From the Dallas Business Journal:
https://www.bizjournals.com/dallas/news/2023/03/21/dfw-banks-risk-silicon-valley-collapse.html

SUBSCRIBER CONTENT:

DFW bankers weigh in on biggest risks ahead following recent collapses

Mar 21, 2023, 5:18am CDT

Image: Dallas Business Journal

Jake Dean

Local bank executives from institutions across Dallas-Fort Worth weighed in on what risks they see over the next two weeks, which could be a pivotal time as the industry teeters on the brink of recovery or crisis.

The banking industry remains under heavy pressure a week after the failures of Silicon Valley Bank and Signature Bank.

Regulators and banks alike have worked furiously the past few days to prevent contagion and restore confidence in the banking system. In the U.S., regulators continue to seek buyers for the remnants of Silicon Valley Bank, while New York Community Bancorp will take on Signature's deposits—excluding about $4 billion related to Signature's cryptocurrency business. Eleven big banks including JPMorgan Chase, Bank of America and Wells Fargo announced an agreement on March 16 to plow $30 billion into First Republic Bank and prevent another failure.

Abroad, Swiss regulators engineered a $3 billion deal for UBS to take over troubled Credit Suisse to help restore confidence in the global banking system.

Throughout the recent period of volatility, bankers in North Texas have remained cautious yet optimistic. Executives here say their banks remain in good shape because of commercially oriented strategies focused on serving businesses in DFW, where the economy continues to exhibit strength.

Local bank executives also said their institutions remain well capitalized with ample liquidity and they have avoided the types of risky investments that led to the downfalls of Silicon Valley Bank and Signature. However, as the last few days have shown, things can change quickly and the situation across the industry remains fluid. The *Dallas Business Journal* polled executives about what they perceive to be the biggest risks over the next couple of weeks:

Rob Holmes, CEO, Texas Capital Bank: I wouldn't even speculate on risk in an evolving market. I don't think this is possible. But I would tell you that's why we built our balance sheet the way we did so that we could withstand any risk. It doesn't matter what the existential threat is or the economic environment. We've built a balance sheet with liquidity to withstand foreseeable risks as best we could.

Drew Keith, president, Texas Security Bank: Over-reaction to information that can be accurate but misleading if not understood in full context – which can lead to the creation of further problems when a true problem does not exist. For instance, there has been a focus on the percentage of deposits that are FDIC insured at individual banks. While this is important and one indicator of what may be the stability of a bank's deposit base, it must be taken in context with all the other aspects of that bank's deposit base and funding sources. Many times you will find that a bank's FDIC-insured deposit percentage is relatively low, but a huge amount of its uninsured deposit base is from shareholders, i.e. very stable and aligned with the bank's survival! Thus, not knowing this could lead to an incorrect assessment of that bank's "health." Whenever there is a dramatic event such as what we experienced last weekend with SVB and Signature Bank, we tend to look for direct "cause and effect" reasons to explain the failure and, in most cases, it is not that simple. But the risk is drawing conclusions with too little information and, like a self-fulfilling prophecy, creating a crisis where there is no true problem.

Jerry Schaffner, CEO, PlainsCapital Bank: The U.S. banking system is sound and bank customers can feel confident their deposits are safe and will be available when they need them. We are not concerned about any specific events; however, the markets are volatile, and we would not want to see an event that would erode confidence in the industry.

Bill Adams, chief economist, Comerica Bank: I'm cautiously optimistic that we could see financial headlines calm down over the next few weeks. The Fed has intervened early and aggressively to prevent problems experienced by Silicon Valley Bank and Signature Bank from spilling over to other banks.

Aaron Graft, CEO, Triumph Financial: These are very interesting times. It has been a long time in the banking industry since we've discussed interest-rate risk and liquidity risk as root causes of bank failures. The regulatory intervention over the last few days has also been extraordinary. What that means for the long term is anyone's guess. At Triumph Financial, we have always been committed to ensuring we have ample liquidity and protecting our customers' deposits. But it's not healthy for the U.S. banking system to have a bifurcation between banks that will never be allowed to fail and those that will not be protected. This erodes confidence. Capital and discipline are extremely important in banking, but there is no replacement for the confidence of your customer base.

Malcolm Holland, CEO, Veritex Community Bank: Veritex Community Bank is the same bank today as it was last week and will continue to be moving forward. While we know there is a great deal of buzz in the media concerning risk, Veritex Bank does not feel the same risk as some other banks due to our diverse deposit portfolio across multiple industries. If we had to pinpoint a risk over the next two weeks, it would be the uncertainty of the Fed's next move. The best course of action is to be patient and prudent.

David Brooks. CEO, Independent Financial: Fortunately, our markets in Texas and Colorado have remained resilient. The risks from here likely center on broader economic headwinds elsewhere beginning to slow the domestic economy.

Holden Wilen
Staff Writer - *Dallas Business Journal*

Back to Top

DALLAS **BUSINESS JOURNAL**

User Agreement | Privacy Policy | Ad Choices | Your Privacy Choices