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Dear Banker:

The only certainty about banking in the new millennium so far is uncertainty. Legislation has passed making financial services a single industry, the internet is emerging as a major force, merger activity has slowed to a crawl, interest rates are heading up with no end in sight, and investors are showing a strong dislike for bank and thrift stocks. For local banks, the new millennium has been a bit like entering a tunnel with no idea what is on the other side.

What is on the other side? There are no easy answers, but the enclosed report looks at the impact of financial services modernization, the internet, stock prices and their likely effect on Middle Atlantic banking and draws some conclusions about the future direction of financial services in the region. The good news is that at “the other end of tunnel” is a booming financial services industry. The bad news is that the model that will work best is not likely to resemble the model under which most local banks and thrifts now operate.

Respectfully yours,

Arnold G. Danielson
Chairman