

**2010 Quarterly Newsletter**

**FROM THE CEO**

**HOW ARE WE DOING?**



As of July 30, 2010, there have been 108 banks that have failed. Last year we saw 140 banks fail and in 2008 we saw 25 banks fail. We have only seen 3 new charters issued, versus 31 in 2009 and 98 in 2008. There have been 37 mergers to date, versus 179 last year and 293 in 2008. There are 775 banks on the “problem” list, versus 702 in 2009 and 252 in 2008.

*So, what will the future bring?* Who knows!

No one can predict where we will be at the end of the year. Some predications floating around are:

- 18 banks to go in California in 2010 (6 have been closed already this year)
- 60% + of the banks in California will be under an enforcement order in 2010

***What can you do?***

First and foremost listen to the Regulators. Not only listen to the regulators, but act on what they tell you. Don’t ignore what they say. Secondly, don’t make the regulators mad at you. You are guaranteed this will only lead to heartache and may even lead to pursuing a new career outside of banking.

*Ruth Razook, CEO*

**Inside this issue:**

From the CEO.....	1
How are we Doing?	
Did You Know?.....	2
Mergers & Acquisitions	
Due Diligence	
Mobile Banking.....	3
An Industry Update	
On the Funny Side Up.....	5
Cosultant Spotlight.....	6
Good Luck Cathi Wickham	
Coming Events.....	8
How to Contact RLR .....	8

***What the Regulators are Saying- An Update for Clients***

We recently had the opportunity to spend some time with the Regulators, across agencies, and thought we could share some of the conversations and top-of-mind topics with our clients. We are planning to have a **conference call** for all that want to attend as follows:

**Friday, August 13<sup>th</sup>**  
**10:00am-11:00am Pacific Time**

Please email Alicia Palu at [Alicia.palu@rlrmgmt.com](mailto:Alicia.palu@rlrmgmt.com) , and let us know if you would like to attend and we will send you call in information.  
***There is no charge for joining us!***



## Did You Know?

RLR has successfully managed roughly a half dozen mergers and/or acquisitions over the past year, as well as headed several due diligence activities.

**We have successfully focused on the following for our clients:**

### Due Diligence

- Accounting and Financial Reporting
- Loan Portfolio Analysis
- Operations
- Information Technology
- Contract Reviews
- Treasury Management
- Staffing Analysis
- Risk Management

### Mergers & Acquisitions

- Project Management
- Data Mapping
- Testing

If your Institution requires assistance with the Due Diligence Process or with supporting a Merger or Acquisition, we can help. Please contact John Neely, Executive Vice President of Sales and Marketing at [john.neely@rlrmgmt.com](mailto:john.neely@rlrmgmt.com), or send your inquiry to [info@rlrmgmt.com](mailto:info@rlrmgmt.com).

## MOBILE BANKING – AN INDUSTRY UPDATE

We recently had the opportunity to present an overview of the state of Mobile Banking to the OCC IT Examiners at the central district IT conference in Chicago. Below is an excerpt from the overview of what we presented. Hope you find it interesting!



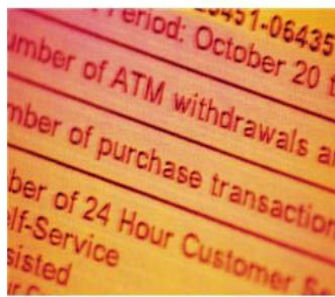
### State of the Industry:

- **Worldwide Stats:**

- In 2009 half a billion people accessed mobile internet worldwide. Usage is expected to double within five years.
- SMS is still king of mobile messaging with five trillion messages sent in 2009.
- In 2010 it is projected that there will be more than 5 billion mobile subscribers (over 70% of the world population, led by China and India).
- By 2011, over 85% of new handsets will be able to access the mobile web.
- In 2014, up to 50% of the world's mobile subscribers could be making payments by mobile.
- By 2015, there will be around 1 billion people accessing financial services by mobile.
- There are more mobile internet users in China than any other country.

- **United States Stats:**

- In 2007 there were 1.1 million mobile banking users.
- In 2008 there were 4.6 million mobile banking users.
- In 2009 there were projected to be 10.4 million mobile banking users.
- In 2013 there are projected to be more than 53 million mobile banking users.
- 85% of the population (more than 255 million people) have mobile phones.
- 50% of SMS users are aged 35+, and 75% are aged 25+.
- Smartphone devices represented around 10% of the global mobile phone market by units in 2007, with annual growth of 60% making them one of the fastest growing segments of the technology industry.
- Text messages are read by 94% of their recipients (not sure the other 6% know how to text message!).
- 18 to 34 year-olds are the highest adopters of the Smartphone.



