
TRACKING PERFORMANCE

by [Steve Brown](#)

The keys to success in NBC's hit show *The Biggest Loser* are: 1) determination, 2) expert coaching and 3) monitoring progress. In the show, contestants compete to see who can reduce their body weight by the largest percentage each week. We were immediate fans of this program because, as bankers, we can easily understand rules based on percentages and clear cut goals.

When bankers rigorously track and monitor their bank's performance against a set of peers, it can help them stay ahead of the pack. Trending an institution's performance over time and using a well thought-out peer group as a benchmark can help a bank identify areas where they can "cut the fat."

We have spent the past few weeks analyzing recent bank data and have identified some interesting opportunities for community bankers. For example, when we compared a particular bank (approx. \$1.2B) against similar-sized institutions in the Western region, we immediately realized that this bank was staffing their branches much more heavily than the banks in their peer group. This bank's high staffing level was reducing its net income by more than \$9mm over the past 12 months, when compared to its peers. Based on this analysis, we discovered two opportunities this bank could take to cut the fat: 1) reduce staff, or 2) generate a larger deposit base within their existing footprint through proper (i.e., not rate-based) promotional efforts.

In our above example, our analysis also found a strength that was being overlooked by this particular institution. Due to its geographic location, the bank's compensation expense per employee was about 30% less than its peer group. Another bright spot was the bank's ability to generate deposits at rates 4% below their peer group. For many bankers, it might be tempting to assume that a 4% difference in deposit rates really isn't that significant, but our analysis showed that this slight difference, when applied to their funding base, contributed over \$10mm per year to net income, as compared to the selected peer group.

For this institution, taking the time to "weigh in" and analyze its performance relative to the peer group produced immediate, actionable results. First, the bank was able to isolate areas that were dragging down ROE and evaluate what activities were negatively impacting net income. Second, identifying areas of successful performance allowed the bank to increase its focus on protecting strengths that they had worked so hard to achieve.

For banks looking to cut some fat, the next step after "weighing in" is to look into the mirror and muster the determination necessary to take advantage of opportunities.

If you attend our Executive Management Conference this May, we will run a complimentary analysis for your institution to help you identify strengths and opportunities. The information may give you the expert coaching you need to drive your determination and monitor progress in order to move your institution to the front of the pack.

BANK NEWS

Accounting Windfall

Banks may receive a 1Q earnings boost once FASB rules today and loosens mark-to-market accounting methodology. The shift is expected to allow banks to rely more on model pricing and eliminate using liquidation pricing in illiquid or stressed markets.

Mobile Banking Study

A recent study by Aite Group finds more than 33% of small businesses are interested in mobile banking, but only about 4% are using it. Meanwhile, 35% said they would check balances (but only 4% are doing so) and 25% said they would either do wire transfers or pay bills over their phone (but only about 2% are doing so). The most often cited reason by the small business for the discrepancy between level of interest and actual usage - their bank does not offer the service.

Bankers' Outlook

According to an American Banker and a Greenwich Associates survey, nearly 80% of bankers foresee a deteriorating economy, with about 50% ranking economic uncertainty as the largest impediment to growth.

Livelihood Doubtful

Recent announcements by Capital Bancorp (\$4.4B, CA), American West Bancorp (\$2B, WA), City bank (\$1.3B, WA), Buckhead Community Bancorp (\$937mm, AL) and others underscore the trend of accounting firms requiring banks to footnote uncertainty of viability.

Customer Targeting

Community banks targeting small business customers should consider focusing marketing efforts based on age specific categories, interests and ideas if recent studies are any indication. By category, people who said they were self employed broke down as 28% for those 55 to 59Ys old, 36% for the 60 to 65Y group and 42% for the 66 to 70Y age group.

Employee Retention

Community banks struggling to keep employees happy during the downturn and seeking new perks to offer in lieu of salary raises may want to consider offering financial planning. Studies find 44% of employees are very interested in getting financial planning help.

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