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fintech sector. More than three-fourths (76%) of bank respondents said they fear new payment and money transfer platforms, like ApplePay, PayPal, Stripe, and Venmo, ...

Mar. 05, 2020



Banking leaders are increasingly confident about their future. Promontory Interfinancial Network's proprietary Bank Confidence Index reached its highest point since it debuted five years ago, according to its fourth quarter Bank Executive Business Outlook survey released today.

The Index, which is based on expectations for access to capital, loan demand, funding costs, and deposit competition for the 12 months ahead, measured 52.9,

climbing nearly three points since the previous quarter. The survey was based on

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new payment and money transfer platforms, like ApplePay, PayPal, Stripe, and Venmo, more than any other type of fintech competitor. Half expressed a high level of fear.

Bankers were split on whether they should fear specialty lenders like Earnest, Kabbage, and Quicken Loans/Rocket Mortgage, with 47% expressing mid or high levels of fear and an equal number signaling a low level of fear. Only 6% of respondents said they had no fear at all from such firms. Online investment/advisory platforms like Betterment, Personal Capital, and Wealthfront also warranted concern from bankers, with 41% expressing a mid or high level of fear. Half said they had a low level of fear.

Other Findings:

- **NEWS SOURCES**— More than three in 10 said their first read in the morning is a cable TV network's website, like CNN, CNBC, or Fox Business, while approximately one quarter (26%) said they look to print or online versions of the *Wall Street Journal*.
- **GROWTH & ATTRACTING NEW CUSTOMERS**- In the survey, bank respondents were asked questions about growth strategies and how they attract new customers. Six in 10 (60%) said their banks are looking to enhance online and mobile banking features amidst a high level of competition for retail deposits. Slightly fewer than half said their banks are looking to diversify funding sources (44%) or to create/reconfigure existing deposit products (44%).
- **BANK EXPERIENCES & OVERALL ECONOMIC OUTLOOK**- On the metrics that make up Promontory Interfinancial Network's proprietary Bank Experience Index (access to capital, loan demand, funding costs, and deposit competition compared to 12 months prior), results showed a level of 51.4, an increase of nearly four points from the previous quarter. Respondents' views of how overall economic

conditions affected their businesses in the previous 12 months—and how they

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FUNDING COSTS The biggest change came in respondents' views of their banks' funding costs. Only about four in 10 (43%) reported higher funding costs over the prior 12 months. This was down 18 percentage points from the previous quarter and down 48 points from Q4 2018. To the contrary, a different 43% said their banks' funding costs had decreased in the fourth quarter of 2019 compared to 12 months prior. This translated into a 20-point increase from the previous quarter and a rise of 40 points from Q4 2018. The percentage of respondents predicting a decrease in funding costs in the coming 12 months fell 14 points from the previous quarter to 37%. The entire 14-point decline was offset by a 14-point gain in those who indicated that they expect funding costs to remain the same (43%). Only two in 10 (20%) projected funding costs to grow over the next 12 months.

- **LOAN DEMAND**- More than four in 10 (44%) saw an increase in loan demand compared to 12 months prior, a three-point rise from the previous quarter and a one-point rise from the fourth quarter of 2018. One in four (25%) saw a decrease in loan demand (10 points less than the previous quarter). Three in 10 (31%) said loan demand was about the same. Looking to the future, 48% predicted an increase in loan demand in the next 12 months, an 18-point increase from the previous quarter and a nine-point increase from Q4 2019.
- **DEPOSIT COMPETITION**- A majority (55%) said deposit competition had increased compared to 12 months prior. This was only a slight dip from the previous quarter but a 31-point drop from Q4 2018. A similar majority forecasted that competition would increase in the coming year (56%) – far fewer than the 82% who felt that way at the end of the fourth quarter of 2018. More than four in 10 (41%) said that they expect deposit competition to be the same in 12 months. Only 3% reported expecting a reprieve.
- **ACCESS TO CAPITAL**– Overall, a majority of respondents (78%) said their banks' access to capital remained steady compared to 12 months prior, and an even higher number (80%) predicted it would remain the same in 12 months.

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