

## BofA at forefront of branch reduction trend

December 22, 2014

By Kevin Dobbs and Tahir Ali

Bank of America Corp. Chairman, President and CEO Brian Moynihan finds himself on the front lines of a long march toward branch consolidation.

The executive says branches remain relevant, but the Charlotte, N.C.-based banking giant needs fewer of them even as it continues to grow deposits. Customers, he says echoing bankers across the country, increasingly prefer to do more of their routine banking business online or via mobile devices, so BofA must keep pace with this secular shift and meet its customers where they are choosing to operate.

"You can see in the mobile banking area," for example, "you can see that we've developed up to 16 million-plus customers. That's 2 million more than when I was here last year, and we added 30,000-plus last week," Moynihan said while presenting at a Dec. 9 conference in New York.

Factor in the added motivation to continually trim costs in an era of lofty regulatory and legal expenses, and it is easy to understand why Moynihan and company are closing branches in favor of more efficiently processing customer transactions online. BofA's branch count comfortably exceeded 6,000 five years ago; today it is below 5,000, Moynihan said.

"When you look at the banking centers, what gives us the ability to take the banking centers down is the amount of transactions that moved to automated means," Moynihan continued. "We have 130 million customer and consumer interactions a week, 7 million in a branch. The branches are still important to what we do, obviously. But the key is, how do you optimize all that cost structure, especially the mass market? And you can see we've made great progress in that area."

This year alone, an SNL Financial analysis shows that BofA's branch count declined by more than 170 locations, through Dec. 19, more than any other U.S. bank. Overall, the nation's branch total declined by more than 1,400 locations this year, extending a five-year trend.

BofA also has closed more branches in the fourth quarter to date than any other. Its branch network is down by more than 50 this quarter.

Moynihan touted the benefits of those efforts.

"[T]he efficiency ratio has dropped from 57% down to 53% over the last couple of years. Now, we've done this by listening to our customers and continuing to develop products and capabilities" they can use online or in settings other than traditional branches, Moynihan said.

"[O]perating cost as a percent of deposits is the way we measure success for our core consumer business in terms of how efficient it is. We've got about 200 basis points of all the operating costs in the platform as a percentage of the deposits" — down from about 300 basis points roughly five years ago — "and we think that leads the industry," he added. And "we've grown deposits while we've reduced the cost of deposits."

Ed O'Brien, director of Mercator Advisory Group's banking channels advisory service, said big banks such as BofA will continue to make progress on this front, leading the industry in part because they simply have massive branch networks and therefore more opportunities for cuts.

"Over the next few years, particularly at the largest banks, we'll see continued pruning of branches," O'Brien told SNL.

But reductions are coming across the industry; at the same time, he said, investments are on the rise to drive more business into the digital realm. Customers want to bank in that arena and ultimately that is good for banks that can keep pace with their clients' needs. He said the typical teller visit can cost a bank about \$4. But the same transaction handled online could cost as little as 25 cents.

"So what's put into digital banking can provide significant return on investment," O'Brien said.

Sandler O'Neill & Partners LP analyst Scott Siefers agreed and noted that merger and acquisition activity among community banks also is contributing to branch consolidation. Buyers often close overlapping branches after closing deals.

"What's driven the branch consolidation to this point is likely to continue to fuel it going forward," Siefers told SNL.

Capital One Financial Corp. Chairman, President and CEO Richard Fairbank, speaking at a conference this month, suggested that the move toward digital banking will not only continue but should accelerate.

"You think about it," he said, "banking is an inherently digital product. Money is digital and banking is most about money, and also about contracts about how money will be moved or managed. And that's basically what it is. There is not a lot of physical inventory. This business is just crying out to be revolutionized and the world won't wait in that sense."


Capital One also ranks among the most active big banks in 2014 in terms of branch closures. Its branch count is down by 43 locations this year, according to the SNL analysis. Others active in closing branches at various points in 2014 include JPMorgan Chase & Co., Citigroup Inc., PNC Financial Services Group Inc., Wells Fargo & Co., SunTrust Banks Inc., Umpqua Holdings Corp., F.N.B. Corp. and Synovus Financial Corp. Branch totals for all of these banks are down on the year.

