

the riley report: January 2009

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To: FIRSINC

# the riley report

## Common Sense Banking for the 21st Century For CEOs, their Executives and Boards of Directors



### **Community Banks, Despite Rough 2008, Will Be Critical to the Economic Recovery of the Nation**

The harsh reality is the 3rd Quarter 2008 earnings for the 5,843 FDIC insured financial institutions with assets up to \$300 million, excluding 251 FI's that were opened between 2007 and September 2008, have been rough (Source: FDIC 3rd Quarter Reports).

Number of FIs	Range -ROA	% of 5,842 FIs
1,050	-43% to -0-	18%
1,032	.01% to .50%	18%
2,082	Total Underperforming FIs	36%

If they have not already done so, bank execs and boards need to perform a thorough reassessment of where they are and where they want to be in 1, 2 and 5 years. As British Prime Minister Thatcher told President George H.W. Bush prior to the first Iraqi War, "this is no time to go wobbly." *Leadership must step up.*

In addition to their responsibility to their individual banks, community bankers must assume the heavy responsibility for leading our nation out of this financial morass. We didn't create the sub prime market, peddle 'AAA' Collateralized Debt Obligations, create Credit Default Swaps or inflate credit ratings, but we must step up, rebuild our relationships with our communities, offer creative, yet prudent products and services, and reassert our dominant role in banking.

In forthcoming reports, we'll suggest real world strategies to assist you and your organization. Some, you may find outside your comfort zone, but if they encourage candid discussion among your team, then other ideas may develop. Our ultimate goal is to get bankers talking and "thinking outside the box" about real solutions and ideas to improve this down economy.

The first white paper created by Bank Resources and Solutions is titled *2008 Neighborhood Mortgage Stabilization Program* proposal and is posted on our website: [www.bankresourcesandsolutions.com](http://www.bankresourcesandsolutions.com).

The *Neighborhood Mortgage Stabilization Program* is designed to assist up to 2 million hardworking American families to stay in their homes, work through the current financial strains, stabilize neighborhoods, generate loans for financial institutions, eliminate billions of under-performing mortgage backed securities and just as importantly, do all this **at no cost to the federal government or taxpayers.**

I encourage you to read the proposal and let me know your thoughts. If

### **Who is Bank Resources and Solutions?**

In October 2008, Sue Riley and I co-founded Financial Institutions Resources and Solutions, Inc. (FIRSINC) to assist financial institutions with improving their performance. FIRSINC, through its principal division, Bank Resources and Solutions, has resources to address all areas of your organization, including Strategic Planning, Budgeting, Operating Efficiencies, IT and Risk Management. In addition, we will produce articles and research papers for thoughtful discussion.

### **Leadership 101**

President Eisenhower once said, "The supreme quality of a leader is unquestionably integrity." In an article titled the Leadership-Integrity Link, General Ronald R. Fogleman, USAF, discussed this absolute prerequisite to effective leadership. Referring to a military unit, General Fogelman wrote "Leadership is about motivating people to perform and accomplish the unit's mission, working towards this common goal builds unit cohesion, trust, and a sense of self esteem. A good leader fosters those qualities. But a failure of

you believe the proposal has merit, please contact your Senators and Congressmen. Naturally, we'd be honored to work with your bank in developing your strategies for growth in the 21st century.

***Coming in February:  
Increasing Non-Interest Income...  
By Taking Care of Your Customers***

Mike Potter, Senior Vice President, Strunk & Associates, will provide insight on the role of non-interest income to community banks and outline strategies to enhance fee income by responding directly to customer articulated needs. This promises to be a fascinating read and we'll look forward to your feedback.

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integrity poisons the outfit, destroys trust between people and breaks down unit cohesion. While leadership qualities are diverse, integrity is simply a yes-or-no question. You either have it or you don't. For that reason, leaders must always display the highest standards of integrity... And since organizations tend to take on the personality of their leadership, building integrity must start at the top. Dishonest acts are like cancers that eat at the moral fiber of organizations, especially if these acts are explicitly or implicitly condoned by leaders."

These turbulent times require highly credible management teams to lead our banks. With that in mind, every CEO and Board must assess the integrity of the staff and demand nothing less unquestioned integrity. Your bank can not afford the time, effort, reputational risk or lack of credibility with your customers, shareholders, communities or regulators.

We can assist you in your analysis and recommend strategies to resolve these issues. Leadership is not a popularity contest and your actions in this area are critical.

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