

Financial Manager's Society New York/ New Jersey Chapter

2013 April Half Day Seminar
Perspectives on Banking Strategy – 2013

April 19, 2013



Performance
Measurement



Strategic
Management



Profit & Process
Improvement



Board & Management
Advisory Services



Financial
Advisory

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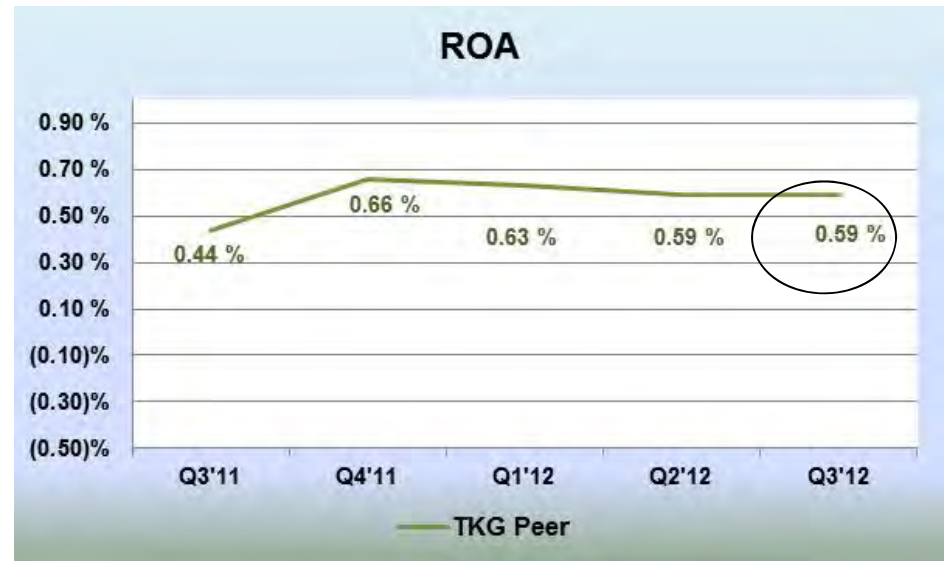
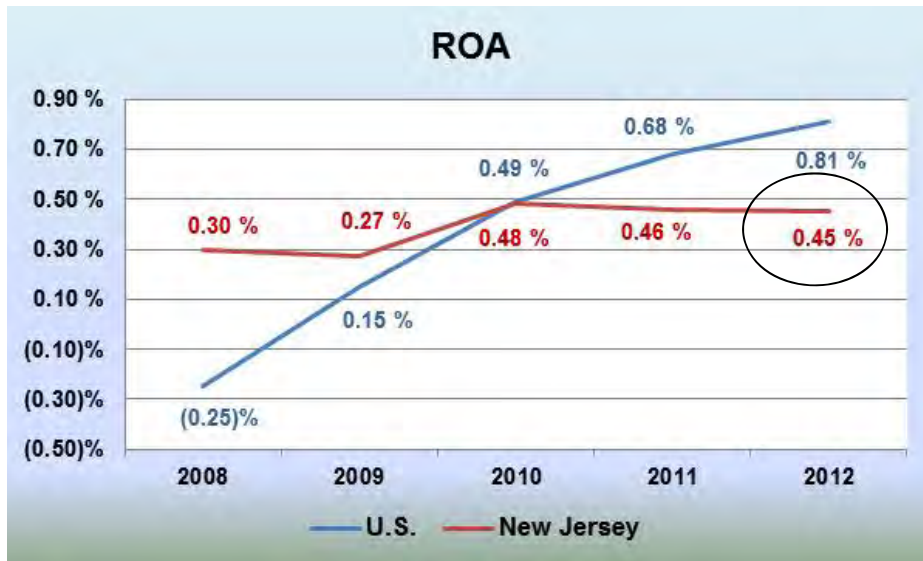
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Section I

Financial Highlights

Financial Highlights

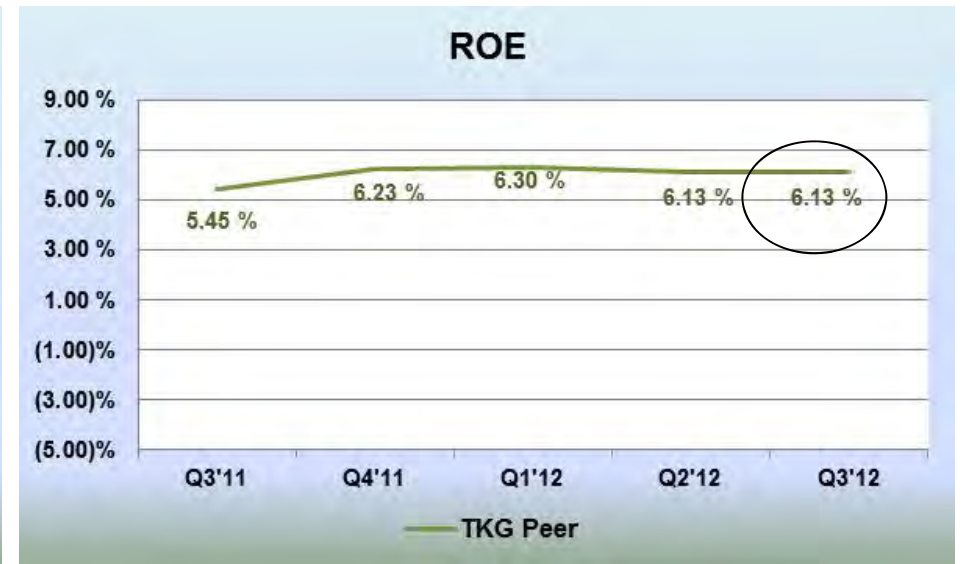
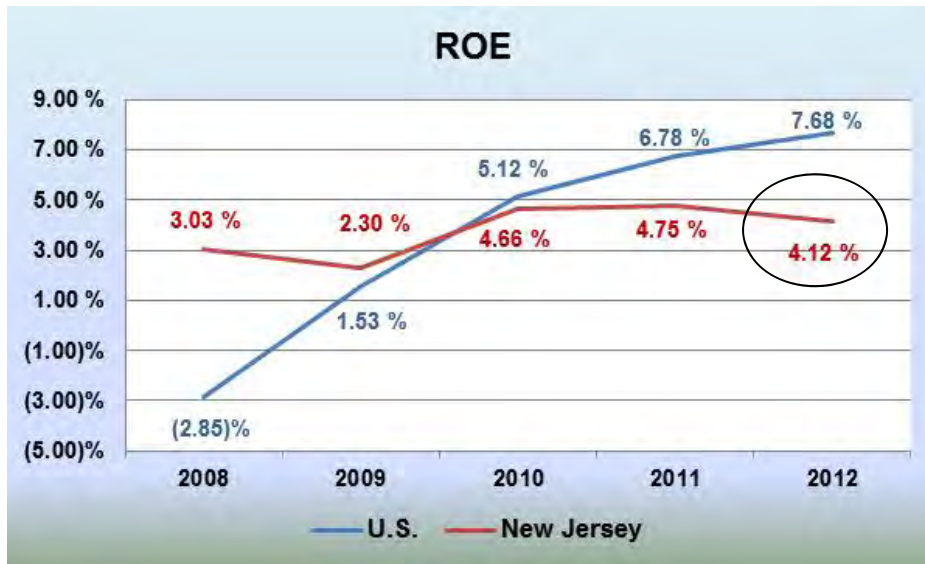
Profitability - ROA



Source: SNL Financial, LC, FDIC Reporting Institutions, TKG Peer Profitability Reports

Financial Highlights

Profitability - ROE



Source: SNL Financial, LC, FDIC Reporting Institutions, TKG Peer Profitability Reports

