

Value: The Community Bank Wall Street Report

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What's Inside

Report from ACB's Investor Conference . . . **Page 2**

Boot Camp Focuses On Building Brand **Page 3**

A Short Guide to the Presenting Banks **Page 3**

Corporate Culture's Role in Bank Mergers **Page 5**

ACB Conference Goes West to SF in February **Page 6**



Edward V. Lett, president and CEO of TIB Bank, Key Largo, Fla., drives home a point during his presentation to ACB's Community Bank Investor Conference.

America's Community Bankers NASDAQ Index Adds 29 Banks, Marks 2nd Anniversary

The America's Community Bankers NASDAQ Index marked two milestones in December, celebrating its second anniversary, and welcoming 29 additional community banks to its ranks.

ACBQ, as it is known by its symbol, comprises 532 NASDAQ-listed community banks with a market capitalization exceeding \$205 billion as of Dec. 1.

Launched in December 2003 by ACB and The NASDAQ Stock Market Inc., the America's Community Bankers NASDAQ Index gives investors and analysts a vital tool for tracking the performance of the strong community-based banking sector.

At the same time, it creates greater visibility for community banking, which should yield greater liquidity and fairer valuations

to commercial banks, thrifts, and holding companies.

Additional banks are admitted to the Index twice a year, on June 1 and Dec. 1. The Index consists of all NASDAQ-traded banks and thrifts, except for those financial institutions classified as having an international or credit card specialization, or those that rank among the top 50 U.S. banks in terms of assets.

"We are proud to be included in the America's Community Bankers NASDAQ Index since its inception," said Edward V. Lett, president and CEO, TIB Bank, Key Largo, Fla. "This equity index is a tremendous tool because it broadly represents the performance of the community banking sector."

The latest additions to the Index are listed below. «

- American Bancorp of New Jersey (ABNJ), Bloomfield, N.J.
- Appalachian Bancshares (APAB), Ellijay, Ga.
- BankFinancial Corp. (BFIN), Burr Ridge, Ill.
- Beach First National (BFNB), Myrtle Beach, S.C.
- Berkshire Hills Bancorp (BHLB), Pittsfield, Mass.
- Centennial Bank Holdings (CBHI), Denver
- Colonial Bankshares (COBK), Bridgeton, N.J.
- Community Bancshares (COMB), Blountsville, Ala.
- First Business Financial Services (FBIZ), Madison, Wis.
- First Fed Banc of the Southwest (FFSW), Roswell, N.M.
- First Security Group (FSGI), Chattanooga, Tenn.
- FPB Bancorp (FPBI), Port St. Lucie, Fla.
- Heritage Financial Group (HBOS), Albany, Ga.
- Investors Bancorp (ISBC), Short Hills, N.J.
- Legacy Bancorp (LEGC), Pittsfield, Mass.
- Nexity Financial Corp. (NXTY), Birmingham, Ala.
- Northern Empire Bancshares (NREB), Santa Rosa, Calif.
- Pacific State Bancorp (PSBC), Stockton, Calif.
- Plumas Bancorp (PLBC), Quincy, Calif.
- River City Bank (RCBK), Mechanicsville, Va.
- Rockville Financial (RCKB), Rockville, Conn.
- Signature Bank (SBNY), New York
- Southwest Community Bancorp (SWCB), Carlsbad, Calif.
- State Bancorp (STBC), New Hyde Park, N.Y.
- State National Bancshares (SNBI), Lubbock, Tex.
- SY Bancorp (SYBT), Louisville, Ky.
- Temecula Valley Bancorp (TMCV), Temecula, Calif.
- United Financial Bancorp (UBNK), West Springfield, Mass.
- Wauwautosa Holdings (WAUW), Wauwautosa, Wis.

Community Bankers Take Stage at 4th ACB Investor Conference in New York

By John Koegel

More than 130 bankers, analysts and investors gathered at the New York Hilton on Nov. 9-10 for America's Community Bankers' Fourth Community Bank Investor Conference.

