

RIGHT AROUND THE CORNER

by [Steve Brown](#)

Let's face it – most banking conferences just plain stink. Bankers attend them in hopes of finding ways to improve their institution. Unfortunately, they inevitably end up sitting through generic (and often repetitive) speeches on inane subjects, while being forced to sit next to someone who either snores, or has an affinity for garlic and likes to talk. Our conference is designed to be different because it is educational, interactive and specifically oriented to assist independent banks in the coming year. That is also why every year over the past 7 years, more and more bankers attend. To sign up, go to our sister company's web site at www.pcbb.com, scroll down to find the button entitled "2007 Executive Management Conference" and click to register. We just finished updating the agenda and have included topics specifically designed to interest and educate the CEO, President, CCO and CFO. Any and all of these key executives would benefit from attending and all are welcome. Here is how the conference breaks down. Things begin on Sunday, with three hands-on workshops focused on forward-testing 5 specific ideas for boosting profitability in the upcoming year; understanding how slight modifications to lending practices can deliver a 30% risk-adjusted ROE; and working through 5 specific ways to reduce funding costs. Banks that attend the workshop sessions will leave with a detailed roadmap of pre-tested ideas they can immediately implement to improve their bank's performance. Following the workshop, the main conference kicks off on Monday with a full slate of topics. These include an update on 2007 bank trends (including strategies top performing banks are using to boost profit and increase loan/deposit opportunities), an explanation on the economy and key drivers to watch (from a major Wall Street economist), a discussion of specific products banks are rolling out (including risks and rewards of each), a detailed discussion of how banks are using profitability tools to boost performance (and which drivers are critical) and an evaluation of 4 investments that make the most sense in the current economic environment and why (just in case loans are harder to originate than expected). Tuesday's session is just as packed, with topics including explaining and pricing various capital-raising options, originating long-term fixed rate loans but participating away the interest rate risk, providing 5 key steps banks can take to meet the new regulatory guidance on CRE concentrations, understanding and improving the methodologies behind loan loss reserves to meet new regulatory guidance (with specific examples), what to expect from the regulators in the coming year (specifically including areas most likely to see a crackdown), and how to price a loan to win the deal and book a high risk-adjusted return (with multiple examples). Finally, Wednesday closes things off with 5 specific funding strategies to reduce costs and increase liquidity, as well as a session on how a panel of equity analysts separate top performing banks from the rest of the pack. Oh yeah, along the way there will be plenty of food (and mints) provided, networking will be encouraged and increasing profitability will be the primary focus. While the conference has a golfing theme, it is also entirely facetious, so leave your clubs at home and prepare to work hard. The calendar pages are turning, so register now.

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BANK NEWS

Flat World

Banks wondering why the 10Y Treasury yield is so low should note the amount of foreign money financing U.S. domestic investment has risen from 7% 20Y ago to a whopping 32%. With global yields about 100bp below ours, that amount is expected to continue to expand even further next year.

Competition

A new study finds Wells Fargo now hosts 800k active online small business customers, a 24% increase from the end of 2005. In a sign Wells and other national bank competitors are serious about acquiring the small business customers of independent banks, note that they now offer such services as free payroll, transfer money, monitor invoices, post accounts receivable or payable, make deposits, pay taxes, view accounts in other institutions, manage loans, get email alerts on transactions and more, all via the web.

Getting Worst

The MBA reported that late mortgage payments jumped 6% (to 4.67%) in the 3Q, the worst level in 2Y. Subprime borrowers, meanwhile, saw delinquency rates of 12.56%, the highest in more than 3Y. Analysts blamed a delayed impact from rising interest rates.

Employees

The latest Manpower Inc. survey finds 23% of businesses plan to add workers in 1Q of 2007, 11% expect to reduce headcount and 60% anticipate things will remain unchanged to current levels.

Portfolio Restructure

CoBiz Inc. (\$2.1B, CO) said it will take a \$1.1mm charge in the 4Q as a result of restructuring its investment portfolio. The bank sold securities in an effort to boost its net interest margin.

Portfolio Restructure

BB&T (\$122B, NC) wrote off \$75mm on the sale of \$2.5B in securities in the 3Q, citing "changing market conditions." The bank said it has replaced "substantially all" of the assets with higher yielding ones.

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