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Executive Editor Bonnie McGeer
Copy Editor Neil Cassidy
Art Director Robin Henriquez
Contributors Laura Alix, Kristin Broughton, Rob Garver, Bonnie Sinnock, Kevin Wack, Mary Wisniewski, Bryan Yurcan

Established 1836
One State Street Plaza, 27th floor, New York, NY 10004
Phone 212-803-8200
Emails FirstName.LastName@SourceMedia.com

Editor in Chief Rob Blackwell 571.403.3834
Managing Editor Dean Anason 770.621.9935
Executive Editor Bonnie McGeer 212.803.8430
Senior Editor Alan Kline 571.403.3846
Editor at Large Penny Crosman 212.803.8673
Washington Bureau Chief Joe Adler 571.403.3832
Technology Editor Suleman Din 212.803.8738
BankThink Editor Victoria Finkle 571.403.3855
Community Banking Editor Paul Davis 336.852.9496
News Editor Andy Peters 404.500.5770
Contributing Editor Daniel Wolfe 212.803.8397
Digital Managing Editor Christopher Wood 212.803.8437
Copy Editor Neil Cassidy 212.803.8440
Deputy Editor, BankThink Mary Wisniewski 323.380.5248
Reporters/Producers
Laura Alix 860.836.5431
Kate Berry 562.434.5432
Kristin Broughton 212.803.8755
Brian Collins 571.403.3837
Brian Patrick Eha 212.803.8715
John Heltman 571.403.3847
Ian McKendry 571.403.3857
John Reosti 571.403.3864
Gary Siegel 212.803.1560
Jackie Stewart 571.403.3852
Kevin Wack 626.486.2341
Rachel Witkowski 571.403.3857
Bryan Yurcan 212.803.8753

Group Editorial Director, Banking/Capital Markets
Richard Melville 212.803.8679
VP, Content Operations and Creative Services
Paul Vogel 212.803.8832
Director of Creative Operations
Michael Chu 212.803.8313
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ADVERTISING
VP Sales, Banking & Payments
Dennis Strong 212.803.8372
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Marketing Manager
Deborah Vanderlinder 212.803.8323
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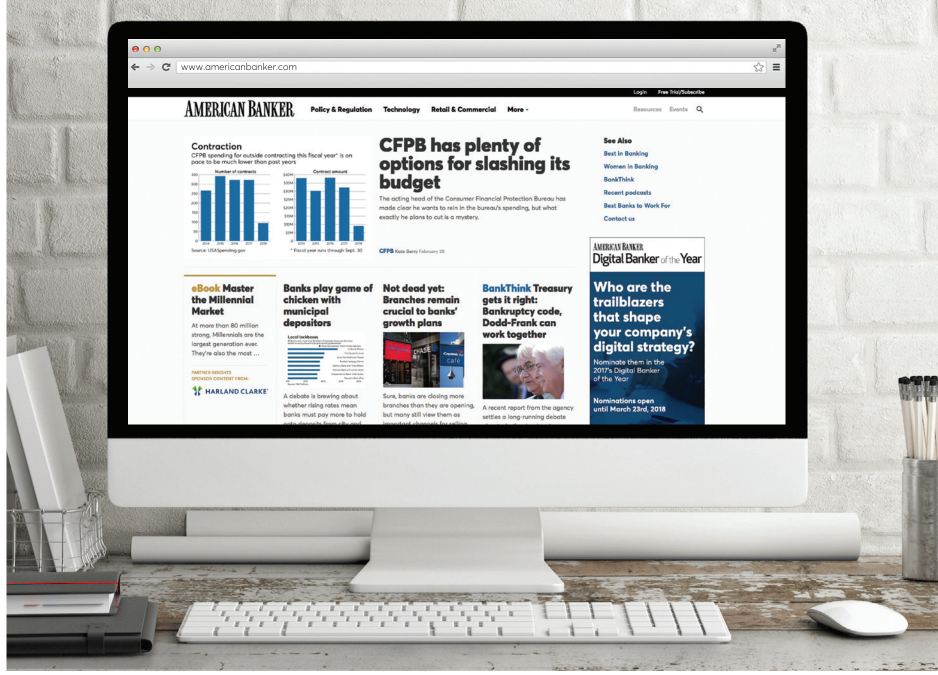

MOST READ

Bloomberg News

TD Bank Fumbles an Upgrade

Scores of customers were unable to use digital channels to access accounts for more than a week, and many went on social media to voice their displeasure with the company's response to the outage. The lesson for other banks: Test new platforms, and test them again, before making them live.

MOST SHARED

U.S. Bancorp Fined for AML Errors

U.S. Bancorp agreed to pay $613 million in penalties to state and federal authorities for violations of the Bank Secrecy Act and a faulty anti-money-laundering program. "Our culture of ethics and integrity demands that we do better," said Andy Cecere, above, the company's president and chief executive.

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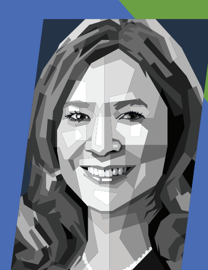

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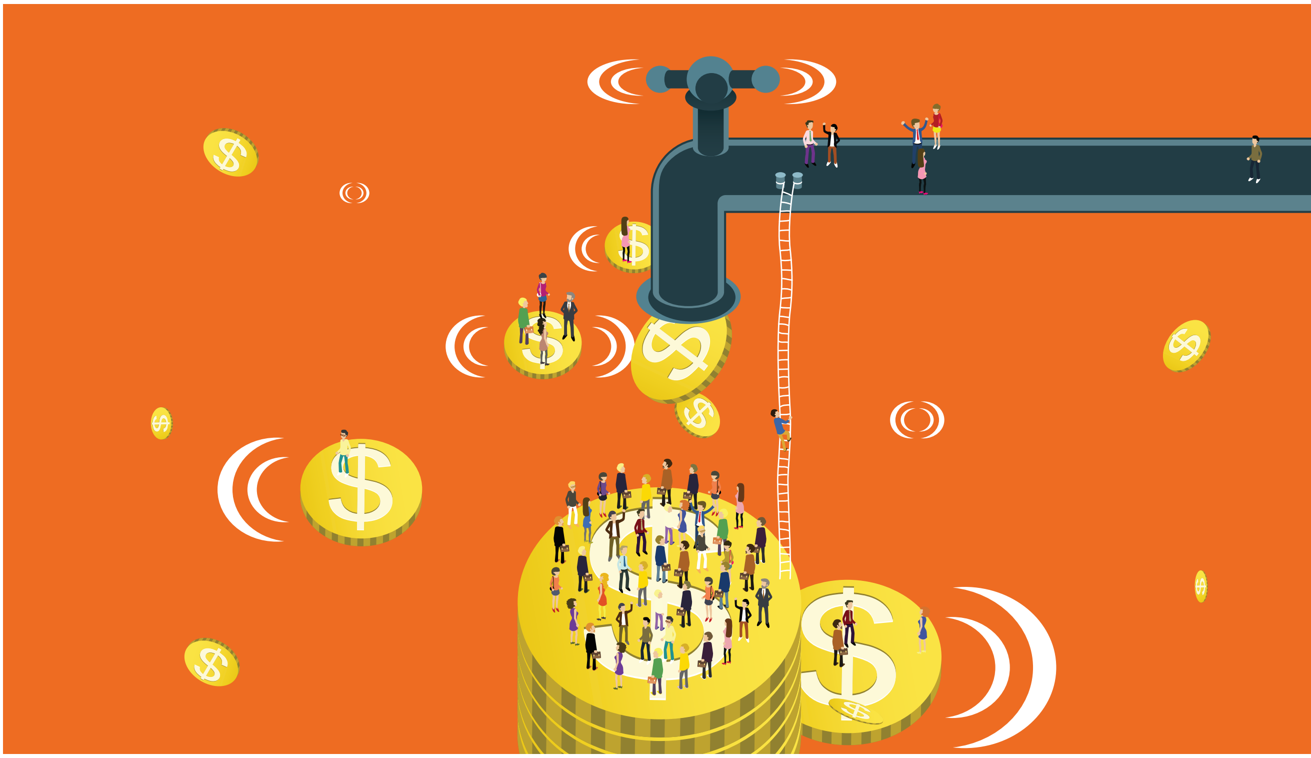

The New Bias Busters in Banking

Mystery shoppers will search for signs of discrimination in small-business lending

By Kevin Wack

If federal regulators are disinclined to monitor banks for discrimination in small-business lending, then community groups such as the National Community Reinvestment Coalition plan to do it for them.