Financial Highlights

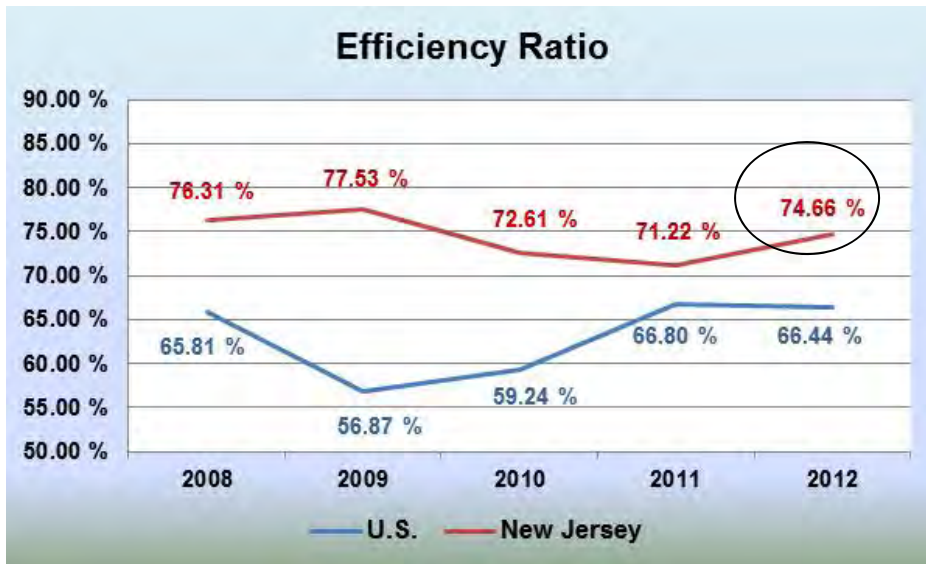
Profitability – Net Interest Margin



Source: SNL Financial, LC, FDIC Reporting Institutions, TKG Peer Profitability Reports

Financial Highlights

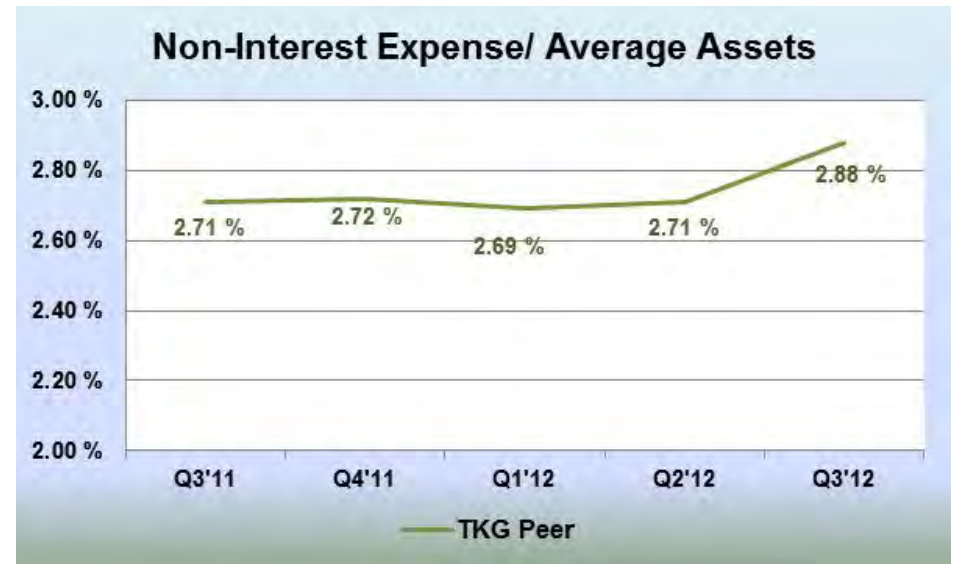
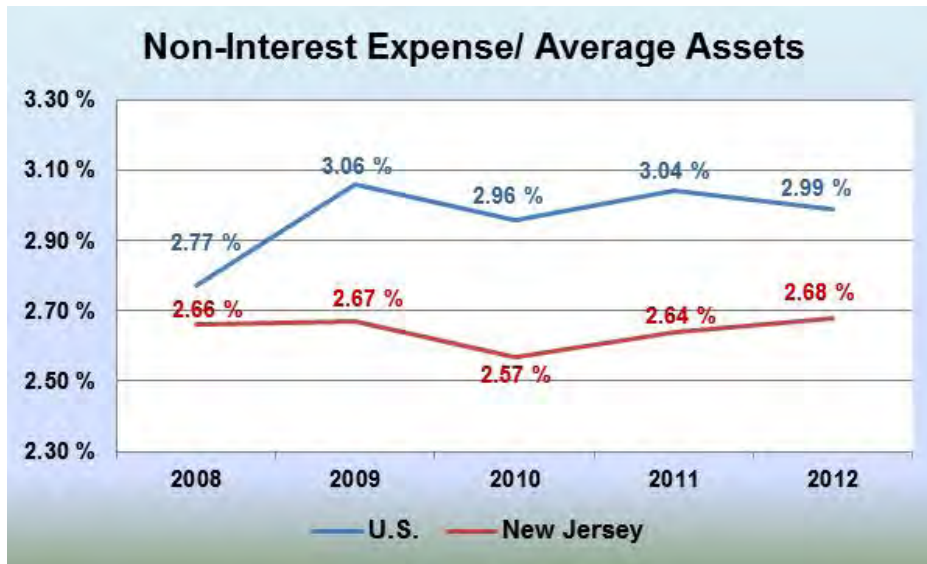
Profitability – Efficiency Ratio



Source: SNL Financial, LC, FDIC Reporting Institutions, TKG Peer Profitability Reports

Financial Highlights

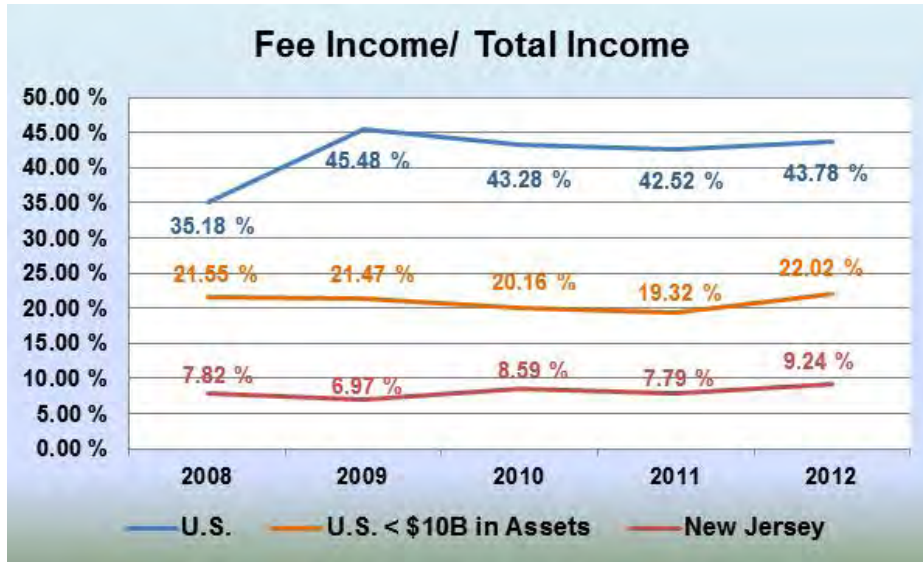
Profitability – Non-Interest Expense/Average Assets



Source: SNL Financial, LC, FDIC Reporting Institutions, TKG Peer Profitability Reports

Financial Highlights

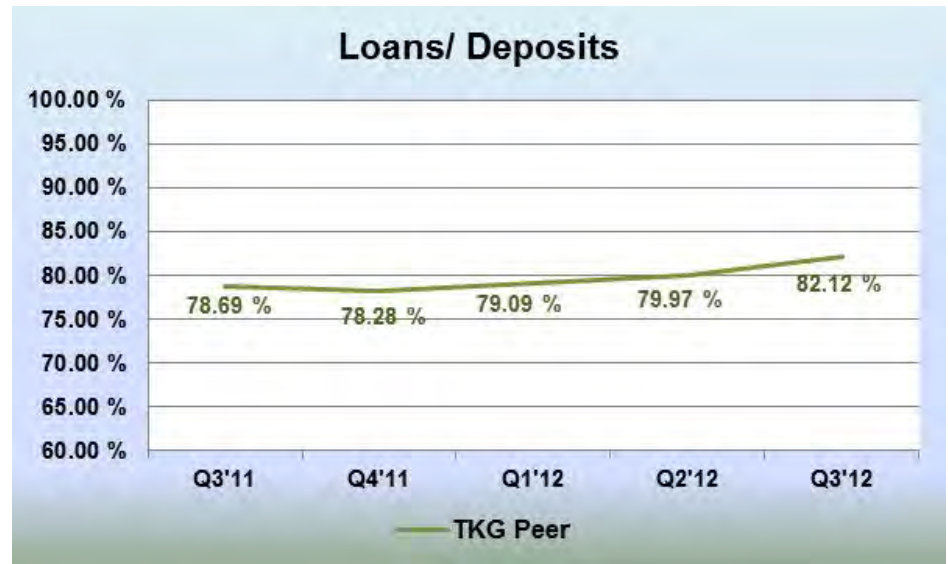
Profitability – Fee Income/Total Income



Source: SNL Financial, LC, FDIC Reporting Institutions, TKG Peer Profitability Reports

