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Corporate Governance: The Key to an Effective Shareholder Strategy

It's an essential truth that all privately-held banks must be aware of when it comes to implementing an effective shareholder strategy:

Corporate governance is the key to the growth and management of a privately-held bank's shareholder base.

Corporate governance is also the practice through which all other elements of the bank's shareholder strategy are driven.

Effective board-level management is also necessary to meet the challenges of a changing business, regulatory, and economic landscape. In addition, the Board of Directors must be engaged in the oversight of the bank's operations in order to ensure increasing value to shareholders and ability to meet shareholder succession challenges.

Increasing shareholder value is driven most often by an institution's ability to position itself to take advantage of market opportunities. Periodic updates to governance structures will keep your institution competitive in this capacity.

Does your bank review its governance documents regularly?

An important component of effective board-level oversight is to review current governance with a strategic vision in mind. For example consider:

- Do you have an anti-takeover structure in-place?
- Do you have a well-defined process of board nomination and election?
- Do you have a well thought out exit strategy for directors and perhaps a grooming process for new board members?
- Is there a requirement of stock ownership for board placement?
- Do you have specific policies to advance shareholder ownership?
- Have you investigated a Two-Tier Board Structure (Bank Board/Holding Company Board)?

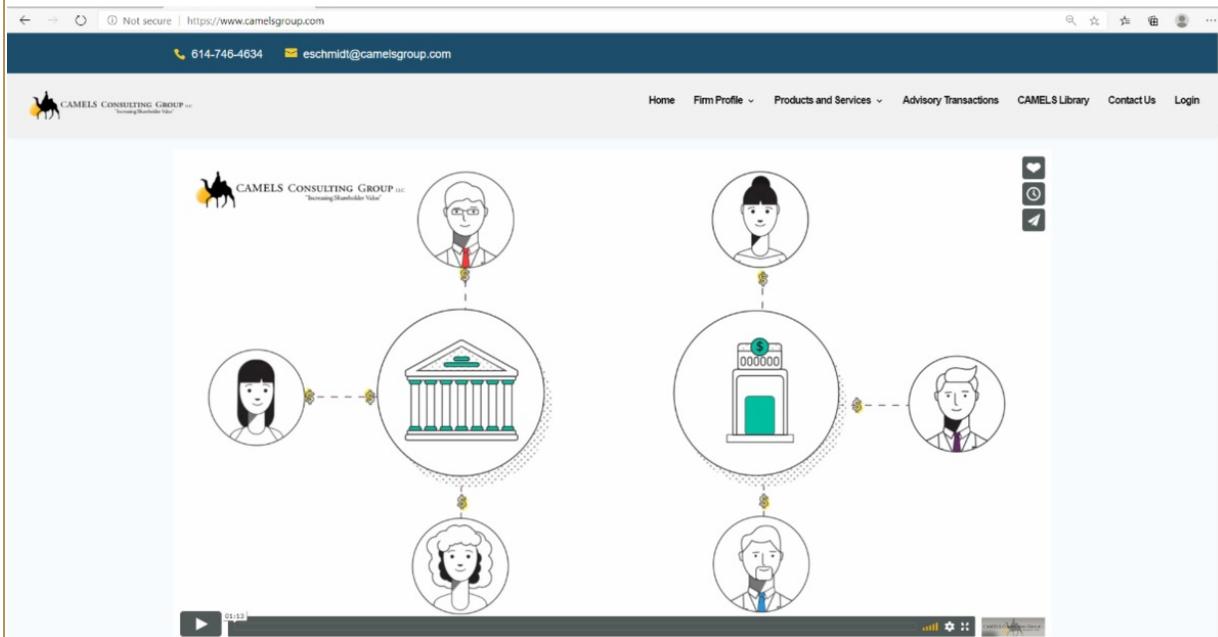
Other key corporate governance considerations:

Capital raising is most often the foremost objective of boards, which establishes the need for immediate reflection of whether the institution has a shareholder rights requirement, preferred shares and adequate authorized but unissued common.

Does the board have a stock ‘buy-back policy’ or new shareholder minimum purchase requirement? Is there a dividend policy? Does a separate board policy of self-monitoring exist? Is there an expenses reimbursement policy or a policy that allows a board member to provide services to the institution? These are all key queries to consider when reviewing governance documents.

Above all else, implementing a focused corporate governance strategy is essential to remaining a viable privately-held banking enterprise in your community. Contact us now to discuss how CAMELS proven corporate governance programs can support your privately-held bank.

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