

# Value: The Community Bank Wall Street Report

October 2004



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Photo: Alan Perlman

A beaming William J. Wagner, chairman and CEO of Northwest Bancorp, stood ready to open trading on the NASDAQ on August 18. See related article on page 2.

## Community Bank Index Goes Real-Time

ACBQ has made its debut.

The new ticker symbol for real-time, streaming price quotes for the America's Community Bankers NASDAQ Index went live Aug. 10.

Market data providers such as Bloomberg and Yahoo! Finance quickly began disseminating price values for ACBQ at 15-second intervals throughout the trading day. Previously, values were calculated on a total-return basis once a day.

Intraday pricing is a significant enhancement to the Index, which was launched in December, officers from ACB and NASDAQ said at a press briefing in Washington.

"Traders, analysts and others who follow community banks will be able to get a real-time representation of the sector's performance," said ACB Chairman William W. Zuppe. "Enhancing the Index's visibility and usefulness with intraday pricing will aid our goal of producing fairer valuations for our banks," added Zuppe, who is chairman and chief executive officer of Sterling Savings Bank in Spokane, Wash.

"NASDAQ's participation in this initiative is consistent with its objective to provide investors and other market participants with high-quality information in a timely fashion," said John Jacobs, chief executive of NASDAQ Financial Products Services Inc. "The provision of intraday price quotes will allow participants to make much better-informed decisions about this group of community banks."



Presenters at a news conference on the launch of ACBQ included (left to right) NASDAQ's John Jacobs, ACB Chairman William W. Zuppe, and ACB First Vice Chairman Harry P. Doherty.

America's Community Bankers is the only national banking group that has developed and promoted an index aimed at supporting stock-owned community banks. The Index includes some 518 banks with a combined market value of \$175 billion.

NASDAQ chose ACB as a partner, Jacobs said, because of its well-regarded activities on Capitol Hill and its dedication to helping community banks gain more attention on Wall Street through such activities as the Community Bank Investor Conference.

"We look for a partner that really gets it, because it's all about execution," Jacobs said. "There's no better organization to work with than ACB." He noted that ACB and NASDAQ are currently in discussions about creating Index-based investment products. «

## Mark Your Calendars for Nov. 18-19 Community Bank Investor Conference

To maximize the exposure of the companies that make up the ACBQ, America's Community Bankers is planning its second Community Bank Investor Conference in New York on Nov. 18 and 19.

The conference builds on the success of

last May's inaugural meeting, which attracted 250 analysts, investors, and bankers. Several presenters have attested that their exposure at the conference stirred up increased investor interest.

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Once again, executives from approximately 20 NASDAQ-traded community banks will take their stories directly to investors and analysts at the exclusive gathering, to be held at the New York Palace Hotel in midtown Manhattan.

Kicking off the event on Nov. 18 will be an enhanced Community Bank Investor Relations Boot Camp. Running three hours, the session features:

- The nuts and bolts of effective IR, by Van Negris, president and CEO of Van Negris & Co., an IR firm specializing in community banks.
- IR Web site strategies, by SNL Securities Director Tim Gould.
- A comparison of financial market perceptions by Glen Faulkner, president of Faulkner Consultancy and a former NASDAQ executive director.
- A presentation by NASDAQ on how to make the most of your stock listing.

- A spirited panel discussion on community bank investing, featuring analysts and portfolio managers.

On Nov. 19, the focus will shift to financial presentations from the banks. The presentations will proceed on two tracks, with 30 minutes allotted to each bank. The event will be simultaneously disseminated to news outlets and the general public via Webcast.

The opportunity to present at the conference is extended by invitation only. To be eligible, banks must be part of the America's Community Bankers NASDAQ Index. Currently, some 518 banks with a combined market capitalization of \$175 billion make up the index.

Efforts are also made to balance the program with banks from a broad range of asset sizes and a variety of geographic locations.

Scheduled presenters include: Capital Federal Corp., Topeka, Kan. (CFFN),

Columbia Bancorp, Columbia, Md. (CBMD), First BancTrust Corp., Paris, Ill. (FBTC), First Place Financial Corp., Warren, Ohio (FPFC), Franklin Bank Corp., Houston (FBTX), Fulton Financial Corp., Lancaster, Pa. (FULT), HF Financial Corp., Sioux Falls, S.D. (HFFC), Iberiabank Corp., Lafayette, La. (IBKC), Independence Community Bank Corp., Brooklyn, N.Y. (ICBC), MAF Bancorp, Clarendon Hills, Ill. (MAFB), Ocean First Financial Corp., Toms River, N.J. (OCFC), Peoples Bank, Bridgeport, Conn. (PBCT), Sterling Financial Corp., Spokane, Wash. (STSA), Sun Bancorp, Vineland, N.J. (SMBC), TIB Financial Corp., Naples, Fla. (TIBB) and Umpqua Holdings Corp., Portland, Ore. (UMPQ).