Financial Highlights

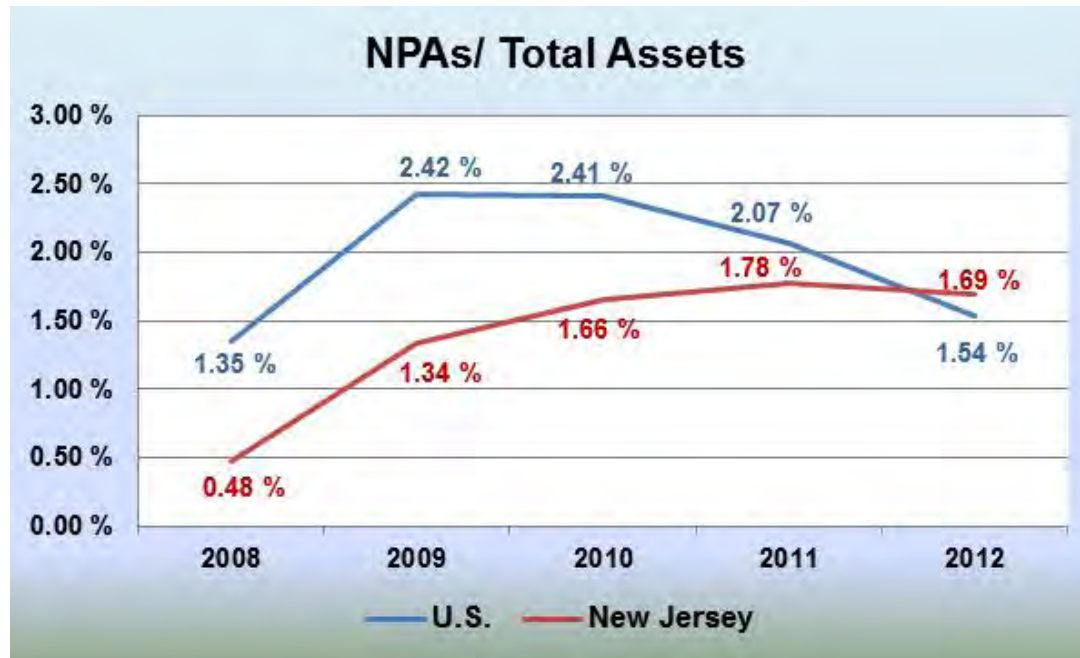
Balance Sheet Ratios – Loans/Deposits



Source: SNL Financial, LC, FDIC Reporting Institutions, TKG Peer Profitability Reports