That's the message the NCRC sent recently when announcing it had secured a $1.2 million grant to probe the small-business lending practices of banks in three yet-to-be-determined U.S. metropolitan areas.

The nonprofit group plans to use mystery shoppers, who will pose as prospective borrowers, to determine whether women and members of minority groups are facing discrimination when they apply for loans.

The research will be funded by the W.K. Kellogg Foundation. It follows a pilot study conducted last year that found that white shoppers posing as business owners were three times more likely to be invited for follow-up appointments at banks than their black counterparts and twice as likely to be offered help in completing loan applications. "We were shocked at the level of different treatment, particularly along racial lines," said John Taylor, chief executive of the National Community Reinvestment Coalition.

The pilot study also found that black shoppers were far more likely than whites to be asked about their marital status, as well as about the employment status of their spouses.

Taylor said that the poorer treatment of black shoppers likely reflects the biases of bank employees. "I doubt it's a bank policy," he said. "You're dealing with human beings."

The forthcoming study is meant to shed additional light on banks' practices, but Taylor said that his organization has an obligation to inform the Justice Department if it finds a pattern of discrimination.

He argued that the study will help fill a void left by the Trump-era Consumer Financial Protection Bureau. Acting

CFPB Director Mick Mulvaney recently announced that the Office of Fair Lending and Equal Opportunity will be moved out of the bureau's enforcement division — which critics see as a move to defang anti-discrimination efforts.

Under the Dodd-Frank Act, the CFPB is required to collect data to help determine if discrimination in small-business lending exists, but the bureau still needs to complete the rulemaking process. A public comment period ended in September.

In comments submitted to the bureau, the Consumer Bankers Association asked that any new data collection requirements rely on banks' existing reporting systems, to avoid imposing undue burden.

Another concern is that new regulations will make it harder for small-business owners to be approved for loans.

In a recent survey by the Mercatus Center at George Mason University, 32% of small-business owners said the impact and cost of regulation has affected their access to capital. Brian Knight, a senior research fellow at Mercatus, warned that additional data collection could further crimp lending.

"Small businesses at least seem to believe that the cost of regulation impacts their access," he said.

However, the National Community Reinvestment Coalition and its partners in academia say that they believe lenders' bias could explain why many small-business owners are either rejected for loans or discouraged from applying for loans in the first place.

"Unfortunately, our early research in this area indicates that access to capital may be unequally distributed in our society," said Glenn Christensen, a marketing professor at Brigham Young University, which is partnering on the research with the coalition.

Addition to Refi Equation

Airbnb income used in loan underwriting for first time, as a way to help millennials

The lenders Quicken Loans, Citizens Bank and Better Mortgage are refinancing loans using Airbnb income as part of a pilot project with Fannie Mae.

This marks the first time Airbnb income from a primary residence is being considered in the underwriting of loans sold to Fannie, according to Quicken Loans, which conceived of the program with Airbnb.

Borrowers use a downloadable "proof of income" statement Airbnb provides to qualify for loans. Quicken Loans plans to add a link to Airbnb on its Rocket Mortgage platform soon to accommodate this.

Prior to the pilot, only rental income on investment properties and second homes could be considered in agency underwriting, according to Quicken.

But the underwriting of primary residence income allows borrowers to obtain a lower rate than they would by using rental income on investment properties.

"Expanding access to home finance for a new generation of homeowners requires the mortgage industry to acknowledge that millennials earn differently than generations past," said Vishal Garg, Better Mortgage's chief executive.

"At Better, we see more 1099s and less W-2s, we see more restricted stock units supplementing traditional salaries, and we see people earning cash in new sectors that have grown over the past ten years," he said.

"This initiative is a huge step in the right direction and I expect this is just the beginning." *— Bonnie Sinnock*

A Public Bank For Pot Firms?

Mass. regulator likes the idea

With Massachusetts only months away from allowing the sale of pot for recreational use, the state's top cannabis regulator is urging policymakers to consider creating a public bank to serve growers and dispensaries that might otherwise have nowhere else to bank.

As in many other states where marijuana is legal, banks and credit unions in Massachusetts have shown little inclination to provide services to the recreational marijuana industry out of fear that they might run afoul of federal laws.

Steve Hoffman, the chairman of the state's Cannabis Control Commission, said the state should consider stepping in to fill the void. Without a viable banking option, licensed firms would have to deal primarily in cash and would have nowhere to deposit the money.

"There's a high degree of urgency, so it's something we need to start talking about," Hoffman said of the public bank proposal.

Hoffman is at least the second public official in the U.S. to float the idea of creating a state-owned bank to serve the marijuana industry. Last year, California's state treasurer recommended that his state consider a public bank to address the lack of banking services available to pot firms there.

The Los Angeles City Council is considering a public bank for the same reason.

The concept of the public bank isn't a new one, but it's picked up traction in the past year, with many supporters pointing to the Bank of North Dakota, currently the only state bank in the country, as a model. *— Laura Alix*

Simple-fied Digital Onboarding

The founders of Seed are hoping to bring to small-business banking what their previous company, Simple, brought to personal financial management

By Mary Wisniewski

The neobank Seed has spent the past few years reimagining one of the sleepier areas of banking: deposit accounts for small businesses.

Rather than walk into a branch — Seed, of course, has none — yoga instructors, food truck owners and other would-be customers can apply for accounts in less than five minutes on the startup's web or mobile app. If approved, they receive a business debit card in the mail.

Now Seed, led by veterans of the fintech Simple, is selling banks software to help them solve one of their most pressing problems: finding a way to open accounts online as branch transactions continue to decline.

"It's the second phase of our business," said Brian Merritt, co-founder and chief executive of Seed.

It's a model a handful of fintech companies have adopted in their quest for more revenue sources. For example, some financial institutions license technology from the neobank Moven, or use white-labeled software from the online lender Kabbage.

Like these other fintechs, the San Francisco-based Seed will continue to operate its own brand — which offers U.S. small-business owners digital accounts, with deposits held at The Bancorp — in addition to selling technology to banks. In so doing, Seed will be competing with others that offer banks software to help them gather deposits through digital channels, including Avoka, Gro Solutions, Treasury Prime and Bottomline Technologies' Andera.

How banks go about working with Seed can vary. Each institution, after all, has specific issues to consider, such as how to make the Seed software compatible with technology that is already in place and with its know-your-customer practices.

Seed is offering the KYC procedures it uses — which include importing images of identity documents like


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driver's licenses — but can configure the software to adapt the required data, rules and risk profiles that a bank partner prefers.

