July 18, 2000

Methodology and Definitions

Source:

The balance sheet and income data are taken from the Report of Condition and Income for Commercial Banks (Call Report). Data on the geographic distribution of deposits are from the Summary of Deposits.

Scope:

1. The universe of banks is determined as of the fourth quarter of the previous year. It excludes bankers' banks, credit card banks (defined as those banks with credit card loans/gross loans greater than 50 percent), nondepository trusts, nonbank banks, industrial banks, banks that are coded as credit card banks by the National Information Center (NIC), banks that are coded as depository trusts on NIC, de novo banks (defined as banks that have existed for less than 20 quarters), and banks whose retail deposits/total deposits do not exceed 5 percent.[1]

2. A banking organization refers to either an independent bank or to all the banks within the highest-level bank holding company. The total assets of a banking organization structured as a bank holding company are the sum of the assets of its U.S. domestic commercial bank subsidiaries. A bank is included in the organization if it has reported continuously for seven of the previous nine quarters without changing NIC codes.

Structure:

1. To determine the asset size of a banking organization, we use the fourth-quarter Call Report from the previous year. In each quarter, we rank banking organizations by this size variable and divide them into two groups: (i) large banks, which have assets greater than or equal to those of the 100th largest bank; (ii) community banks, which have assets smaller than those of the 100th largest bank.

2. In each quarter we adjust our sample in light of mergers completed during the quarter. We use the transform table (a table of mergers compiled by the National Information Center) to create a new universe of organizations, which we then rank by assets *as of the fourth quarter of the preceding year*. For example, if banking organization A and banking organization B merge during the second quarter, the successor organization is assigned to a group based on the sum of A's and B's assets in the

[1]The percentage of retail deposits is defined as {[(time deposits < $100,000)+(other savings deposits)+(money market deposit accounts)+(demand deposits)]/[total deposits]} *100.

fourth quarter of the preceding year. If this sum exceeds the assets of the 100th largest organization in the fourth quarter of the previous year, the merged organization is defined as a large banking organization for the second quarter. If not, the merged organization is a community banking organization.

3. Since we use the preceding year as our reference point, an organization that increases or decreases in size for any reason other than a merger will not change groups. Note that this procedure for assigning organizations may lead to a large-bank sample that contains more than or fewer than 100 banks. Mergers between large banks will reduce the large-bank population, while mergers between relatively large community banks will increase the large-bank population.

4. We define the large- and small-bank populations for the tri-state region (Pennsylvania, New Jersey, and Delaware) as follows. An organization is a large banking organization in the region if it is a large organization (i.e., has assets greater than or equal to those of the 100th largest bank in the fourth quarter of the previous year) and if it also meets either of two criteria: (i) it has 5 percent of the deposits of the region as a whole or of the deposits of any state in the region; or (ii) at least 5 percent of the organization's deposits are located in the region and its deposits are at least 50 percent of liabilities. We use Summary of Deposit data from the preceding year to check whether these criteria are met. An organization is a community banking organization in the region if it is a community banking organization that is also headquartered in the region.

5. Other than mergers, the sample changes only in the first quarter. For example, if a previously excluded bank would qualify for inclusion in the second quarter—for example, if a de novo bank reaches the 20-quarters-of-existence mark in the second quarter—it must wait until the first quarter of the next year to enter the sample. But if a large banking organization in the region merges with another from out of the region, the merged organization remains in the sample of large banks in the region if and only if it satisfies one of the two criteria listed in Point 4.

6. All ratios reported are weighted averages for the organizations within the relevant population, that is, the numerators and denominators are summed across all banks in the group, then divided. For example, the loan-to-deposit ratio for community banking organizations in the region is the sum of the loans of all community organizations in the region divided by the sum of the deposits of all community organizations in the region.