All of that noted, branches are not headed for extinction, O'Brien said. He said most banks still think customers tend to open new accounts at branches and the physical branches themselves serve as billboards to draw in those customers. He added that, while using branches less, customers still want a nearby space in which to meet in person with bank staffers on major financial decisions such as on large loans or on long-term wealth management services.

As such, he expects to see more of what many in the industry are calling a spoke-and-wheel approach, in which several small branches that feature ATMs and other self-service tools, along with fewer but more highly trained staffers than traditional tellers, dot a bank's footprint and surround a centrally located full-service branch.

That larger branch at the center of the wheel is typically staffed with more experts such as financial advisers and small-business lenders to satisfy the needs of those customers who do want face-to-face interaction. BofA, for instance, has beefed up certain branches in this manner. There just aren't as many of them as in past years.

"It's a melding of the old and the new," O'Brien said.

These models, he added, are evolving, with tweaks and additions made regularly. "There are a lot of test-and-learn environments out there right now," O'Brien said. "There are a lot of moving parts." 

**Branch openings/closings by state and territory in Q4'14\***

State/territory	Total branches <sup>^</sup>	Net openings/closings					Openings				Closings			
		Q4'14	Q3'14	Q2'14	Q1'14	Total	Q4'14	Q3'14	Q2'14	Q1'14	Q4'14	Q3'14	Q2'14	Q1'14
Arizona	1,306	2	-12	-7	-8	-25	3	2	2	1	1	14	9	9
Maine	501	2	-1	-1	-3	-3	2	1	1	1	0	2	2	4
Rhode Island	261	1	-1	3	0	3	1	2	3	0	0	3	0	0
American Samoa	3	0	0	0	-1	-1	0	0	0	0	0	0	0	1
Delaware	280	0	-4	-1	-3	-8	0	0	0	0	0	4	1	3
Guam	27	0	1	0	0	1	0	1	0	0	0	0	0	0
New Mexico	509	0	-5	1	-2	-6	0	0	1	3	0	5	0	5
Virgin Islands	22	0	0	0	-1	-1	0	0	0	0	0	0	0	1
Wisconsin	2,210	0	-3	-4	-16	-23	5	6	5	7	5	9	9	23
Alaska	129	-1	-1	-1	0	-3	0	0	0	0	1	1	1	0
Colorado	1,567	-1	-10	5	-6	-12	4	0	10	4	5	10	5	10
District of Columbia	232	-1	-4	-2	-2	-9	1	0	2	2	2	4	4	4
Hawaii	280	-1	-1	0	0	-2	1	0	2	1	2	1	2	1
Iowa	1,590	-1	-4	-2	-2	-9	4	4	2	5	5	8	4	7
Missouri	2,362	-1	-23	-3	-1	-28	4	2	7	8	5	25	10	9
North Dakota	428	-1	-2	0	-2	-5	1	2	3	2	2	4	3	4
Puerto Rico	389	-1	-4	-9	-7	-21	0	1	1	0	1	5	10	7
South Dakota	460	-1	-1	0	-2	-4	0	0	0	0	1	1	0	2
Vermont	251	-1	0	-2	-1	-4	0	1	0	0	1	1	2	1