Like theatergoers attending a smash Broadway play, standing-room-only crowds of institutional investors, portfolio managers, and buy- and sell-side analysts listened intently as 16 publicly traded community banks from around the country discussed their business strategies and made financial presentations.

Presenters came from a dozen states: Connecticut, Florida, Massachusetts, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Dakota, Texas, and Washington.

They included one community bank listed on the New York Stock Exchange and 15 of the approximately 500 financial institutions that make up the America's Community Bankers NASDAQ Index, which ACB and the NASDAQ Stock

Valuable Experience

Presenting at the conference "was a very valuable experience," said Robert G. Cocks, Jr., president and chief executive officer of Putnam Savings Bank, Putnam, Conn., who told the audience how a recent acquisition by his eastern New England community bank will help position it for future growth. "I received a lot of useful feedback and good ideas."

Like Putnam Savings Bank, New Jersey's Provident Financial Services, Inc. made its first Community Bank Investor Conference presentation last week.

"Presenting at forums like this is the next step in the evolution of our community bank as a public company," said Paul M. Pantozzi, chairman and CEO of Provident Financial Services and a former member of the ACB Board of Directors.

In addition to the company presentations, the conference agenda included ACB's Investor Relations Boot Camp, where IR professionals and securities in-

York on May 3-4. It costs \$300 to attend the Investor Boot Camp; company presentations are free.

For information about presenting or attending, please contact Helen Sullivan, senior vice president for capital markets with ACB Business Partners, at 202-857-3157 or husullivan@acbankers.org. «



Attendees at the Community Bank Investor Conference came from across the country to New York for the two-day event; more than 130 bankers, analysts, and investors were on hand.

Market launched in December 2003 to track the performance of the strong community-based banking sector. The America's Community Bankers NASDAQ Index is the most broadly representative stock index for community banks.

Industry experts presented a variety of strategies and techniques for communicating with Wall Street and shareholders.

Next year, ACB's Community Bank Investor Conference travels to San Francisco on Feb. 21-22 and returns to New

Provident Financial Services' Pantozzi shared his bank's unique business strategy with investors during his presentation.

Building Brand Equity on Wall Street Focus of ACB Investor Relations Boot Camp

By John Koegel

For many stock-owned community banks, "investor relations" (IR) has meant issuing quarterly earnings announcements, discussing results via Webcasts, publishing an annual report, and conducting an annual meeting for shareholders.

That tried-and-true model is a thing of the past, and should be replaced by a more proactive program that enables senior officers to "build brand equity on Wall Street" by telling their bank's growth story in more memorable and more effective ways.

That is one of the central themes of the latest Investor Relations Boot Camp, held Nov. 9 in New York as part of ACB's Fourth Community Bank Investor Conference.

"It was a very good program, especially for a bank like ours, which just went public this year," said Dena M. Hall, vice president of marketing and investor relations for United Financial Bancorp in West Springfield, Mo.

The Boot Camp featured presentations by leading investor relations professionals and securities industry experts who addressed various strategies and techniques for communicating with analysts and shareholders.

Is IR Dead?

"Traditional investor relations is dead," said Van Negris, senior managing director of Van Negris & Company, Inc. "Given the wealth of information available on the Internet and through other sources, public companies need work harder to stand apart from the competition."

Negris told the 30 bankers in attendance that they should consider replacing their traditional, reactive IR programs with proactive "strategic financial marketing," which combines IR with brand equity and perceptual marketing to communicate with the investor community.

"A proactive strategic financial marketing puts every event at your bank – whether financial or marketing – into a larger strategic context with your bank

as the primary brand," said Negris. "You want to transform investors into evangelists for your stock and create a buzz, just as Apple Computer has done with the iPod."

One suggestion: "Put your stock symbol on all your marketing and communication materials – including business cards, letterhead and newspaper advertisements," says Negris. "You never know who may want to buy your stock."

