



## In This Issue:

- 2016 Results
- ACH: A Year in Review
- ACBB's Marketing Initiatives
- Compliance Anchor: 3 Years & Counting!

## 2016 RESULTS

BY JON EVANS

ACBB reported net income (unaudited) of \$3,951,103 for the period ending 12/31/16, yielding an ROAA of .67%. This represents a 13.7% increase over the prior year and was attributed to strong core earnings as well as some onetime gains. The latter included early termination revenues from BITS as well as some OREO gains. In addition, as ACBB is part of a community bank consortium for health benefits, we benefited from significantly lower costs resulting from fewer claims.

Total assets at 12/31/16 of \$610.9MM were up \$33.5MM (5.8%) with the increase due primarily to an increase in our commercial loan portfolio. The latter consisted of commercial real estate participations, bank holding company facilities and community bank stock loans. Our yield on net earning assets was 2.45%, inclusive of federal funds overnight borrowings which typically reduces our yield by approximately 40-50 bps.

Total liabilities at 12/31/16 were up \$31.8MM (6.3 %) with the increase attributed primarily to FHLB advances which helped fund the additional loan volume.

**Total equity at 12/31/16 of \$ 76.1MM yielded the following capital ratios:**

Tier 1 Leverage	-	12.62%
Tier 1 Risk Based	-	22.45%
Total Risk Based	-	23.62%

**Other key ratios / metrics were as follows:**

Efficiency Ratio	-	70.49%
Texas Ratio	-	4.20%
Insight Rating (9/30/16)	-	74 (A)

ACBB's Board of Directors declared a dividend of \$22 per share on 12/5/16, a 10% increase over the prior year. This dividend was paid out on January 18, 2017. Also please note, effective 2/1/17, the issuance price of our stock was increased by \$500 per share to \$4,500 per share.

**Other news in 2016 includes:**

- We formed our holding company – Atlantic Community Bancshares, Inc.
- Twenty-three of our thirty-seven employees were recognized for 10 or more years of service
- We welcomed 8 banks from New England as we continue to strengthen our aggregation model
- Compliance Anchor held 16 webinars with 70 non monthly subscribers viewing those and another 69 monthly subscribers participating in the Compliance and BSA Veterans' Venues
- We partnered with two firms to provide hedging strategies, primarily for commercial loan transactions

("2016 Results" continued on page 4)



Jon Evans  
President & CEO, ACBB

## WELCOME NEWEST CUSTOMERS:

**GSL Savings Bank**  
Guttenberg, NJ

**The Upstate Bank**  
Rochester, NY

**Biddeford Savings Bank**  
Biddeford, ME

Please note that this will be the last issue as a paper newsletter, we will be switching to electronic newsletters. You can sign up for our e-Newsletter emailing list at [www.acbb.com](http://www.acbb.com).



**FINANCIAL HIGHLIGHTS (consolidated)**  
**BALANCE SHEET** (in thousands)

	Unaudited	Audited
<b>ASSETS</b>	<b>12/31/16</b>	<b>12/31/15</b>
Cash and Due from Banks	\$167,173	\$205,769
Investment Securities	88,471	79,402
Federal Funds Sold	76,080	42,319
Loans, net	243,040	219,108
Other Assets	36,171	30,807
<b>Total Assets</b>	<b>\$610,935</b>	<b>\$577,405</b>

**LIABILITIES AND CAPITAL**

Deposits	\$369,551	\$372,906
Federal Funds Purchased	103,939	87,739
Other Borrowed Money	53,319	34,602
Other Liabilities	7,990	7,781
Total Liabilities	534,799	503,028
Equity Capital	76,136	74,377
<b>Total Liabilities and Capital</b>	<b>\$610,935</b>	<b>\$577,405</b>

**INCOME STATEMENT (in thousands)**

Interest Income	\$13,404	\$12,105
Interest Expense	2,653	2,021
Net Interest Income	10,751	10,084
Provision for Loan Losses	(90)	(410)
Realized Gains (Losses) on Securities	0	0
Non-interest Income	12,929	12,705
Operating Expenses	18,143	18,292
Taxes	1,676	1,432
<b>Net Income</b>	<b>\$3,951</b>	<b>\$3,475</b>

**SUMMARY OF FINANCIAL HIGHLIGHTS**

YTD Net income of \$3,951,000 for 2016 was \$476,000 above 2015 year to date income. Several one-time income events helped drive non-recurring profits, including additional interest income from the resolution of problem loans, gains on the sale of OREO properties, and one-time fee income from ACBB-BITS. Excluding all non-recurring items, core income was ahead of December 2015 by 12.8%, and exceeded the 2016 YTD budget by an average of \$35,000 per month.

**STRONG CAPITAL LEVELS:**

Total Risk-Based Capital ratio = 23.62%  
Tier 1 Risk-Based Capital Ratio = 22.45%  
Leverage Capital Ratio = 12.62%

**FUNDING DIVERSIFICATION AND BALANCE SHEET NOTES:**

Net loans increased \$23.9 million year over year, and grew 10.9% over December 31, 2015.

