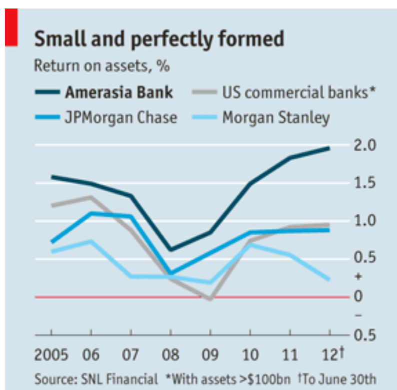
America's best bank

Amerasia envy

New York is home to at least one successful bank. It is in Queens

Sep 22nd 2012 | NEW YORK | from the print edition

SUBWAY line 7 begins near Morgan Stanley's headquarters on Broadway, pauses in Grand Central Station near JPMorgan Chase's headquarters on Park Avenue, and then, a long snooze later, ends in Flushing, in the New York borough of Queens. Here, there are no suits, no yellow cabs, and more chatter in Korean, Mandarin, Cantonese and Hindi than English. There is also a remarkably successful bank, a small 24-year-old institution named Amerasia.



Amerasia's return on its $290m in assets approached 2% in the first half of 2012, a number that would be excellent even if times were good. SNL Financial, a research firm, rates it the best among America's 4,300 small banks. Amerasia shames large ones as well. JPMorgan Chase, often said to be the country's best-run financial institution, struggles to make a 1% return on its $1.8 trillion asset base; Morgan Stanley's return is less than half as much as that. Over the past three years Amerasia, which is privately held, has notched up annual growth of close to 11% in assets, and seen compounded earnings growth of 50%. James Huang, the bank's boss, believes the disarray in finance will enable his bank to keep expanding fast for another year or two.

Operating in a tough environment is nothing new for Mr Huang. He founded the bank along with fellow Taiwanese immigrants in 1988 after three years scraping together the $5.5m in minimum capital then required. To survive, Mr Huang maintained his day job with the Manhattan office of a Taipei-based plastics importer. On his long commute between the two jobs, he saved money by reading newspapers extracted from the subway dustbins. New York was in one of its periodic slumps, after the stockmarket crash in 1987; in its first months of operations, the bank had a small loss (there has been none since).

Growth has come in tightly controlled steps. When expansion meant buying the small building next door to the original branch, the valuable ground-floor retail space was leased to Starbucks. A second branch opened in 2007 after years of discussion, and a third is being pondered. Yes, a new office would expand the bank's reach, but geographic spread has an impact on efficiency and control. Mr Huang still grimaces at the thought of a bad loan the bank made in 1994 to a factory located two hours away.

United States

In Taiwan, says Mr Huang, the goal of every banker is to know his clients so well he can be a matchmaker for their children. That is not possible in America, he adds—there is too much divorce, so too much risk of a relationship souring—but the principle stands. His customers are businesses nearby, primarily restaurants and small stores. Many are Chinese; a smaller group is Korean; many of the rest are Indian. The favoured loan is a commercial mortgage structured to be paid back over 15 years but granted in five to seven-year increments. All loans are held to maturity.

Mr Huang considers this to be an infinitely better way to invest than buying shares or bonds (both of which he avoids) that cannot be subjected to the same sort of intimate credit appraisal. Because Amerasia's numbers are so strong, would-be acquirers occasionally drop by. Mr Huang's answer: not now, not ever.

His strategy does entail some risks. Amerasia is vulnerable to the collapse of the Flushing economy, because that is where Mr Huang finds new customers, and because he continues to hold loans tied to local businesses. Amerasia is so small, with fewer than 40 employees, that it is vulnerable to being swamped by regulatory costs. Yet as Mr Huang's industry has shown in recent years, there are worse ways to go about running a bank.

from the print edition | Finance and economics

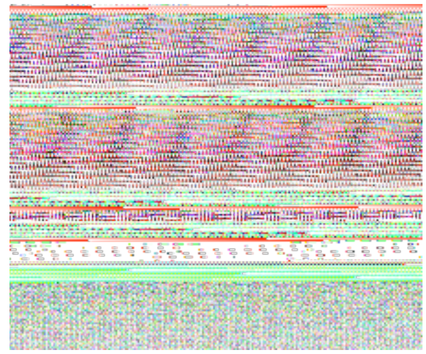
Related items

TOPIC: United States »

Britishisms in America: The British are coming, again

Huawei: Still no smoking gun

Assisted suicide: Over my dead body



Latest blog posts - All times are GMT

Military intervention in Syria: Time to act
Newsbook - 21 mins ago

Global mobile usage: SIM Earth
Babbage - 27 mins ago

Lebanon and Syria: The strife spreads
Newsbook - 43 mins ago

Financial crises: Have we learned nothing?
Free exchange - 1 hour 8 mins ago

Mexico's drug war: Kingpin bowling
Americas view - 1 hour 56 mins ago

This week in print: Mexico's drug war, Brazilian banks, Fujimori'...
Americas view - 2 hours 18 mins ago

Equal protection: No harm, no law
Democracy in America - 3 hours 6 mins ago

More from our blogs »

Products & events

Stay informed today and every day

Get e-mail newsletters
Subscribe to *The Economist's* free e-mail newsletters and alerts.

Follow *The Economist* on Twitter
Subscribe to *The Economist's* latest article postings on Twitter

Follow *The Economist* on Facebook
See a selection of *The Economist's* articles, events, topical videos and debates on Facebook.