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A Commitment to True Community Banking sets Friendly Hills Bank Apart



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“Friendly Hills Bank is a true community bank with local ownership and a focus on our clients and the communities that we serve.” - Jeffrey Ball

Bio:
Jeffrey K. Ball, is the Founder of Friendly Hills Bank in Whittier where he currently serves as President, Chief Executive Officer and Director. Mr. Ball is a member of the Executive Committee and Board of Directors of the American Bankers Association where he serves as Vice Chairman of their Government Relations Council Administrative Committee and was a member of their Grassroots Committee. He is a past Chairman of the California Bankers Association where he currently serves on the Board of Directors and is Chairman of their Federal Government Relations Committee. He was the Lead Petitioner for the establishment of the Kinetic Academy Charter School in Huntington Beach where he currently serves as Board Chair and is also a Founder and current Chairman of the Whittier Union High School District Educational Foundation. He is a member of the Board of Directors of Data Center, Inc., a bank technology company based in Hutchinson, Kansas, where he also serves as Chairman of the Audit Committee. Mr. Ball is a Past President of the Whittier Host Lions Club and currently serves on the Endowment Committee for the YMCA of Greater Whittier as well as the Economic Forecast Committee for the Orange County Business Council. He served by appointment as Co-Chairman of the Legal Services Trust Fund of the State Bar of California, the Bond Oversight Committee for the Whittier Union High School District, the Board of Overseers for the Endeavor Academy Charter School in Huntington Beach and the School Site Council for Brywood Elementary School in Irvine. He has also been active in a number of community and civic organizations with Board experiences that include the Whittier Area Chamber of Commerce, Orange County Business Council, Junior Achievement, Poet Council Advisory Group at Whittier College, University of Puget Sound Alumni Council, and the Whittier High School Alumni Association. Mr. Ball frequently guest lectures at high schools and colleges across the country on the principles of Economics and Banking. He earned a Master’s Degree in Business Administration from Whittier College in 1989 and a Bachelor of Arts Degree in Business Administration from the University of Puget Sound in 1986.

CEOCFO: Mr. Ball, would you tell us about Friendly Hills Bank?

Mr. Ball: Friendly Hills Bank is a true community bank. We often hear the phrase “Community Bank” applied to a variety of different institutions. To us that means having local ownership and being focused primarily on our local community. I started this bank a little over ten years ago because we had seen a lot of independent banks in the area go away through consolidation. If you were a local business, you either were banking with a much larger institution - often not by your own choice - or you were banking with an institution outside the area. We saw an opportunity to provide a quality alternative for the local market and that is why we opened the bank. We take significant pride in the strength and quality of our balance sheet as well as our service reputation in the community.

CEOCFO: *Are people today as interested in that local touch or is it more what a bank can do for me and if the bank is doing the right things then it will not matter whether you are local or a larger bank?*

Mr. Ball: Market share numbers show that most people choose to do business with a larger bank for one reason or another. We have found that particularly for small businesses, having a local bank that is able to make decisions quickly and with an understanding of their business is still something that they appreciate. The industry has evolved and we believe will continue to evolve particularly with the implementation of new technologies. In the end, our clients still look for and appreciate the personal touch that we can give them.

CEOCFO: *Would you give us a few examples of what you can do with the personal touch?*

Mr. Ball: One example would be in how we handle the depository services for property managers. They appreciate the fact that when they have a rent payment from a tenant that is returned for insufficient funds that we contact them right away. At that point they are able to make the decision to go back to the tenant or have us reprocess it. Typically with a larger bank these items are handled outside the bank branch in a centralized facility with little or no contact. The property manager would find out about the return once they received the check back in the mail, possibly after an additional attempt was made to clear the check. So by the time they are aware the tenant is already well into another month. Another example would be the realization that there is unrecognized activity on your account. It is more reassuring to be able to speak directly with someone that you know as opposed to go through a centralized support center. There are so many demands on the small business owner today and they appreciate knowing that they have their bank as a partner. They can contact us and they know who they are talking to and they can have their situation resolved right away. When things are working smooth, it does not matter what bank you are with... but when issues come up, knowing who you are dealing with and that you can get responsiveness right away is extremely important and we find particularly in the small business community that they value such service.

CEOCFO: *Do many of the businesses that bank with you do their personal banking as well?*

Mr. Ball: Yes, most of our clients do their personal as well as business banking with us. Even outside of the business owners we have many consumer accounts. We have that strong base of retail clients because they also appreciate the service aspect of our business model.

CEOCFO: *How do you reach out for new customers?*

Mr. Ball: Most of our new business comes through client referrals. We do a limited amount of advertising in our local community and through the local chambers of commerce but most of our client relationships come through referrals of existing clients. Most of our advertising is in support of the many charitable organizations that also serve our area.

