

A PARTIAL TALE OF TWO BANKS

by [Steve Brown](#)

There are two new banks that are starting up that we believe merit your radar screen in order to see into the possible future of banking - BankSimple and MoveNBank. Both wrap themselves in a heavy dose of technology and while it is groundbreaking for traditional banks to offer a web-only account, these banks take it to the next level and deliver almost their entire suite of services electronically and largely through the mobile channel. Watching what both these banks do right and wrong is instructive, as it should give insight not only to product design, but also to strategy as well.

BankSimple is a New York technology-inspired firm that started up last May and has been running in beta test mode. While 12k people are in beta, BankSimple has about 50k customers ready to sign on and should open at the end of this year. While not really a bank, BankSimple (<https://banksimple.com>) is a "front-end" that is attached to several banks (the Bancorp Bank and CBW Bank to start) that is designed to deliver a set of traditional services, overlaid with an elegant user interface that handles a variety of tasks. Automated goal savings, spending alerts, interactive statements and a heavy dose of social media. While internet-only banks have come and gone, BankSimple is interesting in that it is one of the first to skip over not only branches, but a web interface. Understanding that the app is the new branch, BankSimple is eschewing a strong web presence and delivering its products and services almost entirely over the mobile channel. The company offers traditional checking, savings, credit and debit cards, as well as an array of other services such as bill pay, free ATM network access, remote deposit capture, overdraft protection and invoice processing.

In similar fashion, start up bank, MoveNBank (www.movenbank.com) is also the next generation of banking and chooses to build its platform on both mobile and online channels. Also offering a "banking revolution," MoveNBank is still fairly new and will be going into beta by mid-next year. It is anticipated that MoveNBank will offer an interactive interface that is a cross between HSBC's online banking platform and a personal financial management site such as Bundle. Unlike BankSimple, MoveNBank plans to not only skip over branches, but also over cash and plastic, as it tries to deliver banking service almost entirely electronically and in digital payment form.

The real question is whether these succeed. While it is too early to tell, our initial opinion is yes, but not to any great extent. The good news is that unlike virtual-type banks in the past, technology, particularly mobile and payment infrastructure; has finally arrived to a point to make these electronic-only banks viable. Further, both these banks are on the right track by designing not only around a lower cost delivery channel, but wrapping it in service. As the market has learned, good technology is only as good as the service backbone. The minute technology fails to accomplish a given goal; a bank has to have Ritz Carlton-level service to bridge the gap. The good news is that both these banks get this point and will find a way both through technology (social media, chat, call back, etc.) and traditional means (call center) to handle problem resolution.

The bad news however, is orientation. Being a first mover is costly and breaking new ground will be expensive. Unfortunately, both these banks are heading into the jaws of only a marginally profitable customer base - the mass retail market, already a commoditized sector. The electronic delivery of services may service to commoditizing further this group. We believe both banks will fall into the trap of trying to deliver premium technology and service for a discounted, fee-waived price. Banks like

PNC (with their Virtual Wallet) and BofA will move to mitigate much of the advantage and cause both to compete on price (BankSimple has already pledged to waive fees). We would have liked to see both go after a less commoditized segment and charge for superior service and technology, giving them the margins to further sustain growth.

Again, while too early to tell, we respect the entrepreneurial attitude and look forward to beta testing both in the near future.

BANK NEWS

Closed (61 YTD)

The FDIC closed: Integra Bank (\$2.2B, IN) was sold to Old National Bank (IN). Old National assumes 52 branches, all deposits at a 1.0% premium (excluding certain brokered deposits) and entered into a loss-share transaction on 55% of assets. BankMeridian (239mm, SC) was sold to SCBT (SC). SCBT gets 3 branches, all deposits (excluding certain brokered deposits) and entered into a loss-share transaction on 75% of assets. Virginia Business Bank (\$96mm, VA) was sold to Xenith Bank (VA). Xenith assumes 1 branch, all deposits and essentially all of the assets.

M&A

First Bank of Berne (\$426mm, IN) will buy most loans; substantially all other banking-related assets; all deposits and related liabilities of AmericanTrust (\$98mm, IN).

Major Restructure

In a significant effort to reduce retail operations in some parts of the world and focus on faster growing emerging markets, HSBC said it will cut 30k jobs worldwide and sell about 50% of its US branches. The bank has already cut 5,000 jobs this year.

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