



***Strategic Planning:
Meeting Today's Specific Challenges and
Identifying Opportunities for
Minority Depository Institutions***

May 25, 2016

James M. Calhoun, National Bank Examiner



Agenda



Strategic Planning – Challenges and Opportunities

- Everyone has a Plan.
- But is it *really* strategic?



Strategic Planning – Challenges and Opportunities

- **Strategic Planning: Defined**
- **Strategic Planning: Environmental Clarity**
- **Strategic Planning: Frameworks**
 - Key Attributes Of A Good Strategic Plan
 - Common Pitfalls
 - Process Challenges And Key Mechanics
- **Strategic Options**

Industry ..Metamorphosis or Relinquishment?



“If we think back over the last 30 years , we can probably count on a single hand the examples of **bold *strategic* differentiation** in banking.

Mellon’s exit from retail banking, ING’s high yield direct banking model, USAAs military focus, and City National’s focus on entertainment and legal professions. “

Jim Burson, Senior Director, Cornerstone Advisors

Industry ..Metamorphosis or Relinquishment?



“If Coca-Cola  can be disrupted, so can your bank.

Banking is even more vulnerable to disruption than these once impregnable purveyors. **The industry is being pummeled by the same forces of technological change and shifting consumer preferences.....**

as well as regulations that redefine banking in often uneconomical ways and limit the sectors ability to quickly adapt to shifting environments.”

Karen Shaw Petrou, Managing Partner,
Federal Financial Analytics

Industry ..Metamorphosis or Relinquishment?



“The world needs banking but it doesn’t necessarily need bankers.”



*Microsoft Founder Bill Gates – Speech, **early 1990s***

“As recently as 1990, community banks has a 79 percent market share in consumer lending. Today, that share has dropped to just 8 [percent].”

Brian Graham, CEO, Alliance Partners

Change Agents the Past 25 years.....



- Expansion of the Internet. Check 21.
- Technology driven (and accelerating) pace of change.
- Shifting economic drivers (global interdependence, service dependency).
- Generational shifts in customer base & expectations.
- Nonbank competition and market disruptors
Payments. Lending. Wealth Management. Tech.
- The evolution of compliance and redefinition of banking – Dodd Frank, CFPB.
- Shifts in population demographics
- Low interest rates – unprecedented level and longevity, entire balance sheet resets.

Payments Systems...Going...Going ...



- **American Express (e.serve)**
- **Google Wallet**
- **PayPal**
- **Dwolla**
- **2Checkout**
- **Skrill**
- **WePay**
- **Visa (v.me)**
- **Intuit**
- **Samurai**
- **Authorize.net**
- **Worldpay**
- **Eway**
- **Icepay**
- **Braintree**
- **Apple Pay, Samsung Pay**

Historical Bank Services....Slip Sliding Away...



American Express (credit cards, Bluebird prepaid cards, **small business loans**)

PayPal (**small business loans**)

Lending Club, Prosper, OnDeck, Square, Kabbage (**loans**)

GoFundMe, Crowdfunder, Indiegogo (**capital** through crowdfunding)

Mint (personal financial management services)

Wealthfront, Betterment, FutureAdvisor (online “robo” investment advisors)

PayPal, Square, Apple Pay, Google Pay (payment services)

Amazon (payments, **small business loans**)

Historical Bank Services....Slip Sliding Away...



Student Loan Refinancing – CommonBond, Earnest

Point of Sale Loans at Checkout – PayPal Credit, Affirm

Subprime – Avant, ZestFinance, LendUp

Recent College Grads - Upstart

Co-Signer Loans - Vouch

SBA Lending - SmartBiz

Merchant Cash Advance Revolvers - Capify, CAN Capital, Credibly, PayPal, Square

Invoice Finance – BlueVine (fully automated)

Why Is Planning Strategically Essential?



“.....Community banks are facing a crossroads and a threat from alternative lenders. **They say these small banks must “embrace technological change via collaboration,” play to their strengths, and use automation to speed up lending in order to remain true to the traditional banking model while still competing with fintech.**

Brian Hamilton, Sageworks’ Chairman and co-founder
Mary Ellen Biery, research specialist



Why Is Planning Strategically Essential?