Financial Highlights

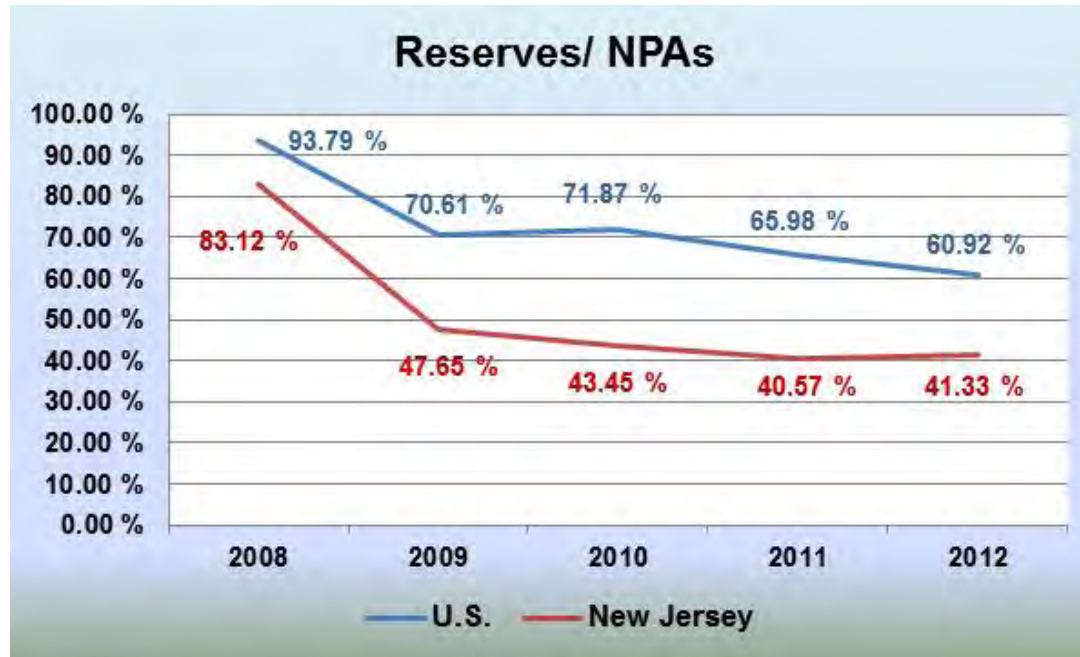
Asset Quality – NPAs/Total Assets



Source: SNL Financial, LC

Financial Highlights

Asset Quality – Reserves/NPAs

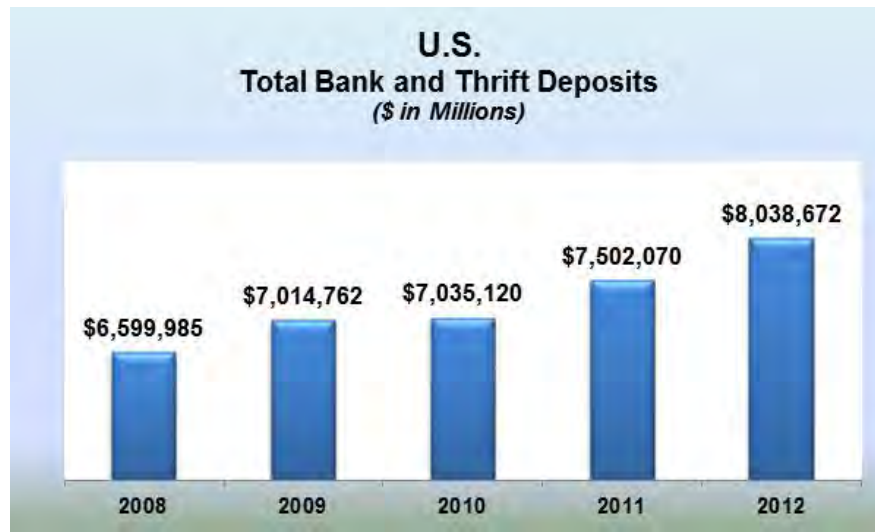


Source: SNL Financial, LC

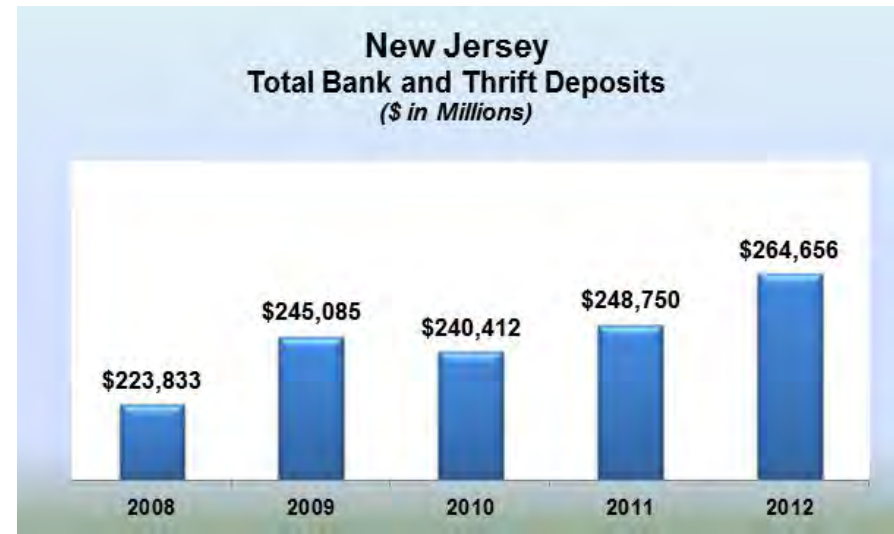
Section II Market Overview

Market Overview

Total Deposits in Market



- U.S. CAGR from 2008 to 2012 - 5.05%
- Growth rate from 2011 to 2012 - 7.15%

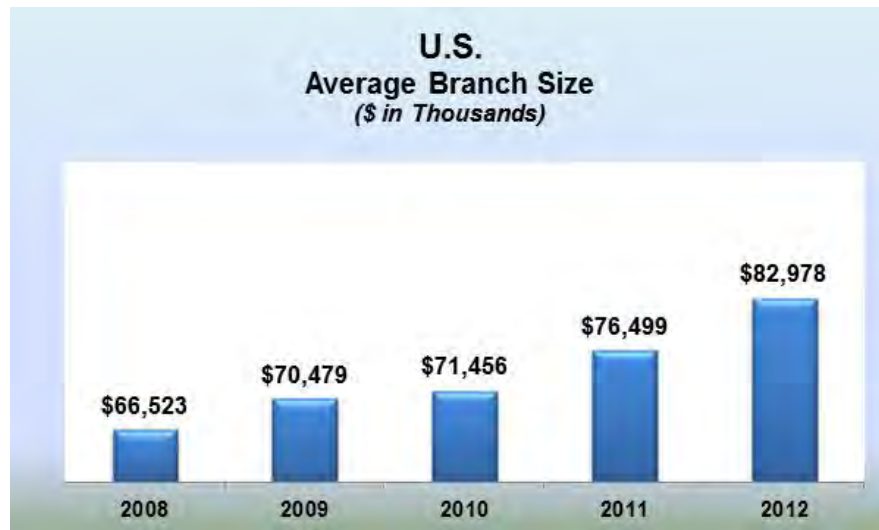


- NJ CAGR from 2008 to 2012 - 4.28%
- Growth rate from 2011 to 2012 - 6.39%

Source: SNL Financial and FDIC

Market Overview

Average Branch Size



- U.S. CAGR from 2008 to 2012 - 5.68%
- Growth rate from 2011 to 2012 - 8.47%

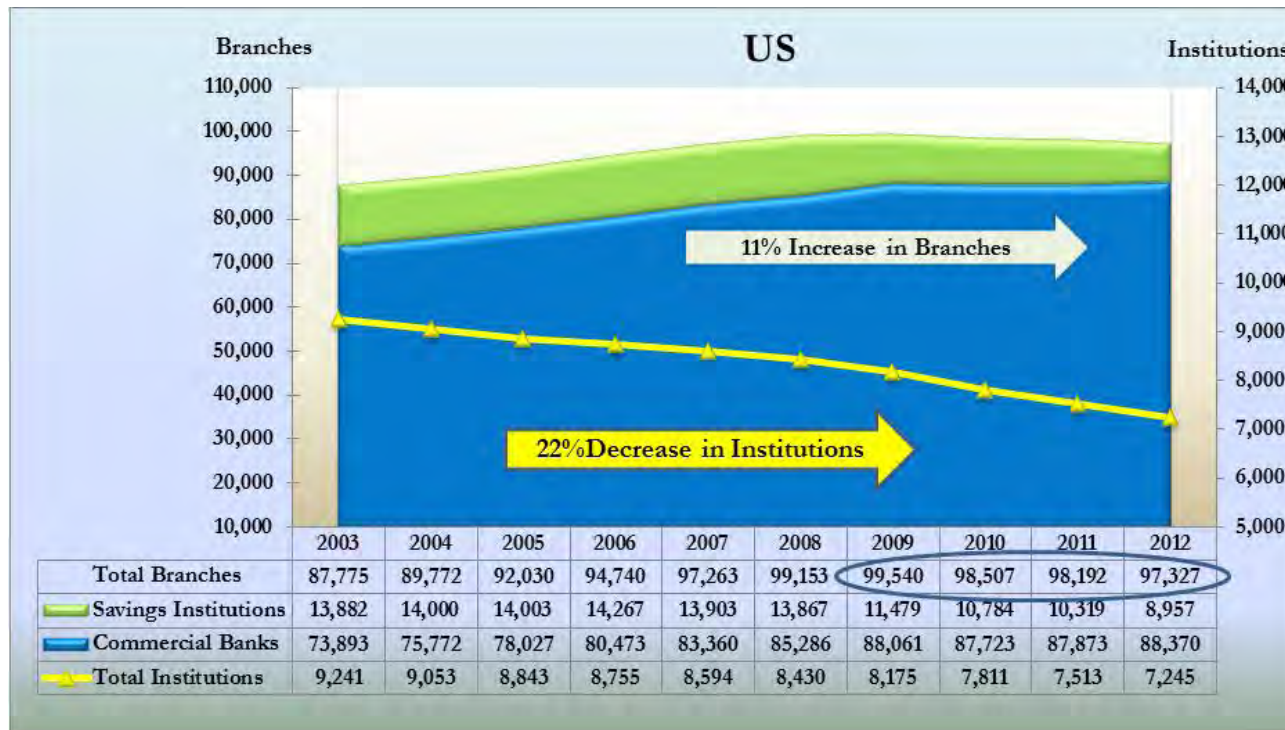


- NJ CAGR from 2008 to 2012 - 5.16%
- Growth rate from 2011 to 2012 - 7.92%

Source: SNL Financial and FDIC

Market Overview

Industry Consolidation and Branch Trends

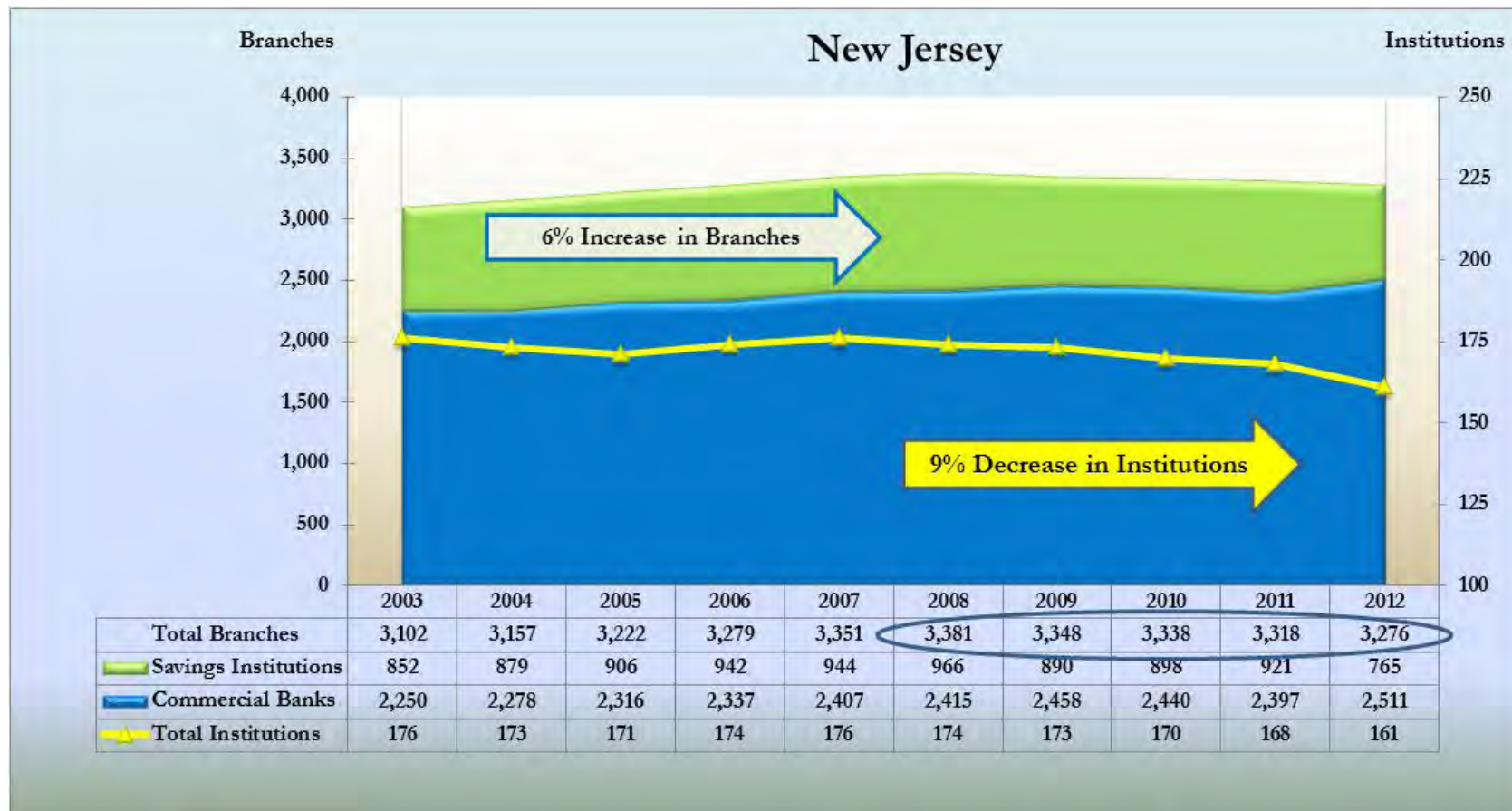


- Branch decline over past several years is predominantly driven by acquisitions and subsequent branch footprint consolidations of large financial institutions.
- Future branch consolidations may result from demographic trends and technology utilization.

Source: FDIC

Market Overview

Industry Consolidation and Branch Trends



Source: FDIC

Market Overview

Deposit Market Share – State

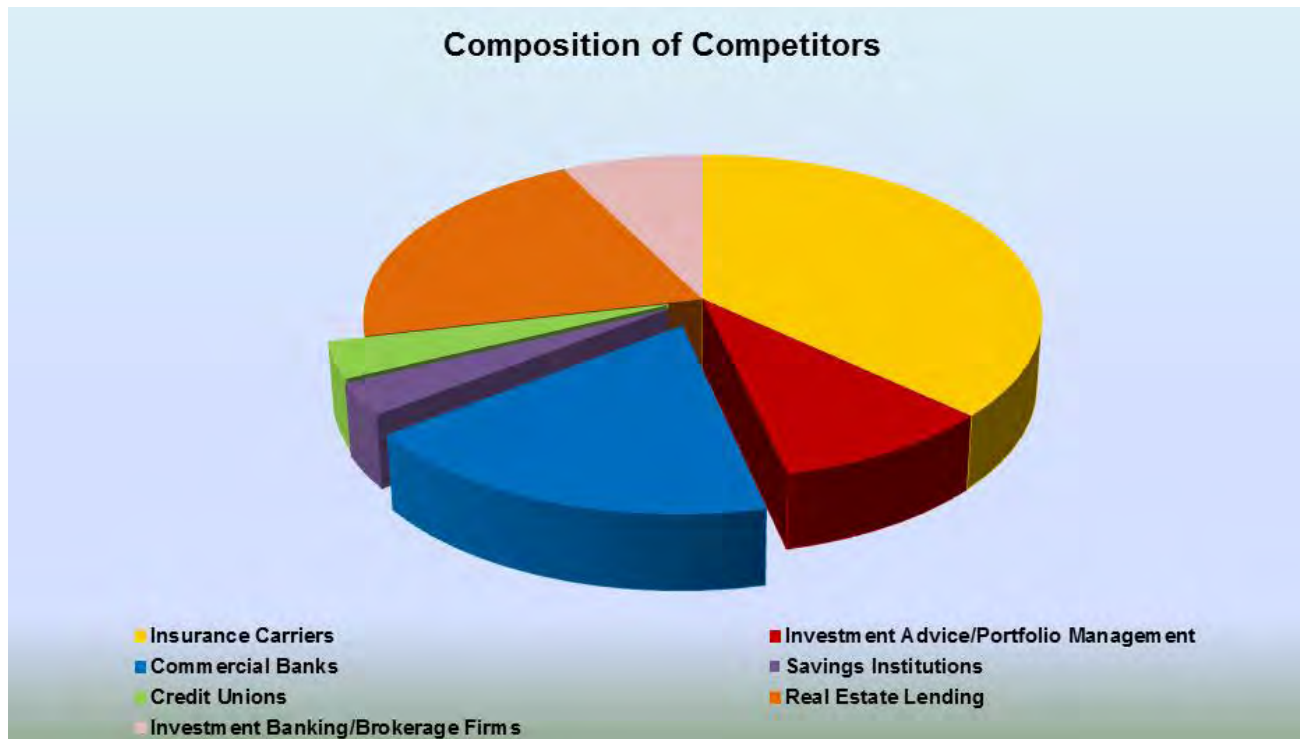
Rank	Institution	Type	At June 30, 2012				
			Branch Count	Deposits in Market (\$000)	Average Deposits per Branch (\$000)	Market Share (%)	Percent of Parent Deposits (%)
1	Bank of America Corporation (NC)	Bank HC	322	40,404,718	125,480	15.27	4.09
2	Wells Fargo & Company (CA)	Bank HC	304	31,529,930	103,717	11.91	3.66