- There were projected to be 614 banks offering mobile banking in 2009, compared to 245 in 2008.

- There are currently no projections for 2010, but industry experts say it will probably double.

- Other statistics:

- There are 1.6 billion bank accounts worldwide -

- There are 4 billion cell phone users -

- Most mobile banking strategies today are a result of Banks extending their Internet Banking services to their customers.

- Banks need to take a more strategic look at mobile banking rather than just simply adding a new service.

- **Study from IDC Financial Insights (2009):**

- Survey of 14 U.S. Mobile Banking solution providers.
- When asked the most important initiative to the success of mobile banking, the most cited answer was “expanding current features and functions”. Payment initiatives were second, followed by security enhancements, carrier partnerships, and the development of a common platform.
- Balance information was cited as the number one type of mobile banking transaction.
- Transfer fund requests were second and appear more common than reviewing specific transaction information, indicating customers realize the benefit of two-way mobile banking – not just getting information, but being able to act upon it.
- Over half of the suppliers surveyed feel that the U.S. adoption of online banking is slower than global adoption.
- The market potential is significant. As the economy recovers and the digital generation continues to enter the workforce, the demographics suggest the United States will be a fast follower to the rest of the world.

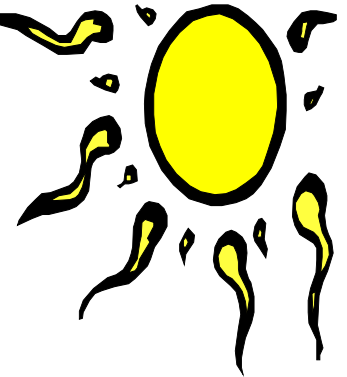
- **Study from IDC Financial Insights (July 12, 2010):**

- New survey states that mobile banking has seen an increase in usage and in institutions offering the service in the last year – in fact, reported mobile banking usage has almost doubled since last year’s survey.
- While mobile banking may have finally turned the corner with customer acceptance, it is not a mainstream channel and in order to be successful, financial institutions need to be strategic about their mobile offerings.
- Greatest challenge continues to be that it introduces a new cost structure without providing opportunities for revenue.
- Customers have become accustomed to having more for free, and the convenience of mobile banking does not appear to be something that people are willing to pay for.
- The report summarizes key findings from 1,008 U.S. adults aged 18 and older surveyed.
- Key findings include:
  - Usage was up across all channels, requiring bankers to manage more transactions across an ever-expanding portfolio of delivery options.
  - The financial services industry should leverage its branch network to compete against potential nontraditional entrants that lack the brick and mortar infrastructure.
  - SMS is the most popular form of mobile banking.
  - Customized alerts and payments outside the network are gaining in popularity, while check image viewing and obtaining rate information appear to be fading.
  - Demographics for mobile banking customers were skewed toward a younger male audience, but all demographics are showing usage.



On the

# Funny Side Up



## RULES OF PROJECT MANAGEMENT

Here are some fun tidbits to remember when planning and executing a project. ...ANY project. We hope you enjoy!

### 1. Project Planning:

- A badly planned project will take three times longer than expected - a well planned project only twice as long as expected.
- The more you plan the luckier you get.
- There is such a thing as an unrealistic timescale.
- It takes one woman nine months to have a baby. It cannot be done in one month with nine women.
- At the heart of every large project is a small project trying to get out.
- If you don't plan, it doesn't work. If you do plan, it doesn't work either. Why plan!
- The nice thing about not planning is that failure comes as a complete surprise rather than being preceded by a period of worry and depression.

### 2. Project Team:

- Everyone asks for a strong project manager - when they get them they don't want them.
- If you're 6 months late on a milestone due next week but really believe you can make it, you're a project manager.
- The person who says it will take the longest and cost the most is the only one with a clue how to do the job

### 3. Project Communication:

- I know that you believe that you understand what you think I said, but I am not sure you realize that what you heard is not what I meant.
- What you don't know hurts you.
- A problem shared is a buck passed.

### 4. Project Monitoring and Execution:

- Good control reveals problems early - which only means you'll have longer to worry about them.
- No project has ever finished on time, within budget, to requirement - yours won't be the first to.
- Warning: dates in a calendar are closer than they appear to be.
- A two year project will take three years, a three year project will never finish.
- The sooner you get behind schedule, the more time you have to make it up.
- A project gets a year late one day at a time.
- Some projects finish on time in spite of project management best practices.