Investment in fintech has increased x10 in past 5 years

Private investment in global fintech



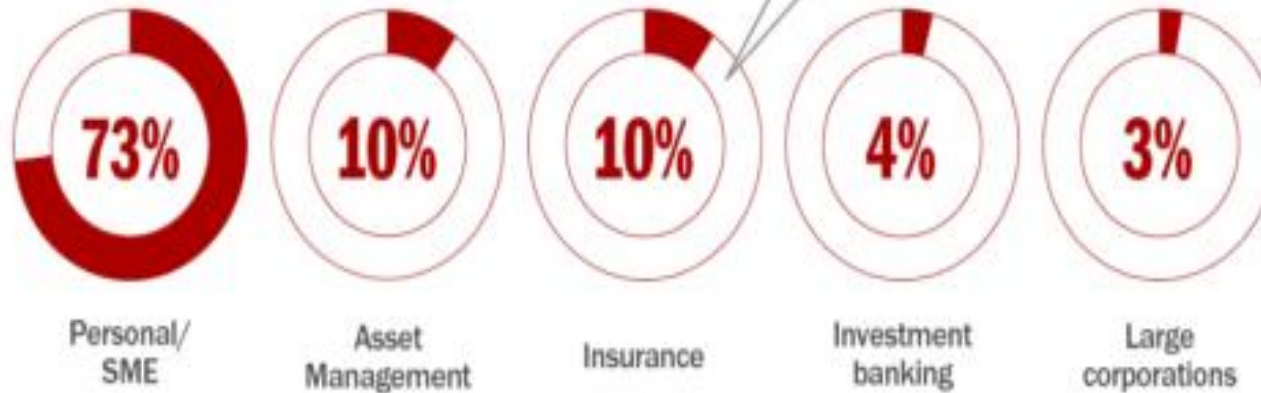
Source: Citi and CB Insights © May 2016 The Financial Brand

Why Is Planning Strategically Essential?



Fintech investment has targeted most profitable banking sectors

Capital deployment in fintech sector



Source: CB Insights, KPMG, Crunch Base & Citi Research © May 2016 The Financial Brand

Why Is Planning Strategically Essential?



- “According to Aite Group, nonbank lenders focused on small businesses [alone] have succeeded in doubling their outstanding portfolio balances every year since the mid-2000s.”
- “SmartBiz” - a 2 year old company that now makes it easier and faster to file all the paperwork for an SBA loan
- If this model is sustainable, how much faster will this service be versus what *you* do now?

Why Is Planning Strategically Essential?



Question: What do you think about these confluences of events?

Why Is Planning Strategically Essential?



- Wal-mart overtook K-mart and became the largest low cost retailer by **redefining** what it meant to be a “store”.



- Auto, steel, manufacturing, NAFTA.....now banking.

The Purpose of Planning Strategically



“The purpose of strategy isn’t [just] to figure out what to do (there will be right and wrong things to do and companies will and should make mistakes), ***but to convince you to act.***”

Frans Johansson, Author,
The Medici Effect



Internal (Proximity) Specific Factors.....

- Long Period of Term Low Rates, NIM Compression
- **Overhead Costs: People/Facilities/Efficiency ***
- Excess Liquidity, Funding Composition
- Inability to Achieve Sustainable Loan Growth
- Credit and other concentrations
- Risk Management, Compliance Costs
- Outsourcing, Vendor Reliance and Management
- ***Capital and/or Operational Constraints***
- ***Expertise to Execute, Expertise to Compete***
- Board and Management Bench Strength

External Environmental Factors.....



“Aftershock” Bubbles

- **Private Debt** (*\$1.4 trillion in student loans*)
- **Dollar** (value is now tied to multiple bubbles economy)
- **Government debt** (interest costs when rates rise – who pays ?)
 - \$8.5 Trillion 1/2006 --- \$17 Trillion 1/2014
 - \$18.3 Trillion 7/2015 --- **\$19.3 Trillion** 5/2016
- <http://www.usdebtclock.org/current-rates.html>
- Add ***auto-financing*** to this list?

“Aftershock” by Cindy Spitzer, David & Robert Wiedemer

Strategic Planning Is Very Important For You...



- MDIs actually have something “distinguishable”:
 - Serving the historically underserved in your communities.
 - Mentoring, counseling, financial management, social support, integration into American society, etc.
- As MDIs, you must:
 - Determine if the original mission is still relevant for you and your customers.
 - Decide if you are still committed to that original mission.
 - Determine how you will make your bank *financially* and *operationally* relevant in order to continue to meet that mission.

Some MDI Specific Challenges



- Historical customer base limited (numbers).
- Customers lack significant deposits and/or wealth (working poor).
- Customer financial literacy not as strong; weak money management.
- Bank is revenue challenged more than the norm.
- Fee opportunity diminished.
- Inability to attract and pay for strong bank talent.
- Higher personnel costs associated with additional roles as counselors, mentors, and community intermediaries.
- Geographic concentration in highly competitive markets.

Overhead Expense Breakdown (OCC Supervised Banks Only)



Overhead Expense Breakdown for MDIs and Non-MDIs, by Asset Size Group

Minority Owned?

