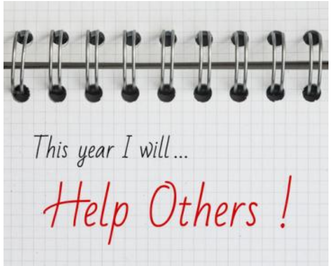

Putting The Community In Community Banking

by Steve Brown

Many years ago, writer Catherine Ryan Hyde was driving her clunker of a car home late at night through a rough neighborhood when the engine suddenly stalled. She was forced to exit her car after it started filling with smoke. To her surprise, two strangers came to her rescue. One popped open the hood of her car while the other threw his body and a blanket over the fire to put it out. Another Good Samaritan called the fire department, but in the ensuing confusion, her rescuers left before she had the chance to thank them. Out of this experience was born her now famous book, Pay It Forward, a movie version and a successful foundation dedicated to inspiring a movement of people all around the world to show acts of kindness for others.

The movement is getting bigger and bigger all the time, which is truly a testament to how small things can really make a difference in the lives of others. Unfortunately, though, when it comes to formal volunteerism, the participation rate in this country is abysmally low. Less than a third of 35-to 44-year-olds, and only 25% of adults who are age 55+, volunteer, according to BLS data from last year. Volunteer rates were lowest among 20-to 24-year-olds, at 18.7 %, the data shows.

Community banks on the other hand have traditionally been very involved in their communities on a corporate level through donations and work. Many make a difference by encouraging employees to volunteer their time and efforts in their local communities. While some banks are already doing this on some level, there's always more to be done when it comes to giving back to society.

It's fairly easy for banks to organize one-off volunteer activities such as collecting food for a local soup kitchen, clothing for the homeless in winter, or toys for needy children at holiday time. These types of collections are important, but ideally, banks should be offering something more robust as well to encourage employees to be active in their local community.

Some banks encourage participation by requiring every employee from the CEO to the janitor to volunteer their time at least one day a year. Banks may decide to partner with specific local non-profits to offer a framework that employees may choose from, like sponsoring a building day at a Habitat for Humanity house or having a team of bankers cook dinner at the local homeless shelter. Employees may have other projects that interest them as well.

Allowing employees to use time on the clock (within reason of course) for volunteer efforts also encourages participation. Don't miss out on the opportunity during sponsored projects to promote your institution by outfitting your volunteer squads with bank-branded t-shirts and caps and posting pictures of events on the bank's Facebook page.

To get the word out to customers about your activities, include pictures of employees participating in local events in marketing materials. It's also good to have a corporate volunteering page on your website to highlight your recent projects and the names of organizations you support. Customers care that their banks are actively supporting where they do business, so it offers a real opportunity to differentiate your bank from the big guys.

There's no cookie-cutter solution for successful volunteerism among employees, as every bank and every community is different. But if your bank strives each year to increase the level of participation among employees and the total number of volunteer hours, it goes a long way towards success. Being a leader here shows employees and customers you're serious about fostering the connection between community and banking, as you all help pay it forward.

BANK NEWS

M&A Activity

1) First Financial Bank ($5.8B, TX) will acquire residential mortgage lender 4Trust Mortgage (TX) for $1.9mm in cash. 4Trust originated $175mm in mortgages in 2014.

Retail Risk

Community bankers should check loan portfolios for retail exposure related to Walgreens announcement it plans to close 200 stores in the US.

M&A Analysis

SNL Financial reports whole bank and thrift M&A announcements declined nearly 28% in Q1 vs. Q4 (66 vs. 91) and that the average price paid compared to tangible book was 1.503x (a 6Y high).

No Change

Fed Chair Yellen said regulators will not make policy changes to Basel III to fix capital conservation buffers for Sub S banks, saying the Fed "continues to believe that the capital conservation buffer should be applied equally to all banking organizations."

Bank Regulation

The head of Basel said in a recent speech that most of the bank rules have now been largely completed, so that the focus will now take a global shift towards fine-tuning the regulations.

Basel III - Capital

In case you haven't had time to read the 13 page FAQ from the regulators around Basel III capital specifics, we have noted that some key clarifications include the following: 1) investments in the capital of Fed and FHLB banks in the form of common stock are not subject to the regulatory capital rule's 10% common equity Tier 1 capital deduction threshold; 2) interest payments on Tier 2 capital instruments generally are not included in the scope of "distributions" under the capital conservation buffer framework, but interest payments on trust preferred securities (TRUPS) are included (if the TRUPS are included in the Tier 2 capital of the issuer and if the banking organization has full discretion to defer interest payments on those instruments, either permanently or temporarily, without triggering an event of default).