

AVOIDING & RESPONDING TO WAVES OF DAMAGE

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by [Steve Brown](#)

It was hard to miss the recent story about a cruise ship stranded in the Gulf of Mexico after an engine fire. The ship lost power and drifted for several days with 4,200 people on board. It was a tale not of survival, but of extreme discomfort. It is difficult to avoid the urge to armchair quarterback what the operator could/should have done differently. Why didn't they just send another boat and pick everyone up or off-load everyone onto helicopters or send a big generator to at least get things flushing. Maybe large ships don't work like that. Instead, the operator paid for everyone's transportation home, gave them \$500 and a credit for a future cruise. It will be interesting to see how many take them up the offer and whether there will be a drop off in cruise reservations in general. More than 14mm people in the US took a cruise last year and ships have become larger and larger. We wonder whether these operators even have contingency plans and if so, whether those plans are keeping up with the level of growth. Bankers are familiar with business continuity planning and fallout when an industry is damaged and some still hear "banker" used negatively. The banking industry has suffered for numerous reasons, but in particular because of the actions of a few large players. Community banks in general, are regarded to be of a different caliber than large banks when blame is spread around for the financial mess of the last few years, but "banking" in general has nonetheless lost some luster. What should your bank do if you find your name in a potentially damaging story? To prepare, make sure your bank has a contingency plan in place to avoid or respond to situations that could bring about adverse publicity. That won't be enough, however, because there will always be things beyond anyone's control. If there is a publicized incident that has potential to damage your bank's name, experts say the best approach is to address it honestly, openly and aggressively. Assure customers that your bank remains sound, cares about the issue and will continue to carry on business in the interest of its customers. If adverse publicity relates to an enforcement action, communicate efforts to address those concerns. Testimonials from influential customers in your business footprint can also be helpful to keep customers calm and patient as you work through any issue. Build goodwill in advance by publicizing the bank's efforts as a provider of important services in the community that other institutions do not provide and highlight areas where you are involved in community service. As for the ship operator, giving away a free trip to passengers is a good step, but reassurance that all ships are undergoing a comprehensive inspection by a third party and new contingency plans would probably go further to reassure future customers.

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ECONOMY & RATES

Yesterday

Investor optimism over jobs data held steady throughout the day with yields making a 5bp climb by the close.

Today

Jobs data smashed through market expectations, so yields have skyrocketed 7bp.

Rates As Of: 03/08/2013 09:04AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.09	0.00	0.00
6M	0.11	0.00	0.00
1Y	0.15	0.00	0.00
2Y	0.26	0.00	0.00
5Y	0.89	0.00	0.00
10Y	2.04	0.00	0.00
30Y	3.24	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.25	0.00	
Prime	Unemployment	Oil	
3.25	0.00	\$0	

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BANK NEWS

Mobile

U.S. Bank will now allow customers to use their phone to pay a bill by taking a photo of it. The bank expects 20% of customers to use the feature and 33% of all consumer to use mobile bill pay in the next 5Ys.

Bank Cuts

Challenger, Gray & Christmas reports the financial sector announced 21,724 layoffs in Feb., about 3x the cuts announced in Jan. and the most since Sep. 2011.

Stressful

The Fed's latest round of stress tests of the 18 largest bank holding companies finds the Tier 1 capital ratio under the adverse scenario was the highest for BNY Mellon (13.2%), State Street (12.8%), American Express (11.1%), BB&T (9.4%) and PNC (8.7%). Banks that scored at the bottom of the list were Ally Financial (1.5%), Morgan Stanley (5.7%), Goldman Sachs (5.8%), JPMorgan Chase (6.3%), Bank of America (6.8%) and Wells Fargo (7.0%). Ally scored the lowest largely because of its association with troubled mortgage lender Residential Capital.

CCAR

The Fed's annual stress testing of the largest banks began in 2009 and was modified in 2011 to be known as Comprehensive Capital Analysis and Review (CCAR).

Mobile Savings

The CFO of PNC said checks deposited at branches cost \$3.88 more than deposits by mobile phone.

Future Jobs

The CEO of Barclays said changing customer behaviors and automation could result in a 28% cut in staff over the next 10Ys.

Corporations

Buyback announcements for S&P 500 companies have passed the \$1T mark (first time since 2009).

Preparation

Dealogic reports public companies have raised \$35.1B in secondary offerings so far this year, the most since 2000 and likely to be used to fund growth or make acquisitions.

M&A

CommunityBank of Texas (\$1.7B, TX) will buy Vista Bank Texas (\$605mm, TX) for an undisclosed sum.

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