■ MDIs ■ Non-MDIs

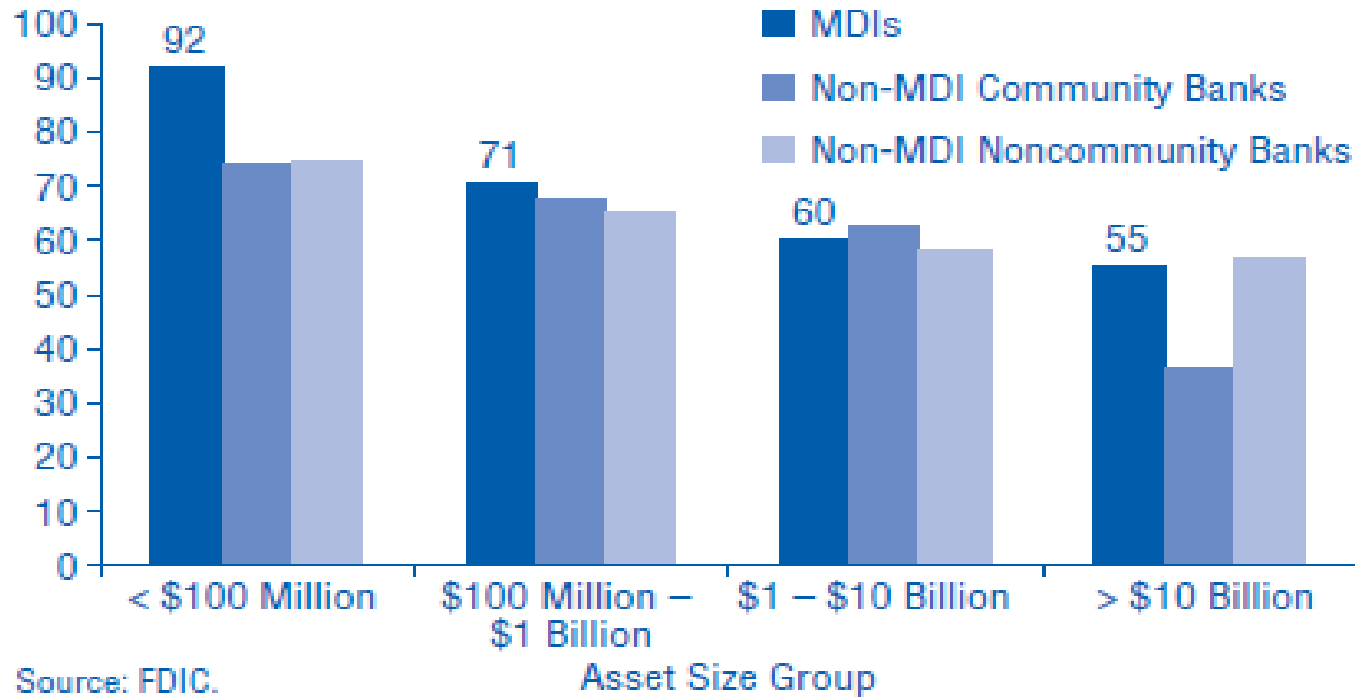


FDIC 2014 Study: Minority Depository Institutions: Structure, Performance, and Social Impact (FDIC Designated MDIs)



The Smallest MDIs, in Particular, Stand Out in Terms of Elevated Efficiency Ratios

Weighted Average Efficiency Ratio for Group, 2001–2013 (Percent)