Instead of a cookie-cutter solution, Seed views its offering as a partnership to figure out how to get an institution online. "It's not just selling a piece of software," Merritt said.

With more than 28 million small businesses in America, according to the U.S. Small Business Administration, it would stand to reason that banks should already have an online system to sign them up.

But onboarding has remained one of the thorniest challenges in digital banking. According to a 2017 Javelin Strategy & Research report, only six of the top 30 banks serving business customers offer some form of digital-checking-account application, and only Capital One Financial and SunTrust Banks offer mobile-optimized capabilities.

Not every small business seeks a digital-only experience. According to Ian Benton, senior analyst of digital banking and payments at Javelin Strategy & Research, some small businesses do part of the sign-up work online and ask bank employees more detailed questions in person.

Some bankers may prefer to meet small-business owners face-to-face to woo them with other products as well.

"Currently, a lot of it is happening in the branch exclusively," Benton said. "It doesn't have to be like that."

And the next generation of on-the-go small-business owners, including members of the gig economy, will expect an experience that doesn't waste their time. "They'd be aghast if told they had to come in and fill out papers," said Alenka Grealish, a senior analyst at Celent. "That's just a foreign world for them."

Even today, the gap is already costing banks business. Aite Group estimates that 5% to 15% of online applications are abandoned by small businesses.

Banks are well aware of their shortcomings. According to that same Aite report, more than 75% of large and midsize banks admit their current onboarding process is lacking.

Christine Barry, a research director for Aite Group's wholesale banking practice, says this gap is destined to change. "It's going to be table stakes," she said.

Already, there are signs of improvements. In February, the BBVA-backed Azlo launched a digital banking account aimed at freelancers and other members of the gig economy, which of course, lets them sign up online.

Seed has signed three deals with banks so far, and the pipeline is said to be promising.

Merritt views community banks as critical resources and is the first to say he wants to help them survive.

"Don't give up," he said. "Maybe we can help you."

Not-So-Small A Niche

Online business lending startup goes after the middle market

Online lenders typically cater to the small-business borrowers that some U.S. banks have shunned in recent years.

But one San Francisco-based startup is eyeing loans to larger businesses, one of the latest moves in Silicon Valley's quest to disrupt traditional finance.

Neptune Financial, founded by two former executives at the online small-business lender Funding Circle, launched in mid-February. The firm, nicknamed NepFin, is targeting middle-market companies that generate $10 million to $100 million in annual revenue — many of which often turn to banks for credit. NepFin's loans range from $5 million to $60 million.

Chief Executive Albert Periu maintains that businesses at the smaller end of middle-market commercial lending are underserved by banks and other existing financing sources, such as business development companies.

He said that banking industry consolidation and regulatory changes, including tougher capital requirements, have imposed new hurdles for middle-market businesses that need credit.

"They are as underserved as small businesses, I would argue even more underserved at this point," said Periu, formerly the global co-head of capital markets at Funding Circle.

NepFin is betting that technology such as artificial intelligence can speed up decision-making and generally make middle-market commercial lending more efficient than it is today.

Periu said that human beings will play a significant role in NepFin's processes. "But AI can do a lot in terms of the first draft," he said.

In addition to offering loans, NepFin also plans to provide business software tools to middle-market businesses.

— Kevin Wack

'Marriage' Is Working Out

Fintechs' profile rises as banks invest more money in them

Investment in fintech remains strong, and banks are increasingly getting into the game.

U.S. fintech investment reached $5.8 billion in the fourth quarter, the third straight quarter that figure increased, according to KPMG's "Pulse of Fintech" report.

While venture capital funding remains significant, the high number of fintech investment deals during 2017 can be attributed to financial institutions prioritizing digital innovation, said Anthony Rjeily, digital and fintech practice leader for KPMG. "Right now there's a high level of interest on both sides when it comes to the marriage of fintech and banks," he said.

This year already has seen more examples, including an investment by Citi Ventures and PNC in the commercial payments startup HighRadius and TD Bank's acquisition of Layer 6, which uses artificial intelligence to offer personalized and predictive communications to financial services customers. BB&T also announced in January that it will set aside $50 million to invest in or acquire emerging financial technology companies in the upcoming year.

"You're seeing more partnerships because there is more interest on both sides in collaborating, and bringing two different sets of values to the table," said Luis Valdich, managing director of venture investing at Citi Ventures.

Citi Ventures seeks out fintechs that solve major pain points in the industry, he said; that's a big reason it was attracted to HighRadius, which aims to streamline the often cumbersome and paper-based commercial payments process. "We look at how significant value can be created in an existing process, or something that can deliver a much better product for a customer," Valdich said.

This year, Citi Ventures is focusing on artificial intelligence, machine learning and advanced data analytics tools. "The key is, how do we use these to deliver superior financial services to clients?" Valdich said. "That's a very important theme we are exploring over multiple investment opportunities."

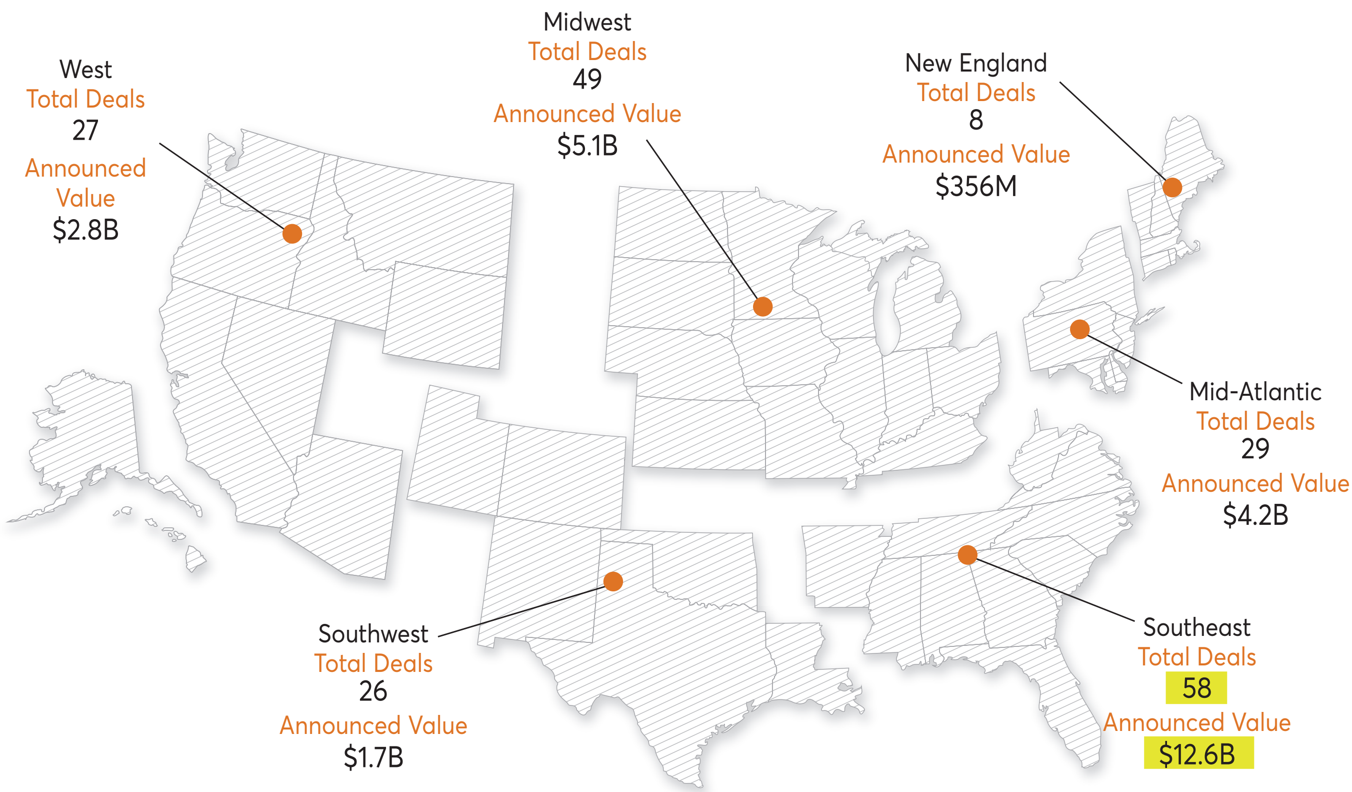
Similarly, BB&T is looking to invest in artificial intelligence, chatbots, cybersecurity and fraud detection and prevention. Areas of focus include payments and "better ways to provide actionable financial advice," according to chief digital officer Bennett Bradley.

