

Banking's Top Performers 2011

Opportunistic deals
and increased lending
led the way

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Non-S Banks & Thrifts with Total Assets of \$100MM to \$3B

2011 RANK	2010 RANK	Institution; City, State	Total Assets (\$000)	2010 ROAE (%)	2010 ROAA (%)	Non-interest inc/total rev (%)	Efficiency ratio (FTE) (%)	NPLs/total loans (%)	Leverage ratio (%)
1	2015	Eastern Federal Bank, Norwich, CT	165,518	38.77	3.26	68.62	44.69	1.99	10.88
2	1861	First Citizens Bank, Luverne, AL	222,845	37.30	3.69	63.18	36.85	6.33	9.43
3	N/A	First Michigan Bank, Troy, MI	1,690,584	36.61	5.38	66.31	27.25	8.95	21.10
4	3002	Customers Bank, Phoenixville, PA	1,375,511	31.78	2.88	68.59	41.23	7.66	8.57
5	19	Crestmark Bank, Troy, MI	256,194	28.58	3.56	6.45	65.60	0.80	9.90
6	1386	Northeast Bancorp, Lewiston, ME	644,837	26.63	2.28	62.03	61.39	1.54	9.57
7	9	Independence Bancshares, Owensboro, KY	1,000,540	26.61	1.32	11.72	52.62	0.48	7.07
8	2571	Level One Bank, Farmington Hills, MI	424,913	26.52	2.76	42.75	44.84	3.38	15.67
9	40	Leader Bank NA, Arlington, MA	365,735	25.26	2.55	55.88	38.38	0.23	11.39
10	2733	Eclipse Bank, Inc, Louisville, KY	133,326	24.84	2.23	6.75	93.66	0.95	9.33
11	N/A	West Town Savings Bank, Cicero, IL	110,542	24.13	2.20	76.99	82.61	4.03	8.71
12	6	Treynor State Bank, Treynor, IA	198,733	24.00	1.96	4.57	58.38	1.18	8.38
13	8	Security 1st Nat. Bank of Hugo, Hugo, OK	104,992	23.61	1.85	16.59	50.93	0.75	7.21
14	1119	Hyde Park Bancorp, MHC, Hyde Park, MA	910,351	21.45	3.18	7.05	69.57	0.78	15.16
15	1880	Commerce Bank of Arizona, Tucson, AZ	270,491	21.04	1.98	53.81	46.04	5.03	8.92
16	535	GBC International Bank, Los Angeles, CA	385,538	20.86	1.94	39.89	48.92	2.74	8.04
17	22	Bank of England, England, AR	213,864	20.71	2.01	75.33	79.32	0.74	10.13
18	663	BCB Bancorp, Inc, Bayonne, NJ	1,106,888	20.38	1.72	34.11	54.76	5.00	9.21
19	11	First Star Bk SSB, Bremond, TX	193,110	19.87	1.57	14.99	59.44	0.97	8.46
20	722	Borrego Springs Bank NA, La Mesa, CA	138,849	19.73	1.48	69.95	77.04	15.07	8.37
21	180	Southern Bank, Poplar Bluff, MO	690,372	19.23	1.65	36.44	44.96	0.13	9.39
22	4	First State Bank, Mendota, IL	610,565	18.63	1.47	69.02	70.79	0.38	7.27
23	N/A	Southside Bancshares, Inc, Tyler, TX	2,999,621	18.57	1.31	18.58	58.85	1.34	8.45
24	N/A	Bank of Cape Cod, Hyannis, MA	111,563	18.52	1.82	5.98	93.18	2.55	10.48
25	N/A	Star Bank of Texas, Lake Worth, TX	107,752	18.51	1.72	8.92	60.83	0.00	9.36

Source: Highline Financial, LLC

Additional data and rankings appear on www.abaj.com

The year 2010 left community banks with more questions than answers. How can smaller banks best compete with their larger counterparts in a low-rate, slow-growth environment? How will the myriad of new regulations coming out of the Dodd-Frank Act impact the bottom line? Some observers are even asking if community banks can survive in this new environment.

The fact is, community banks remain a vital part of the financial services industry. Though the full effects of Dodd-Frank (both intentional and unintentional) remain to be seen, several community banks may have already discovered the answer to the first question posed above, and, therefore, the means to drive strong earnings performance. Part 2 of the ABA Banking Journal annual bank performance rankings provides highlights of the strategies used by these top performing banks, thrifts, and bank holding companies with total assets of \$3 billion or less.

Ranking methodology

Our ranking assesses the performance of four groups of community financial institutions, defined by size and corporate structure:

Non-subchapter S commercial banks, thrifts, and bank holding companies with consolidated total assets less than \$100 million;

Non-subchapter S commercial banks, thrifts, and bank holding companies with consolidated total assets between \$100 million and \$3 billion;

Subchapter S commercial banks, thrifts, and bank holding companies with consolidated total assets less than \$100 million; and

Subchapter S commercial banks, thrifts, and bank holding companies with consolidated total assets between \$100 million and \$3 billion.

