

APPLES OR ORANGES & RISK OR OPPORTUNITY

by [Steve Brown](#)

We came across an unusual survey that found 10% of people would consider banking with Apple if the company ever set up a bank. In addition, an amazing 67% of people said their trust in the brand was the primary reason. Meanwhile, over 50% said they felt Apple's fictional bank would provide reliable service, make accounts easy to access and be easy to manage. In short, customers seemed to be screaming out for strong service and easy access to their banking - just what community banks offer throughout the U.S. Perhaps community banks could capture even more customers from the big banks by differentiating themselves along these specific lines, since a certain group of customers is apparently seeking it and does not feel their current bank is providing such service. If you do, let us know how it goes and what you think made the difference to customers, given such a crowded and highly competitive environment. Speaking of areas of unexpected risk and opportunity - today we focus on how banks can use risk management to improve profitability, increase customer satisfaction and deliver growth. A recent study by Accenture around this topic uncovered some interesting results. It found that about 92% of executives across multiple industries worldwide felt risk management was important or critical to their company's overall growth and profitability. Risk management has evolved over the years and is now embedded into the strategic process. Best practice banks have incorporated risk management as an integral component of strategic processes to ensure they maintain ongoing growth, have strong capital and liquidity management and continue to produce core business model profitability. Ranking the importance of various aspects of risk management, managers globally said they saw the following factors as "important" or "critical" to achieving ongoing performance: compliance with regulations (94%); sustainability of future profitability (93%); enabling long term profitable growth (91%); infusing a risk culture in the organization (91%); and reducing operational, credit or market losses (89%). Also mentioned as key drivers were improving capital allocation (86%) and managing liquidity/cash flow (84%). No matter how your bank incorporates risk management into the business model, these areas of focus are important and can produce added benefits that go on long after the immediate risk is controlled.

In addition to the factors outlined above, the best of the best in risk management worldwide focused their activities to drive results in such important areas as reducing operational, credit or market losses (74%); infusing a risk culture into the organization (69%); sustaining future profitability (67%); managing the increasing volatility of the economic and financial environment (64%) and managing reputation in public and the media (62%). Other aspects of risk management followed this Top 5, but it is interesting to note the differences to see where you might be able to improve as well. We don't know if Apple will ever launch a bank or if they do, if 10% of current bank customers will really make the switch, but it is a risk that community banks are capable of managing through. We also know that risk management can seem esoteric at times and leave bank management wondering whether you are dealing with an apple or an orange. The good news is that this evolving practice can bear fruit of another kind (sustained profits and growth) for your bank, so embrace it, as you figure out how to make your own fruit salad over time.

BANK NEWS

4 Closed (28 YTD)

First Capital Bank (\$46mm, OK) was purchased by F & M Bank (\$237mm, OK) for a 7.65% premium on deposits and a discount on 87% of their assets. Waccamaw Bank (\$533mm, NC) was sold with most assets and liabilities assumed by First Community Bank (\$2.2B, VA). Carolina Federal Savings Bank (\$54mm, SC) was sold, with most assets and liabilities assumed by Bank of North Carolina (\$2.4B, NC). Farmers and Traders State Bank (\$43mm, IL) was sold to First State Bank (\$734mm, IL).

Citibank Capital Plan

After hitting a sour note with regulators over new dividends, Citibank revised and resubmitted their capital plan without a capital disbursement.

Distressed Sales

The FHA said they will sell more discounted delinquent loans in order to reduce foreclosures and help with loan modifications. About 5k loans are slated for sale in Sept.

Mobile Banking

CNN reports 50% of U.S. mobile subscribers own a smartphone and 81% will own one within the next 4Ys.

More Mobile

Recent analysis finds mobile banking users will log into their accounts 60% more often than customers that only use the internet.

Small Biz Survival

The latest information from the SBA finds 34% of new businesses survive more than a decade, while 26% make it to 15Ys.

New Biz

A survey by Kaufman finds the percentage of new entrepreneurs aged 45 to 54 is about the same today as it was 15Ys ago (28% now vs. 24%), but those aged 55 to 64 has jumped over the same period (21% today vs. 14%).

Waiting Longer

A Towers Watson survey finds 39% of people plan to delay retirement for another 3Ys to age 68, as they wait for their financial situation to improve.

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