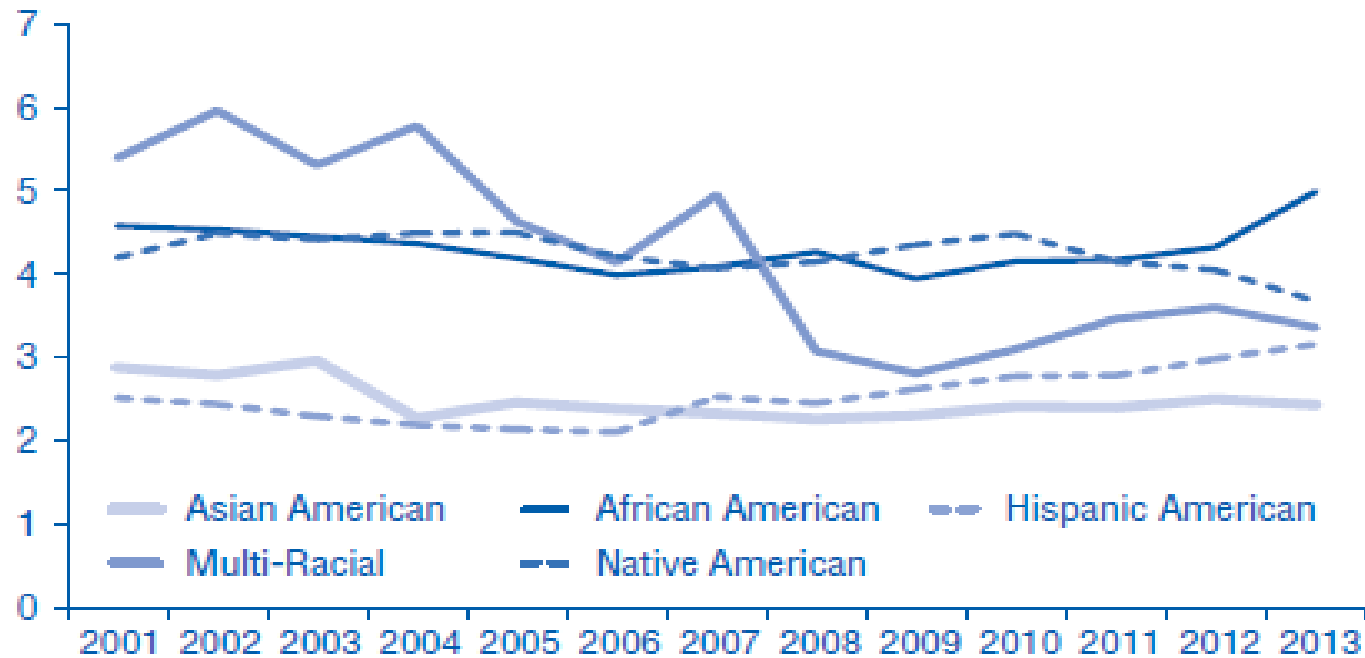




FDIC 2014 Study: Minority Depository Institutions: Structure, Performance, and Social Impact (FDIC Designated MDIs)

Overhead Expenses Vary Widely Across Minority Status Groups

Annual Weighted Average Noninterest Expense as a Percent of Average Assets



Source: FDIC.

Summary of Financial Performance Trends

(OCC Supervised Banks Only)



Financial Performance of MDIs vs. Institutions <\$1B (2007–2015)

	Institutions <\$1B			MDIs		
	2007	2015	Change (Better/Worse)	2007	2015	Change (Better/Worse)
NIM	3.89	3.52	-10%	4.34	3.61	-17%
Provision for Loan Losses	0.07	0.04	-43%	0.10	0.00	-100%
Efficiency Ratio	70.02	74.41	6%	69.39	75.56	9%
ROAA	0.88	0.79	-10%	1.04	0.85	-18%
Tier 1 Leverage Capital	10.36	10.90	5%	11.14	12.32	11%
Noncurrent Loans	0.75	0.78	4%	0.56	0.85	52%
Net Losses	0.06	0.05	-17%	0.03	0.01	-67%
Loan Growth	5.63	4.67	-17%	10.77	4.97	-54%
Long Term Assets to Total Assets	15.74	32.17	104%	14.27	32.23	126%

Minority Bank Earnings by Asset Size

(OCC Supervised Banks Only)



Snapshot of Minority Owned Banks and Thrifts (MDIs)

Asset Size	# Institutions	INT INC (TE) / AA	INT EXP / AA	NET INT INC (TE) / AA	NONINT INC / AA	NONINT EXP / AA	PROVISION LN&LS LOSSES / AA	REAL GAINS (LOSSES) ON SECURITIES / AA	RETURN ON AA
> \$1B	3	3.82	0.52	3.27	1.05	3.36	0.07	0.03	0.91
\$500MM TO \$1B	5	3.95	0.59	3.36	0.76	3.67	0.05	0.00	0.35
\$250MM TO \$500MM	11	3.76	0.42	3.36	0.51	2.96	0.03	0.00	0.90
\$100MM TO \$250MM	17	4.08	0.39	3.60	0.53	3.55	0.00	0.00	0.94
\$50MM TO \$100MM	14	3.44	0.31	3.23	0.64	3.29	0.00	0.00	0.51
< \$50MM	3	3.35	0.28	2.71	0.50	7.26	0.00	0.00	0.64

Why Is Planning Strategically Essential?



Questions about the metrics?



“ Insanity: doing the same thing over and over and expecting different results.”

Albert Einstein

“ You can’t stop the waves but you can learn to surf.”

Jon Kabat-Zinn

“Marketplace Lending was Just What Banks Needed”

Bryan Yurcan and Robert Barba

**“If you don't drive your business,
you will be driven out of business.”**

B.C. Forbes

Strategic Planning is...



- True strategy is about positioning choices (branding), bets and **making hard choices** about the ***unknown, uncertain and uncontrollable***.
- **Planning reduces some uncertainty** about the future and rationalizes the bet.
- Strategic **thinking**, assessing, planning, execution and measurement is about increasing the odds of success on your position or bet.
- Actions and execution that are not picture perfect or to the exact dollar.
- If you are *entirely* comfortable with your strategy, then you may not have a truly **strategic** plan. Some aspect of it should make you uncomfortable, apprehensive.

