

## BLOWOUT SALE - FINAL DAY

by [Steve Brown](#)

This is the final day of our information sale, which at these prices cannot be beaten - free! We have been providing multiple points of information over the past 2 days and we finish off today so we can clear the shelves and restock with new merchandise for 2012. Hopefully your bank has already found quite a few things it likes and that you can leverage going into the New Year, but if not, keep shopping today as we finish our blockbuster promotion.

**Customer Capture:** Community banks seeking out new customers in 2012 may want to consider getting to know multiple investment advisors in the area. That's because a recent report from Cerulli Associates finds about 30% of people with more than \$5mm to invest are using 4 or more investment advisors. Fear of the market and a lack of trust are driving this.

**More Customers:** To capture new customers in the coming year, also consider research from NACHA that finds 66% of small businesses do not offer direct deposit to employees. Just think of the potential if you can find those customers and lock them in. Meanwhile, the same survey found 80% of small businesses outsource payroll to a third party processor. That is one reason why the biggest banks feature outsourced payroll offerings all over their small business websites.

**Yet another thing to consider as you refine product and service offerings in 2012.**

**Margins:** The 3Q FDIC data shows community banks with assets below \$1B earned 10% more on their loans, but spent 32% more to fund those loans than larger banks. That means on a net basis, community banks with assets below \$1B only earned 5% more than the larger banks.

**Focusing aggressively on reducing your funding costs in 2012 can deliver great bottom line results and help ensure your bank outperforms.**

**Branching:** Branches cost a lot of money to build and maintain, yet research shows strange things can happen in specific markets that don't seem to fit logically. Consider for instance that banks with 5% of all branches in a given market might only capture 3% of deposits, while banks with 10% of branches might capture 12% of balances. Proximity to businesses, general awareness and visibility still matter in the branching game.

**Core Systems:** Studies find that while variances can be wide, technology vendors say banks only use about 40% of their core system's capabilities or less. Consider putting a team of technology, sales and generally smart people together in a room to explore how to better leverage your core system. Who knows, maybe it will help you deliver better results in the coming year. Worst case, at least you will know what it will or won't do.

**Going Bio:** A survey by Unisys on security finds 57% of people would be willing to provide personal biometric information (such as an iris scan, fingerprint or voice print) to secure banking transactions. Meanwhile, the same survey found 87% of people would change their password if they found out the company they did business with had a security breach, while 75% would close their accounts. Maybe beefing up security in this area is something worth exploring to avoid a future potential mess or to at least ensure customers see you as strong and safe.

**Lending:** It is no wonder that small business customers go to community banks to get loans. A recent analysis of 1,000 loan applications by small businesses that went to banks and non-bank lenders found community banks approved more than 5x the number of such loans than banks with assets above \$10B (about 46% vs. 9% for larger banks). Grab a horn and toot it to capture new clients and make sure they know about this.

## BANK NEWS

### M&A

CBM Florida Holding Co., the parent of Community Bank & Co. (\$729mm, FL) will acquire Palm Bank (\$134mm, FL) for an undisclosed sum. Palm was under a C&D and was forced to merge due to capital constraints. The deal would increase Community Bank's total number of branches in the Tampa Bay region to 20.

### **Price To Book Multiples**

For the month of December, the average price to book multiples of disclosed deals was 85.5% of book.

### **GE Deposits**

GE Capital will purchase the U.S. retail-deposit business of insurer MetLife for an undisclosed premium (but rumored to be less than 3%). The deal will include \$7.5B in deposits and an online banking platform. The transaction allows Met Life to distance themselves from federal regulation and GE to obtain a more-reliable funding base.

### **Fed Heads**

The White House will nominate Jeremy Stein, a Harvard economics professor and Jerome Powell a former private equity executive, to the Fed's Board of Governors.

### **Morgan Stanley**

While the firm already announced the layoffs of 1,600 workers last week, yesterday they revealed that 580 of those jobs will be centered in NYC.

### **Downgrades**

Last week Fitch Ratings downgraded 8 of the world's biggest banks by an average of a half notch, citing increased challenges facing the banking sector due to weak economic growth and heightened regulation. The firm lowered its viability ratings for Bank of America, Barclays, BNP Paribas, Credit Suisse, Deutsche Bank, Goldman Sachs, Morgan Stanley and Societe Generale.

### **Foreclosures**

According to the Mortgage Metrics Report, new foreclosures increased by 21.1% in 3Q, as servicers lifted the voluntary moratoria implemented in late 2010. Servicers exhausted foreclosure alternatives for the large inventory of seriously delinquent mortgages working their way through the loss-mitigation process, the report explained.

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