— *Bryan Yurcan*

Metrics & Measures

MERGERS & ACQUISITIONS

ACQUISITIONS **BY REGION** Whole Bank and Branch Deals in 2017



TOP ADVISERS **BY REGION**

Rank	Adviser	Announced Deal Value ($M)	Total Deals
MID-ATLANTIC			
1	Sandler O'Neill & Partners	3,592	11
2	RBC Capital Markets	2,356	2
3	Citi	2,230	1
4	Stifel	793	7
5	Piper Jaffray & Co.	656	2
	Subtotal for the top five advisers	3,976	17
SOUTHEAST			
1	Stifel	8,128	22
2	Sandler O'Neill & Partners	7,669	16
3	UBS	3,668	3
4	Barclays	2,311	2
5	Hovde Group	2,265	13
	Subtotal for the top five advisers	11,667	40
SOUTHWEST			
1	Stephens	787	8
2	Mercer Capital Management	462	1
3	Panoramic Capital Advisors	389	2
4	Hovde Group	297	3
5	Raymond James & Associates	296	2
	Subtotal for top five advisers	1,380	13

Rank	Adviser	Announced Deal Value ($M)	Total Deals
WEST			
1	Stifel	1,553	6
2	Sandler O'Neill & Partners	1,357	9
3	DA Davidson & Co.	1,252	7
4	Stephens	312	1
4	Courtney Group	312	1
	Subtotal for the top five advisers	2,673	17
MIDWEST			
1	Sandler O'Neill & Partners	2,005	8
2	Stifel	1,953	11
3	RBC Capital Markets	1,475	2
4	Guggenheim Partners	1,200	1
5	Stephens	604	5
	Subtotal for the top 5 advisers	4,579	20
NEW ENGLAND			
1	Sandler O'Neill & Partners	254	2
2	JPMorgan	209	1
3	Stifel	74	2
4	FIG Partners	45	1
5	Raymond James & Associates	27	1
5	Hovde Group	27	1
	Subtotal for top five advisers	356	5

Notes: Deal activity credited to regions where sellers were located. All advisers on individual deals assigned equal credit.

Source: Dealogic

MUFG'S BIG PLAN TO EXPAND ITS U.S. BUSINESS IS

CREDIT LINE HERE

Expand middle-market lending ✓

Amass consumer deposits ✓

Bring in American CEO ✓

JUST GETTING STARTED

Kristin Broughton

David Yellen

AMONG THE CHIEF EXECUTIVES OF MAJOR BANKING COMPANIES IN this country, Steve Cummings is a curious example.

He is in charge of MUFG's operations across the Americas, but also not especially high in the global bureaucracy of the Japanese megabank.

He runs a U.S. holding company with just over $150 billion in assets, but his name is not as familiar across the industry as CEOs overseeing similarly sized operations (like Bruce Van Saun at Citizens Financial Group or Beth Mooney at KeyCorp).

Instead, as CEO of a foreign subsidiary, Cummings is shielded from the public scrutiny that comes with quarterly analyst calls and investor presentations.

"You are not the heart, you're an appendage," Cummings, the chief executive of MUFG Americas, said in an interview at his office, which has a view overlooking midtown Manhattan and memorabilia from the X-League, the American football league in Japan, on the walls.

"But I've gotten over that."

What the industry misses in not watching Cummings closely is how he is laying the groundwork for what is expected to be a major U.S. expansion of MUFG, the biggest bank in Japan and the fifth largest in the world.

His parent company has been clear about its ambitions, stating publicly that it wants to be a top 10 bank in the United States. With Japan's economy battling negative interest rates and a declining population, it needs new markets to grow.

It's hard to see how MUFG will get there without a splashy acquisition, even if it increases lending and deposit-gathering at a steady pace. Its best-known business, its U.S. regional bank, which operates under the MUFG Union Bank brand on the West Coast, has just under $125 billion in assets, making it the 24th largest, according to the Federal Reserve.

To jump into the top 10 would mean nearly doubling in size, to over $200 billion in assets — a goal Cummings seems to take in stride.

"It would be natural to get to that scale," he said.

'Thinking as if we're a stand-alone company'

MUFG has a complicated structure, of which its regional bank is only part. There is an additional $35 billion in securities and leasing assets under the U.S. holding company. Cummings also is in charge of his parent company's U.S. branches, which offer corporate and investment banking in a handful of major cities, such as New York and Los Angeles. In total, Cummings oversees about $350 billion in U.S. assets.

So he has a lot of moving parts to work with, which ultimately could be an advantage or a disadvantage for him as he tries to execute on his goal.

But growth ambitions aside, Cummings has a more immediate challenge: improving performance. On that front, he has a ways to go.

Profitability has been a drag. The efficiency ratio for the U.S. holding company has hovered in the mid-70% range over the past year, much higher than U.S. peers. Its margin also has lagged — staying around 2.30% last year — though a strategy of pushing into higher-yielding businesses, such as leveraged lending, is intended to help.

Since coming on board three years ago, Cummings has been focused on improving these metrics, even if his efforts have yet to materialize in the numbers in a big way.

He has reorganized the commercial banking division and trimmed staff. He also has encouraged cross-selling with commercial clients, and pushed the company into new areas of middle-market lending. In April the company plans to unveil a three-year plan to boost returns and increase revenue.

One of his biggest challenges, he said, has been changing the company's mindset — getting its U.S. employees to feel less complacent operating in the shadow of their foreign parent, and without the scrutiny placed on publicly traded competitors. "We need to be thinking as if we're a stand-alone company and taking ownership of what we do," Cummings said.

MUFG broke from its longstanding practice in appointing Cummings to his role. Its parent company had previously relied on Japanese leadership for the U.S. division, rotating in senior executives from Tokyo for short stints in New York. It changed course in 2015, hiring Cummings, a UBS executive at the time, as its first American CEO.

In announcing his successor, the outgoing CEO, Masashi Oka, said at the time that having someone who is a native of this country would be key to deepening customer relationships, navigating U.S. regulations and guiding the transformation ahead.

Rita Sahu, an analyst at Moody's, said the appointment of Cummings is telling. "To me, it just reinforced the importance of this as a market, in that they really wanted someone on the ground and entrenched."