For information on presenting at this or future ACB Community Bank Investor Conferences, or on attending any of the sessions, contact Helen Sullivan at 202-857-3157 or [hsullivan@acbankers.org](mailto:hsullivan@acbankers.org). «

## Seen at the NASDAQ Market Site

Let the trading begin!

A dozen banking companies that belong to the America's Community Bankers NASDAQ Index have had the honor of officially opening trading on the NASDAQ Stock Market since late May.

A 9:30 a.m. signing ceremony that kicks off trading is the centerpiece of the event, which is held each business day at the NASDAQ Market Site. Throughout the day, the honored company is featured on the Market Site Tower, a high-tech electronic display that rises seven stories above New York's Times Square.

For information on how to get your bank's name in lights, contact your NASDAQ customer service representative.

Hats off to executives from the following companies for their recent appearances at the Market Site:

Northwest Bancorp, Warren, Pa.	(NWSB)
Sterling Bancshares Inc., Houston	(SBIB)
Zions Bancorp, Salt Lake City	(ZION)
Willow Grove Bancorp, Maple Glen, Pa.	(WGBC)
Washington Trust Bancorp, Westerly, R.I.	(WASH)
Hudson City Bancorp, Paramus, N.J.	(HCBK)
Mercantile Bank Corp., Wyoming, Mich.	(MBWM)
Popular Inc., San Juan, P.R.	(BPOP)
Signature Bank, New York	(SBNY)
Dime Community Bancshares, Brooklyn N.Y.	(DCOM)
FFLC Bancorp, Leesburg, Fla.	(FFLC)
New Alliance Bancshares, New Haven, Conn.	(NABC)



Frederick Marcell (WGBC), August 10



Stephen Kurtz (FFLC), June 4

Photos: Alan Perlman

# Benefits of New Corporate Governance Standards May Outweigh Costs for Financial Services Firms

By Trent Gazzaway

The financial services industry is the backbone of the world economy. It funds growth, diversifies risk, and provides the liquidity needed for every prosperous endeavor. Thus, it comes as no surprise that this industry is one of the most regulated on the planet.

People often balk at regulation out of a general perception that its cost outweighs its benefit; however, the true price of inadequate regulation can be enormous. One need not look much further than the recent banking crisis in Japan to get a feel for its potential.

Banks in particular have felt the weight of increased regulation over the past dozen or so years. Large U.S. financial institutions have been subject to internal control evaluation and reporting requirements established by the Federal Deposit Insurance Corporation Improvement Act since the early 1990s.

On a global scale, the Basel Committee on Banking Supervision has worked since the mid 1970s to establish international banking standards that would then be adopted by individual national regulatory bodies. Their chief contribution so far has been the Basel and Basel II accords, which seek to link bank capital requirements to the level of inherent risk.

Banks are not the only financial firms feeling the weight of regulation. With the global war on terrorism, all financial services firms are expected to know their customers better, track transactions in detail and shore up corporate governance.

Into this charged and volatile marketplace, new and broader regulations—like the Sarbanes-Oxley Act in the United States, and similar pending legislation in other countries—are beginning to creep.

These additional requirements bring unwanted burdens to an industry that believes it is already adequately controlled. However, some regulatory gaps need to be addressed in today's environment of rampant financial reporting and

corporate governance failures. In the United States, for example, banks must report on internal controls over financial reporting, but only with respect to their banking operations. Yet financial institutions are expanding their offerings into non-banking arenas. In the United Kingdom, there are robust rules in place, but no requirement for top managers to certify that they have met the requirements; and as we have seen in the United States, a lack of risk ownership at the executive level often leads to a lack of practical risk management.

To all this, the average executive of a well run company might say, and rightfully so, "Nonsense! We do things the right way every day. We don't need another regulation." To them I say, "Let's cross over to the sunnier side of the street."

While the financial services industry itself may not need substantial additional regulation, it stands to benefit the most from enhanced global corporate governance standards. With increased scrutiny of public companies comes increased public knowledge of the quality of their oversight and controls.

- Banks will be able to use this information to more effectively evaluate credit risk, set rates and monitor existing credit arrangements.
- Insurance companies will be better able to differentiate between higher risk and lower risk directors and officers liability insurance clients, and will be better positioned to proactively address potential issues before they become problems.
- Investment advisers will be equipped to more effectively gauge the quality of a company's management team and its ability to manage risk.

The benefits are potentially significant, and the tools to capitalize on these benefits are now in development.

Rating agencies like Standard & Poor's and Moody's have created corporate governance measurement tools or have incorporated corporate governance measures into their standard credit ratings.

Institutional Shareholder Services markets its Corporate Governance Quotient, a rating system designed to assist institutional investors in evaluating the quality of corporate boards for over 7,500 companies worldwide. Governance Metrics International bills itself as "the world's first global corporate governance ratings agency." It provides corporate governance ratings for more than 2,100 companies.