Strategic Planning is not...



- A long range plan - the major assumption is that current knowledge about future conditions is *sufficiently reliable* and *the environment* is assumed to be *predictable*.
- Financial plan - accounting focused, explicit, comparative
 - annual, quantitative, assuming high environmental stability or
 - financial representation of expected strategic outcomes
- Solely deliberative or iterative. (10% growth)
- **Nostalgia... Complacency...Regulatory intervention.**

How Good Banks Get Better



<p>Planning, Planning, Planning</p>	<p>Strategic planning: focus on the basics</p>	<p>Discipline – stay with what you know</p>
<p>Know more: your bank, market and people</p>	<p><i>What is going on? What is your real challenge?</i></p>	<p>Risk management: good communications and enhanced controls</p>
<p>Superior talent – new people or internal development</p>	<p>Willingness to adapt to changing conditions</p>	<p>Execute, Execute, Execute</p>

INFORMATION SOURCES:

Bankers Participating in OCC's 2008 Strategic Challenges Outreach Forums

The Common Attributes of A Good Strategic Plan



- Reflects values and culture of the organization through a mission and vision statement
- ✓ Is truly strategic (challenge identified, hard decisions made)
- A description of the company's long term goals and objectives
- Defines the plans and criteria for achieving success
- ✓ Inspires change and revision in product, services, markets and execution
- Assists everyone in daily decision making and tactical operations

Finer Points of a Good Strategic Plan



- Establishes your unique and *differentiating* value proposition or asymmetries vs your competitors. Begin with the “end” in mind.
- ✓ Aligns the organization’s activities with its particular environment.
- Executed through operations that provide different and tailored value to its customers.
- ✓ Identifies clear tradeoffs and *clarifies what not to do and why*.
- Focuses and matches activities and resource to activities that fit together and reinforces each other (synergy).
- Drives continual improvement within the organization and moves it towards its long term goals.

Strategic Consideration: Corporate Mindset



What is your corporate mindset?

- “We can’t do it - we have never done it before”.
- “We haven’t *seen* any community banks do it”.
- “We are too different”.
- “We are too small to compete – we don’t have the scale.”
- “Banks I know who’ve tried it, failed”.
- “The fintechs will fail when the cycle turns, just repeal Dodd-Frank.”
- “Let’s figure out if it’s prudent and profitable, then decide if we want to do it.
- **Circa 2016: Are you ready to act BOLDLY ?**

Strategic Planning Process Output: Simply Stated



- What do we want to be? (definition, vision, reason to exist)
- Where are we now? (assessment, competitive advantage, brand)
- Where do we want to go? (decision, brand, promise to customer)
- How do we get there? (business model)
- Who is going to do what? (execution)
- How are we doing? (measurement against objectives and priorities)
- What do we need to adjust? (re-assessment)

Strategic and Tactical Considerations:



- How can you improve revenue or reduce overhead?
- Are you offering the right products and services?
- What do you do best and are you maximizing those attributes?
- Do you know where and how you are making/losing money?
What does your data-mining disclose?
- What value do your marginal products add?
- Do you have the right people with the right skills in place to execute your plan? How much will it cost and are you willing to pay for their skills for the long term benefit of the bank?
- Are there different ways for you to leverage your existing bank talent to build revenue or even foot/web traffic?
- **How are changes in STaR (society, technology, resources) affecting your customer base?**
- Do you target different customers or is there a way to make your existing client base better customers or both?
- **Can you afford to take that calculated risk? Can you afford not to?**

Strategic Considerations: “Eyes Wide Open”



Critically re-evaluate your bank’s business model :

- Corporate structure
- Funding practices, non traditional, non-maturity deposit analysis
- Product offerings
- Customer base: (economic profile, diversity, service levels, responsiveness, relationship, trends)
- Internal business operations and practices
- Overhead – fixed cost structure
- Market Image/Perceptions/Social media comments
- Capital capacity and stockholder expectations
- Risk management practices
- Employee engagement
- *Role or obligation to the community you serve*
- People, people, people
- *“Tone at the top”*

Different Types of Analytical Methodologies



More common approaches

- **SWOT Analysis**
- **Financial Ratios and Statement Analysis**
- **Competitor analysis**
- **Scenario Analysis (i.e. IRR, Contingency Planning)**

Other approaches

- **Driving Forces Analysis**
- **Five Forces Industry Analysis**
- **Issues Analysis** (anticipatory, public policy influences)
- **Product Life Cycle Analysis**
- **BCG Growth/Share Portfolio Matrix**
- **Macroenvironmental (STEEP/PEST)**
- **Value Chain Analysis**
- **Win/Loss Analysis**
- **Premortem Analysis**
- **Structured Self – Critique**
- **Devil's Advocacy**
- **"What If" Analysis**
- **High Impact/Low Probability Analysis**
- **Delphi Method**

Strategic Considerations...