Other borrowed money increased by 54% over December 2015 as long term loan growth was financed by FHLB advances which replaced maturing CDs.

**ACBB'S MARKETING INITIATIVES**

BY EMILIE LONGENECKER

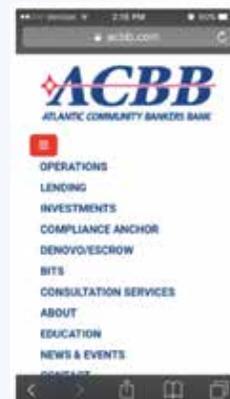
MARKETING/PRODUCT DEVELOPMENT SPECIALIST

ACBB has implemented a number of rebranding and marketing projects. These projects were fueled by staying on top of the current marketing trends and becoming more accessible to our community banks. We redesigned our website, joined the world of LinkedIn, and are transitioning from paper newsletters to electronic newsletters for 2017.

When deciding to redesign our website, our top priorities were to have a fresh new look, mobile friendly capabilities, a great user experience through an easier navigation system, and the latest security features.

As website users have been increasingly utilizing their mobile devices, it was essential for us to have a mobile friendly website. This ensures that everyone can view our site properly and effectively, no matter what device they may be on. If you have looked on our website from a mobile device and noticed this red box, that is the mobile friendly version. Click on the box and it will give you a drop down menu to all of our subpages. (See Example)

We wanted our website visitors to have a great user experience. People tend to leave a website in a hurry if the site is too busy or complicated; we made sure to



(Continued on next page)

**CREDIT QUALITY:**

2016 YTD net charge offs were \$159 thousand, or 0.07% of total loans.

Past due loans that are still accruing were 0.5% of gross loans as of December 31, 2016.

Robust loan loss allowance despite YTD credit to provision, as illustrated below:

- ALL to Total Non-Current Loans of 394.41%
- ALL to Total Loans of 3.34%
- Texas ratio of only 4.20%

**OTHER RATIOS**

Return on Average Assets	0.67%
Return on Average Equity	5.17%
ALL to Non-performing Loans*	273.2%
Non-performing Assets to Total Assets	0.58%

\* Includes performing TDRs

("Marketing Updates" continued from page 2)

keep things simple and efficient to allow our website visitors to travel through the site easily.

We also updated our Content Management System to guarantee that our website has fully updated features. Website Security is very important to us and staying on top of new updates and features is necessary to protect our site visitors and us here at ACBB.

In 2016 we received approval from the Board of Directors to open a LinkedIn Account. After creating a social media policy, we moved forward and joined LinkedIn. The goal is to be able to reach our customers on another platform through our company profile and employee profiles. We are able to quickly push out our press releases, newsletters, job postings, and events.

New to 2017, we will be switching from paper newsletters to electronic newsletters, which will allow us to get our information out to our community banks quicker and more efficiently. The newsletters will be stored on our website for easy access as well.

Please visit our website at [www.acbb.com](http://www.acbb.com)

On LinkedIn? Follow us at <https://www.linkedin.com/company/Atlantic-Community-Bankers-Bank>

If you are not receiving the e-newsletter and would like to, please sign up at [www.acbb.com](http://www.acbb.com)

---

## COMPLIANCE ANCHOR: 3 YEARS AND COUNTING!

In 2012, our banks asked for a cost effective Compliance solution that would help them manage the regulatory pressure that was crippling many banks. When ACBB announced in 2013 that we had started a consulting and training division called Compliance Anchor, many waited to see exactly what our services would entail. In 2013 we hosted seven free webinars for banks to see the quality of material we presented. Then in 2014 we began charging just \$99 a month for a shareholder bank to participate in our monthly services.

During the last three years, over 65 banks have discovered the most unique training service in the industry. No other service does all the reading of multiple news feeds, summarizes that information into a bullet point format, gives links to the original article and provides that information to community banks via a monthly online session called a "Veterans' Venue". We host one Compliance and one BSA Veterans' Venue each month.

Some have asked, Why the name "Veterans' Venue"? It enables veterans of the Compliance and BSA industry to collaborate together to help one another with ideas, tools, policies, and share what each of them do in their own financial

("Compliance Anchor" continued on page 4)

## ACH: A YEAR IN REVIEW

BY VIRGINIA WRIGHT, AAP, AVP, RELATIONSHIP MANAGER

The year of 2016 marked many changes to the ACH Network. By far, one of the biggest occurred in September with the implementation of Phase 1 of Same Day ACH, referred to as "SDA". As all financial institutions rolled out the red carpet to this major rule change, early data suggests strong use of this new tool to move payments faster. This available data so far has supported NACHA's predictions on the effects of SDA in the financial industry. With the extensive education opportunities that were available to all financial institutions, as well as the many resources, everyone was well prepared for the September start date which may have added to the success of Phase 1.