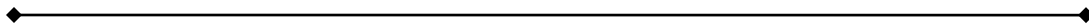


**This section of our newsletter is typically utilized for highlighting our consultants, their backgrounds, and accomplishments. We reserve the spotlight this time to acknowledge and provide best wishes to Cathi Wickham, who after 14 years with RLR, has chosen a new path.**

With a sad heart, RLR says goodbye and good luck to Cathi Wickham. Cathi took a leap of faith leaving the security of working for a bank in 1996 (when it was secure) to come and work with me. She has been a steady and unwavering employee, and influential in the success of RLR.

The time has come for Cathi to join forces with her husband, Joe, in his business venture. She has juggled both jobs for a long period of time and now it is time for her to give it her all. We wish Cathi and Joe only the best and say “Thank You” for all the years she gave to RLR.

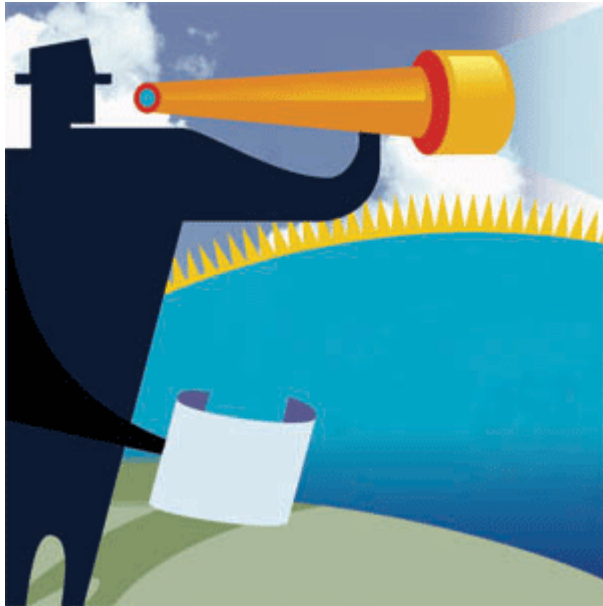
*Ruth*



**A quick update on what our clients are saying...**

“ RLR was instrumental in assisting us with successfully managing the integration and system conversion for a large acquisition. RLR delivered seasoned consulting resources who provided subject matter expertise and exceptional project management. We recommend their services to Financial Institutions who, in particular, are looking for an outstanding business partner to assist with their merger/acquisition ”

***Karen Fukumura***  
*EVP, Head of Retail Banking & Technology*  
*East West Bank*



## **Education Summit & Expo**

### **Building Value for Community Banks: Ideas, Innovation & Inspiration**

**The HR & Training Forum, CFO  
Conference and Technology & Security  
Summit is now part of the Annual  
Education Summit & Expo**

**November 11-15, 2010  
Planet Hollywood Resort & Casino  
Las Vegas**

The Summit is a 5-day Conference featuring tracks for CFOs, Investments, Risk, Tech, Security, Operations, Compliance and HR & Training. This event gives you the flexibility to tailor a program that meets your professional development needs, while also supporting the goals of the bank. Our program will give you an edge in the current, tough environment so that you and your bank may emerge stronger.

Tracks are 2-3 days. Attendees can register for just one or several days and multiple people from the bank are encouraged to attend. Like past annual conferences, this event showcases outstanding speakers and peer group sessions for great interaction. An expanded trade show offers the opportunity to visit with more vendors and for various departments within your bank to learn about products and services.

#### **Ruth Razook will be speaking and participating as follows:**

Information Security Risk Assessments – Lessons Learned – November 11, 11:30 – 12:30

Moderating a regulatory panel – November 12, 3:45 – 5:00

Implementing an Operational Risk Management Program – November 14, 1:15 - 2:15

**Come and join us!**

**Sign up now at [www.wib.org](http://www.wib.org)**



RLR Associate Consultant, Richard Aubrey has written an article for the Sept/Oct WIB Magazine: **A Brief History of Liquidity Crises...on Community Banks**. We hope you have the opportunity to view this article.

◆—————◆  
**Where RLR will be:**

## Conferences & Exhibits

### *RLR is attending:*

- 9/19-22 **CIB 20th Annual Convention**-Montage, Laguna Beach, CA
- 11/11-11/15 **Education Summit & Expo**-Planet Hollywood Resort & Casino

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