



## Strategies to Stay Strong Amid Industry Closures

deposits economy customer service customer retention

**Summary:** With two banks closing their doors, and a digital run on other financial institutions, consumers and businesses alike are concerned about access to their accounts. We provide strategies to strengthen your position with your customers, your community, and the financial industry.

In the classic Disney movie “Beauty and the Beast”, when Belle shows the townspeople the Beast’s reflection in the magical mirror, in an attempt to show that he’s harmless, Gaston, the jealous villain of the story, is quick to rally them into an angry mob. With pitchforks and torches, they march toward the Beast’s castle to defeat him. In their fervor, the townspeople don’t realize that the Beast has never posed a threat to them in the many years he has lived in the castle. They just assume that because he’s an unknown quantity who has the potential to harm them that he will.

Many depositors are experiencing a similar fear in the wake of two recent bank closures. Businesses and consumers alike have transferred accounts, made withdrawals, and fretted over the possibility that their financial institution could meet the same fate.

It might surprise most of the worried accountholders that their accounts aren’t in as much danger as they fear. What depositors crave the most is transparency from their financial institutions about the likelihood of their money being at stake. Luckily, community financial institutions (CFIs), being that they are so closely tied to the neighborhoods they serve, are ideally situated to have these conversations with customers. The most helpful step your team can take right now is to tell your own story to your customers and your community.

Here are **four actions you can take to reassure and protect your community’s depositors** right now:

1. **Contact uninsured depositors.** Should trouble knock on your door, depositors whose accounts aren’t insured would be most at risk, as any losses they experience would not be reimbursed by the FDIC. These customers should be at the top of your priority list. Reach out and set up a meeting with each customer, offering to review uninsured accounts with them and discuss options of how to structure their deposits so that they’ll be as protected as possible. For those who aren’t able to make a meeting, virtual offerings, such as a recorded webinar or a podcast explaining how to structure accounts to maximize insured amounts, are also excellent options to circulate and post on your website and social media.
2. **Host a public meeting.** In the same spirit as a town hall meeting, invite your customers, the public, and even the press to attend a meeting at one (or more) of your branches. This gives everyone an opportunity to ask questions in an open format, while also ensuring that everyone in attendance sees the same data and receives a consistent message about your institution. Make sure to invite the press and give plenty of notice to ensure the highest attendance from community members and reporters. For those who aren’t able to attend, you can also offer a virtual format. After the meeting is over, you can then post the meeting to your social media and website.
3. **Provide excellent customer service.** When customers are concerned, the easiest way to make them comfortable is to demonstrate that you care and that they’re in capable hands. Discuss with your team the common questions customers are asking, and prepare helpful answers that everyone is aligned on. Make sure staff has access to this information and that it can be provided at a branch, over the phone, or digitally.

Timely, useful responses will build trust and loyalty with customers, and may help you gain customers that are leaving other institutions that weren't prepared to reassure their patrons.

4. **Emphasize value to the community.** When your community is counting on you the most is the best time to reaffirm and reiterate your commitment to sponsorships, donations, community work, and more. Being actively involved will help show your community that you're there to stay and want to support them.

## Work Behind the Curtain

Of course, there's more to protecting your financial institution's depositors that can be accomplished behind the scenes. Here are **six ways to optimize your CFI's position in the market and even increase performance**:

1. **Assess your deposit concentration.** Consider what the banks that have recently failed had in common — high concentrations of deposits within the same industry. To add another layer of protection to your institution, you can examine what industries your biggest depositors are in. This data can help you determine whether you would benefit from diversifying your customer base.
2. **Talk to your committees about your financial performance.** Keep your management team informed about how your CFI is performing and if you and your team are noticing anything unusual.
3. **Stay in close communication with regulators.** Now is a good time to be proactive and talk to your regulators. Let them know of any changing trends in your deposits, customer behavior, or another customer-related factor. If there aren't any significant changes, that's also valuable to communicate.
4. **Be proactive with stress testing.** The goal of stress testing is to help your institution identify and address unnecessary risk that could leave your institution in an unstable position, should economic conditions lead to strain in the financial sector. Stress testing for the worst market conditions can help reveal any areas of concern in your portfolio, if the market does take an unfortunate turn. In fact, the Federal Reserve recently released its [2023 stress testing guidelines](#) for large financial institutions that are far stricter than in recent years. The severely adverse stress testing scenario being proposed by the Fed involves a global recession, a 10% unemployment rate, and an 8.75% decline in gross domestic product from Q4 2022. In fact, you can even present your stress testing results at public meetings to give a real-time picture of your institution's current financials.
5. **Digital cross-selling to prevent deposit outflow.** Deploying pop-ups and other notifications about exploring other products or setting up appointments to consult with your team can help prevent outflow of crucial deposits. These can be displayed on pages that involve options to transfer funds, along with a strong call to action that lets customers know that your institution cares about them enough to take a personalized approach in order to retain their accounts. You can use this as an opportunity to review the overall account to ensure the depositor is using the most helpful products for their needs and extend special promotions as well. If a customer does open additional accounts with you, this will also increase the stickiness of their deposits.
6. **Advertise future initiatives.** If you have any new capabilities or services in the works, a time of uncertainty is actually ideal to announce them. An institution in trouble isn't likely to be investing in new partnerships or technology. To do so genuinely shows stability, a commitment to providing value to customers, and a focus on the future.

Although financial customers nationwide may be unsettled by the recent bank failures, there are many steps that your institution can take to alleviate this sentiment for your customers. Between making proactive efforts to help depositors and providing a consistent, transparent message to your community, you can strengthen the bonds you have with customers and even draw in more business. If your team doubles down on your value

to the community and takes extra steps to optimize your performance, there's a very good chance you'll reap what you sow.

### STRESS TESTING: TOP-DOWN OR BOTTOM-UP

In this market, it is important to stress test your loan portfolio. We offer multiple approaches that will fit your needs and your regulatory compliance requirements. Quickly stress test your loan portfolio and get pre-exam assistance. Learn more about [stress testing](#) today.

### ECONOMY & RATES

Rates As Of: 03/30/2023 05:37AM (GMT-0700)			
Treasury	Yields	MTD Chg	YTD Chg
3M	4.80	-0.08	0.38
6M	4.92	-0.25	0.16
1Y	4.57	-0.44	-0.13
2Y	4.11	-0.71	-0.32
5Y	3.69	-0.50	-0.32
10Y	3.57	-0.36	-0.31
30Y	3.76	-0.16	-0.21
FF Market	FF Disc		IORR
4.83	5.00		4.90
SOFR	Prime		ORER
4.83	8.00		4.82

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.