Perceptual Gaps

Glen Faulkner, president of Faulkner Consultancy and a former executive director of NASDAQ, urged bankers to know who owns their stock – and why.

"Knowing who your shareholders are and understanding why they invested in your company is the first step in identifying perceptual gaps that may exist between you and Wall Street," he said.

Faulkner also noted that most senior executives of stock-owned community banks need to spend more time on investor relations.

"CEOs of major corporations devote about 25% of their time to investor relations activities," said Faulkner. "The average community bank CEO spends between 5% and 10%. A small increase in time allocated to investor relations can have a dramatic benefit over time."

NASDAQ Update

John Shipley, managing director of NASDAQ's Corporate Client Group, told the audience that banking is NASDAQ's largest industry sector after technology.

"About 22% of our listings are banks and thrifts," said Shipley, "so your industry is very important to us."

Shipley also reviewed a number of recent developments at NASDAQ, including the acquisitions of Brut ECN and Instanet, enhancements to NASDAQ's opening and closing crosses, and NASDAQ's dual-listing initiative.

continued on page 4

Hats Off to Our Sponsors And Presenting Banks

America's Community Bankers is grateful to the following for their support of the Fourth ACB Community Bank Investor Conference: Legg Mason Capital Markets (now Stifel Nicolaus & Co.), Meyer Chatfield, the NASDAQ Stock Market Inc., and Grant Thornton LLP.

ACB also extends its thank to the following banks, which presented at the Fourth Community Bank Investor Conference in New York, Nov. 9-10. Except where noted, all banks are listed on the NASDAQ Stock Market.

- Columbia Bancorp (CBBO), The Dalles, Ore.
- Cooperative Bancshares (COOP), Wilmington, N.C.
- Evans Bancorp, Inc. (EVBN), Angola, N.Y.
- First Defiance Financial Corporation (FDEF), Defiance, Ohio
- Flushing Financial Corp (FFIC), Flushing, N.Y.
- FNB Corp. (FNBN), Asheboro, N.C.
- Franklin Bank Corp. (FBTX), Austin, Texas
- HF Financial Corp. (HFFC), Sioux Falls, S.D.
- KNBT Bancorp, Inc. (KNBT), Bethlehem, Pa.
- Provident Financial Services, Inc. (NYSE: PFS), Jersey City, N.J.
- PSB Holdings, Inc. (PSBH), Putnam, Conn.
- Riverview Bancorp, Inc. (RVSB), Vancouver, Wash.
- Sterling Financial Corporation (STSA), Spokane, Wash.
- TIB Financial Corp. (TIBB), Key Largo, Fla.
- Wainwright Bank & Trust Company (WAIN), Boston
- Yadkin Valley Bank & Trust Corp. (YAVY), Elkin, N.C. «

Analyst Panel

The Investor Relations Boot Camp concluded with a panel discussion among three securities experts: Dan Goldfarb, analyst, David L. Babson & Company; Rick Weiss, senior analyst, Janney Montgomery Scott; and Collyn Gilbert, senior analyst, Ryan, Beck & Co.

The panel discussion covered a wide range of topics, including questions from the audience.

“Be as truthful as you can be in this Reg FD world,” said Goldfarb, in addressing a question about unexpected

changes in earnings. “For every quarter you don’t tell the truth, it will take two quarters to get out of Wall Street’s penalty box,” he said.

When asked how de novo banks can attract attention from analysts, Gilbert suggested they begin by developing relationships with local retail brokers. “If someone has a good story, we’ll listen,” she said. “There’s no reason not to develop relationships with analysts, even if they can’t formally follow you.”

Looking ahead, bankers were also interested in knowing what concerns ana-

lysts have about the banking sector over the next six months.

“Everyone has been focused on the yield curve, but that’s been built into stock prices,” said Weiss. “Our concern is asset quality. Some banks may not have reserved enough.”

One of Gilbert’s concerns is pricing. “How to control pricing in the face of growing competition, how to manage margins – these are important questions.”

