



Top 2019 Threats And Challenges

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

Summary: There are many challenges ahead. Yet, when it comes to the top ones, banks are in agreement. We address the top three to start you on the right course in 2019.

A Temenos survey of bank executives identified the following as the biggest threats: new bank entrants (23%), large incumbents (20%), technology vendors (20%), fintech startups (16%) and retail entrants (10%). This is something to think about as you prepare to take on the competition in a brand new year.

While we usually take this time to review major events of the current year, we thought it better this time around to set our sights on 2019 instead. There are many challenges ahead, but when it comes to the top ones, banks are in agreement: deposit growth, loan growth and new customer acquisition.

Consider that 48% of those polled said deposit growth was a concern, and 42% shared similar sentiments about loan growth, according to [BAI's most recent quarterly Banking Outlook research study](#). Meanwhile, 32% cited customer acquisition as a major challenge. Here are some ways banks can meet these complex challenges.

Deposit growth. For years, banks had little incentive to boost what they pay for deposits, but that's changed due to rate hikes. This leaves many financial institutions at a disadvantage from an expense perspective. One possible solution is to look within. Start by gathering data on your existing deposit holders and analyzing metrics such as demographics, profitability and the broader customer relationship. Using this information, you can try to predict which customers may be more sensitive to interest rates, identify their banking needs, and take a more targeted approach to ensure their business is retained at the best cost possible.

Loan growth: Certainly, relationship-based lending continues to be a focal point. Banks should carefully consider their existing portfolio and whether there are opportunities to expand reach through current customers and referrals. Beyond that, continue to look at ways technology can streamline your processes to make things move faster and cheaper. Some banks are exploring partnerships with fintech companies, others are seeking loan growth in niche areas and still others are seeking to add to organic teams. One Boston-based community bank, for instance, has developed a specialty in yacht loans, while a bank in MT has a special focus on government-enhanced loans for companies seeking to expand their facilities.

Customer acquisition: Sometimes banks make the mistake of thinking they have to offer the newest or the coolest thing to attract customers. Focusing on the simple, basic needs of customers could be a better way to go. For instance, checking accounts continue to be a primary driver of new business. After all, people who are just getting started in their careers, entrepreneurs and other customers need checking accounts to transact business. Another way to win business is to focus on customer convenience. Accessible ATMs and 24-hour service online or via mobile phone are a given these days. Basically, whatever you can do to make your customers' lives easier, they'll appreciate.

Everyone loves a good challenge, as the saying goes, so we urge you to embrace these as you prepare for 2019 from a position of strength.

Happy New Year to all!

ECONOMY & RATES

Rates As Of: 12/31/2018 11:29AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.35	0.01	0.98
6M	2.48	-0.04	0.95
1Y	2.60	-0.08	0.86
2Y	2.49	-0.30	0.60
5Y	2.51	-0.30	0.30
10Y	2.68	-0.30	0.28
30Y	3.01	-0.28	0.27
FF Market	FF Target	Fed Disc	
2.40	2.50	3.00	
SOFR	Prime	Unemp	
2.46	5.50	3.70	

[More Market Rates](#)

BANK NEWS

Banking Downgrade

Investment banking firm [Keefe, Bruyette & Woods \(KBW\)](#) is [downgrading its view of the banking industry](#). Reasons cited include the impact of higher interest rates and competition on funding, ongoing trade wars, slowing economic growth, weaker loan growth and a flattening yield curve.

CECL Regulation

[Bank regulators adopted a final rule](#) to address changes to loan loss accounting under CECL. The rule will allow banks to phase in over a 3Y period the adverse effects on regulatory capital from adopting CECL.

New Disclosure

The [SEC has approved a rule](#) that will require companies to disclose whether executives and directors have hedging contracts protecting their compensation from their own company's weak performance. Companies have until July 1, 2019 to disclose their policies on whether employees and directors can engage in transactions that are intended to hedge against declines in their own companies' stock.

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