

October 22, 2013

- Current health of the Banking Industry
  - o Capital levels as high as ever
  - o Most banks have liquidity
  - o Loan quality is greatly improved
  - o Consolidation continues
    - The five largest banks control 70% of banking assets
    - Smaller, community institutions future is cloudy
- Is credit available and on what terms?
  - o Yes, as mentioned, there is liquidity
  - o Loans are a banks best earning asset
  - o But.....underwriting IS more stringent
  - o Regulatory constraints
  - o Understanding risk- loan risk vs equity risk
- Managing and understanding why business fail will help you with your bank
  - o Poorly thought out business plan
  - o Get down to the right assumptions; how many units per hour, day, week, etc
  - o Co-mingling personal and business funds
  - o Poor accounting systems
  - o Lack of accounting understanding
  - o Not understanding cash flow and why it is different than profits
  - o Being undercapitalized
  - o Not fully understanding costs
  - o Employees
  - o It is a lot of work
  - o Not understanding the difference between capital and loans
  - o Too much debt (not enough capital)
- Managing your banking relationship
  - o Banks are businesses too
  - o Transparency – hiding information rarely has a positive outcome
  - o Not you partner, but certainly one of your key advisors
- Interest rates and the Economy
  - o No expectation of short term rate increases until mid 2015
  - o Fed continues its bond buying program
  - o Economic growth exists but is weaker than expected
    - Actual GDP growth has consistently fallen short of forecasts
    - General uncertainty along with fiscal and regulatory uncertainty likely to continue resulting in restrained growth