

THE HIGHEST PRICED BUSINESS BUNDLE

by [Steve Brown](#)

It might be us, but it seems like captchas, those two question internet challenge riddles that make sure you are not a computer, are getting harder. Last week, we might have stumbled on the world's most difficult one (see graphic) from the largest concert ticket site. There has to be a better way, as this one was indecipherable and actually required a computer to understand. The other thing we stumbled on is a new business account offering by Chase. Usually, this wouldn't merit reporting, however, this BusinessPlatinum Checking bundle now holds the position as America's most expensive account package (surpassing a similar offering by Bank of America introduced a few years ago). Chase is currently testing this account in selected states, but it is an interesting experiment for all to watch to get a sense of fee sensitivity at mid-sized businesses. The account comes with a \$95 per month fee, which is almost 3x the \$30 monthly fee most banks charge for a premium bundle and 5x more costly than the average checking package. The fee can be waived with combined balances of \$100k, which also seems to be the highest combined balance requirement in the land. For that price, the account holder gets the following at no charge: 1 NSF and 1 OD fee waiver per month, non-network ATM usage, checks (regular, travelers & cashier), money orders, stop payments, no fee gift cards, online banking/bill pay, foreign/domestic wires, a bonus rate on a linked savings account and a reduced rate on a business line of credit. The account comes with 250 free transactions and a \$0.40 charge for transactions over that number. Compared to most community bank premium business packages, this one doesn't stack up too well. Your average community bank would likely charge \$35 per month and give the business up to 400 transactions free. What community banks normally don't give businesses are free gift cards, money orders, reduced fee line of credit or traveler checks; but we are not sure that is worth the \$60 per month difference. All that said, the advantage of a premium business bundle is not in the fees they generate (although most are usually profitable on the fees alone), but in the non-interest sensitive balances they bring to a bank. For most banks, only about 35% of the premium accounts end up paying a fee, with the rest offsetting fees with combined or average balances. More than almost any other account, premium business customers have a tendency to leave higher than average balances, making them the highest group of users in profitability by a wide margin. While we are not advocating going out with a premium package priced at \$95 per month, but are strong believers that more community banks need to introduce a premium account package in order to boost profitability. Similar to our lack of understanding on captchas, these two questions have perplexed us for several years - What is the most profitable core account (answer: premium business package) and what is the one business package that most community banks don't have (answer: the premium business package). Unlike a captcha, no computer is needed to solve this riddle.

BANK NEWS

4Q Earnings

Bank of America reported net income of 15 cents per share, matching expectations, vs. a loss of 16 cents for the prior year period. Compared to the prior year: revenue grew 11% to \$24.9B; C&I loan balances climbed 13%; small business lending jumped 20%; consumer real estate had a loss of \$1.46B; global banking and markets had a loss of \$433mm (lower sales and trading revenues); mortgage related litigation expenses reached \$1.5B; loan loss provisions fell 43% and the bank made \$2.9B by selling its stake in China Construction Bank. BB&T reported profit of 55 cents per share vs. 30 cents for the prior year. The bank saw revenue increase 3.3% (primarily driven by lower borrowing and deposit costs); ROAA reached 0.93%; ROAE was 8.76%; credit conditions strengthened; reserves fell 58.9%; ALLL fell to 2.05% of total loans (vs. 2.25% at 3Q and 2.63% at 4Q 2010); and noninterest expense climbed 13.9% (mostly due to 114% increase in writedowns and losses on foreclosed real estate).

M&A

Corporate One FCU will merge with Southeast Corporate FCU, creating a corporate serving 1,000 credit unions and managing about \$8B in assets.

Sale Called Off

In an abrupt shift, the WSJ is reporting that BankUnited (\$11B, FL) has abandoned plans to sell itself after receiving two bids that were lower than expected (reportedly from Canada's TD Bank and BB&T at prices below the \$27 per share price at which the bank went public last year).

Disaster Assistance

The USDA is offering \$3008mm in funding for disaster assistance to help farmers, land owners and communities recover and rebuild after natural disasters. The \$308 million in funding will provide financial and technical assistance to help rebuild after flooding, drought, tornadoes and other natural disasters in 33 states and Puerto Rico.

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