Cummings, 62, has a background that suits a company like MUFG well. He is a product of the golden age in U.S. banking — and its reverse during the financial crisis. He started in the industry in the late 1970s, working in investment banking and M&A advisory. In the early 2000s, during the rise of the financial conglomerate, he advanced to the top ranks of a regional bank that would later become Wachovia, a retail banking powerhouse. When the mortgage meltdown happened, he served as global head of corporate and investment banking during the Charlotte, N.C., company's breathtaking collapse.

Cummings said he's not undertaking a massive overhaul at MUFG, just looking for ways to improve efficiency. His goal is to create something sustainable — a locally managed U.S. company that is more profitable, and potentially much larger, than it was when he arrived.

He would like to demonstrate to the Japanese parent company that this business strategy is workable over the long term even after he retires.

"What I want as part of my legacy is for them to be in a position where that is a permanent view of how this business can be run," Cummings said.

Why the U.S. matters so much

If you want to understand the business that Cummings runs, the first thing to know is that it's a small — but increasingly important — piece of a much larger global enterprise.

MUFG Americas is part of the thicket of companies that operates under the umbrella of Mitsubishi UFJ Financial Group, a $2.6 trillion-asset global company. The Americas division is a wholly owned subsidiary of the Bank of Tokyo-Mitsubishi UFJ, the global parent's best-known brand that also makes up the bulk of its net income.

MUFG Americas accounts for about 10% of the global parent's annual profits. It is based in New York, but serves clients from Canada to Latin America.

But with Japan facing an economic crisis, the Tokyo bank is turning to foreign markets, including the United States, as it looks for ways to grow.

After more than a decade of deflation, The Bank of Japan, the country's central bank, in 2016 took the unusual step of adopting negative interest rates. The move charges banks a fee for storing their excess deposits, with the goal of encouraging lending and stimulating economic activity.

Japanese banks are "absurdly overdeposited," said Alicia Ogawa, a director at the Center on Japanese Economy and Business at Columbia Business School.

Ultralow rates, in Japan and across the globe, have weighed on results. The return on equity at the global parent slumped to 7.25% in 2016, from nearly 9% five years earlier, according to its most recent annual report.

There are longer-term problems facing the Japanese economy as well. The country's population is shrinking, having declined by about 1% as of the 2015 census, compared with five years earlier. Companies, in turn, are facing the prospect of declining demand.

"This is a crisis," Cummings said, discussing the economic pressures. "It's not a heart attack, but it's a 'you're really sick and there's no relief in sight.' "

One of the markets the Tokyo bank has targeted for growth is Southeast Asia. It announced in December that it planned to buy a majority stake in the Bank Danamon in Indonesia. Three years earlier, it bought Bank of Ayudhya in Thailand.

The United States is another promising target. The Tokyo bank gained a foothold in the U.S. banking industry during the 2008 financial crisis, when it acquired a 20% stake in Morgan Stanley. It also acquired UnionBanCal, now known as MUFG Union Bank, which has just over 350 West Coast branches.

Following the crisis, the U.S. division consolidated its operations — including its regional bank in California and securities division in New York — under a single holding company, MUFG Americas, to comply with a Federal Reserve requirement for foreign-owned banks. The requirement has helped to streamline the company's U.S. operations, according to Cummings.

"I think it catches us up to more of a model that we are all accustomed to here in the U.S.," he said of the holding company structure. "That's how the other big guys do it."

A plan to become more profitable

Asked about the Tokyo bank's growth ambitions, Cummings said that U.S. acquisitions are a possibility.

"This is not a kind of wishful thinking," he said. "We've got somebody who strategically needs to and wants to change the look of their business mix to a more global, more balanced model."

In the meantime, though, Cummings is under pressure to boost returns and create a more solid foundation for that future growth. While it can take years to improve a big company's financial health, meager results have nonetheless been a defining aspect of his tenure. "What's been the challenge is profitability," said Sahu, the Moody's analyst. "There are a lot of moving parts there."

Revenue at MUFG Americas has slid over the past year, falling by 1% during 2017 compared with the prior year. Profits, however, rose 8%, on lower tax expenses and credit costs.

Perhaps the biggest challenge facing the company, though, is its escalating expense base, which rose 5% last year from a year earlier. A big part of that uptick came from technology, as MUFG upgrades its core system and looks for new ways to automate manual tasks. "We're on a financial path where we're still not satisfied with where we're at today," said Johannes Worsoe, chief financial officer at MUFG Americas. The company in April intends to announce a three-year plan to "balance growth and returns," he said.

Part of the plan involves boosting fee-based income, as MUFG makes a bigger push into the debt capital markets and looks to expand its portfolio of mortgage servicing rights.

Another part of the plan involves taking on additional credit risk. MUFG's commercial banking business primarily serves high-end, investment-grade companies. But the U.S. division is starting to move into the somewhat riskier end of the middle market, with a bigger focus on asset-based finance and leveraged lending.

Offering unsecured consumer loans is also under consideration. MUFG currently purchases personal loans from fintech lenders like LendingClub, but it is developing its own product, according to Cummings. The product, which is "in deep planning stages," could launch later this year.

"There's so much left to do to better serve customers, and to monetize those relationships," Cummings said.

Over the long term, MUFG also will need to lower its funding costs, according to Cummings. About two-thirds of the U.S. operations are funded with consumer and commercial deposits, but the remaining portion of the business is funded with swapping yen for dollars — a process that can get expensive, he said.

To that end, MUFG launched a direct consumer bank under the brand PurePoint last year. The division competes for online consumer deposits, offering high-yielding savings accounts similar to Ally Financial, Goldman Sachs' Marcus and Synchrony Bank.

PurePoint, which also has storefronts in New York and a handful of other major markets, has about $3 billion in deposits so far.

Cummings declined to specify if the personal loan product that is in the works is for PurePoint.

Cultural differences

As he reflects on his three years at MUFG, Cummings, who spent the bulk of his career in North Carolina, projects an air of Southern gentility. He talks openly about MUFG's financial challenges, while remaining deferential to his foreign parent. "I've felt nothing but complete support here," he said.

Still, it's clear that navigating two very different corporate cultures is a big aspect of Cummings' role as MUFG's first American CEO. In advocating for his part of the global company, he said he makes sure that executives in Japan feel comfortable with the changes he wants to make — and the fast pace at which he wants to move. "We're pressuring them to move more quickly, which I would say they would agree is a good thing, and they're pressuring us to give them more details," Cummings said. "I actually think that ends up at a pretty nice middle ground."

The two countries simply have different ways of doing business. Many Japanese companies, for instance, still operate under a system of lifetime employment, guaranteeing workers a job until they are old enough to retire. American companies, by contrast, have no qualms about laying off employees when needed.

Additionally, while Japanese companies pride themselves on perfection and meticulous planning, American companies prefer to move fast and have more tolerance for fixing mistakes later.

So it's not surprising that, after just a few months on the job, Cummings raised eyebrows when he said he planned to reorganize MUFG's U.S. commercial banking division.

The reorganization, dubbed the "Trailblazer" project, consolidated a stand-alone middle-market division into MUFG Union Bank, with some positions getting eliminated. The idea was to foster a more collaborative approach — for instance, getting commercial bankers to refer the C-suite executives who are their clients to the bank's wealth management team.

"When we go in and say, 'We're going to do the Trailblazer, and we're going to lay off 100 fairly senior people as part of this,' it's, 'Wow, are you sure you can do this? Isn't it going to disrupt the entire business?' " Cummings said.

Asked whether he speaks Japanese, Cummings was blunt: "It would be nice if I did," he said.