3	Toronto-Dominion Bank	Bank HC	274	29,918,237	109,191	11.30	18.78
4	PNC Financial Services Group, Inc. (PA)	Bank HC	340	21,533,427	63,334	8.14	10.59
5	M&T Bank Corporation (NY)	Bank HC	99	19,907,741	201,088	7.52	22.35
6	JPMorgan Chase & Co. (NY)	Bank HC	238	12,693,678	53,335	4.80	1.52
7	Investors Bancorp, Inc. (MHC) (NJ)	Bank HC	106	8,906,921	84,028	3.37	86.73
8	Banco Santander SA	Bank HC	152	8,316,898	54,716	3.14	15.48
9	Valley National Bancorp (NJ)	Bank HC	171	8,192,809	47,911	3.10	74.76
10	New York Community Bancorp, Inc. (NY)	Bank HC	51	8,137,603	159,561	3.07	32.21
11	Capital One Financial Corporation (VA)	Bank HC	62	5,745,235	92,665	2.17	3.04
12	Provident Financial Services, Inc. (NJ)	Bank HC	80	5,234,839	65,435	1.98	100.00
13	HSBC Holdings Plc	Bank HC	9	4,580,758	508,973	1.73	4.70
14	Columbia Bank MHC (NJ)	Bank HC	44	2,906,792	66,063	1.10	100.00
15	Fulton Financial Corporation (PA)	Bank HC	74	2,759,978	37,297	1.04	22.25
16	Sun Bancorp, Inc. (NJ)	Bank HC	61	2,626,689	43,060	0.99	100.00
17	Lakeland Bancorp, Inc. (NJ)	Bank HC	53	2,590,608	48,879	0.98	100.00
18	Kearny Financial Corp. (MHC) (NJ)	Bank HC	41	2,178,401	53,132	0.82	100.00
19	Amboy Bancorporation (NJ)	Bank HC	23	1,750,430	76,106	0.66	100.00
20	Citigroup Inc. (NY)	Bank HC	32	1,744,438	54,514	0.66	0.44
Total For Institutions In Market		148	3,274	264,656,037	80,836		

Source: SNL Financial and FDIC

These 20 banks account for 83.75% of the market share.

Market Overview

Competition



- Traditional depository institutions comprise only 25% of the entire financial industry landscape in the U.S.
- Insurance carriers comprise more than 37% of the financial industry and real estate lenders approximately 21%.

