PARAMOUNT
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YOUR BRANCH PORTFOLIO

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Historically, bank branches have been viewed as a deposit gathering source. Looking at FDIC call report and summaries of deposits information, it is easy to conclude that a higher loan to deposit ratio is correlated to a lack of branches.

Over the years as a banker and a consultant, I have encountered many bank branches that were on sites owned or offered by insiders or friends of insiders. In many cases, that has left the bank with a marginal or unprofitable branch. Management needs to figure out how to deal with some of these legacy branches. **By leveraging PFT's predictive branch models and its strategic partner, Paramount Partners' real estate expertise, a bank can confidently execute its branching strategy.**

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A few years ago, during an annual strategic planning process, my team discussed the Bank's high loan to deposit ratio and the need to attract additional core deposits. A goal was set to develop a branch network repositioning strategy with the objective of adding three to five branches over the next few years. The first step was to identify the communities within our market area that afforded the best opportunities for successful de novo branches.

With the help of Paramount Partners, the Bank was able to identify five communities that met our criteria of competitiveness and growth factors for a successful branch operation. That was the easy part; the hard part was finding the best location within those five communities. Paramount was able to target at least five properties in each of those communities that could be potential sites for a new bank branch.

The Bank's branch task force scheduled a day to join Paramount for site visits in all the towns to view the prospective properties. The result was a focused effort on specific sites to pursue a lease for the identified property in three of the towns. Over the next two years, the Bank opened de novo branches in those three communities.

Current competitive factors require that management constantly evaluate their branch portfolio much in the same way they would evaluate a loan portfolio and purchase or sell loan packages to manage the loan portfolio. Market conditions change, and the reason for opening a branch years ago may no longer hold true. Additional bank or credit union competition, mergers, or new retail developments should cause management to evaluate the bank's branch portfolio and adjust as necessary. It may be time to downsize a branch, and an underperforming branch in a poor location could afford an opportunity to close or relocate to a more attractive market.

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As you begin reviewing your branch network and establishing retail and business banking deposit and loan gathering goals, **market intelligence combined with your internal bank metrics can clearly identify the growth potential of specific branches in your network to help you make more informed decisions.** **Read our follow-up article to learn more**.

Want to learn more? Contact us on our website www.pfintech.net or give us a call to get the conversation started.

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About the author: *Charlie Steele was most recently the SVP Strategic Planning at Needham Bank. Charlie has broad banking experience as a CEO, CFO and SLO. He has been involved in starting a successful de novo bank, numerous banking mergers, and has also worked as a consultant in the areas of strategic planning, mergers, and branching. Charlie is a leader within the CT Bankers' School of Finance & Management and Mass Bankers' New England School for Financial Studies.*