Idaho	519	-2	-2	-12	-1	-17	1	1	0	2	3	3	12	3
Kentucky	1,726	-2	-3	-1	-11	-17	2	6	4	4	4	9	5	15
West Virginia	658	-2	-3	-2	0	-7	0	0	1	1	2	3	3	1
Wyoming	229	-2	-1	0	0	-3	0	0	0	2	2	1	0	2
Indiana	2,223	-3	-6	0	-17	-26	10	6	6	4	13	12	6	21
Louisiana	1,596	-3	-2	-20	-7	-32	5	8	10	5	8	10	30	12
Minnesota	1,743	-3	-16	-4	-14	-37	1	5	2	1	4	21	6	15
Mississippi	1,172	-3	-7	3	-3	-10	1	1	9	2	4	8	6	5
Oklahoma	1,387	-3	-2	-1	2	-4	0	4	2	5	3	6	3	3
Utah	569	-3	-6	-1	-3	-13	0	0	1	0	3	6	2	3
New Jersey	3,185	-4	1	-11	-12	-26	11	9	11	5	15	8	22	17
New York	5,313	-4	-19	-32	-19	-74	27	12	15	14	31	31	47	33
Connecticut	1,257	-5	-4	-5	-6	-20	4	4	0	3	9	8	5	9
Kansas	1,484	-5	-5	-7	-3	-20	2	5	2	7	7	10	9	10
Nebraska	1,092	-5	-3	4	4	0	0	1	10	6	5	4	6	2
Nevada	516	-5	-6	-2	-2	-15	0	0	0	0	5	6	2	2
New Hampshire	427	-5	-1	1	0	-5	0	1	1	1	5	2	0	1
Texas	6,836	-5	-22	-41	-10	-78	17	24	35	27	22	46	76	37
Florida	5,449	-6	-20	-30	-4	-60	22	24	20	27	28	44	50	31
Maryland	1,666	-6	-7	-18	-3	-34	8	3	3	9	14	10	21	12
Michigan	2,836	-6	-14	-24	-18	-62	5	2	4	3	11	16	28	21
Ohio	3,879	-6	-7	-21	-31	-65	3	5	6	8	9	12	27	39
Massachusetts	2,223	-7	0	-5	3	-9	8	6	6	10	15	6	11	7
Virginia	2,520	-7	-17	-25	-13	-62	4	11	7	5	11	28	32	18
Washington	1,823	-7	-4	-3	-2	-16	4	5	6	6	11	9	9	8
Montana	397	-8	-1	1	1	-7	0	0	1	1	8	1	0	0
Oregon	1,053	-8	-5	-14	-7	-34	1	3	1	1	9	8	15	8
Arkansas	1,383	-9	1	-6	-39	-53	4	7	7	2	13	6	13	41
Georgia	2,512	-10	-11	-15	-8	-44	10	7	6	6	20	18	21	14
South Carolina	1,343	-10	-7	-7	-5	-29	1	7	9	6	11	14	16	11
Tennessee	2,221	-11	3	-10	-12	-30	3	5	7	3	14	2	17	15
California	7,245	-12	-30	-30	-15	-87	16	19	23	25	28	49	53	40
Alabama	1,548	-14	4	5	0	-5	2	7	8	6	16	3	3	6
Illinois	4,681	-14	-25	-12	-40	-91	7	12	15	13	21	37	27	53
North Carolina	2,556	-16	-7	-32	-2	-57	1	5	8	8	17	12	40	10
Pennsylvania	4,459	-19	-24	-25	-30	-98	7	10	9	8	26	34	34	38
<b>Total US</b>	<b>94,553</b>	<b>-245</b>	<b>-353</b>	<b>-425</b>	<b>-384</b>	<b>-1,407</b>	<b>213</b>	<b>247</b>	<b>294</b>	<b>270</b>	<b>458</b>	<b>600</b>	<b>719</b>	<b>654</b>

Limited to states and territories with one or more branch opening or closing between Jan. 1, 2014, and Dec. 19, 2014.

\* Ranking based on net openings/closings for the fourth quarter of 2014, using data through Dec. 19, 2014.

<sup>^</sup> Total branches for the state are pro forma for any branch openings or closings since the FDIC's Summary of Deposits data for June 30, 2014.

Branch openings and closings are limited to cases where opening and closing date was available.

Excludes credit unions.