Source: U.S. Census Bureau

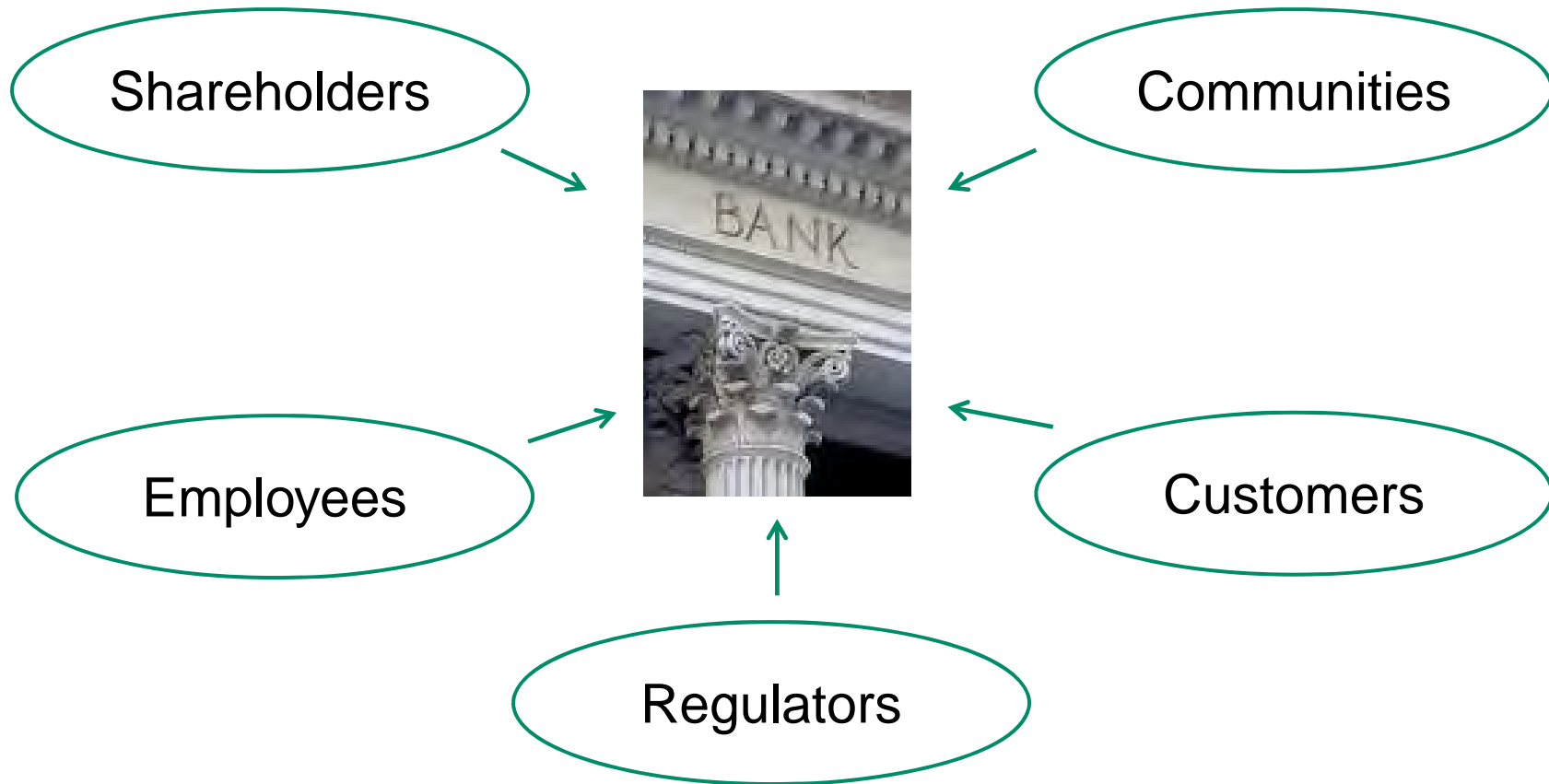
Section IV Industry Trends

Industry Trends

Will there be a role
for community banks
in the future?

Industry Trends

Constituencies



Industry Trends

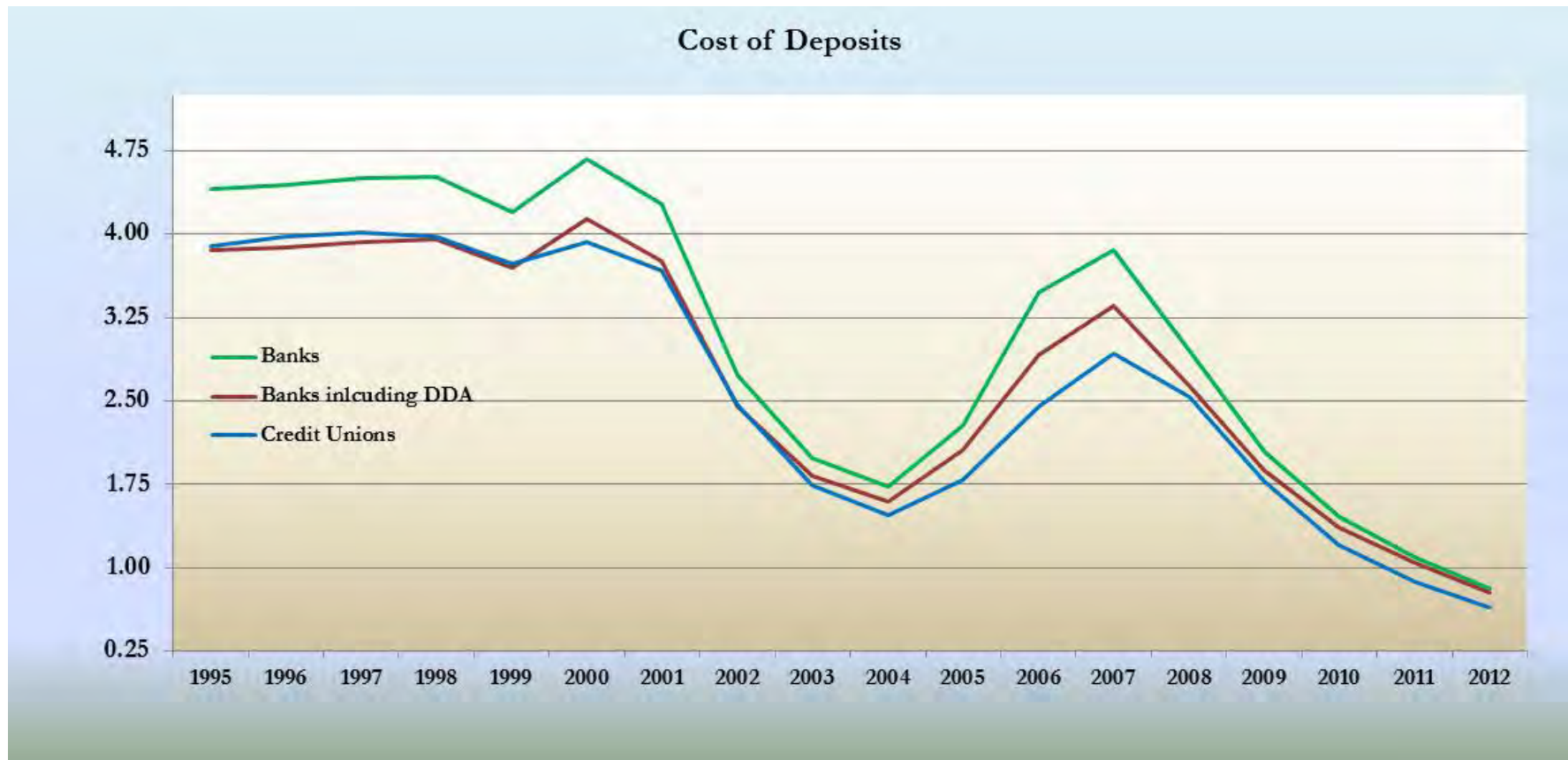
Headwinds

- Economic Environment – Stagnant economy
- Interest Rate Environment – Historical low interest rates, and high unemployment
- Capital – Management of capital, implementation of Basel III and changes to risk weightings
- Regulatory Environment – Changes, compliance, enforcement and cost
- Credit and Overall Risk Management – Credit metrics improving but still high and focus is on banks to better assess, manage and monitor their risks.
- Technology - Utilization and delivery channels
- Shareholders – Expectations on rate of return and illiquidity of stock