STATISTIC	TODAY	2000
Population	323 million	282 million
US Workforce	151.0 million	154.9 million
Median Income	\$30,234	\$28,381
Median New Home	\$287,673	\$163,944
Not in the Labor Force	94.1 million	79.1 million
US Retirees	49.7 million	
Living in Poverty	46.8 million	

Strategic Options



- Collaboration on back office processes
- Collaboration with risk management functions/share expertise (audit)
- Outsourcing back office or risk management functions
- Partner with a fintech for specific product or service
- Responsible innovation
- Reimage your bank
- Source your competitive advantage
- Bank Service Corporation to prepare mortgage documents
- Cooperative to buy materials in scale for discounts
- Help customers manage income volatility
- Pool resources to finance community development projects



**Let's take a minute to talk
about some of these
possibilities..**

Strategic Options



“The respective strengths of each industry are why I predict more and more marriages between fintech companies and banks. Traditional banks can bring much needed scale, resources and institutional clout to the table for young fintech companies — not to mention customers, lots of customers. The finance industry could replicate the technology that's already out there, but they would be better served by partnering with tech companies and bringing those innovations up to scale.”

René Lacerte, CEO, Bill.com

Industry Disruption or Evolution...



- Chase has partnered with OnDeck to use its technology to provide small dollar loans quickly
- TD, which does not offer personal financial management tools, plans to incorporate the young technology company's money management services into its existing mobile app in the coming months in its Canadian markets.
- ...the partnership of Lending Club and BankNewport...work to regain some market share **for unsecured loans.**
- BancAlliance partnered with Lending Club to gain access to consumer finance “due to its scale and quality of its business.”
- A converted mutual used its new capital to buy retail credit vintages from LendingClub to diversity its loan portfolio

Industry Disruption or Evolution...



Payment Systems Providers Offering Small Business Loans

- **PayPal, Amazon, Square and American Express all offer credit to their existing business customers.**
- The payment firms are taking advantage of a favorable short-term credit environment.
- The other advantages are that they have to process transactions on the lender's network, **the providers have access to all the sales data, and can collect payments instantly.**

Industry Disruption or Evolution...



Increasing Fee Income by Serving Small Businesses Holistically

- Lead Bank, Garden City, Mo. **The aim of the \$132MM bank was to stay relevant.** The bank is differentiating itself by transitioning to an advisor role first approach - offering an array of fee based services – strategic planning, capital raising, bookkeeping to small businesses with loans and deposits incidental to the relationship.

Leverage Other Bank Technology

- One community bank eliminated all its ATMs and paid its customers the surcharge since it was cheaper than maintaining the software and hardware.

Market Disruption or Evolution...



- “First National Bank, South Africa’s third-largest bank by assets, began offering cellphone service to its direct-deposit accountholders last month.
- **Customers who buy the *bank-branded* [SIM cards](#) for their phones can sign on to a single FNB site for their financial and mobile accounts.**
- **There they can pay their phone bills, buy data service packages, and activate international roaming.**
- The offering aims to give customers another ***disincentive to leave.***
- “Prospects for an FNB-style offering in the U.S. may be slim for the time being.
- **Has anyone asked the regulators yet?**

Common Traps to Avoid



- Forgetting that strategic decisions focus on the “uncertain and uncontrollable”
- Cost based thinking. Applying familiar, *comfortable* cost-side approaches to revenue planning as if both are equal.
 - ✓ **Company control costs, customers control revenue.**
- Expecting strategic goals to achieve the accuracy and predictive results of cost planning.
- Capabilities are important but don’t compel customers to your doorstep.
 - **A superior value proposition to your target group will.**
- Confusing deliberative or “fast follower” frameworks as strategic in a *rapidly* changing environment.
- ✓ **Ignoring what your planning process reveals about your company.**

Common Traps to Avoid (continued)



- ✓ Relying on no information, bad information, limited or weak analysis (knowledge based companies in particular).
- Short term thinking. [Added: Fear]
- Not considering “change management” initiatives.
- Being unrealistic about your ability to plan or actually implement.
- Missing the risk management requirements.
- ✓ No or inadequate progress measurement and reporting.
- No accountability.

