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Zero In on Your SWOT

Eight new tips on the traditional strategic planning process

By Cathy Ghiglieri

Strategic planning has always been an important function of the board of directors, but it takes on an even more critical role when under the regulatory microscope. The strategic planning process can take many forms, such as the traditional strengths, weaknesses, opportunities and threats analysis (SWOT), but ultimately a bank's executive leadership and board of directors have to decide where the bank should go in the next five years and how to get there.

Regardless of the specific strategic planning process used, the bank's leadership will have to analyze the internal and external factors that will impact its goals. Consider these eight timely factors when developing your community bank's latest strategic plan.

1 Risk culture. A strategic plan should articulate the bank's risk culture. It should define the degree to which a bank is willing to take monitored and controlled risks.

2 Enterprise risk management. Risks should be quantified across the entire bank. The results should be factored into the strategic planning process and should identify where excessive risk has been taken or where excessive risk could be taken because of lax controls. A bank may decide to reduce its risk profile in certain areas after considering the results of the enterprise risk management review.

3 Capital. As of Jan. 1, 2015, Basel III has required banks to hold more capital against their assets, including a phased-in capital

conservation buffer of 2.5 percent. Banks also must track their common equity Tier 1 capital, Tier 1 capital, total capital and their leverage ratios. Trust preferred securities are being phased out as capital, which may require new injections of capital.

4 Regulatory compliance. The cost of compliance with banking laws and regulations can affect a bank's profitability more than almost any other item. The following deserve particular attention in how they will affect the bank: 1) fair housing laws, including the recent U.S. Supreme Court opinion upholding the disparate impact theory of liability, and how the bank prices its loans; 2) Bank Secrecy Act compliance; and 3) TILA-RESPA Integrated Disclosure rule implementation and the impact on the new mortgage business.



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5 Interest rate risk. Interest rates have been low for many years and the general consensus is that interest rates are going to rise. Strategic planning should consider the impact rising interest rates would have on a bank's net interest margin and on overall profitability.

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6 Data security and cyberterrorism. Community banks have increasingly become the targets of cyberterrorism, including unauthorized wire transfers. Data security and thwarting cyberterrorism are timely topics for strategic planning.

7 Succession planning. Many board members and executive managers made a commitment to stay at their banks through the economic downturn and now are looking to retire. Management and board succession are particularly important in strategic planning.

8 Changing marketplace. Generation Y's dependence on mobile devices, Internet products and social media is changing the way banks market their products to customers. 

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