

## GLOBAL LEADERS VS. LOCAL ONES

by [Steve Brown](#)

We wrote last week about the Davos World Economic Forum, where heads of state, corporate bosses, intellectuals and academicians rub shoulders and contemplate how to provide global leadership on everything from deficits to public health. It's worthy of note that this is the same group of folks who were in charge and pretty much asleep at the switch, when the financial markets collapsed a few years ago. These leaders do not impress the general population, as seen by a recent study that finds only 18% expect business leaders to tell the truth and only 13% expect it from their political leaders. Perhaps going in limousines from airports to important meetings and hanging out with people that have similar lifestyles, are primary reasons they lose touch with the people they serve. We find parallels with the large banks and how they operate. Large banks continue to gather a larger and larger share of the deposits in the US, and yet seem ever more oblivious to the needs of their customers. Here are the rough statistics: the top 10 banks control 54% of the deposits; banks that operate in multiple states control 79% of deposits and banks with assets less than \$1B control only 13% of deposits. This is curious when you consider few would argue customer service at the bigger banks is better than community banks. The addition of fees has also led to increased public scrutiny and negativity toward the big banks. Yet, through acquisitions and customer apathy it appears they have been able to keep increasing their customer base day by day. One factor in the concentration of deposits perhaps is a decrease in the absolute number of banks. We now operate in an industry that has 1,200 fewer institutions than in 2006 and the trend continues to play out. Another is perhaps that there are still 7,000+ banking institutions and about the same number of credit unions, so customers have plenty of choices when they go shopping for financial services and competition is a driver. Finally, technology enhancements, demographic shifts and changing customer behavior are still other potential reasons. We may never know, but to capture more clients focus on flexibility, sharing your knowledge, updating technology and providing personal service. Stay invested in your community, attend board meetings, go to fund-raisers for youth clubs and support the homeless shelter as you stay engaged and have your presence known. Then, ask for the business, don't be shy when you talk to potential customers and position your bank as something really special because it is. Work all of these things in, layer in professional training for your staff, teach them how to truly listen to customers and embrace change and you have built a solid foundation for success. As you work to define your business and move forward, be sure your bank also publicizes the great things you do to support your community as you stay engaged with customers. It is easy to rent a limo and stare out the tinted window as you drive through town, but it is much more effective to hear first hand from customers where your bank can improve and what they like or don't like about how you operate so you can improve. Customers are focused on their own lives, so focus on how your bank can specifically help them achieve their goals and you have all the right pieces to capture new customers the rest of the year.

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## BANK NEWS

### Job Cuts

As an update to our story from yesterday, JPMorgan said it plans to fire 19,000 people or about 7% of total employees, with 4,000 coming this year and the rest coming through 2014 (mostly in mortgages and community banking).

#### **M&A**

Bond Street Holdings (\$3.4B, FL) will acquire Atlantic Coast Financial (\$774, FL) for \$5 per share in cash. Bond Street was formed in 2009 to acquire failed and community banks and operates under the bank name Florida Community Bank, NA and Atlantic is the BHC of Atlantic Coast Bank.

#### **M&A**

In an unusual expansion move, smaller bank First Scottsdale Bank (\$80mm, AZ) will acquire larger bank Commerce Bank of Arizona (\$224mm, AZ) for \$8.6mm and change its name to Commerce Bank of Arizona.

#### **CU M&A**

EECU (\$1.4B, TX) will acquire Forth Worth Telco Federal Credit Union (\$50mm, TX).

#### **Industry**

The FDIC reported yesterday that the banking industry posted a 19% improvement in full year earnings in 2012 vs. 2011, the second highest level ever. Performance was driven primarily by a 25% reduction in loan loss provisions and 8% higher noninterest income (174% gain on loan sales, 94% increase in servicing income and 52% reduction in losses on foreclosed property sales). Loans grew 1.7%, as C&I increased 3.7%, credit cards grew 4.2% and real estate climbed 1.4%. Meanwhile, home equity and real estate construction each declined by 2.2% and 3.1%, respectively. NIM declined 18bp to 3.42% over the year and is down 34bp over the past 2Ys. The total number of institutions fell to 7,083.

#### **Auction**

The Treasury is auctioning its \$158mm stake in 9 TARP banks with an expected close date of Thursday.

#### **Back to Work**

In an effort to boost innovation, Yahoo is requiring remote employees to return to work by June. Studies have found people working from home are more productive, but less innovative and that interaction creates innovation. Yahoo is tapping into that as it seeks to transform its business and find breakthroughs for its products. Yahoo joins companies like Apple, Google, Facebook, Bank of America (canceled its remote employee program last year for many employees), Zappos and others. According to the BLS, 24% of employed people work from home at least some hours each week.

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