



CFOs Weigh In On Their Focus For 2018

by [Steve Brown](#) Topics: [strategic planning](#), [technology](#)

Summary: We recently surveyed community bank CFOs to uncover their strategic focus for 2018. Find out how your goals for 2018 compare with those of your peers.

In 2017, there were 250 working days and this year there are 251. That means you have an extra day to make things happen in 2018.

Along those lines, we recently took a survey of community bank CFOs to find out what their strategic focus was this year. As we begin 2018, we thought you may find the results interesting, so we are sharing the top 3 areas of focus.

Acquiring New Customers is the top priority for 2018 is acquiring new customers and upselling current customers. About 92% of CFOs surveyed named this as a top focus for the year. Of course, this shouldn't really be a surprise to bank executives, as customers are the lifeline for growth.

To appeal to the younger and up and coming bank customer, some banks are already rethinking and redesigning the branch. Not only are bankers starting to provide additional services such as coffee bars, meeting spaces and yoga rooms, but they are also integrating technology with human interaction. Touch screens that bring to life favorite tellers have been tested at a few larger banks, including Umpqua Bank and RBS.

While this may not make sense for many community banks, you can still be creative in your approach to acquiring customers. Host an annual family and friends' branch event, and provide centrally located screens with financial information and news perhaps.

Customers are looking for streamlined products and convenience, so community bankers are investing in new technologies to facilitate these developing customer needs and capture more customers. Technology allows your bank to expand beyond your region, while bringing in additional data to mine for greater and more effective customer acquisition. Using the robust data you already have and continue to gather can result in effective and purposeful customer acquisitions.

Cost Management is always on the minds of bankers. That's why 82% of our CFOs surveyed called out this area as the second most important priority. Increasing industry automation means cost management is taken up a notch. As the cost of technology decreases, more automation will likely occur in the banking industry. CFOs are keeping their eye on this as they always look to reduce overhead.

Branch closures may factor into this equation as well, as banks look to digitize more of their services. Interestingly, only 13% of CFOs we surveyed expect to close any bank branches this year. This could be an indicator of a slower and more methodical approach to branch closures than years past. That said, community bankers should know the largest banks are moving quickly here to shutter branches, so keep monitoring this trend as you crunch the data.

New Products and Services round out the top 3 areas of focus for CFOs in 2018. About 80% say this one is all about new products and services. All the bells and whistles of biometrics, AI, electronic

payments and chat bots are starting to make an impression on community bank CFOs.

However, these technologies may not be where the majority of community bankers see their investments go. The important thing is to monitor your customer needs. As has been echoed in several surveys, bank customers would like product and service recommendations and have voiced their willingness to share personal information to get them. Community bankers have a knack for customer relationships, so this area of focus could be easier for you than your larger competitors.

Our survey found 7 key areas of focus for CFOs for this year. We hope you have enjoyed learning about the top 3 today, as you plan for 2018. If you would like to get a deeper look into the top 3 and learn of the other 4 areas of focus for community bank CFOs, we invite you to download our white paper on this survey coming in the end of January. Until then, Happy New Year!

Note: This survey was done prior to the new tax plan. No doubt, community bank CFOs have this as their number one priority for the New Year. We will provide more information on the effects of the tax overhaul in the very near future.

BANK NEWS

AML Update

A survey of executives and boards at banks around the world by AlixPartners finds 63% have de-risked clients in one way or another (cutting off customers due to BSA/AML risk they carry). Banks remain concerned about the potential for regulatory issues, fines and sanctions so they are taking proactive action to eliminate relationships deemed to be too risky.

Tax Impact

Bankers should double check customer exposures to debt given the tax overhaul. That's because interest payments are limited to 30% of EBITDA and beginning in 2022, businesses will no longer be able to deduct depreciation and amortization costs from the 30% test. For businesses, the more debt they have the more this will negatively impact them. Moody's analysis flags technology, health care and aerospace sectors as some of those that will hit the hardest.

M&A Activity

1) Heritage Bank of Commerce (\$2.9B, CA) will acquire Tri-Valley Bank (\$147mm, CA) for about \$31.6mm in stock (100%) or about 1.45x tangible book. 2) LCNB National Bank (\$1.3B, OH) will acquire Columbus First Bank (\$333mm, OH) for about \$66.9mm in stock (100%). 3) Old Second National Bank (\$2.4B, IL) will acquire ABC Bank (\$350mm, IL) for about \$41.1mm in cash (100%) or about 1.19x tangible book. 4) Community National Bank & Trust (\$956mm, KS) will acquire Heritage State Bank (\$140mm, KS) for an undisclosed sum. 5) First State Bank (\$475mm, NE) will acquire The Nehawka Bank (\$15mm, NE) for an undisclosed sum.

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