In addition to corporate governance rating agencies, other organizations are creating frameworks against which the world can measure critical components of corporate governance. The Open Compliance and Ethics Group is working to create a standardized framework for building and evaluating programs that ensure proper ethical standards are adhered to and applicable laws and regulations are followed. The Committee of Sponsoring Organizations (COSO) in the U.S. is working to expand the original COSO framework to encompass enterprise-wide risk management. And on it goes.

In short, financial services companies will have at their disposal tools and information that would never have been available in a less regulated environment. Consequently, they will make better business decisions, which will improve everybody's economy in the long run. While most of these new regulations are directed towards public companies, the implications won't stop there. Banks, insurers, and the like are considering the implications and potential benefits of these new requirements in private company lending, insuring and investing decisions. The possibilities are virtually endless. «

*Mr. Gazzaway is a business advisory services partner with Grant Thornton. The firm is the world's leading accounting, tax and business advisory organization dedicated to mid-size companies, including community banks. For information, visit [www.GT.com](http://www.GT.com).*

## Track It!

There are several ways to access quotes for the America's Community Bankers NASDAQ Index.

For real-time price quotes:

- Go to <http://finance.yahoo.com>, click on "Symbol Lookup," and search for "ACBQ." Be sure to set search "Type" to "Indices."
- Go to [www.bloomberg.com](http://www.bloomberg.com) and enter ACBQ:IND into the box that says "Enter Symbol."

For total-return values:

- Go to [www.AmericasCommunityBankers.com](http://www.AmericasCommunityBankers.com).
- Go to [www.nasdaq.com/asp/TotalReturn/asp](http://www.nasdaq.com/asp/TotalReturn/asp).

### 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.

### Contact Us

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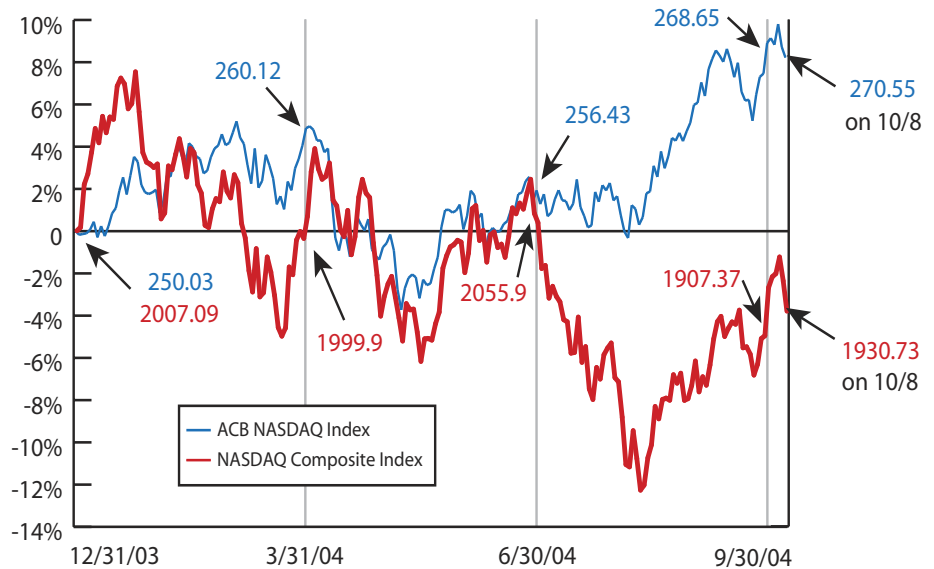
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## Strong Showing for Bank Shares

Total returns of NASDAQ-traded banks vs. benchmark



Source: NASDAQ

## Index Outpaced Key Benchmarks in 3rd Quarter

The America's Community Bankers NASDAQ Index outperformed broader market indexes in the quarter that ended Sept. 30.

The Index, as measured on a total-return basis, ended the third quarter at 268.65, a 4.77 percent rise from its second quarter close. By contrast, during the same period, the NASDAQ Composite Index declined 7.79 percent and the Standard & Poor's 500 Index fell 1.87 percent on a total-return basis.

The Index also beat the benchmarks for the year to date on a total return basis, posting a 7.45 percent increase from Dec. 31 to Sept. 30. During that period, the NASDAQ Composite dropped 5.23 percent and the Standard & Poor's 500

rose 1.51 percent.

A total-return calculation assumes that dividends have been reinvested. This approach 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 low of 240.68 on May 10 to a high of 274.51 on Oct. 6. As this issue went to press on Oct. 11, the Index stood at 270.55.

On a price basis, the America's Community Bankers NASDAQ Index ended the third quarter at 263.72. Because this measure of the Index was just launched in August, quarter-to-quarter comparisons will not be available until the fourth quarter has ended. «

**Value: The Community Bank Wall Street Report** is a periodic publication of America's Community Bankers, 900 19th Street, N.W., Washington, D.C. 20006. Diane Casey-Landry, President and CEO; Debra Cope, Editor; Jon C. Bock, Art Director; Viet Pham, Graphic Designer. Copyright 2004, America's Community Bankers.