

Value: The Community Bank Wall Street Report

June 2004



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Track It!

Updates on the *America's Community Bankers NASDAQ Index* appear daily at www.AmericasCommunityBankers.com.

Investor Conference Draws a Crowd

Executives from 22 community banks took their stories directly to Wall Street at the inaugural Community Bank Investor Conference organized by America's Community Bankers.

Held May 11 in New York, the fast-paced conference featured a series of 30-minute presentations and question-and-answer sessions from banks that are part of the *America's Community Bankers NASDAQ Index*. Since its launch on Dec. 8, the Index has helped to increase investor focus on community banks by providing a reliable benchmark of performance.

Presenters included banks ranging in assets from \$350 million to \$18 billion. In all, approximately 200 people attended, including more than 100 investors and stock analysts.

The conference provided "a truly exceptional platform" to reach investors and analysts, said Charles T. Field, chief financial officer of Interchange Financial Services Corp., Saddle Brook, N.J., one of the presenters.

A two-hour "Investor Relations Boot Camp" tailored to help community bankers understand the needs and expectations of investors preceded the conference on May 10.

The event is believed to be the first investor conference ever held by a national financial services trade association

"America's Community Bankers is expanding the definition of what a trade association can do for its constituencies by bringing buyers and sellers together in the investment arena," said Diane Casey-Landry, ACB's president and chief executive officer. "We were delighted to provide NASDAQ-traded banks with this forum to explain their value proposition to investors."

Event sponsors included Grant Thornton, Legg Mason Inc., the NASDAQ Stock Market Inc., Ryan Beck & Co., and Sandler O'Neill and Partners LLP. «



Peyton R. Patterson, president, chairman and chief executive officer of NewAlliance Bancshares of New Haven, Conn., addressed a packed room of investors and analysts. It was her first such presentation since taking the \$6.2 billion-asset bank public in April.

An Index for All Community Banks

ACB and the NASDAQ Stock Market launched the *America's Community Bankers NASDAQ Index* in December 2003 to track the performance of the vibrant community-based banking sector.

The Index, which measures the performance of 540 NASDAQ-traded community banks, has several distinctive features.

First, it includes only commercial banks

and thrifts that are insured by the Federal Deposit Insurance Corp. Check-cashing firms, currency exchanges, and other banking-related companies were excluded, ensuring that the Index measures the value of a pure play in depository institutions.

Second, the Index excludes banks and thrifts that rank among the top 50 by asset size or that specialize in credit cards or

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William Donius, chairman and CEO of \$497 million-asset Pulaski Financial Corp., stepped out into Times Square after opening the NASDAQ Stock Market May 10. (Photo: Alan Perlman)

international banking. This keeps the focus squarely on community banks, not industry giants.

Finally, the Index is calculated on a total return basis, meaning it assumes dividend reinvestment. This recognizes the "cash in hand" value that is imbedded in most bank stocks.

Set at a base value of 250 on Dec. 2, 2003, the Index has ranged from a high of 263 on March 5, and a low of 240.68 on May 10. As this issue went to press on May 28, the Index stood at 252.54.

Banks that satisfy the criteria for inclusion are added to the Index twice a year, on June 1 and Dec. 1. «



First Niagara CEO Paul Kolkmeier (right foreground) and CFO John R. Koelmel (left) reviewed their presentation with analysts and investors.

Why NASDAQ?

NASDAQ has become the stock market of choice for U.S. banks, making it a natural partner for America's Community Bankers.

Some 700 financial institutions are listed on the electronic exchange, and 540 of these meet the criteria for inclusion in the *America's Community Bankers NASDAQ Index*, according to John Shipley, managing director of the NASDAQ Stock Market.

Banks are the second largest component of the NASDAQ (after technology companies), making up approximately 22 percent of listed companies, Shipley told conference-goers.

ACB's analysis shows that U.S. banking companies listed on the NASDAQ outnumber those listed on the New York Stock Exchange and the American Stock Exchange combined – by about a five-to-one margin.



18 Banks Join ACB NASDAQ Index on June 1

Chief executive officers and chief financial officers of 18 community banks learned in late May that their institutions have been added to the *America's Community Bankers NASDAQ Index*.

The most representative index of community bank stocks is recalibrated twice annually, on June 1 and Dec. 1.

The 18 additions on June 1 will bring the Index to 540 NASDAQ-traded stocks with a market capitalization of about \$180 billion. The Index is calculated daily based on closing prices and a total return method. It is reported on the ACB Web site at www.AmericasCommunityBankers.com and through other media.

The Index does not have a fixed number of members, so no companies have been deleted to make room for new entrants. However, deletions due to mergers and acquisitions occur on an ongoing basis.

The 18 new Index members have listed on the NASDAQ since September. Their assets range from \$97 million to more than \$6 billion. They are:

- The Bank Holdings (**Ticker: TBHS**), Reno, Nev.
- Bank of Oak Ridge (**BKOR**), Oak Ridge, N.C.
- Bank of Wilmington (**BKWW**), Wilmington, N.C.
- The Bankcorp Bank (**TBBK**), Wilmington, Del.