The entire transition to SDA has been spread out over a three year period. While we have experienced great success in the first phase, it is also noteworthy to mention that only ACH credits have been subjected to the SDA rules. Thus, most believe we have experienced the easiest phase so far. As we travel forward with Phase 2 in September of 2017, ACH debits will be added into the SDA rules. The addition of these debits will spark new concerns and risks for the handling of this phase. Finally, the last phase that is scheduled for March 2018 includes rules that govern the availability of these SDA funds.

Another recent rule change that occurred in 2016 is the addition of the Unauthorized Entry Fee that became effective in October. Very simple, the goal of this rule is to improve the ACH Network by enforcing Originating Depository Financial Institutions (ODFIs) to pay a fee for every ACH debit that is returned with any code that is considered "unauthorized". This would include the return codes R05, R07, R10, R29 and R51.

So at this point, what else is in store for 2017? Not only will we be keeping a watchful eye on Phase 2 SDA which starts September 15, 2017, but we must also contend with the Third Party Sender Registration rule that is effective September 29, 2017. With this rule, ODFIs will have to register their Third Party Sender customers. Keep in mind, as an ODFI, even if your institution does not have any Third Party Sender customers, you will still need to submit a statement of such facts.

As we review these upcoming changes, we need to consider the role of NACHA in this process. NACHA is the entity that governs the ACH network. As the administrator of this large network that oversees more than five billion entries per year, NACHA is also tasked with governing the rulemaking process. What is unique about this network is that input is gathered from all ACH participants. New rules and amendments are created

("ACH - A Year in Review" continued on page 4)



## YOUR BULLETIN BOARD

### Compliance Anchor 2017 Upcoming Events



#### Webinars

**Feb 23** - Does Your Compliance Management System Meet Regulatory Standards?

**Mar 14** - ACH 2016-2017: A Year to Review and a Look Forward to the Future

**Mar 28** - Mobile Banking & Payments: Mandates and Services

#### Veterans' Venues:

BSA	Compliance
Mar 7	Mar 16
Apr 4	Apr 20
May 2	May 17

Please visit [www.acbb.com/compliance](http://www.acbb.com/compliance) for more information on Compliance Anchor.

Interested in becoming a Compliance Anchor Subscriber? Contact Nancy Lake at (717) 441-4507 or via [nlake@acbb.com](mailto:nlake@acbb.com)

### We want to congratulate the following ACBB employees on their recent promotion!

**Mary Ann Willow** has been promoted to Assistant Vice President

**Virginia Wright** has been promoted to Assistant Vice President

**Kim Housley** has been promoted to Client Services Coordinator

**Brian Good** has been promoted to Senior Vice President

Follow us on LinkedIn



("ACH - A Year in Review" continued from page 3)

through a submission process that involves members of NACHA and other key parties.

Ultimately, the ACH network is evolving at a fast pace that can be frightening to some community banks. It is important to keep up with the changes to the network or risk being left behind. Regional Payment Associations (RPAs) are the community banks' advocates and "hand holders" so that the community banks feel confident in offering ACH products to their customers. These associations do an excellent job of assisting a bank with rules compliance. Consider looking into joining your local RPA and see what they can do for your bank. For more information please contact Virginia Wright at (717) 441-4506 or via email [vwright@acbb.com](mailto:vwright@acbb.com).

("Compliance Anchor" continued from page 3)

institution. It helps each member grow stronger and gives them a network of industry experts. These experts provide an online networking resource of answers and source material to benefit each other. Monthly subscribers also can request topics to be addressed during these sessions and find practical, in depth help many training events do not provide.

So for those of you who haven't joined Compliance Anchor monthly services, here is what you are missing each year:

- 12 BSA Veterans' Venues
- 12 Compliance Veterans' Venues
- More than 12 topic specific webinars
- Unlimited access to the archive of slides and recordings
- CRCM/CAMS credits on some webinars
- Online networking community
- Ability to ask questions, share resources, and request polls

In addition to our monthly services, we also have the following services available:

- Director Training
- Bank specific in bank or remote training
- "BSA/Compliance Officer For A Day" (in bank specific help)

Watch our website to ensure you don't miss any of our upcoming webinars: <https://www.acbb.com/compliance/upcoming-topics-events>

We encourage non members to view a sample BSA and Compliance Veterans' Venue to see the difference! Current members receive two free months of their monthly subscription price for each bank that joins monthly services per their recommendation. Call Nancy Lake for details: 717-441-4507!

("2016 Results" continued from page 1)

- Our earnings credit was raised to .8%
- Our correspondent service revenues increased overall as new business more than offset business lost to mergers and acquisitions

We look forward to the opportunities in 2017 as well as helping you with your challenges. Our mission remains 'to help community banks compete more effectively.



1400 Market Street  
P.O. Box 1109  
Camp Hill, PA 17001-1109  
Phone: 717-737-9335 Fax: 717-737-7975  
[www.acbb.com](http://www.acbb.com)