Goldfarb cites declining return on equity as a concern. “ROE has peaked,” he said. «

When Preparing to Present, Don’t Forget the Q&A Session

Banks that present at ACB’s Community Bank Investor Conference receive 30 minutes to tell their story to analysts and investors. The final 10 minutes of each half-hour are reserved for audience questions, which can range from the very general to the very specific.

According to Van Negrin, senior managing director of Van Negrin & Company, Inc., and a speaker at ACB’s Investor Relations Boot Camp, it’s best to decline any questions concerning guidance. “Regulation FD is quite specific about selective disclosure,” he said. “Present-

ers should make sure they know and follow the rules in this very sensitive area.”

Here are some representative questions that audience members asked at November’s conference in New York:

- What is your M&A strategy? How do you evaluate potential deals?
- Can you share some intermediate objectives?
- What is the composition of your construction loan portfolio? What is your loan-to-value ratio?
- Do you keep the reverse mortgages

you originate? If so, how do you account for them as they age?

- What is your stock buyback philosophy? Why has your buyback rate slowed?
- Why did you choose a mutual holding company structure?
- How difficult is it to find commercial lenders in your geographic market?
- Do you think you need to open any branches outside your primary geographic market?
- What would your board’s position be on being acquired by another bank?

Scenes From the Conference



(Left) Bankers and investors got better acquainted during a cocktail party. (Right) Anthony J. Nocella, president and CEO of Franklin Bank, Houston, was among the presenters.



Corporate Culture: Signs to Heed When Merging

By Alison Grant

In the case of mergers and acquisitions, much more is involved than two organizations joining up to do business. When companies come together successfully, corporate cultures must merge as well.

Michael Desormeaux, assurance partner with global accounting, tax and business advisory firm Grant Thornton LLP, says that corporate cultures are an important issue for many of his clients in the midst of mergers or acquisitions.

“From my experience, the key in merging cultures is in clearly identifying what you want the culture to be,” he said. “Organizations with clearly defined cultures tend to be more successful in bringing them to fruition.”

Desormeaux has found that once a culture has been defined, support from upper management helps establish the culture throughout the rest of the organization. “You have to have the appropriate tone at the top and support the culture wholeheartedly,” he explained. “If it’s not being pushed down from the top, it’s not going to thrive.”

Grant Thornton LLP Assurance Partner David Burns has experienced numerous mergers and acquisitions between banks and less traditional financial operations such as mortgage banks, specialty finance companies, broker dealers, wealth management companies, and benefits providers. These entities tend to have vastly different management styles, compensation structures, and business philosophies than banks, making the fusion of culture a challenging task.

Burns cites management culture as a significant potential disparity between two merging companies. “In this case, a traditional bank is clearly a more struc-

tured and highly regulated organization,” he said. “The people who head up each organization are also going to have different mindsets. Nonbanks are clearly less structured and are often run by individuals who are more entrepreneurial than your typical banking executive. When those two come together, you’re looking at two distinct business mindsets.”

Burns also noted that, unlike a bank environment, management at nonbank

organization is likely to be more sales driven. “A bank has more of a committee environment,” he said. “Banks are more focused on budget and are less likely to make a quick decision, which

is the opposite of many of the companies banks are acquiring.”

Desormeaux has found that even mergers between two banks can create cultural tension among the individuals involved. “I regularly deal with community banks—small shareholder banks where the president has a lot of autonomy and has an established relationship with the board of directors or primary shareholder,” he said. “When small organizations are acquired by larger community banks, the president can experience a bit of culture shock. He or she has to understand they’re suddenly part of a larger entity and that their goals have to fit in with the organization as a whole. People can be hesitant to change and relinquish control.”

To make transitions as smooth as possible for all involved, Desormeaux recommends creating a culture that is clearly defined yet establishes room for evolution as organizations mesh over time.

