

QUOTABLE QUOTES APPLIED TO BANKING

by [Steve Brown](#)

To have a famous quote, two things have to happen. First, you have to be famous and second, the quote has to capture a moment in time and consolidate it into something we can all remember that is to the point and thought provoking. When people hear a quote, they should nod their heads, smile/chuckle and then put the quote into context that is applicable to their current situation. Bankers are known to enjoy good quotes, so here are some to get your day rolling. At the very least, you can pick those you like the most and share them with coworkers at lunch, as you appear pithy and witty while others sit in awe.

Mark Twain once said, "Get your facts first, then you can distort them as you please." We found that quote right on the money, as we analyzed the most recent financial presentation given by Jamie Dimon, the CEO of JPMorgan Chase. Since community banks are always trying to stay on top of the latest trends that could impact them and since JPMorgan does business in most markets across the country, here are some key takeaways that may provide insight into your own business model. On the branch front, 40% of JP Morgan's commercial banking customers used a branch in the 4Q 2009, while 50% of private wealth management customers (individuals with assets of \$5mm or more, considered high-net-worth and ultra-high-net-worth clients) did so and 30% of private bank customers used one. Each branch on average has 5,108 checking accounts and for every branch in the network, there are 3.03 ATM machines. JP reached the peak of branching in 2008 with the WAMU acquisition, but closed about 6% of all branches by the end of 2009 and has roughly held steady since then. Clearly the branch network offers a key strategic value, but for how long? As for the online channel, JP reports having 16.6mm active online customers, 3.7mm households with active online bill pay and last year the bank sent out some 385mm electronic alerts to clients via mobile banking. As you go into your strategic planning sessions, this mix of delivery is certainly something to discuss for future planning.

Groucho Marx quipped, "A child of five would understand this. Send someone to fetch a child of five." Sometimes we forget the most obvious may be critically important and it takes a child-like view to remind us of that fact. Take for instance recent regulatory communications, updates and discussions that show the bar has been raised. Whether driven by Basel III, the Dodd-Frank Act, or simply an effort to control industry exposures; regulators have become laser-focused on capital requirements at an individual bank level. It used to be enough to be "Well Capitalized," but the credit crisis has taught us that is no longer going to do. These days, the starting point is 10% (when it comes to Total Risk Based Capital), to which additional percentages need to be added to incorporate risk management, concentrations and other factors. It is now commonplace to see regulators requiring banks to hold an additional 2% "cushion" for banks with concentrations and perhaps even more if the bank has weak risk management practices or higher leverage. Individual minimum capital requirements are now the norm, so be prepared at your next exam and have a strategy in place to raise and hold more capital. It is still ok for a bank to be concentrated in a given lending sector and fund it with wholesale - but if you do, you can certainly expect regulators to require you to hold more capital.

In closing, we leave you with a witty quote from English playwright and novelist Somerset Maugham who said, "The ability to quote is a serviceable substitute for wit."

BANK NEWS

Closed (125 YTD)

On Friday, the FDIC shuttered: 1) ISN Bank (\$80mm, NJ) and sold to New Century Bank (\$634mm, PA) for no deposit premium and 81% of assets under loss share. Community & Southern Bank (\$1.9B, GA) purchased all deposits of 2) Bank of Ellijay (\$169mm, GA) for a 1.0% premium, 3) First Commerce Community Bank (\$248mm, GA) for a 1.0% premium and 4) The Peoples Bank (\$447mm, GA) for a 1.25% premium. All 3 failed banks were assumed with about 70% under loss share. 5) Bramble Savings Bank (\$48B, OH) was assumed by Foundation Bank (\$147mm, OH) for no deposit premium. 6) Maritime Savings Bank (\$351mm, WI) was assumed by North Shore Bank, FSB (\$1.7B, WI) which bought all deposits without premium and \$178mm in assets under loss share. For more information look at the Failed Bank Section bottom right: <https://biganalytics.bancinvestment.com/>

Business Sold

Citigroup is reporting it has sold its student loan business in two pieces to Sallie Mae (paid \$1.2B for \$28B of existing loans backed by the government) and Discover Financial (paid \$600mm for \$4B worth of private student loans). The sale consolidates the student lending sector after the government took over the federal student loan program.

Buybacks

Undervalued stock, low return expectations and plentiful liquidity are causing corporate America to repurchase stock at the fastest rate ever. For YTD 3Q 2010, \$258B has been repurchased vs. \$52B for the same period last year.

Hotel Lending

Hotels.com indicates hotel rates rose 2% in Q2 worldwide, the first year over year increase in about 2.5Ys.

Mobile Banking

According to the Nielson report, 28% of Smartphone owners use a bank app at least once a month compared to 15% of all other phones.

Industry

The US banking system only represents 33% of all credit lent out or financed in the country.

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