California Banking Statistics

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"Despite increased regulatory pressures, the most recent banking statistics from the FDIC continue to show impressive loan growth for California headquartered banks, with $405 billion in total loans and leases in the fourth quarter of 2014, amid ongoing industry consolidation and weak consumer loan demand."

– Rod Brown
California Bankers Association President & CEO

Fourth quarter 2014 statistics from the Federal Deposit Insurance Corporation (FDIC) indicate increased lending for banks and savings institutions headquartered in California. For the past four years, assets have increased year-over-year with total loans and leases equaling $405 billion in the fourth quarter of 2014 compared to $316 billion in the fourth quarter of 2011.[1] It is also significant that total loans and leases have increased year-over-year, despite consolidation within the industry wherein the number of California headquartered banks has decreased during the same four-year period from 253 in fourth quarter 2011 to 210 in fourth quarter 2014.

In March 2015, the Federal Reserve Board released its *Beige Book* indicating that economic activity continues to improve moderately in the Twelfth District, inclusive of California. The report highlights increased loan demand for business-related loans while demand for consumer loans remains weak. Stiff competition persists for customers with high-quality credit placing downward pressure on loan interest rates.

Fourth quarter 2014 FDIC statistics show that net charge-offs have fallen year-over-year for 18 consecutive quarters, the lowest quarterly total since 2006. Simultaneously, 98.6 percent of all insured banks have met or exceeded the highest regulatory capital category requirements.

A study released in February from the Harvard Kennedy School of Government indicates that "an increasingly complex and uncoordinated regulatory system has created an unlevel playing field that is accelerating [community bank] consolidation for the wrong reasons."

The Federal Reserve Bank of Richmond in a March brief, *Explaining the Decline in the Number of Banks since the Great Recession*, identifies a "striking decline in new bank entry," that is attributable to low profitability and greater regulatory restrictions. Using Dodd-Frank as an example, the authors indicate that "such regulations may be particularly burdensome for small banks that are just getting started." They further cite that "if this change persists, it will have a large impact on the composition of the banking sector as well as the flow of credit in the economy."

[1] California data is conservative since it does not capture non-CA headquartered banks that do significant business in the state.