



Community Banks Should Produce Quarterly Stakeholder Reports

By John Marsh & Andy Mus

It is surprising that in a market that now craves transparency and information, one of the most versatile, easy-to-produce forms of communication – the quarterly stakeholder report – goes largely unused by many banks large and small.

The stakeholder report affords every bank CEO the chance to speak more directly to shareholders in updating them on the bank's financial health, overall goals and strategies, current initiatives and community involvement. It is a valuable and effective way for community banks to build stronger relationships, increase trust, foster goodwill and demonstrate their commitment – all of which are vital in the current banking climate and represent the cornerstones of community banking.

Notice the word “stakeholder,” not shareholder. A bank's stakeholders include every group that has an interest – a stake, in some way – in its activities and success, beyond just its shareholders. Other stakeholders include: employees, customers, directors, the communities in which the bank operates, its prospective customers, potential employees, etc.

While some larger publicly traded banks produce a quarterly earnings report to enhance their disclosure, most banks miss the opportunity to speak to their stakeholders simply because they aren't legally required to do so, or don't think it's necessary. In this economy, where shareholders and customers have experienced ongoing

financial-market turmoil for well over two years, banks that proactively communicate with their stakeholders have much to gain.

This point was underscored in a recent consumer survey measuring the reputations of 30 U.S. banks. The director of the study noted that consumers are making judgments about banks based on a variety of factors, including financial performance, corporate citizenship, perceived workplace environment and leadership within the company and in the community.

He points out, “Consumers are making decisions and judgments about you based on all of these factors. They might not have the right information, but that's because you haven't given it to them. [Banks] should be telling people their story.” A stakeholders report is the perfect tool through which to tell your story.

Benefits to Stakeholders

Each of a bank's various stakeholder groups derives a different, but no less important, set of benefits from a stakeholders report:

- **Shareholders** get a consistent flow of information, enabling management to put the bank's financial health in the proper context while demonstrating that it isn't just riding out the storm below decks, but that it is actively managing the company through the current rough seas.
- **Employees & directors** get positive reinforcement of the bank's ability to navigate the current market,

while focusing on the core values that underpin the bank's everyday operations. Demonstrating to them on a regular basis that the bank “lives its values” creates an atmosphere of teamwork and perpetuates the bank's culture.

- **Customers** get reassurance that their deposits are safe and that the bank is continuing to serve the community, and gives the bank the chance to educate customers on the benefits of new products and services.

- **Prospective customers & potential employees** can get a more favorable impression of the bank and its long-term prospects by learning about its internal and external activities and the way it operates.

Producing a Stakeholders Report

Contents: A stakeholders report should be a digest of the bank's quarterly activities, community involvement, goals and strategy. It should mix in articles on products, services, special events in the life of the bank, and customer stories. And the tone doesn't have to be dry and boring. It

Continued next page

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COMMUNITY BANK Wall Street Report



Continued from previous page

can – and should – be entertaining and engaging. Regular features could include:

- **a message from the CEO** that discusses the bank's activities and highlights for the quarter
- **"how to" articles** that educate customers on banking products and services, possibly highlighting a particular product the bank is currently promoting.
- **educational articles** that inform customers on current topics such as a primer on FDIC insurance or mortgage options in today's market.
- **bank news** that fills in stakeholders on important initiatives, new products and services, new employees, community outreach projects, etc.
- **financial highlights** that tell how the bank performed that quarter (even if you're not required to report, stake-

holders are interested in your financial progress).

Format & Cost: Stakeholders reports can be done in a variety of formats that allow banks to tailor their spending according to resources, yet still deliver meaningful, useful messaging. A regular quarterly stakeholder report need not be overly fancy or expensive. It can be produced in the form of a tri-fold brochure, printed on relatively inexpensive paper stock using a common design template that reflects the bank's brand to keep costs at a minimum – while remaining attractive and effective.

Hard copies can be mailed as a stand-alone piece or as a statement stuffer, placed in branches for walk-in traffic and for your officers to use in new-business sales kits. An electronic version can be emailed to stakeholders as well as posted on the bank's website.

As with most initiatives, the best way to ensure the success of a stakeholder's report is to designate someone to spearhead the effort – someone who can plan well and keep to the production timeline each quarter. Starting such a communications initiative, only to let it fall by the wayside in a quarter or two, will end up being a wasted exercise of time, effort and resources. And it will send a message to customers and potential investors that something may be amiss with the bank.

It is important for banks to develop a regular flow of information to all of its stakeholders, especially in a media market that focuses on bad news. Quarterly stakeholder reports are a great way for banks to tell their own story, on their own terms, reassuring stakeholders of their long-term safety and soundness. ■