Industry Trends

Interest rate environment



Source: SNL Financial, LC

Institutions with total assets between \$100 million and \$40 billion. Trend reflects annual averages

Industry Trends

Regulatory Compliance

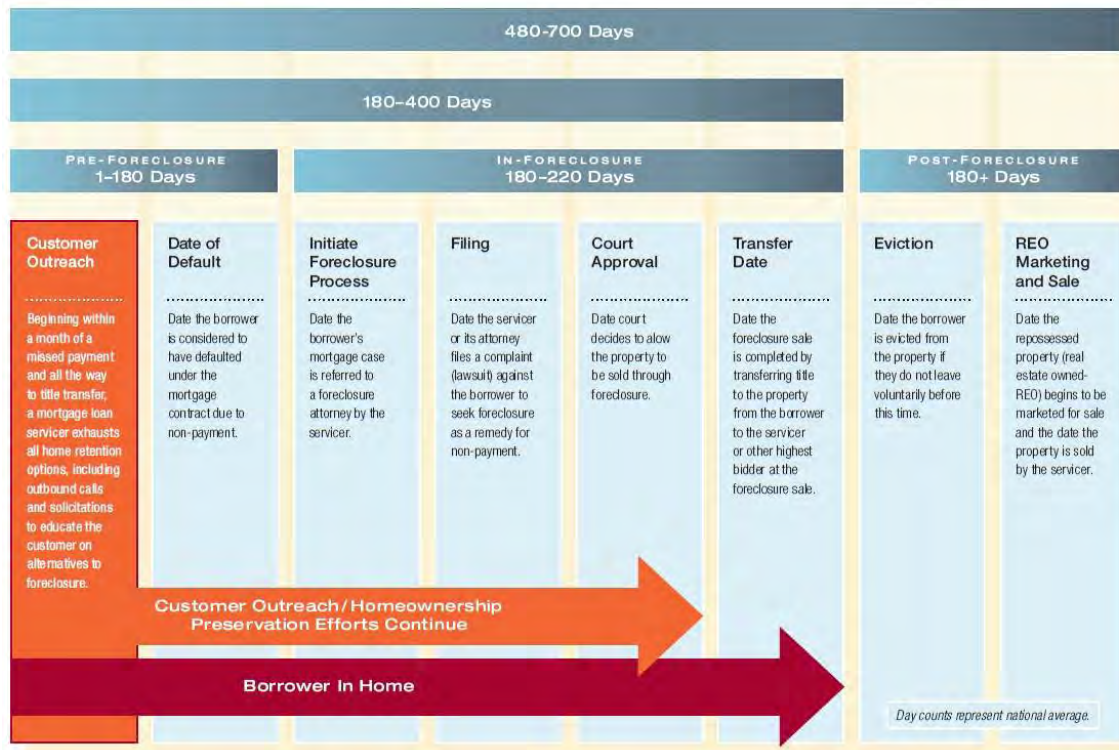


Source: SNL Financial, LC

Industry Trends

Credit and Overall Risk Management

Judicial Foreclosure Process

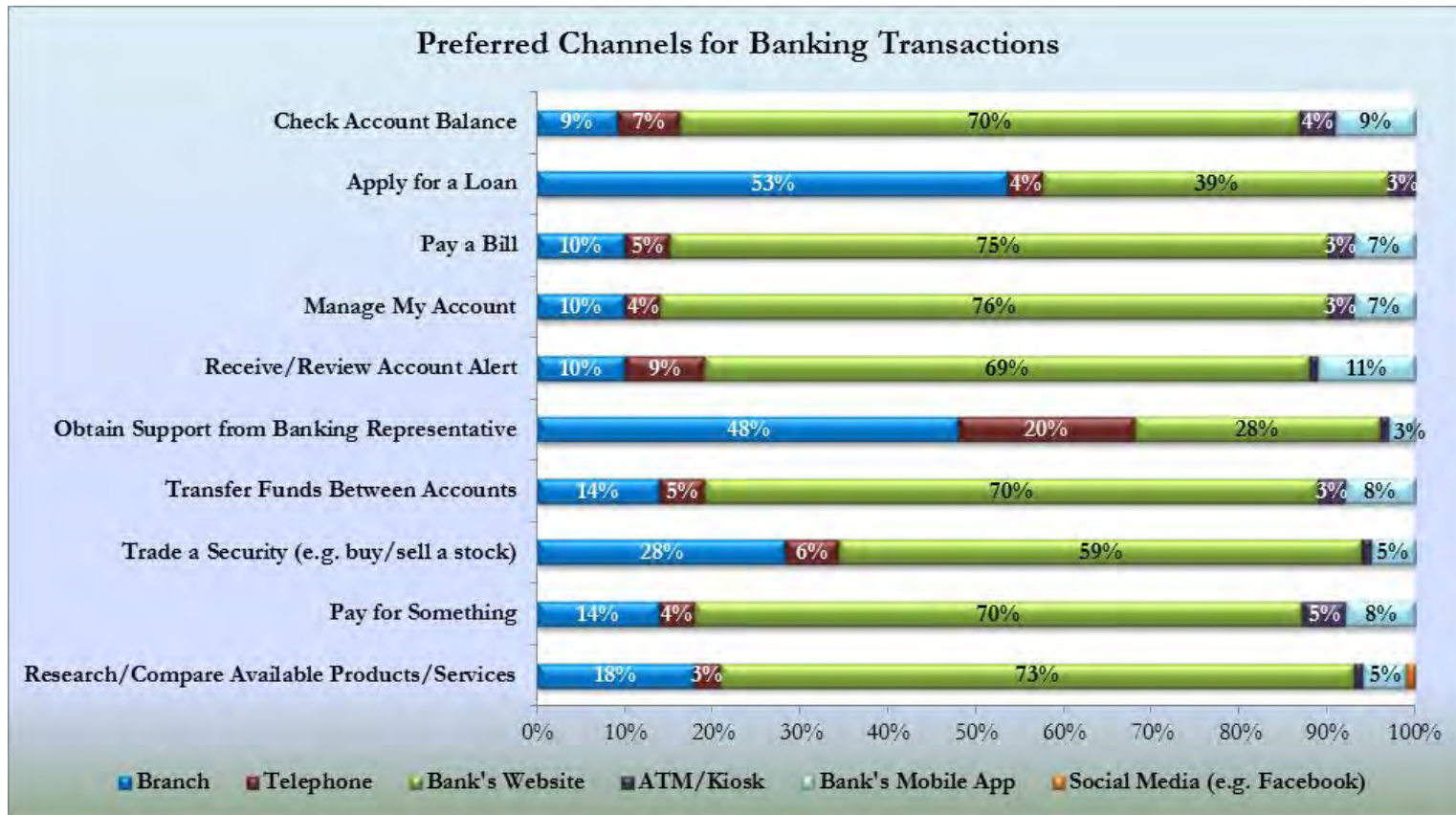


- Maryland, New Jersey, New York and Pennsylvania are four of 22 states that are bound by the judicial foreclosure process.
- In 2012, the average foreclosure time in the U. S. was 382 days.
 - New Jersey – 931 days
 - New York – 1,072 days
 - Maryland – 541 days
 - Pennsylvania - 554

Source: Mortgage Bankers Association & RealtyTrac

Industry Trends

Technology



Source: Cisco IBSG, June 2012

Industry Trends

Shareholders



- Stock prices have rebound over the past three years but not to the level they were five years ago resulting in a negative return over a five year period.

