



# Robert M. Franko:

## ensuring Beach Business Bank is everything to customers and employees

*Editor's note: Robert M. Franko is president and CEO of Beach Business Bank in Manhattan, Calif.*

**Q: Bob, please tell me a little about Beach Business Bank. The bank has really taken off since you opened the doors in June 2004. The bank has increased total assets from \$10.7 million to just more than \$100 million in two years. To what do you attribute the bank's success?**

Great people. We have the finest team of banking professionals I can imagine in any bank, large or small. We also have a board of directors that includes five bankers with hundreds of years of combined banking experience and all of them have senior executive management experience. Two of our board members, Robb Evans and Jim Gray, are past CBA presidents.

We deliver a level of service to a \$1 million borrower that the big banks can't even think about offering for less than \$15 million. Our clients appreciate this. We make it a point to turn around credit requests in very short order.

Our business clients also like to come into our bank and find no long lines. Because all of our clients are business clients, we can respond very rapidly to their needs. We invested in automation that business professionals appreciate, such as automated cash machines, full Internet banking, cash management and online bill pay, and now we have the latest remote image deposit technology.

**Q: Beach Business Bank established The Doctors Bank, which serves physicians and dentists nationwide. This is an unusual niche for a bank to pursue. How did the idea surface? What did you think about the idea?**

**Where does this division fit into Beach Business Bank's market plans? Are there other markets the bank would like to expand into?**

About 80 percent of our initial investors were doctors from all across the country. They were looking for a bank that would treat doctors fairly and confidentially. Many of them were concerned about having their local banker, and particularly the local branch staff, aware of their cash flow and deposit levels. They were also tired of being "nickel and dimed" with service charges when they keep high over-all balances at the bank. We give them a very fair deal. We look at combined balances to waive service charges and they can perform almost any banking function over the Internet. We really like the situations where the doctor has a business manager or financial adviser. We can help those doctors realize thousands of dollars in incremental annual savings.

Beach Business Bank is making waves halfway across the country in Dr. Dean Wright's office in Wichita, Kan. The doctor recently took advantage of the bank's image deposit scanner technology and now makes deposits every day. Staff does not have to leave Wright's office; he can upload the data from our software into QuickBooks. Wright is even making money by using the sophisticated cash management services we provide for our corporate clients.

We also provide unique credit facilities for doctors. They are very demanding borrowers and we make it our business to meet their demands in a friendly, timely manner.

**Q: I understand Beach Business Bank recently opened a full-service branch in Long Beach, Calif. Where do you think other opportunities for growth or change will be in the future?**

As a business bank, especially now with our remote image deposit service, the need for brick and mortar branches is making the need for expensive real estate far less important.

Right now, we do not see any new physical locations, except small loan production offices, in our future.

**Q: Why is the banking industry doing well in California? What trends are you noticing among banks in Southern California?**

A tremendous amount of the credit underwritten in California is directly or indirectly based on real estate. With real estate prices accelerating at 20 percent per year recently, it has been difficult for banks to make a bad loan. It seems to me that those times are falling behind us and a bank's credit discipline will become more transparent in the future.

We have a superb chief credit officer in Phil Bond and a skilled team of underwriters. I believe their skills will serve us very well in the next few years. I also believe they have underwritten our credits in a way that will help us to make our way through any noticeable downturn in the economy.

Our board of directors is continually focused on credit, always worrying about what will happen on the other side of the cycle. I think any downturn will be mild, but I believe the future will create a tougher credit market than we have seen in this decade so far.

**Q: Your bank feels so strongly about its community that it makes a donation in a customer's name for every deposit account opened and every new loan transaction at a charity of the customer's choice. Now that's what I call devoted. I have yet to hear of another financial institution making this commitment. What was the driving force behind this decision? In what other ways have you successfully integrated the interests of your bank with the needs of the community?**

We try to give back to the community, but do it in a way that our clients feel is important. In addition to a strong donation culture, our staff is encouraged to participate in local community efforts of all types. For instance, I am active in Rotary, many of our people are active in their local education foundations and a number of our clients are non-profit organizations.

**Q: What would you hope your customers would say about you?**

That we are everything they could hope for in a business bank.

**Q: Beach Business Bank has recently achieved preferred lender status nationwide under the SBA's Preferred Lender Program. Tell me a little about the reason behind the bank's desire to become a preferred lender. Do you think this will lead the bank down paths it wouldn't have been able to go otherwise? In what ways?**

Fast turnaround on credits is critical to our business model. We have approved multi-million dollar credits over a weekend and funded them within a week. Our directors make themselves available at all hours; including weekends.

Because we are a preferred lender, we can apply for the SBA's approval as soon as the loan has been internally approved.

Our clients tell us that the wait for loan approval is the worst part of the credit process. We make it our goal to get that approval faster than any other bank in the business.

**Q: What does the banking industry need to work on to either maintain or enhance its current position? Is there anything that, when you see it or hear about it happening in the banking industry, gets you pretty upset?**

The U.S. banking system, and particularly community banking, is the finest in the world. Thanks to organizations like CBA, the profession is constantly improving itself through training programs and the legislative process. Community banks make commerce work. I have worked in other countries and there is simply no comparison.

Now that we have our charter, I would certainly not mind having fewer competitors. Clients are sophisticated and they know how to get a good deal. That makes it really important to underwrite well and efficiently, and to price loans carefully. It also means there are some transactions that get away because the pricing or the credit simply does not make sense to us.

So long as we have a level playing field, though, I am satisfied. California is a growing market and competition fuels opportunity. If CBA and the regulators keep us all playing by the same rules, we know that our bank will do well.

**Q: What do you think is the most valuable aspect of belonging to the California Bankers Association?**

The training programs. They allow us to continually upgrade our staff and keep the staff and our directors fully informed on important changes in the industry. I also appreciate the sponsored vendor programs. I know that CBA-sponsored vendors are top quality providers. **CB**