

Case Study: Wauchula State Bank

Wauchula State Bank ("Wauchula"), based in Wauchula, Florida, has served the Florida heartland since 1929 as a family-owned, locally managed, community bank. Commercial banking is the primary focus of the bank's business, with a strong emphasis on the needs of the agriculture sector.

In August 2004, Hurricane Charley crossed Central Florida. The Hurricane was the worst experienced by residents since Hurricane Donna in 1960. The total damage done to the U.S. by Charley was estimated at \$15 billion, making Charley one of the costliest hurricanes in Florida history.



As a leading business in the region, Wauchula was eager to help play a role in assisting individuals and businesses rebuild Central Florida. The bank assumed that many of its customers would require financial assistance, and that their primary concern would be access to credit. But in reality, what their customers really needed (and wanted) was something different: a safe haven for funds.

While different communities have unique needs, the experience of Wauchula in the aftermath of hurricane Charley may offer some helpful insights to those financial institutions working to help rebuild those areas devastated by Hurricanes Katrina and Rita.

In the Aftermath of Hurricane Charley

With its long history of innovation and strong interest in offering cutting edge services and technologies, it's not surprising that Wauchula signed up for the service just a few months after CDARS was launched in 2003. The bank was in the process of developing a long-term strategy to maximize the potential benefits of CDARS when Hurricane Charley crashed through Central Florida.

Almost immediately after the storm, large sums of capital flowed into the region from a variety of sources: aid from federal agencies such as the Federal Emergency Management Agency (FEMA) and the Department of Agriculture; support from non-profits such as the Red Cross; gifts from family members from outside the region; and insurance proceeds to help individuals and businesses to repair their property.




Because rebuilding a large region such as Central Florida takes time, families, individuals, and businesses needed a secure location to put these funds. Because of Wauchula's longstanding relationship with the agricultural community in Central Florida, many of the region's farmers logically turned to the bank as the place to safeguard their deposits.

CDARS Helps in More Than One-Way.

Unfortunately, like some banks, particularly those in rural areas with cyclical deposit activity, Wauchula already had high levels of liquidity on its books. While the bank wanted to accept this huge influx of new deposits, it knew that doing so would distort its balance sheet. Fortunately, CDARS *One-Way Sell* offered the bank and its depositors a ready-made solution.

Using *One-Way Sell* transactions, members of the Promontory network ("Network Members") with high liquidity or low loan-to-deposit ratios can sell "excess deposits" to other members - banks



that need funds. Those that do so, can earn fee income (the difference between the rate an institution offers to its customer and the CDARS "One-Way Sell Rate") while retaining complete ownership and control of the customer relationship. Customer deposits are still eligible for multi-million dollar FDIC insurance, the same technology is used, and no transaction fees apply.

As Wauchula's deposit base grew from the influx of Hurricane Charley rebuilding dollars, the bank began offering its excess liquidity to other Network Members using *One-Way Sell*. By doing so, the bank was able to accept the increased level of deposits without hurting its balance sheet and at the same time earn higher levels of non-interest income. *One-Way Sell* also allowed the bank to step up and meet the financial needs of its most important base of depositors - the agricultural sector - at a moment of dire need, building loyalty and strengthening an important relationship.

The Results

In less than a year, Wauchula has placed approximately \$30 million through CDARS *One-Way Sell*. And by providing a safe and secure place for the community to place millions in disaster relief deposits, the bank has been able to enhance its relationship with old and new customers throughout Central Florida, and better manage its liquidity position.

For More Information

If you are interested in learning more about how CDARS can help your bank, please contact your Regional Director at 866.776.6426 or visit our website at www.promnetwork.com.

Funds may be submitted for placement only after a depositor enters into an agreement with a Network Member. Typically deposited funds are exchanged on a dollar-for-dollar basis with other banks in the Network, resulting in the full amount of the deposits returning to the bank. With the depositor's consent, however, the bank may choose to receive fee income instead of bringing the full amount of the deposits back to the bank.

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