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Pricing Tool Helping Hancock

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By Steve Bills

Hancock Holding Co. had to put some of its customer relationship management efforts on hold after Hurricane Katrina, but it has used a loan-pricing tool to maintain profitability on commercial and government loans.

Paul Queyrouze, a senior vice president and the asset liability manager at the \$6.1-billion asset Gulfport, Miss., banking company, said pricing discipline helped it compete more effectively after the hurricane devastated many coastal communities that two of its units serve in Mississippi and Louisiana. (It has three units, each using the Hancock Bank name.)

"Because we have customer profitability [analysis], we can compete with the larger banks," he said in an interview last week from Slidell, La., where he has worked for more than a year. "We're in some very competitive markets with some very competitive players."

For two years before the August 2005 storm, Hancock's central finance unit had used the Relationship Analyzer software from Market Line Associates of Atlanta to calculate the profitability of relationships with customers, especially commercial ones, and to price loans accordingly, Mr. Queyrouze said.

Hancock was preparing to test the tool on lenders' desktop computers when Katrina struck. "A lot of that got wiped out and had to be rebuilt, and rebuilt in a new environment," he said. "We had so many resource issues, so many things we had to rebuild post-storm," (The central finance unit hopes to move into a rebuilt headquarters in Gulfport late this quarter.)

Still, Hancock continued to use the tool in its central finance unit to apply its funds transfer pricing model according to rules that have been in place for four years. The rules require approval from the central unit on fixed-rate loans above \$250,000.

Mr. Queyrouze would not discuss the tool's effect on Hancock's profits, except to say, "We can see the progress because of the discipline we've put in place."

Since Katrina the central finance unit has distributed pricing information to local markets using spreadsheet software, he said. "We were able to give the lenders the ability to say, 'This deal is doable at this level' or 'This deal is not doable.' "

The tool has made a difference in analyzing relationships, especially with some government agencies to which the bank lends, Mr. Queyrouze said. "We've had a couple that, post-storm, their behavior changed dramatically. We were able to analyze that using this tool and use it in renegotiating those contracts."

Nine loan officers across the bank's operations in Mississippi, Louisiana, and Florida are testing Relationship Analyzer, he said. "The goal is to have the a tool on the desktop of our lenders."

Hancock hopes to have the tool fully deployed by the third quarter.

The company has encountered some resistance from lenders who would like to offer beneficial rates to long-term customers, even if their overall banking relationships have not been all that profitable, Mr. Queyrouze said. "It's very much an iterative process you have to keep reinforcing."

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