

Bank statements: (no more) business as usual?

By the ReportWatch team

"Always be nice to bankers" (Lord Hanson)

Fantastic?

"The management has done a fantastic job. We have not made any mistakes," said George Funke, chief executive of the German Hypo Real Estate (Financial Times, January 16, 2008) after a fall of 27.6% in profit, €400 million in charges for losses –reported after having told during one year that the company wouldn't it be hit by the credit squeeze. Herr Funke concluded that *"the management board is cautiously optimistic for the current financial year."*

Don't dream, it's not over

"No one can say this is over. These are not optimistic assumptions. But there are always circumstances under which things could get worse." (Gary Crittenden, Chief Financial Officer, Citigroup, Financial Times, January 16, 2008).

Funding model

"Our priorities in 2008 will be to risk-manage our existing positions, while leveraging areas of excellence as we calibrate to the new balance sheet targets and revised funding model," Mr Rohner (UBS's chief executive) wrote in the memo... seen by the Financial Times" (January 18, 2008).

Dislocations

"Our fourth-quarter results were severely impacted by ongoing dislocations in capital markets and the slowing economy," said Kenneth D. Lewis (Bank of America) chairman... *"However, we are cautiously optimistic about 2008."* (Wall Street Journal, January 22, 2008).

I don't know

"I don't know where he is," said Daniel Bouton, the long-standing chief executive and chairman of Société Générale" when... asked about the whereabouts of the rogue trader at the center of one of the biggest frauds in banking history. *"The reasons he could succeed was because the trader knew intimately the bank's risk controls and swiftly shifted positions..."* (Financial Times, January 24, 2008).

"Our risk controls were reinforced on the two or three weak points that he was able to exploit." (Daniel Bouton, confirmed as Chairman, in the International Herald Tribune, February 5, 2008).

Take the money and run

Later came the trader's own comments: *"You lose your sense of the sums involved when you are in this kind of work. It's disembodied. You get a bit carried away."* (Jérôme Kerviel, the trader accused of fake transactions, in the Financial Times, February 6, 2008).

Birds

"The Financial Times has learnt that SocGen has lined up Merrill Lynch to advise on its defence against any potential approach" (February 6, 2008). Société Générale with Merrill Lynch! Birds of a feather...

Casino

"The bank is not a casino" (Daniel Bouton, Chairman of Société Générale, responding to angry shareholders at the bank's annual meeting, quoted by the New York Times, May 31, 2008).

Catchwords

"In the financial services industry, professionalism, trustworthiness, diligence... are more than just catchwords" (Credit Suisse Corporate Citizenship Report, p 12). Citizen...

For sale? (1)

"Merrill Lynch learns to say "sell"," wrote The New York Times in May 2008, adding that sometimes Wall Street seems a bit like a famous humorist's words: *"Most stocks are above average, and it is always a good time to buy."*

For sale! (2)

"Merrill Lynch on Monday rushed into an agreement to be acquired by Bank of America for \$50bn in a sign that the crisis gripping Lehman Brothers is forcing rival investment banks to seek partners to avoid suffering the same fate." (www.ft.com, September 14, 2008). Comment from Bank of America's CEO: *"Together, our companies are more valuable because of the synergies of our businesses."* The guy was probably an analyst in a previous life.

Brothers in lies

"Dear Shareholders and Clients,

In 2007, Lehman Brothers produced another year of record net revenues, net income, and earnings per share and successfully managed through the difficult market environment. Our global platform of diversified businesses also produced record performance across each of our business segments as well as in Europe and Asia (...)

(...) Despite this record performance, our greatest disappointment in 2007 was that our share price declined for the first time in five years. We are more focused than ever on demonstrating to

the markets that we have a proven ability to continue to grow our diversified set of businesses, manage risk and capital effectively, and deliver strong results in all market environments.”

(Richard S. Fuld, Chairman; Joseph M. Gregory, Letter to Shareholders and Clients in Lehman Brothers Annual Report). Those words were written on February 15, 2008. What happened exactly seven months later?

(Un)quotable

It's not a coincidence that all those quotes come from top (?) bankers and from the same period that marked the downturn after the credit-induced frenzy. Rubbing salt? No, just that we would hope that those hollow words should be avoided in reports –and that the ones saying them should probably be given the boot by sovereign (if still any) shareholders.

“Corporate social responsibility” reports from those should logically be considered as a waste of paper, due to the lack of primary responsibility towards the... primary stakeholders, i.e. shareholders, customers, and employees.