

REPORTER ON THE SCENE AT THE EMC - DAY 2

by [Steve Brown](#)

Yesterday we gave you a snapshot of Day 1 of our Executive Management Conference (EMC) being held in San Francisco. We noted that while we love this beautiful old hotel, there is a complete absence of coffee at 5am. Unfortunately for our readers, that's exactly the time we write this publication. Once we found some coffee, drank a full pot and then re-read yesterday's missive, we found we had left in some typos. Let us say we apologize (as we always try to be professional) and we know no one wants to "boos" profitability.

As for our conference, while the speakers always have terrific things to offer, we also find some of the best information comes from talking to the bankers, as we wander around receptions.

One banker from the Midwest noted that things were going well for his bank, but said agriculture was the primary driver of the economy in his market so he had concerns. The amount of rainfall can have a major impact on the bank's profitability and that was worrisome. Luckily for the bank, having a strong presence in the community helped when weather cycles were less friendly - pointing once again to the strength of the community banking model.

Meanwhile, another banker from the Southwest pointed out an economic boom related to the oil industry in his area was providing strength. High oil prices and low unemployment were the result and he could not have been happier. Given those components, his banks had also found some C&I lending opportunities with smaller oil service companies in his area.

These conversations remind us that by nature, community banks are not diversified because they operate in smaller markets. It also reminds us that community banks are incredibly important to their communities. To thrive, community bankers have learned to keep a personal and very close market presence with their best customers. Doing so helps when economic cycles become rough no matter when they surface.

As for our speakers, the day began with Ken Rosen, the guru of commercial real estate (CRE) and a consultant on the subject to 7 of the top 10 banks. We wanted insight for community bankers and he certainly provided it. He noted a long-term structural change in office construction was occurring, given so many people were now working from home or using collaborative spaces. He noted bankers in the audience should expect to see a permanent reduction in the need for traditional office space. Even in tech-heavy San Francisco with low vacancy rates, he warned it just didn't make sense to build office towers. He pointed out companies want campus environments now, so once again technology leads a paradigm shift.

Nino Petroni followed Ken and as the CCO of PCBB joined in with a focus on C&I lending. He focused on specific techniques community banks were using to boost (see we can spell it right) opportunities in the sector but also with an eye on the risk and structural issues it can produce.

Greg Judge then showed community bankers specifically how to reduce their funding costs and offered some eye-opening statistics on how much banks can save annually (run the math on your own deposit portfolio). There is still plenty of room here to support profitability, delay branch closures,

pay for new systems and generally benefit the bank, as with a few basis points reduction. For a \$500mm bank and a dedicated team, he showed how this bank could capture \$501,000 annually.

Finally, no conference would be complete without a scary risk management presentation and Steve Baca (Chief Risk Officer) did not disappoint. Actually it wasn't scary at all, as Steve focused on concrete ideas bankers can use to recognize and manage areas of risk within the bank and how doing so can even open up more opportunity.

We will end this series tomorrow, as our last day wraps up. Then, our community banker friends will make their way back home with new ideas as they execute to capture concrete results.

BANK NEWS

ACH Growth

NACHA reports automated clearing house (ACH) payment transactions hit 21B in 2012, for just over a 4% increase vs. 2011. In dollars, about \$37T went through the network, a nearly 9% increase.

Foreclosure Payments

The \$9.2B settlement with 13 large mortgage servicers (as a result of the independent foreclosure review), will result in checks being sent out to 4.2mm effected borrowers. By dollar amount, about 60% of checks will be for \$300, according to Fed and OCC data. Other check amounts include \$301 to \$499 (9% of borrowers); \$500 to \$999 (8%) and \$1,000 to \$9,999 (23%).

CFPB

The Consumer Financial Protection Bureau (CFPB) said it has begun accepting consumer complaints about money transfers, as it seeks to refine rules around the movement of international money and remittances.

Rethinking

CNBC reports that branch consulting firm Novantas said it thinks 25% of all US bank branches are no longer financially affordable given changes in consumer behavior and the expense required to keep them open.

Online Only

French bank BNP Paribas, which owns Bank of the West in the US, is reportedly getting ready to launch an online only bank as a way to capture new customers and reduce branch costs, according to Reuters. The bank already offers online banking, but this change would be an even more robust approach to online efforts.

Less Fixed Income

The Financial Times reports fixed income trading activity has continued to decline worldwide and is now down about 73% from pre crisis levels.

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