Source: SNL Financial, LC

Industry Trends

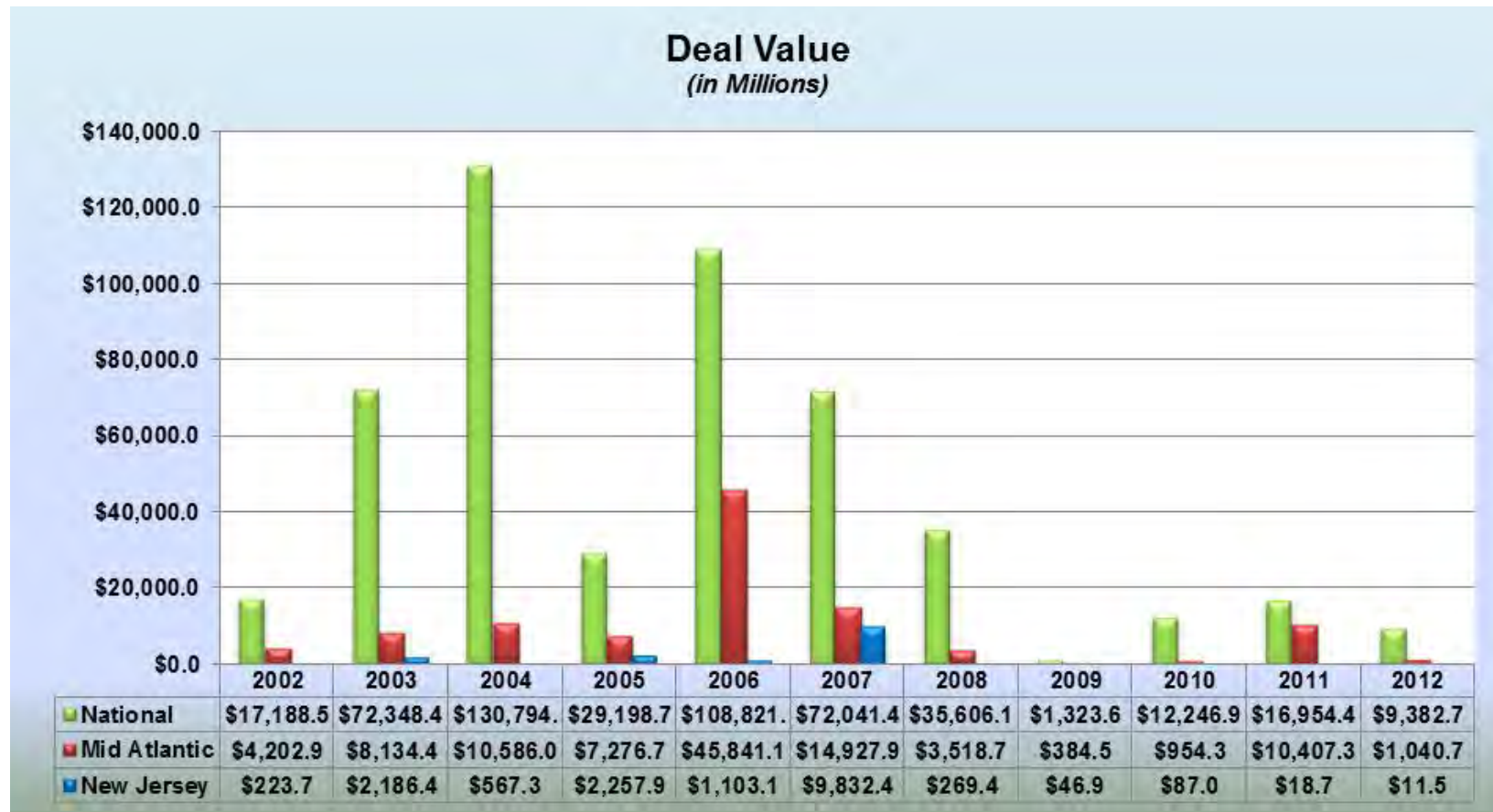
Mergers and Acquisitions



Source: SNL Financial, LC – Includes all completed transactions

Industry Trends

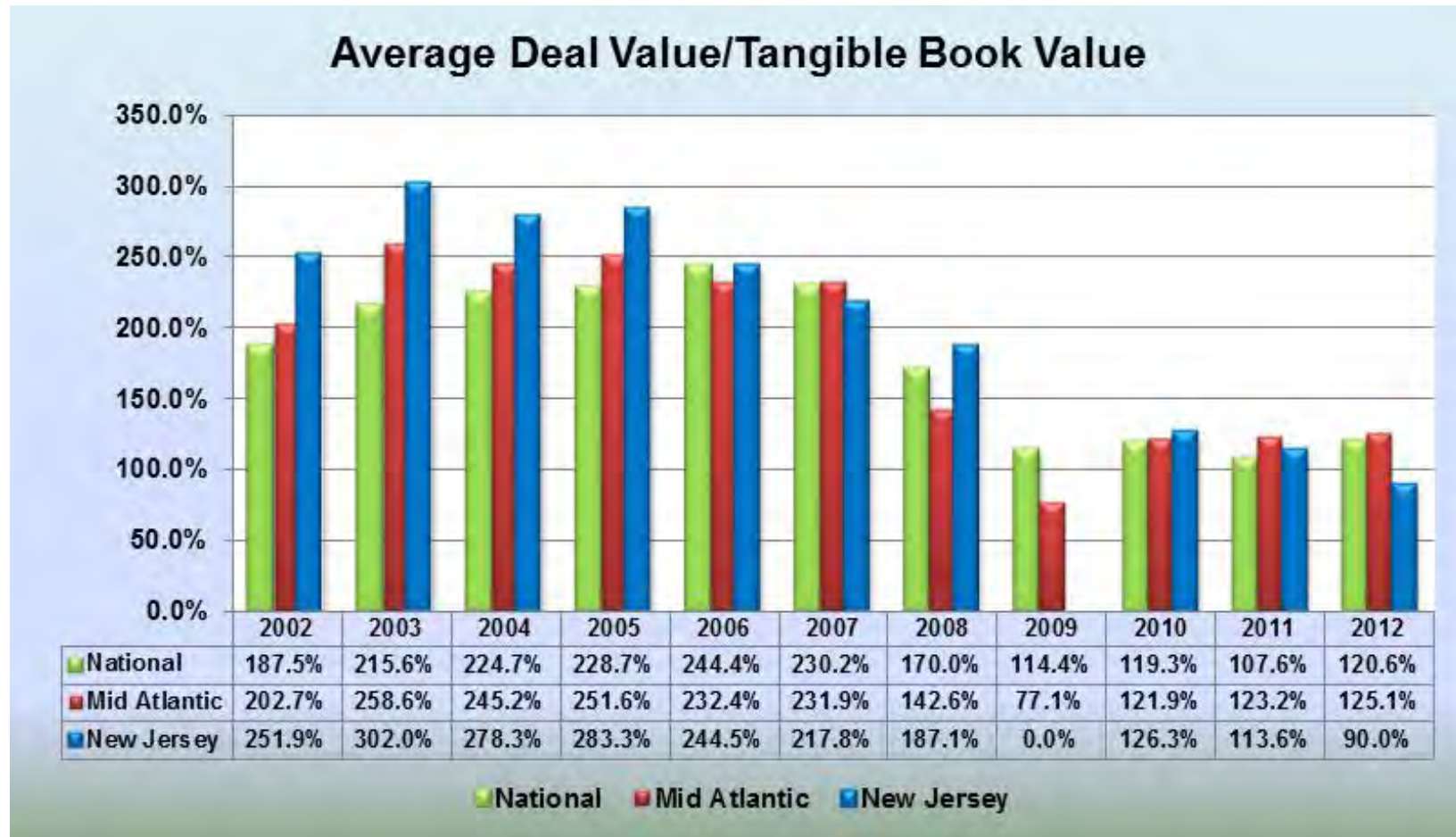
Mergers and Acquisitions



Source: SNL Financial, LC – Includes all completed transactions

Industry Trends

Mergers and Acquisitions



Source: SNL Financial, LC – Includes all completed transactions

Section V

Concluding Thoughts

Concluding Thoughts

2013 Community Bankers Survival Guide

- Capital
- Diversity and risk management
- Be more nimble than TBTF
- Build your bank around your customers
- Know that culture and strategy work hand-in-hand
- Clearly answer, “why bank with us”, and deliver on the promise.
- Delivery of brand value and focus are critical to achieve an acceptable return!





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Strategic
Management



Profit & Process
Improvement



Board & Management
Advisory Services



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Advisory