

Creating an Environment for Enhancing Commercial Loan Pricing

A personal message from Bob Walters:

With net interest margins facing a continued and unrelenting squeeze, loan pricing matters! Indeed, superior earnings performance frequently is directly attributable to disciplined pricing on commercial loans. In an increasingly commoditized industry, community banks must do a better job at pricing commercial loans.

Those of you who attended the Spring 2008 meetings in Las Vegas know that, in connection with my sessions on the Bank Profit Improvement Survey, I discussed various issues surrounding the pricing of commercial loans. Specifically, we discussed the critical factors that, if successfully implemented over time, can meaningfully improve yields on commercial loans. Following most of my nine sessions, I was asked by certain members if I would consider conducting a seminar on the broad issue of loan pricing so that member banks' senior loan officers could attend and benefit from discussions similar to those that occurred in Las Vegas.

In response to those inquiries, I am conducting a seminar in Dallas, Texas, on August, 7, 2008, at the **Hyatt Regency DFW Hotel** which is located on site at the DFW Airport (this hotel is **NOT** the Grand Hyatt DFW Hotel). The seminar will focus on the issues and tactics that have been successfully used by community banks to enhance yields on commercial loans. The agenda will consist of brief introductory comments by me, followed by a panel discussion. The discussion panel will consist of five members of The Bank CEO Network whose banks have achieved stellar levels of commercial loan pricing. The panel will include at least one rural bank, and one bank with assets over \$1 billion.

The goals for the seminar are for your bank's commercial loan officers to: (1) hear about the overall successes of the panelists; (2) become aware of what specific tactics and/or factors contributed to the panelists' successes; and, as a result, (3) understand that any barriers to increasing commercial loan yields are often perceived rather than real and, in any case, are not unilaterally restrictive. In this regard, a panel comprised of peer banks is highly valuable so that seminar attendees can hear success stories from those actually producing the results or, better yet, leading the charge.

Based on the number of comments/inquiries that I received during the Spring meetings, I believe this seminar will be of great interest to a significant portion The Bank CEO Network's membership. Therefore, we will confine the seminar attendance to member banks of The Bank CEO Network only. And, attendance from each member bank will be limited to a maximum of four individuals. Finally, based on my prior "in-bank" meetings with senior managements of many of the banks in The Bank CEO Network, I strongly believe that the CEO must attend WITH the senior lender(s) to derive the most benefit from the seminar. Therefore, registered senior loan officers must be accompanied by the bank's CEO.

If you are interested in attending this seminar, **please register immediately** using the accompanying registration form!



Questions that will be addressed at the Seminar:

1. What magnitude of interest rate sensitivity do commercial borrowers possess?
2. Is interest rate the most important issue to borrowers?
3. How should lenders view loan pricing competition?
4. Do most/all commercial borrowers have the same degree of interest rate sensitivity?
5. Is interest rate competition the same for all types/sizes of commercial loans?
6. How important is the lender/borrower relationship in maximizing commercial loan yields?
7. How do lenders establish strong relationships with borrowers?
8. What are the personal characteristics of lenders who are able to get higher commercial loan rates?
9. How important is employee training to enhancing loan yields?
10. How important is having an incentive compensation plan to enhancing loan yields?
11. How does a bank appropriately price for credit risk?
12. How important is it to set specific bank-wide performance goals to enhancing loan yields?
13. What is the CEO's role in enhancing commercial loan pricing?
14. How important is it to track loan pricing by loan officer?
15. How should a loan pricing model best be used by a bank's commercial lending staff?
16. How does a bank avoid pricing all commercial loans the same?
17. How does a bank maximize loan fees and/or points?
18. How does a bank appropriately include compensating balances in commercial loan pricing?

Seminar Date & Location

August 7, 2008
9:00 am – 2:45 pm
Hyatt Regency DFW Hotel
Dallas, Texas

REGISTRATION INFORMATION

Creating an Environment for Enhancing Commercial Loan Pricing

August 7, 2008
Hyatt Regency DFW Hotel
Dallas, Texas

The Bank CEO Network Member Name _____

E-mail Address _____

Phone number _____

Bank Name _____

Billing Address _____

City _____ State _____ Zip _____

Complete the following for each senior loan officer **who will be attending with the CEO.**

Loan Officer Name _____

Loan Officer Name _____

Loan Officer Name _____

The seminar registration fee is **\$385 per person.**

Either mail the registration form and fee to:

The Bank CEO Network, 705 B SE Melody Lane, #330, Lee's Summit, MO 64063

OR

Fax the registration form to: 866-311-9331, and we will bill you.

The seminar will begin at 9:00am on **August 7, 2008**, and will end by no later than 2:45pm that same day. **The seminar dress code is the same as for the regular spring/fall meetings of The Bank CEO Network.**

The **Hyatt Regency DFW Hotel** is located on site at the DFW Airport. However, be sure to note that we are **NOT** meeting at the Grand Hyatt Hotel which is also located at the DFW Airport. The Hyatt Regency DFW Hotel provides shuttles from the various terminals (you have to call the hotel at 972-453-1234), or you can take the Skylink shuttle to Terminal C (American Airlines) and walk through the lower level of the parking garage to get to the hotel (see the attached terminal map). To make your hotel reservations call 800-233-1234 and ask for the Bank CEO Network group rate of **\$169** per night at the **Hyatt Regency DFW Hotel**.

Contact Jim Koltveit at The Bank CEO Network if you have any questions:

Phone: 800-872-2367

E-Mail: jim@bankceomember.com