- Central Valley Community Bancorp (**CVCY**), Clovis, Calif.
- Cheviot Financial Corp. (**CHEV**), Cincinnati.
- Clifton Savings Bancorp (**CSBK**), Clifton, N.J.
- Coast Financial Holdings Inc., (**CFHI**), Bradenton, Fla.
- Franklin Bank Corp. (**FBTX**), Austin, Texas.
- K-Fed Bancorp (**KFED**), Covina, Calif.
- KNBT Bancorp (**KNBT**), Bethlehem, Pa.
- NewAlliance Bancshares (**NABC**), New Haven, Conn.
- Old Line Bancshares (**OLBK**), Waldorf, Md.
- Rainier Pacific Financial Group Inc. (**RPFG**), Fife, Wash.
- SCBT Financial Corp. (**SCBT**), Columbia, S.C.
- Smithtown Bancorp (**SMTB**), Smithtown, N.Y.
- Southcoast Financial Corp. (**SOCB**), Mount Pleasant, S.C.
- Synergy Financial Group Inc. (**SYNF**), Cranford, N.J.

The Index is weighted by market capitalization and adjusted for splits and spinoffs. It excludes the 50 largest institutions based on asset size, and banks with an international or monoline credit card specialization. «

Investor Relations Boot Camp

More than 80 people turned out for a two-hour crash course in investor relations that kicked off the America's Community Bankers Community Bank Investor Conference on May 10.

The session featured presentations on building an effective investor relations program, evaluating financial markets perceptions, and maximizing your NASDAQ listing. A panel on community bank investors offered a candid assessment of what investors expect, need, and won't tolerate from publicly traded banks. All the speakers placed a high value on honest and clear communications.

with David L. Babson, a Boston-based investment advisory firm. He said that surprises are unforgivable, and may prompt him to sell shares—perhaps even immediately. Goldfarb is a buy-side analyst, meaning one who works for a mutual fund, pension fund, or other investor.

In dealing with analysts and investors, it is important to remember that “everybody's looking for that diamond in the rough,” said William Donius, chairman and CEO of Pulaski Financial Corp. of

The chief executive officer and chief financial officer each have a vital part to play in the IR effort, Margolin said. “The CEO is the vision spokesperson. The CFO is the company's conscience.”

Among her tips for bankers and their IR teams: Maintain a master list of investors and update it quarterly. Schedule a few days each month for calls on prospective investors, and get feedback after the presentations. Don't skimp on quality



John Shipley (left), managing director of NASDAQ's corporate client group, huddled with ACB Chairman William W. Zuppe during a break.



New York's University Club was the site for ACB's first Community Bank Investor Conference, with an opening reception in the Council Room. The Club, a classic of Italian Renaissance Revival architecture, was built in 1900 by the renowned firm of McKim Mead and White.

How Investors Think

When analysts and investors evaluate banks, “the quality of management is the most important and the most subjective consideration,” said Rick Weiss, senior analyst for Janney Montgomery Scott, Philadelphia. He is a sell-side analyst, meaning one who works for a brokerage or investment bank.

“We look for openness, honesty, and access. We want our phone calls returned,” said Dan Goldfarb, analyst

St. Louis. Banks should emphasize what is different and special about them.

‘Vision and Conscience’

The goal of investor relations is to create fair market value for the company, said Linda Margolin, president of Margolin & Associates, an investor relations consulting firm in Cleveland. She said IR is a “strategic management responsibility” that draws on finance, marketing, and securities law.

when it comes to communications. The quarterly earnings release is the foundation of your communications program, but conference calls and investor presentations require attention too.

Understanding Market Perceptions

Investor relations is “your conduit to the financial markets,” said Glen Faulkner, president of Faulkner Consultancy. Understanding how your bank is perceived in the market is crucial to maximizing your IR effort, said Faulkner, a former executive director of NASDAQ.

Investors want more and more company information, both financial and non-financial, Faulkner said. Factors that drive value include how thoroughly investors understand the company's strategy, plans and operational efficiency; how well they know its management; and how effectively the bank communicates its market share, prospects, and capacity for innovation.

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This is important to recognize because the market may discount a bank's stock if it doesn't understand the business, or it may give the stock a premium for improved transparency, Faulkner said.

He urged banks to profile their investors to learn how much of the stock they own, and how long they have owned it. Targeting desired investors is the next step for many banks. It is important to incorporate feedback from stock analysts and investors into the bank's strategic thinking, Faulkner added.

ACB-NASDAQ Bond is Strong

NASDAQ is committed to serving the needs of community banks by supporting ACB and the **America's Community Bankers NASDAQ Index**, said John Shipley, managing director of the NASDAQ's corporate client group.

NASDAQ demonstrates its commitment to customer service through NASDAQ Online, the Market Intelligence Desk, IR programs, its corporate services network, and its dedicated field representatives, he added. "All of these programs support our community banks' visibility and growth," Shipley said. Using the services that NASDAQ offers can help listed companies increase visibility, comply with regulations, and reduce the cost of being public, Shipley said. «

About America's Community Bankers

America's Community Bankers is the member-driven trade association that represents the nation's community banks. ACB members, whose combined assets exceed \$1 trillion, pursue progressive, entrepreneurial, and service-oriented strategies to benefit their customers and communities.

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A Winning Combination

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Sterling Financial Corp. (STSA)
United Community Financial Corp. (UCFC)
West Coast Bancorp (WCBO)

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Glen Faulkner, Faulkner Consultancy
Dan Goldfarb, David L. Babson & Co.
Linda Margolin, Margolin & Associates
John Shipley, the NASDAQ Stock Market Inc.
Rick Weiss, Janney Montgomery Scott

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Together, We Made America's Community Bankers Community Bank Investor Conference a Roaring Success!



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