA
5	Citigroup	3,398	5.7	5.9	6.2	5.4	4.6
6	Credit Suisse	3,044	5.1	5.2	5.2	5.5	1.9
7	Deutsche Bank	2,814	4.7	4.2	6.0	4.3	3.0
8	UBS AG	2,792	4.7	5.8	3.6	5.5	NA
9	Barclays Capital	2,036	3.4	2.9	5.8	1.8	3.4
10	Royal Bank of Scotland	1,544	2.6	NA	4.3	2.2	2.5
<b>Total IB Net Revenue</b>		<b>59,945</b>	<b>100.0</b>				

Source: Dealogic

### Rating Implications

DBRS has a bifurcated view of the industry consolidation and concentration. On one hand, it certainly benefits the consolidators whose growing market shares help in both pricing power and economies of scale. Typically, a top five and especially a top three market position have a high correlation with healthy profitability. In most cases, it also reflects a defensible position with significant difficulty for new entrants and challengers to achieve. It therefore follows that there are positive rating implications for an institution with a leading business line market share and even more so in multiple business lines.

On the other hand, large and growing market positions raise competitive and antitrust concerns from regulatory authorities. In some cases, regulators could introduce constraints or worse; divestitures may be required in order to reduce concentrations. There are currently a number of different proposals being considered in U.S. regulatory reform legislation to limit the growth of financial institutions. Ironically, some of the higher recent concentration levels reflect government involvement in the resolution of large troubled institutions from the market turmoil experienced in the past 2 years. Negative rating pressure could potentially result from new rules or regulations that may place constraints on an organization's ability to grow or require the divestiture of strong and profitable elements that are adding diversity to a bank's business or network. DBRS would signal any potential rating implications when there is more clarity as to the actual legislation and the likelihood of its adoption.

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