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The Good Banker

By JOE NOCERA

Not long ago, as I was leaving a business lunch, my luncheon companion handed me a thin manila envelope. He didn't tell me what was in it or why he had given it to me, but as soon as I opened it up, I immediately understood.

It contained a copy of [the 2010 annual report to shareholders](#) by a bank executive I'd never met: Robert G. Wilmers. For nearly 30 years, Wilmers has run the M&T Bank, based in Buffalo. When he took it over, M&T had \$2 billion in assets; today, its assets exceed \$68 billion, and it's one of the most highly regarded regional bank holding companies. It has also been one of the best performing stocks in the Standard & Poor's 500-stock index; indeed, M&T was one of only two banks in the S. & P. 500 that [didn't cut its dividend](#) during the financial crisis.

Wilmers's report, however, was less about the company's numbers than about the dismal state of his beloved profession. Wilmers, it turns out, is that rarest of birds: a banker willing to tell harsh truths about banking. That, for instance, much of the money the big banks earn comes from trading profits "rather than the prudent extension of credit that furthers commerce." That derivatives had helped bring about the crisis and needed to be regulated. That bank executives were wildly overpaid. That the biggest banks — the Too Big to Fail Banks — were operating, as he put it, an "unsafe business model."

My first thought upon finishing the report was: I need to meet this guy. So, a few weeks ago, I did.

In person, Wilmers does not immediately strike one as a rabble-rouser. At 77, he is soft-spoken, a bit reticent, and almost excessively polite. “I personally believe that there isn’t a more honorable profession than the banking industry,” he began. “Most bankers are very involved in their communities, and they can stand up and be counted. I saw a poll recently,” he continued, “that showed we are now considered the third worst profession. That bothers me.”

On the other hand, it didn’t exactly surprise him. In the run-up to the financial crisis, the giant national banks — **which he viewed** as a distinct species from the typical American bank — had done things that deserved condemnation. And, he added, “They are still doing things that I don’t think are very good.”

Such as? “It has become a virtual casino,” he replied. “To me, banks exist for people to keep their liquid income, and also to finance trade and commerce.” Yet the six largest holding companies, which made a combined \$75 billion last year, had \$56 billion in trading revenues. “If you assume, as I do, that trading revenues go straight to the bottom line, that means that trading, not lending, is how they make most of their money,” he said.

This was a problem for several reasons. First, it meant that banks were taking excessive risks that were never really envisioned when the government began insuring deposits — and became, in effect, the backstop for the banking industry. Second, bank C.E.O.’s were being compensated in no small part on their trading profits — which gave them every incentive to keep taking those excessive risks. Indeed, in 2007, the chief executives of the Too Big to Fail Banks made, on average, \$26 million, according to Wilmers — more than double the compensation of the top nonbank Fortune 500 executives. (Wilmers made around \$2 million last year.)


Finally — and this is what particularly galled him — trading derivatives and other securities really had nothing to do with the underlying purpose of banking. He told me that he thought the Glass-Steagall Act — the Depression-era law that separated commercial and investment banks — should never have

been abolished and that derivatives need to be brought under government control. “It doesn’t need to be studied for two years,” he said. “I would put derivative trading in a subsidiary and tax it at a higher rate. If they fail, they fail.”

As Wilmers continued on in this vein, I found myself nodding in agreement. I also couldn’t help thinking back on remarks I’d heard Jamie Dimon [give at a recent Chamber of Commerce event](#). Dimon, who made more than \$20 million last year at JPMorgan Chase, is widely viewed as the best of the big bank chief executives. But he’s also become the most vocal defender of the status quo. “To people who say the system would be safer with smaller banks doing traditional banking, well, the system would be safer if we also went back to horse and buggies,” he told the Chamber audience. “That is a quaint notion that won’t work in the real world.”

At the M&T annual meeting earlier this year, Wilmers told the company’s shareholders that the bank’s mission was to “find ways to continue to attract deposits, make sound loans and grow in accordance with our historic credit quality standards.”

How quaint, indeed. And how refreshing.

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