Still, he said the language barrier hasn't been a big issue. Many of the Tokyo executives he works with speak English. Also, when he travels to Japan, he has a translator by his side.

"There is an element at the margin that doesn't come out right, going both ways," Cummings said, noting how some phrases get lost in translation. "So we have very experienced Japanese partners who are embedded with our team that make sure those communications are clear."

The rebound after the crash

Unlike high-powered executives who claim they accidentally stumbled into success, Cummings has the resume of someone who seemed destined to become a bank CEO. He ran a boutique advisory firm at an early age, and quickly worked his way up the big-bank corporate ladder.

Still, the mortgage meltdown had Cummings questioning whether he was on the right career path at all.

Cummings got his start in the industry nearly four decades ago, accepting a job after business school at Kidder Peabody, the investment banking firm based in Boston that, through a series of acquisitions, is now part of UBS. He worked in the corporate finance division in New York.

After his wife's father passed away, however, she persuaded him to move to North Carolina. "She really wanted to go home, and I wanted to stay married," Cummings said, with a laugh.

In 1984 Cummings joined Bowles Hollowell Conner, a boutique M&A advisory firm in Charlotte. The firm was founded by Erskine Bowles, a well-known figure in the Democratic Party. When Bowles was tapped by the Clinton administration in 1993 to serve as head of the Small Business Administration, he named Cummings — who was only 37 at the time — as CEO.

"He had a certain confidence about himself," said Bowles, who later served as President Clinton's chief of staff and, more recently, as lead director on Morgan Stanley's board. "He had that judgment — you could see it from day one."

It was a big test for Cummings. The economy was in a slump, recovering from the early 1990s recession. After relying for years on Bowles to generate a pipeline of business, the firm had to forge a path forward without him.

"I had this moment of truth, of 'holy smokes,' " Cummings said. "I knew I was young, and the firm was only 35 people. But will they follow me?"

Cummings said he made it clear to everyone that, in order to make the firm successful, they had to "grab a shovel." Everyone had to know their role, had to be disciplined about their assignments and had to be held accountable. Eventually the firm found its footing.

"That was a real learning moment for me," he said.

By the late 1990s, when financial conglomerates came on the scene, big banks began scooping up small brokerage and advisory firms. Seeing an opportunity in the market — and recognizing that Bowles Hollowell had had a good run — he oversaw a sale in 1998 to First Union, a fast-growing regional bank. As part of the deal, he agreed to stay on for a few years.

"I thought I would do my time and then go," Cummings said. "But they just started asking me to do more things."

Cummings thrived in the world of megabanking. First Union acquired Wachovia several years later and adopted its name. The company began to grow ambitiously, in part by building out its investment bank and advisory division, a business that Cummings was tapped to lead.

Wachovia's success took a turn several years later when the subprime mortgage crisis began to ripple through the economy. Cummings' memories from the time are still raw.

He recalled the exact moment, in early 2007, when he and his colleagues spotted cracks in the commercial mortgage-backed securities business and began to pull back. Soon after that, his division began taking heat for losses that had surfaced in Wachovia's investment bank.

But "the anchor that could not be dealt with," Cummings said, was the company's ill-fated acquisition, in 2006, of Golden West Financial in California, a provider of pick-a-pay mortgages, which allowed borrowers to pay less interest than what was due.

By the fall of 2008, Wachovia, which had more than $800 billion in assets, was on the brink of collapsing. Wells Fargo hustled through an emergency deal to buy the company, with the closing just over a year later. Cummings was one of several senior executives who were not asked to join the San Francisco megabank. "The original dream for Wachovia was to move to California and somehow do a deal with Wells," Cummings said. "So we did that in a backwards way."

After the sale, Cummings, who was 53 at the time, stepped away from the industry. He took time to think about the possibility of a radically different career path. He described the first months after the crash as a period of recovery. "It really was devastating for me," Cummings said. "I had to think through where I was."

He considered doing some investing and joining a board. But it didn't take long for him to recognize that, as he said, his "engine was still running," and that banking was where he belonged. About 18 months after he left Wachovia, Cummings began looking for his next opportunity in investment banking, recognizing that he would have to leave Charlotte for New York to find it.

Cummings was hired by UBS in 2011. As chairman of the U.S. investment bank in New York, he was put in charge of restructuring the division, which was struggling after the crisis. Doing so involved slashing the loan book and moving to a "capital-light structure," he said. The experience taught him how to oversee a corporate turnaround.

Four years later, when he was offered his current role at MUFG, he knew that he was up for the challenge.

"What an opportunity to have another chapter," Cummings said. "This was not, 'Fix something that's broke.' It's, 'Tune it, make it better, and help take it to the next level.' "

Looking ahead

While Cummings may be close to the end of his career, he insists that he has no plans to retire anytime soon.

His six children are fully grown, with the youngest having just graduated from college. (None of them have followed him into banking, though one of his sons works in a boutique advisory firm on the West Coast.) His wife and dogs still live in Charlotte and, though he travels frequently for work, he visits them as often as possible.

It remains to be seen what kind of legacy Cummings will ultimately leave behind at MUFG. Beyond MUFG's disappointing financial performance, brand recognition may be its biggest challenge. Executives are quick to note that MUFG is not well-known in the United States, despite its large size and high-profile commercial clientele. Its complicated structure and multiple retail brands make it somewhat inscrutable to consumers.

MUFG also has attracted some controversy over the past year, amid a legal battle between the Bank of Tokyo Mitsubishi UFJ and the New York State Department of Financial Services.

The Tokyo bank last year won approval to flip its state-regulated U.S. branches to a national charter. Its primary New York branch, however, had been fined by the state regulator in 2013 and 2014 for improperly handling transactions to sanctioned countries. After receiving approval for federal oversight, the bank sued the New York financial regulator to halt state oversight of the branch.

The DFS, which is run by Superintendent Maria Vullo, is challenging the suit. MUFG, meanwhile, has said it makes financial sense to consolidate its subsidiaries under a single regulator.

Whether Cummings will succeed in getting MUFG into better financial shape overall — bank acquisition or not — is an open question. But MUFG is busy making moves on multiple fronts, and Cummings is orchestrating them all with quiet confidence.

"He is the CEO of the Americas operations of one of the biggest and oldest banks in the world, which wants to make investments in businesses, clients and acquisitions," said Ogawa, the Columbia professor. "He's a very powerful guy in that respect." □

HOW 'AMAZINGLY FLAT' MANAGEMENT BREEDS INNOVATION AND WINS EMPLOYEE LOYALTY

By Rob Garver

Many of the those named to our inaugural Best Fintechs to Work For ranking share a willingness — even an eagerness — to substantially involve employees in decisions about how the company is run.

ART FROM GETTYIMAGES

Not long after Chris Anderson came to work in San Diego as a middle manager at Mortgage Capital Trading, he had an idea about how to make the company more efficient.

"I saw my guys doing a ton of manual data entry, and I thought, there must be an easier way," he said.

Anderson, who is now the chief administrative officer at the housing finance company, gathered some of his employees and brainstormed a tech solution to their problem. They ended up creating a program that automated a large part of the team's workflow.

Mortgage Capital's management immediately realized the value of the change and endorsed its adoption. Not incidentally, the company began charging customers a premium for its new, expedited services.

A common characteristic of companies on our inaugural Best Fintechs to Work For list is a willingness — even an eagerness — to involve employees in decisions about how the business is run.

The companies can reap substantial benefit from doing so, and in the case of Mortgage Capital, that benefit is shared with employees.

