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Bankers Attending Commerce Street Capital Conference Are Told M&A is Active, Despite Economy and Regulation

12th Annual Banking Conference attracted more than 250 bankers interested in discussing growth strategies and economic outlook.

DALLAS, April 24, 2014 – More than 250 regional and community bankers convened in Irving, Texas, on Tuesday, April 22, 2014, and they were looking for answers. As participants in [Commerce Street Capital](#)'s ("CSC") 12th Annual Banking Conference, these bankers came with concerns that "business as usual" strategies are unlikely to produce satisfying results in an environment of low interest rates, daunting regulatory oversight and active mergers and acquisitions.

In opening the conference, CSC's Chairman Tex Gross welcomed bankers from throughout the Southwest and said, "There must be lots of bankers interested in learning about the future because this is our biggest attendance in 12 years."

Providing an overview of capital markets and the banking industry, CSC's CEO and President Dory Wiley observed, "Valuations of banks have strengthened significantly in the last two years, and the market is now rewarding banks for being acquirers."

"Large banks continue to outpace community banks in valuation, but banks with footprints in Texas and contiguous states are generally very desirable to acquirers," Wiley added, noting the importance of geography.

Regarding the low interest environment, Wiley explained that "status quo" is a very risky position for bankers to take.

"Work hard to understand your interest rate risk, evaluate your bond portfolios with an eye to reducing risk, strengthen your loan portfolios and raise capital now," Wiley advised.

"Growth Strategies for Community Banks" was discussed by a panel of bankers who summarized their successful, yet diverse approaches. Moderator Scott MacDonald, Ph.D, President and CEO of [Southwestern Graduate School of Banking Foundation](#) at Southern Methodist University stated, "Every bank must shape its own successful strategy; there is not a 'one size fits all' business plan."

Panelist Al Jones, Chairman and CEO of [American Bank](#) in Corpus Christi, Texas, said that key strategies leading to the recent success of his \$1.25 billion bank include aggressive growth of its portfolio of mid-sized commercial and industrial loans and also expansion into the new markets of South Texas and Austin.

Robert Weiss, Chairman, President and CEO of [Beacon Bank](#) in Minneapolis, pointed to the importance of his bank's culture of training, professional development and comprehensive strategic planning as the key driver of performance of his \$340 million institution.

CEO Dewey Bryant of Odessa, Texas-based [SouthWest Bank](#) attributed his bank's success not only to the good fortune of being located in the "oil patch," but also to a management team that had worked together for 20 years and understands their customers and franchise area.

Conference keynoter [Rep. Pete Sessions](#) (R-Texas) said, "Too many regulators who don't know or understand banking are making it very difficult for banks to perform their critical roles in local economies."

Sessions encouraged bankers to visit their elected representatives in Washington and urged them to take actions that support free enterprise, such as fair representation on regulatory committees and limits on egregious legislation.

C.K. Lee, Managing Director of the Financial Institutions Group at CSC noted that 2013 banking M&A activity nearly equaled pre-financial crisis levels despite uncertainty about the impact on community banks of rules made to harness global banks.

"The percentage of active banks which engaged in M&A during 2013 was very close to the pre-2008 level," Lee explained. "The absolute number of 2013 M&A deals was smaller, because there are fewer operating banks today."

Lee advised banks to strategically decide as soon as possible whether they fare better as a seller or buyer because that key decision will inform almost all other business decisions they make.

"One of the main drivers of acquiring banks is the need to deploy capital," Lee observed. "For sellers, primary reasons to sell are succession planning or regulatory pressures."

Lee added, "Many bank boards are wondering how much better the valuations can get and are concerned they may miss the window of opportunity to buy or sell."

CSC's Carla Brooks moderated a panel that offered guidance in navigating regulatory requirements. Panelist Robert Mahalik, Director of Applications with the [Federal Reserve Bank of Dallas](#) said, "It is highly unlikely that any De Novo application will be approved. Those wanting to start a new bank need to find a charter and existing bank to start with in the near term."

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