

Breakout 2: **Strategy Oversight**

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#BBTF24



Strategy Oversight

Bank Director. Bank Board Training Forum- Nashville, TN



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Flow of today's discussion

- High level discussion of the banking environment today
- What drives success in community banking?
- Board's role in a strategic plan
- The need to be flexible



Current banking environment

Predicted challenges in credit quality as fixed rate loans come do through 2026 and expected increases in unemployment rates rise

Early 2024 indication was “higher for longer” interest rates would put pressure on deposit costs, outweighing revenue growth, and increasing credit losses would result in declining earnings of 12% for the year

ROAE dipping to less than 10% in 2024

Strategy focus will remain on deposits / liquidity

Source: April 2024 research and analysis from S&P Global



What makes a community bank successful?

AOBA* highlighted a few 'darlings' in 2022

Early 2024 podcast* also had a focus on a bank < 20 years old and its success

Themes:

- Blending technology with core banking – breaking out of the limitations of geography in some cases
- Disruption- finding a niche where the largest banks don't see value, but scale would make it attractive (i.e. SBA lending)

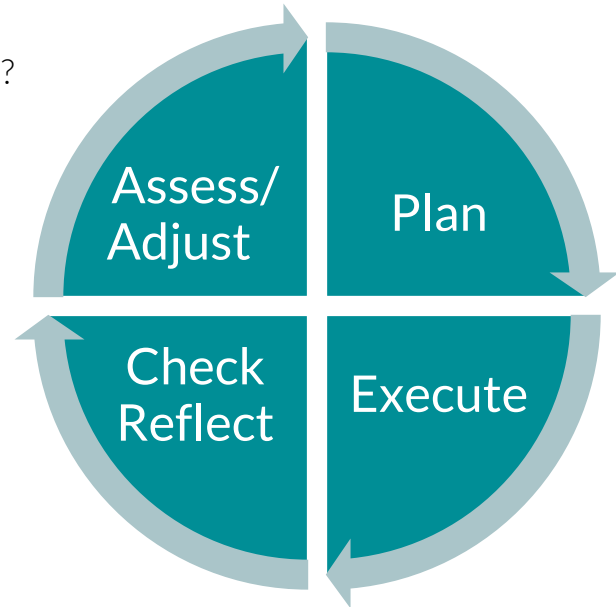
*- We don't have permission to reference their material, so banks will go nameless



Topic: board governance of Strategic Planning.

All strategic plans tend to look the same with three major parts:

- o Established vision statement
 - o What do you want to be at a point in time?
- o List of initiatives
 - o New markets, new products, new technology
- o Execution
 - o Tie into the financials: budget / investments/ return





Vision vs Strategy

Being the most profitable bank is not a strategy- it is a vision

Experienced board members can help drive vision!

Strategic sessions often get's confused- it is *the way the organization will achieve its vision*: “*We will become the most profitable bank by.....*”

Board members certainly approve & support strategy

Monitoring success involves accountability and focus on the measurable aspects of the strategy – the success is defined by the accomplishment of the vision!

Board members can drive a level of accountability



Balance: the need to be flexible

Emerging topics

Artificial intelligence

Banking as a Service (BaaS)

FinTech

Mergers and acquisitions

Organization specific matters

Budget

People

Reaction to market pressures

Interest rates

Access to capital

Commercial Real Estate

Changes to regulatory environment



Thank you



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