NEW CUSTOMERS AND DELAYED M&A TIMING

by Steve Brown

Since banks are always trying to capture new customers and are willing to try new things to do so, we found a recent study by Sociable Labs interesting. It found 41% of online shoppers said their primary reason for sharing product comments and information with friends was to help those friends get the same deal. Another 26% shared the information to make sure their friends knew why they bought something. Other findings: 15% said they wanted friends to know they were proud of buying the product; 8% wanted friend's opinions on the product purchased and 3% wanted friends to know how they planned to use it. No matter what you do to capture new customers, perhaps this data will help you refine that approach and sharpen your messaging. Speaking of sharpening the message, consider bank merger and acquisition activity. Since the crisis began in 2008, pundits have been shouting from the rooftops that M&A activity will spike and we will eventually be down to just a handful of banks in this country. That hasn't happened and as most things in life, rarely do things go entirely to plan. To be sure, it has become much more expensive to be a banker these days. Regulatory costs are through the roof and just keeping up with the relentless flow is crushing. Add to that ongoing and sticky credit issues and things seem ripe for a rampant consolidation. There are many issues blocking that from happening however. To begin, if your bank has survived the economic blast, you are through the worst of it and probably want to get a multiple to book. Meanwhile, significant changes to bank capital structure under Basel III and regulatory changes have muddied the water so much, investors can't tell what sort of return they will get on their investment so capital flows have slowed to a trickle. Add to that a Presidential election year and an uncertain outlook and you have all the pieces of a very jumbled and confusing situation that has too much risk in motion to properly calculate. It is true that many bank boards and management teams are tired. After all, that is what happens when you go through a once- in-a-lifetime economic depression of such significance. You switch to daily firefighting and move away from strategic thinking. Now, as things settle down in the U.S., opportunity once again has begun to surface and loan demand, while generally weak, is slowly regaining some footing. That positive, albeit glacially-slow momentum; has begun to slowly reintroduce optimism into the hearts and minds of community bank management teams and boards throughout the country. As that happens, bank teams regain their drive and desire and hold out for a better sale price or even look to buy out a competitor instead. These events, questionable market stability, an uncertain regulatory landscape, weak stock prices for buyers and accounting rules that make pricing the deal complex, are all conspiring to keep deals form happening. Since the crisis began in 2008 through 2011, about 150 financial institutions have been acquired each year. Meanwhile, during the 4Y period prior to the financial crisis, there was an average of about 281 per year. Few will say that as long as bankers find their time flooded with new regulations (keep in mind Dodd Frank is only 50% done), adapting to massive changes (Dodd Frank, Basel III, etc.) and surviving the economic blast as they rebuild - who has time to sit around and talk details about selling when prices remain at a percentage of book? Right now, it appears many bankers are content to focus what little spare time they have toward holding onto existing customers and bringing in new ones, so M&A may remain a slow, steady trickle. In the meantime, you might want to leverage our introductory discussion by considering offering to email 3 to 5 friends of any customer who buys a product from you with a custom message from them. You can get more contact names and they can let friends and family know your bank is fantastic.

BANK NEWS

M&A

Scotiabank will buy ING Bank of Canada for $3.1B, capturing 1.8mm customers. ING is selling the Canadian online banking unit before the planned separation of its banking and insurance businesses through an IPO next year.

TAG Extension

Yesterday, 80 state bankers associations wrote Congress, strongly urging an extension of TAG.

BASEL III

Banking regulators are reportedly developing a calculator that will allow community banks to determine the impact of these proposed capital rules.

Settlement

Citigroup has agreed to pay $590mm to settle lawsuits tied to the financial crisis that it misled investors and hid its activity in toxic subprime debt. The settlement is the largest one tied to financial dealings in collateralized debt obligations and the 3rd largest overall tied to the financial crisis.

Competition

Bank of America announced it has adopted new customer statements that will make it easier to understand fees and policies for consumer and small business checking accounts. The move follows similar action by JPMorgan and Wells and incorporates customer feedback and other recommendations by Pew Charitable Trusts (who have been promoting a model disclosure form).

Less Debt

The Fed NY reports total household debt declined 0.5% in 2Q vs. 1Q to $11.38T (driven by lower mortgage balances due to paydowns and foreclosures).