

## SMILING ABOUT OPPORTUNITY

by [Steve Brown](#)

About 6 weeks after a person is born they begin to smile. At that age it is probably more mimicry of others rather than anything else, because who doesn't smile when they see a baby? As we grow older, smiling occurs for many different reasons. We can smile because someone smiled at us, we can smile because we are happy, sad, nervous or even angry (although that is a weird smile to be sure). Depending on the emotion in question, we can sometimes even tell what the person smiling at us is feeling. No matter what you are feeling at any given time, studies show smiling is a good way to change your emotional state and change the way others around you are feeling. If that isn't enough, consider studies also find: smiling increases people's willingness to trust you by about 10%; when a woman smiles at a man he will approach her 60% of the time; 80% of people can fake smiling; smiling produces bigger tips on average for those in the service industries; smiling may help you live longer; and 50% of people will smile back when you smile at them. It makes sense to smile, so remind all employees to do so in order to improve sales opportunities and boost closing rates. Along these same lines, a recent study by Harris found banks are generally doing pretty well when it comes to customer satisfaction. Overall, that is primarily a result of the personal service provided by customer-facing employees. To boost your own bank's performance, leverage the study findings and make sure all employees emphasize friendliness, have good product and service knowledge, are willing to help and are professional. To keep smiling this morning, consider another study by research firm Chadwick Martin Bailey. It found 72% of people surveyed said they received value from community banks vs. only 56% for large national banks. Additionally, the survey found community banks are seen as delivering high levels of customer service. For community banks struggling to capture new customers, a program targeting the largest banks could deliver positive results. Here, the survey found 42% of consumers say they use a large national bank vs. only 13% for community banks. One area the survey surfaced where community banks can improve is in technology delivery. Consumers rated community banks at 55% in performance related to delivering online or mobile banking services vs. 66% for large national banks, so improvement in this area can deliver more results. Another area where you may smile relates to free checking. Many banks have stopped offering it given increased regulatory costs. In fact, a survey by Bankrate finds only 39% of noninterest checking accounts are free to all customers vs. 45% last year and 76% in 2009. Further, another study by CNNMoney found only 17% of big banks have at least one no-fee checking account vs. 58% of mid-size banks and 100% of online banks. Clearly, this is one area where you might be able to make some headway in reducing your costs, but be careful, as customers are hyper sensitive to any fees right now. If you make the move to eliminate or reduce free checking, be sure to double check the competition to see what they are offering as well. You might be surprised at how quickly free checking is going away nationwide - even in highly competitive markets. If you go this route and decide to charge, monthly maintenance fees run from \$2 to \$50, with a median of \$12, according to the study.

# BANK NEWS

## 3Q Earnings

PNC Financial reported 3Q profit improved 11%, driven by higher mortgage revenue and noninterest income. Net income reached \$925mm vs. \$834mm a year prior. Noninterest income rose 23% to \$1.7B; loans climbed 18% YOY (C&I grew 32%, CRE climbed 13%, consumer grew 11% and residential increased 6%); NIM fell to 3.82% vs. 3.89% YOY (was 4.08% in 2Q); and the efficiency ratio was 65%.

## M&A

Pacific Premier Bancorp (\$1.1B, CA) will pay about \$53.7mm to acquire First Associations Bank (\$356mm, TX). First Associations does not accept retail or consumer deposits and only works with homeowner associations and HOA management companies nationwide. The move gives Pacific Premier low cost core deposits and improves its deposit base.

## Odd Timing

Citigroup's board said Vikram Pandit has stepped down as chief executive, effective immediately. He is replaced by the head of the bank's European and Middle Eastern division, Michael Corbat. The surprising move comes just one day after Citi reported stronger-than-expected 3Q earnings.

## Unintended Consequence

PIMCO (the world's largest money manager) is warning investors that the end of the Transaction Account Guarantee (TAG) coverage (unlimited insurance on noninterest bearing bank accounts) may cause a flood of cash to shift into money market mutual funds, increase market turbulence and spark investor concern. There is \$1.4T sitting in bank noninterest bearing accounts and the looming deadline of Dec. 31 has increased concern among businesses. Congress is unlikely to address the issue until after the elections.

## More Competition

Banks should take note of yet another unlicensed competitor in the lending space. Start up Borro has an online personal asset lending platform that offers loans for up to \$1mm secured by personal assets. The program allows borrowers to pledge art, jewelry, antiques, luxury watches, classic cars, fine wine, etc. and loans are offered for up to six months. The loans are designed to fill a gap between high-end retail pawn shops and banks.

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