CEOCFO: *How have you weathered the storm in the early years and how are you weathering the regulatory environment today? Are you anticipating change for the industry?*

Mr. Ball: In terms of the weathering the storm I will focus my comments on our response to the recession of 2007-2008 that came about shortly after we opened our bank. From the establishment of our bank we have focused more on the strength of our balance sheet as opposed to growth. We were able to maintain our focus on the strength of our client relationships and are very proud of our ability to stick with our clients through those difficult times. Right now the big risk area that people are concerned about with banks is the changing interest rate environment and there also we have always taken a very conservative approach being very careful to match fund and minimize the tenor on various components of our balance sheet particularly on the asset side. That is something which we feel will serve us well as interest rates rise. The regulatory environment is a big challenge. We have found that resources that we would much rather have applied towards working in our community, particularly in direct service to our clients which is what we pride ourselves on, we now have to be more internally focused. But we have addressed that increasing challenge by finding ways that we can better utilize our employee base through cross-training so that we are able to meet those regulatory demands as reasonably as possible. It is clearly a challenging time in the banking industry from the standpoint that you have the sustained period of low interest rates which directly impacts our margins and of course the higher regulatory costs. I am hopeful that in the coming years we will be seeing meaningful regulatory relief that will help community banks by. Regulation that can be more specifically tailored towards the actual profile of the institution will make the real and opportunity costs of compliance management more reasonable and help all of us to better serve our communities.

CEOCFO: *I am guessing that less regulation help your business customers and by extension helps the bank as well!*

Mr. Ball: Absolutely! Many regulatory provisions limit our ability to offer certain products. For example we would like to be able to offer mortgages in the communities that we serve. But because the rules are so vast and the penalties so severe if you make a mistake it requires the establishment of a dedicated department to handle that type of lending. Therefore the

rules eliminate the opportunity for a small player like us to compete because we will not be able to generate the type of volume that would be needed to have a fully dedicated department that could handle all of those aspects.

CEOCFO: *How do you help ensure security and educate your customers about the reason you are taking the extra step to help them?*

Mr. Ball: That is something which we take very seriously and work with on a continuous basis. I think by having a very consistent service culture we are better able to protect ourselves and our clients. For example taking the time to call and verify certain transaction requests and monitoring the activity in our clients' accounts. One of the advantages in being with a small community bank is that we know our customers very well. That helps in terms of identification and verification. We merely explain to them how important it is that we have proper security and that such a high standard is in their best interest as well as ours. I think most of our clients appreciate that and the fact that we also offer client education to help them protect themselves in all aspects of their life. But from a risk management perspective we recognize that even by maintaining the finest tools available you can't protect a client that is sharing their password or has their password on a sticky note on their computer. So we take those extra steps of education and verification to help protect our clients and the bank from a growing universe of security threats that are part of the growing use of technology.

CEOCFO: *Community involvement is important for Friendly Hill Bank. Where do you focus your efforts and why?*

Mr. Ball: One of the things that I take a lot of pride in is the involvement of our employees in the communities that we serve. Not just being a participant in many of the community organizations and activities but taking a leadership role as well. We have representation on the board of our local Chambers of Commerce. We are actively involved in development opportunities for the cities that we service. All of this we feel is part of our ability to separate ourselves within the market so yes it is generosity from a charitable standpoint but it is also part of the foundation of our culture and wanting to be a service oriented type business focused on a specific market area. We are not trying to be all things to all people so focusing on certain markets, focusing on certain opportunities where we can have an impact and that clearly is recognized and many of the local charities in our market do bank with us because they recognize that type of support that we provide. It is not unusual for a local organization that is looking to take on a certain mission or put on a certain type of event to come to the bank not necessarily looking for dollars, but also looking for talent that can help in the management in the administration of those types of things.

CEOCFO: *How is business?*

Mr. Ball: Business is picking up. We are predominantly a relationship bank, so we tend to focus less on transactional activity and instead focus on the client relationships that we have developed. Our success is driven by the success of our clients and we have seen a nice period of growth on the loan side which has been helpful for the bottom line and helps us feel we are better able to put our capital to work.

CEOCFO *Why choose Friendly Hills Bank?*

Mr. Ball: Friendly Hills Bank is a true community bank with local ownership and a focus on our clients and the communities that we serve. A big part of our culture is defined in our use of the word "client" as opposed to "customer". We want our clients to think of us as a resource contributing in their success but also being as helpful as we can when they face challenges. We take the time to understand them and provide a level of personalized service that is simply not available at any other bank. We want them to look at us as a partner. It is very challenging in today's environment to run a business and we see every year more and more laws and regulations that go into place. We hardly ever see them repealed. Over time this has created a lot of challenges for people who want to run a small business. They may love the fact that they can produce a widget but they do not necessarily want to have to be a financial expert in order to do that. We want to provide the resources for them that can help them to succeed. One of the things that we have done is in the past year is to begin offering payroll services for our clients. Just like in banking, it has some large competitors that dominate the market but do not have client service as a priority. We have been able to bring that same level of customer service we offer on the banking side to our customers on the payroll side as another example of where we can help them to be successful. Because we understand that our success is dependent upon their success.