Though some companies might have made sure Anderson received praise from executives — or maybe even given him a performance bonus at the end of the year — the model at Mortgage Capital is more generous.

The company calculated how much money it was making as a result of the new system, and funneled a share of it — on an ongoing basis — to Anderson and his team members.

More than five years later, the system is still being used.

A senior trader at the company had a similar experience just recently. Working on his own time, he came up with a tech solution for aggregating and analyzing the large amounts of data the company collects about the mortgage markets, and reaped the benefits.

"Our primary clients are lenders and this is a tool we were able to sell to some of the largest correspondent lenders in the country," Anderson said. "He took the ball, ran with it, and it's a tool that's profitable, and he participates heavily in those profits."

It's recognizing the contributions of all those who work there — even those who aren't in a management role — that propels Mortgage Capital to a high score in employee satisfaction, Anderson said.

"Employees like to be on the cutting edge and they like to be part of an organization that will recognize if they have a good idea and know that it could be reaching product viability pretty darn quick," he added.

To the Best Fintechs, employee input is valuable enough to seek out. They typically foster a lot of interaction between the managers at the very top of the organizational chart and people at all levels below them.

PeerStreet's co-founders Brew Johnson and Brett Crosby make sure to meet with their entire workforce weekly.

Every Monday, "we bring the whole company together," said Crosby, who is the chief executive at PeerStreet, a person-to-person lending startup in Manhattan Beach, Calif. "It's an expensive meeting, because it's a lot of people's time. But we think it's important. We go through our metrics, talk about what happened last week, talk about what's happening this week."

In the event there are problems, "people who are responsible for those can go do something about it," he said. "They can also get ideas from other people in the company. It keeps people much more engaged and they feel like they are part of everything that's going on."

Again and again, fintechs with high employee engagement and satisfaction describe an atmosphere in which information flows freely across organizational lines — and flows in both directions.

At Promontory Interfinancial Network in Arlington, Va., marketing director Amy Manship talked about an "amazingly flat" corporate structure, where employees get the same information about the company's performance that board members receive, and where senior management is eager to interact with more junior employees. "All of us are on an equal plane," she said. "We're all kept in the loop."

There's a similar sense of direction at Best Egg, a lender in Wilmington, Del., said Sabrina Basht, its chief strategy officer. "We have a clear mission, clear goals you want to achieve, and clear time frames. We empower people to come up with ideas and ways to get us to those goals, and it's a recipe for a really energized organization."

This type of open communication creates a culture of accessibility, said Misty Vojvoda, director of human resources at the payments system provider Ensenta, which was acquired in December by Jack Henry & Associates.

The goal is an environment "where all employees feel comfortable approaching their manager or supervisor with ideas or innovative things — anything that they may want to talk to somebody about and be heard," she said. "Managing up is very encouraged here and that empowers employees to feel like they are an important part of the team as a whole."

Steven Smith, the CEO of Finicity, a personal finance information provider in Murray, Utah, seeks out the opinions of his workforce on a regular basis. Once a month he has a catered lunch

Best Fintechs to Work For

1.
Promontory Interfinancial Network
Arlington, Va.
President and CEO: Mark Jacobsen
Business: Provider of FDIC-insured deposit placement services

2.
Kasasa
Austin, Texas
CEO: Gabe Krajicek
Business: Banking products

3.
nCino
Wilmington, N.C.
CEO: Pierre Naudé
Business: Cloud banking services provider

4.
Mortgage Capital Trading
San Diego, Calif.
President: Curtis Richins
Business: Mortgage hedge advisory and secondary marketing software

5.
Best Egg
Wilmington, Del.
CEO: Jeffrey Meiler
Business: Online lending

6.
PeerStreet
El Segundo, Calif.
CEO: Brew Johnson
Business: Real estate investing platform

7.
SmartBiz Loans
San Francisco, Calif.
CEO: Evan Singer
Business: Small-business loans

8.
Nav
San Mateo, Calif.
CEO: Levi King
Business: Small-business loans

9.
Wirecard
Conshohocken, Pa.
Managing Director: Deirdre Ives
Business: Payments technology provider

10.
Cross River Bank
Fort Lee, N.J.
Chairman, President and CEO: Gilles Gade
Business: Bank partner for fintech firms

11.
Nvoicepay
Beaverton, Ore.
CEO: Karla Friede
Business: Accounts payable software for domestic and international B2B payments

12.
Jack Henry & Associates
Monett, Mo.
President and CEO: David Foss
Business: Core processing and software

13.
CSI
Paducah, Ky.
Chairman and CEO: Steven Powless
Business: Provider of bank software, IT, compliance and core processing

14.
Finicity
Murray, Utah
CEO: Steve Smith
Business: Cloud-based software provider

15.
Jumio Corp.
Palo Alto, Calif.
CEO: Stephen Stuut
Business: Mobile payments and identity verification

16.
MPOWER Financing
Washington, D.C.
CEO: Manu Smadja
Business: Educational lending

17. OZRK Labs
St. Petersburg, Fla.
President: Marcio deOliveira
Business: Bank innovation lab

18. StrategyCorps
Brentwood, Tenn.
Managing Partner: Dave Crook
Business: Mobile banking, online banking and checking account solutions

19.
Ensenta
Redwood Shores, Calif.
CEO: Edward Viera
Business: Software for mobile and online payments and deposits

20.
Oportun
Redwood City, Calif.
CEO: Raul Vazquez
Business: Online lending

with every employee whose birthday falls in that month.

"I say, 'Today you can ask any question you want and I'll do my best to answer it,' " Smith said. "It's a conversation with no framework or objective."

Sometimes he adds agenda items to executive meetings based on input he receives. He also gains an understanding of how well different groups are working together and what the morale level is at the company.

"It's a great way for me to have my finger on the pulse."

Executives said they tend to let employees influence both outward-facing business decisions and their day-to-day work environment.

Computer Services Inc. in Paducah, Ky., has employees fill out an engagement survey once a year and management scans the comment section closely.

"Every year we always implement at least a couple of changes that are directly requested from the comments," said Beth Riddle, CSI's vice president of human resources.

In recent years, employee comments have led to an overhaul of both the company's family leave policy (new moms now get 12 weeks of full-pay maternity leave; dads get two weeks) and its vacation policy (new hires now start with three weeks rather than two, as they had under the old policy).

At the banking products provider Kasasa, in Austin, Texas, a group of nonmanagerial employees known as the Patch Committee makes critical decisions about things as seemingly minor as what soda brands are stocked in the breakroom and as major as creating a governance process for the company's "Love Fund" — an employee assistance program that has handed out hundreds of thousands of dollars in aid to those in distress.

Named for the "patch" logo that symbolizes the company's values, the Patch Committee operates with minimal oversight from upper management, and is responsible for fielding all employee requests and responding to them in a timely manner, said CEO Gabe Krajicek.

"Any employee can email the Patch Committee at any time and we have to give them a 'Yes-plus-when' or a 'No-plus-why' answer in a very timely way," Krajicek said.

A request ticketing system tracks employee queries and ensures that "every employee gets that clear closure on any recommendation they make."

Cross River Bank in Fort Lee, N.J., relies on employees to help guide its charitable giving, said Marc Miller, its chief people officer.

"Any employee can present any charitable organization for us to donate to and we will donate generously to each one," he said. The company also recently created a matching fund meant to amplify employees' personal donations to causes of their own choosing.

Whether the employees are seeing their influence take effect internally or externally, the impact is similar.

According to Miller, when Cross River employees see the bank making a difference in the community — a difference guided by the employees themselves — it has a positive effect on their attitude.

