

# Value: The Community Bank Wall Street Report



ACBQ • CAPITAL MARKETS • ACB INVESTOR CONFERENCES

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## 15 Banks Added To ACBQ Index

Fifteen community banks were added to the America's Community Bankers NASDAQ Index on June 1. The index includes more than 525 community banks with a market capitalization of nearly \$220 billion. Additions to the index include:

- CapitalSouth Bancorp, Birmingham, Ala. (CAPB)
- New England Bancshares, Inc., Enfield, Conn. (NEBS)
- Connecticut Bank and Trust, Hartford, Conn. (CTBC)
- PAB Bankshares, Inc., Valdosta, Ga. (PABK)
- United Community Bancorp, Lawrenceburg, Ind. (UCBA)
- AmericasBank Corporation, Towson, Md. (AMAB)
- BCB Bancorp, Inc., Bayonne, N.J. (BCBP)
- Community Partners Bancorp, Middletown, N.J. (CPBC)
- Magyar Bancorp, Inc., New Brunswick, N.J. (MGYR)
- Lake Shore Bancorp, Inc., Dunkirk, N.Y. (LSBK)
- Carolina National Corporation, Columbia, S.C. (CNCP)
- Community Capital Corporation, Greenwood, S.C. (CPBK)
- First National Bancshares, Inc., Spartanburg, S.C. (FNCS)
- Bank of Virginia, Midlothian, Va. (BOVA)
- Valley Financial Corporation, Roanoke, Va. (VYFC)

## More Growth Stories from ACB's Community Bank Investor Conference

By John Koegel

In addition to the presentations summarized in the May issue of *Value*, here are the four other growth stories presented to securities analysts and investors at ACB's sixth Community Bank Investor Conference in May in New York.

### Columbia Bancorp

Roger Christensen, president and CEO, Columbia Bancorp (CBBO), The Dalles, Ore., told the audience that his institution, Columbia River Bank, serves a fast-growing, geographically diverse market comprising four distinct regions in Oregon and southern Washington, where residents can golf in the

morning and ski in the afternoon.

Columbia prospers by providing retail and commercial banking services to communities of 250,000 or less.

"Everyone in our bank is on incentive compensation, and we're very focused on our mission," he said. "If you walk into one of our branches and ask a teller what net interest margin means, they can tell you."

### Flushing Financial Corp.

Flushing Financial Corp. (FFIC), Lake Success, N.Y., serves an ethnically diverse marketplace throughout the New York metropolitan area.

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Roger Christensen, president and CEO, Columbia Bancorp, The Dalles, Ore.

## Analysts' Views Mixed on Outlook for Banks

America's Community Bankers Community Bank Investor Conference in New York gave community bankers a chance to hear firsthand what bank analysts say about their industry.

Three analysts who track community bank stocks provided their prognostications: Richard D. Weiss, Janney Montgomery Scott, and Collyn Gilbert, Ryan Beck (sell-side); and Dan Goldfarb, Babson Capital (buy-side).

Weiss, who covers about 20 banks and

thrifts, says quality of management is the number-one metric he seeks when evaluating public companies. "I look for industry knowledge, so that management can avoid the mistakes that other banks have made."

Gilbert likes "forthrightness" in the companies she follows. "It's important to be candid about your performance, in bad times as well as good," she said. "You've got to

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## Comparison of ACB NASDAQ with Selected Indexes

Index	YTD '06	2005	2004	Cumulative*
ACB NASDAQ	4.95	0.53	18.44	25.94
NASDAQ Composite	-0.02	3.27	8.99	15.06
S&P 500	2.57	4.91	NA	NA
Russell 3000	3.05	5.98	11.94	27.93

As of May 31, 2006. Total return basis. \*Since inception of ACB NASDAQ Index, 12/5/2003.

The ACB NASDAQ Index withstood the beginning of the down market through the end of May much better than other comparable indexes. The ACB NASDAQ Index was off 21 basis points, while the NASDAQ Composite lost 374 basis points, the S&P 500 declined 304 basis points and the Russell 3000 dropped 341 basis points.

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"Our customers tend to be immigrants and entrepreneurs from South America, the Middle East and Asia," said John R. Buran, president and CEO. "We hire staff directly from the community, so we literally know our customers' languages and customs. Our goal is to provide financial services that will help our customers establish their roots and fulfill their dreams."

Many customers seek mortgages from Flushing on multi-family apartments in mixed-used buildings. "These are apartments above hardware stores, restaurants and other retail operations," said Buran, who notes that such loans often yield rates that are 100 to 200 basis points higher than traditional one-to-four family residential mortgages.

Flushing recently gained a foothold in Brooklyn, where it already had a number of commercial borrowers, by acquiring Atlantic Liberty Financial Corp.

### Cooperative Bankshares, Inc.

Cooperative Bankshares, Inc. (COOP), Wilmington, N.C., has more than 20 branches in a number of coastal markets stretching from southern Virginia to northern South Carolina. Many of these communities are among the fastest-growing in the country. They offer newcomers both employment opportunities and attractive retirement options.

While Cooperative Bank's business model calls for opening a new branch every 12 to 15 months, the company recently had the opportunity to lock in four "compelling" locations at once, resulting in more than a 50 percent increase in assets, said Frederick Willetts III, chairman, president and CEO.

### Evans Bancorp, Inc.

According to Mark DeBacker, senior vice president and CFO, Evans Bancorp, Inc. (EVBN), Angola, N.Y., is ramping up its investor relations program this year to spread the word about the bank's

strategy and growth story. "We want the market to better understand the intrinsic value of our stock," he said.

A full-service commercial bank in western New York, Evans National Bank combines organic growth with strategic acquisitions that enable it to offer an innovative array of products and services to its retail and commercial customers.

Chief among these are insurance-related offerings, including annuities, mutual funds and even claims-adjusting services. Evans has acquired 10 insurance agencies over the past six years, and generates nearly 20 percent of its revenues from insurance. In addition, the bank has opened three de novo branches in the last five years.

### Next Conference

The next ACB Community Bank Investor Conference will be Nov. 1-2 in New York. Companies interested in participating, contact Helen Sullivan at [hsullivan@acbankers.org](mailto:hsullivan@acbankers.org) or (202) 857-3157. «

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preserve your reputation and credibility early on."

Goldfarb, who manages more than \$2 billion in small- and mid-cap assets, said he is an "owner, not a renter" of stock. "I typically hold positions for three to five years, but have held some names for as long as 10 years. I talk to a lot of people to find out who's good."

When choosing new companies to follow, Gilbert said she likes banks that are in niche businesses. "It's hard to be

different today, so when I hear a story about a niche product or delivery channel, I listen," she said.

The analysts said they don't have any set criterion for assessing mergers and acquisitions. "I like deals if they're the right deals, such as buying market share or eliminating a competitor," said Weiss. "Integration risks – your assumptions on cost savings – are not enough."

Gilbert noted that it's easier for community banks to retain executive management in a merger or acquisition than commercial lenders and other key em-

ployees. "Everyone's looking for lenders these days," she said.

Looking ahead, the analysts have mixed views about the banking industry. "It's going to be a stock picker's year," said Weiss. Goldfarb expects "more M&A than less." Gilbert anticipates 2006 to have enough momentum to carry investments forward, but is less optimistic about 2007 and 2008. "Credit and competition are concerns," she said. "I don't think I would want to own too many mid-cap bank stocks two or three years out." «

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