“There’s no hard and fast rule of what’s going to make a merger successful; it’s

going to vary each time,” he said. “You want to assimilate the two completely but allow room for development. Just because you have a defined culture that you want to transcend the organization doesn’t mean that you can’t take pieces and best practices from each organization and create a culture with aspects that change over time. I have found that the most successful integrations come with organizations that realize culture is evolutionary and are committed to doing what is best for the organization as a whole, not just continuing with the same practices simply because they have already been established.”

As far as what aspects are most important to take into account when establishing a culture, both Desormeaux and Burns stress that people are the most important factor to take into consideration.

“Deal with people,” Desormeaux said. “It’s critical to recognize that your biggest asset is your people. Just like an accounting firm, a bank is a service organization that relies on a good workforce. If you can’t keep your best people, it’s going to be a struggle to succeed.”

On this subject of acquisitions, Burns echoed his thoughts, noting, “If a bank acquires a high-performing company that can help their earnings, it’s wise to keep a flourishing culture in place. The people will continue to produce the results that facilitated the acquisition in the first place.” «



Desormeaux



Burns

ACB Announces Exclusive Deal With Stifel Nicolaus for Fixed Income Services

ACB Business Partners, Inc., a subsidiary of America's Community Bankers, has entered into an exclusive agreement with Stifel, Nicolaus & Company, Inc. (formerly Legg Mason Fixed Income Capital Markets) to offer fixed income research and strategies to ACB members.

"After evaluating several firms, ACB Business Partners selected Stifel Nicolaus for its market experience and distinguished approach to working with depository institutions," said William J. Kroll, president of ACB Business Partners.

Stifel Nicolaus Fixed Income Capital Markets serves more than 1,650 institutional clients, including 450 depository institutions. Its research and strategy team has more than 20 years of experience in bank portfolio management and 25 years in bank regulation, and specializes in developing custom solutions tailored to each bank's needs.

Stifel Nicolaus will offer all ACB members the "ACB Premier Service," which includes strategic investment and regulatory reports, economic and trading commentary and customized portfolio analysis.

The customized portfolio analysis assesses the strengths and weaknesses of a bank's portfolio from both a business

and a regulatory perspective. The analysis also contains specific strategy recommendations to assist banks in meeting their particular goals.

"We are very excited about our new agreement with ACB and are proud to be associated with such a highly regarded organization," said Joseph A. Sullivan, executive vice president and director, Stifel, Nicolaus & Company, Inc. "We look forward to providing our many resources for the benefit of the ACB membership." «

Track It!

There are several ways to access quotes for the Index. For real time price quotes, go to <http://finance.yahoo.com>, click on "Symbol Lookup," and search for "ACBQ." Be sure to set the search type to "Indices." Or go to www.bloomberg.com. Enter ACBQ:IND into the box that says "Enter Symbol."

For total return values, visit www.AmericasCommunityBankers.com or www.nasdaq.com/asp/TotalReturn.aspx

Banks Lining Up to Present in SF

Thirteen banks have already signed up to present at ACB's first West Coast edition of the Community Bank Investor Conference. At press time, the

following banks were slated to be on hand in San Francisco Feb. 21-22 to tell their stories.

- Heritage Financial Corp. (HFWA), Olympia, Wash.
- Interchange Financial Services Corp. (IFCJ), Saddle Brook, N.J.
- Pacific Premier Bank (PBCI), Costa Mesa, Calif.
- People's Bank (PBCT), Bridgeport, Conn.
- Provident Financial Holdings (PROV), Riverside, Calif.
- Pulaski Financial Corp. (PULB), St. Louis
- Sterling Financial Corp. (STSA), Spokane, Wash.
- Virginia Commerce Bancorp (VCCI), Arlington, Va. «

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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- BOFI Holding Inc. (BOFI), San Diego
- Capital Federal Financial (CFFN), Topeka, Kan.
- First Niagara Financial Group (FNFG), Lockport, N.Y.
- Franklin Bank Corp. (FBTX), Houston

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