"They feel they're not just working for a company in the business of making money," he said. "They're proud to be a part of the company."

At Mortgage Capital, Anderson said the company fast-tracks employee proposals to improve operations.

"When ideas get adopted very quickly, and they are able to see that adoption, and they are able to interact with their clients and say, 'That was my idea.' They can take some pride of ownership." □

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CHIEF FINANCIAL OFFICER OF CENTRAL BANK

Houston – February 8, 2018 – Central Bank today announced the election of Mr. Mark Bower as Executive Vice President – Chief Financial Officer.

"We are excited to have Mark Bower join Central Bank's executive management team," said Robert Mrlik, President and Chief Executive Officer. "Mark's industry experience and excellent financial management skills will serve the bank well in its commitment to providing long-term value to our stakeholders."

Bower comes to Central Bank with 36 years of commercial banking experience; with the last 23 years at Home State Bank, Loveland, CO.

Bower, a Certified Public Accountant, is a graduate of Augustana College. Mark and his wife Annie, have three children, Elizabeth, Hannah and Michal.

Central Bank was founded in 1956 as Montrose National Bank and in 1961 changed its name to Central National Bank of Houston. In 1979, the bank converted to a state bank charter. As of December 31, 2017 Central Bank reported total assets of more than $650 million and total deposits of $583 million. It operates four locations in Houston.

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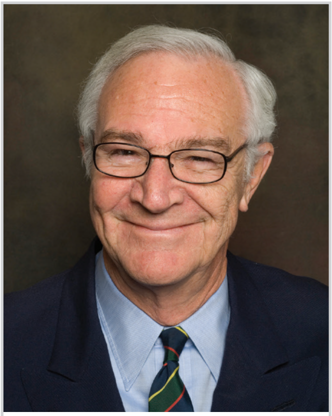


ROY C. SMITH

"Why hang out at Goldman when you could be having lunch on Mount Olympus?"

New York University professor and former Goldman Sachs partner, on why so many from Goldman took jobs in the Trump administration despite the reputational risk

NEWT GINGRICH

"Everyone was wondering who would dominate the White House: Steve Bannon or the Manhattan mafia. It turns out Donald Trump dominated the White House. Surprise!"

Former House speaker, on the demise of "Government Sachs" as much of the Goldman contingent exits the White House

SCOTT AMEY

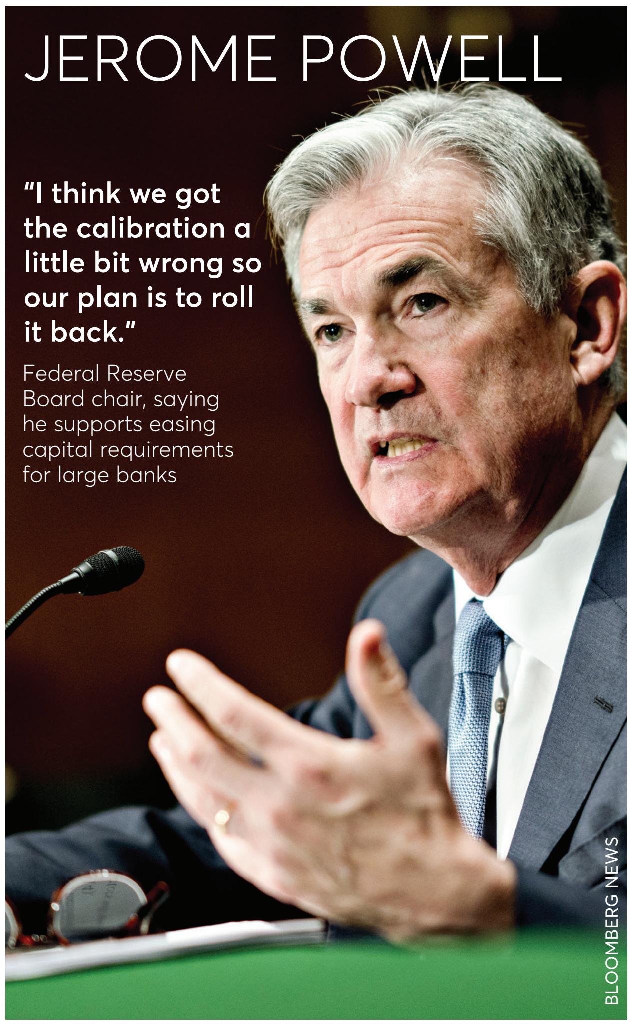
"The optics are not good here."

General counsel at the Project on Government Oversight, questioning the propriety of bank loans made to Jared Kushner's real estate firm

ROB FROHWEIN

"We're not saying this is the best or the only solution, but if you're in favor of fewer tragedies like these, then it is incumbent on you to do something."

CEO of Kabbage, announcing after the Parkland shooting that the online small-business lender will no longer serve customers who make or sell some types of guns



JEROME POWELL

"I think we got the calibration a little bit wrong so our plan is to roll it back."

Federal Reserve Board chair, saying he supports easing capital requirements for large banks

BLOOMBERG NEWS

SHEILA BAIR

"It would be the height of irresponsibility for Congress to loosen capital requirements now, when big banks need to prepare for rough times that may lie ahead."

Former Federal Deposit Insurance Corp. chair

ALEXIA BONATSOS

"Women, consider crypto. Otherwise the men are going to get all the wealth, again."

Venture capitalist, discussing how "blockchain bros" dominate the world of cybercurrencies

CHARLES HAYTER

"We have very fast-moving weather systems in the crypto world. One moment it's absolute exuberance, and then it's pure fear and panic, running for the exits."

CEO of CryptoCompare, a cybercurrency research firm

BLOOMBERG NEWS

HOWARD SCHULTZ

"I don't believe that bitcoin is going to be a currency today or in the future."

Starbucks' executive chairman, saying that he believes a few legitimate cryptocurrencies will emerge, but that bitcoin is not one of them

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A relationship that can help diversify offerings, scale clients' businesses, and reduce risk

The Loomis advantage
Service, support, transparency, and a commitment to excellence from the industry leader

REINVENTING FINANCIAL SERVICES:

Leading the Future-Ready Enterprise

MAY 22, 2018

Reinventing Financial Services is a one-day event in New York City on May 22, 2018 where we will offer a compelling mix of visionary ideas, best practices and roundtable discussions with industry executives and thought leaders from America's leading financial institutions.

This complimentary invitation only event is primarily open to c-level executives from financial services institutions.

The agenda includes...

- The Future of Financial Services: The Big Bets
- The Importance of Cultural Transformation
- Strategies for Re-designing Your Business Architecture
- Round Table Discussions
- Networking with Peers

It's time for the incumbent to strike back: hear from your peers who have taken on the challenge of digital reinvention to become the disruptor—and not the disrupted.

Join us for a day of dynamic conversations with a roster of speakers who have proven track records in areas of enterprise innovation, new standards in client centricity and talent recruitment and training.

Robert Bauer
Head of Innovation & Sharing Economy Practice Group, AIG

Amala Duggirala
Executive Vice President Enterprise Chief Information Officer, Regions Bank

Chris Payton
Global Acquisition Executive Bank of America

Request an Invitation

We hope you can join us. Please request an invitation to join other senior leaders in the banking, financial markets and insurance industries. Now in its second year, the event is limited to 100 attendees.

To submit a request, please contact Sherrice Green at 212-803-6075
or visit us online at www.RFS2018.com to view the full agenda and speaking faculty.

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