Common Traps to Avoid (continued)



- ✓ **Not ensuring that you staff understands your strategic direction and poor external communications**
- ✓ **Leadership indifference; managerial complacency. Planning for planning sake. “No fire in the belly leads to a slow death”**
 - **Executive hypocrisy**
 - **If leaders fail to walk the talk, no one else will**
 - **Corporate isolation**
 - **Internal and external disconnects**
 - **Staff apathy, disengaged**

Strategic Considerations: New Product, New Services or New Delivery Channels



- Due diligence: Upside/downside
- Understand the risks, **particularly third party. Mitigate**
- Key risk management functions participate.
- Expertise to ensure appropriate execution and management.
- Realistic plans and appropriate resources.
- Prudent limits (earnings, capital, reputation at risk).
- ✓ **Establish controls prior to launch, test controls during the early part of actual launch.**
- ✓ **Well defined “exit” strategy.**

Strategic Plan Monitoring



Determine Key Metrics: Measure what matters !

- Plan implementation (tactical and operation targets)
- Profitability targets, market share, return on capital, cost management and other management reports.
- Risk control unit assessments
- Bank committee decisions
- Customer satisfaction and value surveys
- Employee engagement, surveys
- Executive engagement
- Change management assessments
- Periodic assumption re-evaluation
- Evaluate strategic issues – redirect, adjust

Source: "Analysis without Paralysis"
By: Babette Bensoussan, Craig Fleisher

Nine Steps to Strategic Success + 2*



- **See the Change. Be Bold. Respond to the Challenge ***
- **Lead with engagement**
- **Build on previous good work and strategic thinking**
- **Use agreed upon terms throughout**
- **Involve employees broadly**
- **Commitment to the long haul**
- **Establish specific, *measurable* goals. S.M.A.R.T.***
- **Develop, set and enforce risk tolerances**
- ***Plan for and manage change***
- **Reward desired behavior change**
- **Maintain momentum**
- **Review Quarterly. Update Annually**
- **Driving Forces Analysis- Revisit Based on Volatility**

Source: "Analysis without Paralysis"
By: Babette Bensoussan, Craig Fleisher

determinative

YOU'RE EITHER
PART OF THE
STEAMROLLER
OR PART
OF THE
PAVEMENT

Strategic Process Support



- **Wide range of consultants**
- **Wealth of literature**
- **Information on legal and corporate precedents**
- **Your own employees**
- **www.free-power-point-templates.com**
- **Your respective regulator**

Sources



- Strategy for Sustainability: A Business Manifesto -- Adam Werbach
- Good Strategy, Bad Strategy – The Difference and Why It Matters – Richard P. Rumelt
- Strategic Planning for Dummies – Erica Olsen
- Analysis Without Paralysis – 12 Tools to Make Better Strategic Decisions – Babette E. Bensoussan, Craig Fleisher
- Critical Thinking for Strategic Intelligence- by Katherine & Randolph Pherson
- American Banker Daily, BankThink
- Bank Director Publication
- BAI Banking Strategies
- Aftershock - Cindy Spitzer, David & Robert Wiedemer
- Bauerle’s Bank Notes - James F Bauerle, Keevican, Weiss Bauerle & Hirsch, LLC
- FDIC.gov



QUESTIONS?



***Strategic Planning:
Meeting Today's Specific Challenges and
Identifying Opportunities for
Minority Depository Institutions***

May 25, 2016

James M. Calhoun, National Bank Examiner



APPENDIX

How Strategically Orientated Are You?



Average Bank	Strong Bank
Day to Day Managing	Future focus
Seat of the pants decisions	Strategically timed decisions
Inward looking	Outward looking
Product oriented	User/Customer Oriented
Activities oriented	Results Oriented
Emphasis on “How to...”	Emphasis on “What if....”
Late follower	Adapts quickly
Primarily Reactive	Primarily Proactive

Strategic Considerations: Bank Success Drivers



- Managing credit and operational risks.
- Finding a niche/value proposition.
- Competing with sound, reasonable bankers
- [Improving processes](#) - bigger factor than simply employing new technology.
- Managing increasing regulatory burden and costs.
 - RMA Risk Management Conference - 2005

Added circa 2015:

- Competing with sound, reasonable bankers and non-banks
- Partnering for technical innovation, operation support, cost reduction

Re-Invention - Operation Hope... Part I



Crisis and Opportunity

- Operation Hope's main benefactor, E-Trade Financial, sharply reduced its funding as part of an overall cost-cutting plan. The decision instantly jeopardized the future of the 11 Hope Centers around the country where Operation Hope did its most meaningful work.
- Rather than search for another corporate backer that would keep the Hope Centers afloat, Bryant saw an opportunity to reimagine the way Operation Hope provided its services.
- The Hope Centers were expensive to maintain even with the corporate support and Bryant wanted to move to a new model with smaller centers in more cities.
- Another problem with the centers is that they are largely located in low-income neighborhoods, so they aren't really on the radar of middle-income families who could also use help managing their finances — especially in the wake of the financial crisis. Bryant's revised business plan addressed the need for both another source of money and better reach.