Source: SNL Financial



**Most active branch openers and closers in Q4'14\***

Company (top-level-ticker)	Total branches <sup>^</sup>	Net openings/closings					Openings				Closings			
		Q4'14	Q3'14	Q2'14	Q1'14	Total	Q4'14	Q3'14	Q2'14	Q1'14	Q4'14	Q3'14	Q2'14	Q1'14
<b>Net increase</b>														
JPMorgan Chase & Co. (JPM)	5,665	9	-31	6	1	-15	18	12	23	22	9	43	17	21
PNC Financial Services Group, Inc. (PNC)	2,833	6	-10	-12	-20	-36	10	3	5	4	4	13	17	24
Wells Fargo & Company (WFC)	6,304	5	-15	-1	-5	-16	13	3	12	5	8	18	13	10
C1 Financial, Inc. (BNK)	31	3	-1	1	1	4	3	0	1	1	0	1	0	0
1st Source Corporation (SRCE)	82	2	0	1	0	3	2	0	1	0	0	0	0	0
Bessemer Group, Incorporated	6	2	0	0	0	2	2	0	0	0	0	0	0	0
E*TRADE Financial Corporation (ETFC)	32	2	1	0	0	3	2	1	0	0	0	0	0	0
Fidelity Southern Corporation (LION)	47	2	3	2	0	7	2	3	2	0	0	0	0	0
First Bancshares, Inc.	53	2	1	1	0	4	2	1	1	0	0	0	0	0
First Community Bancshares, Inc.	323	2	-7	1	3	-1	2	1	1	3	0	8	0	0
First of Long Island Corporation (FLIC)	40	2	1	0	0	3	2	1	0	0	0	0	0	0
First Paragould Bankshares, Inc.	12	2	0	0	0	2	2	0	0	0	0	0	0	0
FirstMerit Corporation (FMER)	387	2	1	-22	-3	-22	2	1	0	0	0	0	22	3
PeoplesSouth Bancshares, Inc.	24	2	2	1	0	5	2	2	1	0	0	0	0	0
Provident Financial Services, Inc. (PFS)	92	2	0	0	-1	1	2	1	0	0	0	1	0	1
Southern States Bancshares, Inc.	6	2	0	0	0	2	2	0	0	0	0	0	0	0
<b>Net decrease</b>														
Bank of America Corporation (BAC)	4,920	-52	-39	-45	-35	-171	3	2	3	5	55	41	48	40
Capital One Financial Corporation (COF)	879	-16	1	-28	0	-43	3	5	3	0	19	4	31	0
Umpqua Holdings Corporation (UMPQ)	342	-15	-7	0	-1	-23	1	0	0	0	16	7	0	1
Cadence Bancorp, LLC	84	-13	0	0	0	-13	0	0	0	0	13	0	0	0
F.N.B. Corporation (FNB)	292	-11	-13	0	1	-23	0	0	0	1	11	13	0	0
Synovus Financial Corp. (SNV)	260	-11	0	-3	0	-14	0	1	0	0	11	1	3	0
Toronto-Dominion Bank (TD)	1,323	-10	4	8	12	14	10	4	9	13	20	0	1	1
First Bancorp (FBNC)	89	-9	0	1	0	-8	0	0	1	1	9	0	0	1
SunTrust Banks, Inc. (STI)	1,484	-9	-22	-28	2	-57	0	0	0	5	9	22	28	3
First Horizon National Corporation (FHN)	187	-8	0	1	0	-7	0	0	1	0	8	0	0	0
First Interstate BancSystem, Inc. (FIBK)	81	-8	-2	1	0	-9	0	0	1	0	8	2	0	0
<b>Total US</b>	<b>94,553</b>	<b>-245</b>	<b>-353</b>	<b>-425</b>	<b>-384</b>	<b>-1,407</b>	<b>213</b>	<b>247</b>	<b>294</b>	<b>270</b>	<b>458</b>	<b>600</b>	<b>719</b>	<b>654</b>

\* Ranking based on net openings/closings for the fourth quarter of 2014, using data through Dec. 19, 2014.

Ranking includes the companies with the most net openings/closings for the 2014 fourth quarter. In the event of a tie, all companies at the relevant net openings/closings mark were included in the chart.

In an event where banks merge, or are acquired by the parent of another entity, SNL retroactively adjusts current-year openings/closings to the single, highest-level holding company.

<sup>^</sup> Total branches for the institution are pro forma for completed M&A and any branch openings or closings since the FDIC's Summary of Deposits data for June 30, 2014.

Branch openings and closings are limited to cases where opening and closing date was available.

Ticker based on home country stock exchange.

Excludes credit unions.

Source: SNL Financial