Re-Invention - Operation Hope... Part II



Crisis and Opportunity

- His idea: ditch the Hope Centers and replace them with smaller offices housed inside bank branches. Operation Hope had operated such a center in a Bank of the West branch in Oakland, Calif., since 2004 and the arrangement had been a good one in that it drove more customers to the bank.
- More than half the 20,000 consumers who had completed financial literacy training had substantially raised their credit scores, many became Bank of the West account holders and nearly 10% became borrowers, says Jenny Flores, the bank's head of community affairs and social responsibility. That's an especially powerful selling point now, when branch traffic is way down and competition for new customers is fierce.
- "We have tangible numbers showing that people coming in are becoming [more viable bank customers] and they are choosing to do business with us," says Flores.

SunTrust has Hope Inside centers in branches in Atlanta, Memphis and Washington, D.C., and it recently committed \$1 million to open several more centers over the next two years. In announcing the grant, SunTrust said that counselors inside its branches have helped roughly 1,700 individuals avoid foreclosure, fix credit problems or prepare to buy homes or start businesses. "The work of Operation Hope is everything we stand for as a company," Rogers says.

Strategic Possibilities.....



FORD TEAMS UP WITH CAR-SHARING TECH COMPANY.

Ford announced a partnership with Getaround, a company with a mobile app that allows city residents to rent out their cars hourly.

Late last week in San Francisco, a 2005 Honda Civic was available for \$7 per hour on Getaround, while a 2007 Porsche Cayman was going for \$23 per hour. Murphy said that Tesla owners are generating \$2,000 or more a month. "Basically any vehicle you want, if you're willing to share it, can pay for itself," he said.

P2P car sharing could affect auto financing in two ways: allowing consumers with lower credit to buy a car, and enabling consumers to buy cars that are more expensive than they normally could afford. It could also reduce the number of cars sold. **From a banker's historical perspective, it could impact collateral values from accelerated deterioration and or accidents.**

But does anyone see any strategic opportunity?

Strategic Considerations to Objectives



ONE CONSULTANT'S TOP 10

- Attract new customers
- Extend liabilities
- Restructure bond portfolios
- Grow wealth management
- Expand remote deposit capture
- Expand branch network (or reduce it)
- Hire new talent (retain/train existing staff)
- Renegotiate vendor contracts
- Clean up your loan process (upgrade technology)
- Convert time deposits to core accounts

American Banker: 10 Big Ideas for Banking in 2015



- [Get Radical in Looking for Revenue](#)
This isn't about making risky loans; it's about being willing to try a whole new strategy. Be proactive about the business transformation ahead.
- [Increase Fee Income by Serving Small Businesses Holistically](#)
Tailoring services to meet small-business owners' needs — from bookkeeping to strategic planning — can pay off in increased fee income now and new loans later.
- [Embrace the New R&D](#)
The research and development process needs to undergo radical change. To remain relevant in the digital age, banks large and small are creating innovation labs, conducting quick beta tests of products early in the development stage and partnering with fintech startups.
- [Build Financial Education Into Your Business Plan](#)
A commitment to financial literacy training can help turn unbanked, cash-strapped consumers into profitable, bankable customers.
- [Look Into Renewable Energy](#)
New York's state-funded Green Bank is helping to finance solar farms and other alternative energy projects that traditional lenders aren't quite ready or willing to fund on their own. Commercial banks can get not only enhanced credit support from the
- [Deal with the Brain Drain](#)
With the mass exit of Baby Boomers looming, make sure succession planning goes far deeper than the C-suite.
- [Create a Single Office to Manage Regulatory Risk](#)
Centralizing reporting and response functions can help banks better spot compliance shortcomings. It's also a good way to foster trust with regulators.
- [Share Data to Thwart Hackers and Address Other Big Challenges](#)
Call it the year of co-opetition. By better sharing data with one another, banks can fine-tune their analysis of credit risk, track money laundering threats and strengthen defenses against cyberattacks.
- [Get the Customer Behavior You Want](#)
A new round of experimentation is applying findings from behavioral economics to the financial lives of poor Americans.
- [Rethink Identity So Personal Data Can Stay Personal](#)
Here's one idea for minimizing the damage from major data breaches: let consumers, not banks or retailers, manage their personal information.

What is an Examiner's Primary Interests



Effectiveness of management and the Board in achieving the bank's strategic game plan (position or bet) without compromising the:

- Adherence to safe and sound banking practices.
- Adherence to the law.
- Fair access to credit.
- Solvency and viability of the bank.

The bank's financial results, reputation as well as administrative, reporting and oversight process should make the above transparent.