Within the four groups identified, institutions were ranked on their return on average equity (ROAE) for 2010. The 25 institutions with the highest ROAE in

Non-S Banks & Thrifts with Total Assets of less than \$100MM

2011 RANK	2010 RANK	Institution; City, State	Total Assets (\$'000)	2010 ROAE (%)	2010 ROAA (%)	Non-interest inc/total rev (%)	Efficiency ratio (FTE) (%)	NPLs/tot loans (%)	Leverage ratio (%)
1	171	Jefferson Bank, Fayette, MS	94,820	74.81	8.02	71.86	42.37	4.88	11.95
2	13	State Bank of Paw Paw, Paw Paw, IL	32,215	27.64	4.30	82.32	83.90	13.66	15.86
3	1	Bank 2, Oklahoma City, OK	86,911	22.66	2.71	55.50	80.64	0.28	13.96
4	1298	American Trust Bank, Kirksville, MO	40,473	21.75	1.97	6.09	73.18	0.62	7.46
5	1353	Hyperion Bank, Philadelphia, PA	90,402	21.18	1.89	7.74	97.57	4.32	8.74
6	1495	Native American Bank NA, Denver, CO	82,931	20.73	1.44	25.32	95.40	4.25	6.82
7	2	Community Bank, Bristow, OK	68,084	20.51	1.39	27.19	59.06	0.99	6.86
8	19	First National Bank, Kinmundy, IL	33,895	18.85	2.32	13.01	46.99	0.09	8.12
9	9	State Bank of Schaller, Schaller, IA	23,388	18.18	1.82	35.63	51.72	2.05	9.57
10	1066	American Investors Bk & Mort, Eden Prairie, MN	71,928	17.81	1.37	4.40	84.21	2.78	7.47
11	121	Purdum State Bank, Purdum, NE	19,834	17.17	2.24	4.20	72.39	1.43	13.81
12	16	Bank of Wyandotte, Wyandotte, OK	14,506	16.60	1.19	16.59	74.91	0.63	6.20
13	18	People's Bank of Seneca, Seneca, MO	85,679	16.58	1.29	16.81	50.77	1.36	8.05
14	3	Atkins Savings Bank & Trust Co, Atkins, IA	62,044	15.43	1.21	7.46	40.77	0.24	8.10
15	658	Community Develop Bk, FSB, Ogema, MN	60,992	15.42	1.56	43.25	66.99	2.12	8.49
16	780	Lincoln State Bank Svgs Bank, Rochelle, IL	46,764	15.42	1.27	29.05	76.32	0.99	8.24
17	30	Farmers Savings Bank, Wever, IA	85,088	15.30	1.10	7.45	51.18	0.55	7.30
18	59	Frost State Bank, Frost, MN	31,099	15.08	1.40	12.00	37.03	1.96	9.39
19	80	Exchange State Bank, St Paul, KS	66,404	15.08	1.01	7.46	58.94	0.13	7.08
20	32	Citizens Bank of Edina, Edina, MO	68,734	15.01	1.55	9.42	43.64	0.13	10.27
21	5	State Bank of Bellingham, Bellingham, MN	32,105	14.84	1.17	2.31	50.34	0.01	7.83
22	6	Lakeside Bank of Salina, Salina, OK	31,009	14.81	1.47	17.32	54.05	3.31	9.56
23	64	Walker State Bank, Walker, IA	32,963	14.70	1.27	4.63	53.69	0.00	8.39
24	638	1st Century Bank, NA, Gainesville, GA	72,051	14.63	1.09	63.21	83.92	3.28	8.50
25	215	Monroe Fed'l S&L Assoc, Tipp City OH	92,679	14.43	1.48	32.11	57.92	5.67	10.64

Source: Highline Financial, LLC

Additional data and rankings appear on www.abajournal.com

each category were selected for the print edition of the rankings. All 100 top performers in each of the four categories are shown on ababj.com.

Data was obtained from Highline Financial, LLC this year, and reflects operations for the year ending Dec. 31, 2010. Due to this new data source, we have rerun last year's rankings using Highline data to provide accurate year-over-year comparisons. As a result, rankings have changed in certain cases due to the use of restated data.

All rankings are based on consolidated statistics for the highest regulatory reporting level available for each institution (further detail can

be found online). Where consolidated statistics were not available but data was reported for a subsidiary that accounted for at least 90% of a holding company's assets, we used subsidiary data.

The rankings focused on institutions that offered traditional banking services; as a result, we have excluded from the analysis bankers' banks, special purpose industrial loan companies and nondepository trusts, as well as institutions with less than 10% of their assets in loans, less than 10% of their liabilities in deposits, or over 70% of their loans in credit card receivables. Companies that were not in

operation for the full year also were excluded.

Highlights from the top performers

As in years past, top-performing community banks tended to be those who were best able to capitalize on recent trends—rising asset values, increased refinancing activity, and, of course, low interest rates (and costs of funding). One-time items also continued to play a role in earnings performance. For example, at Eastern Federal Bank of Norwich, Conn. (#1 among non-S-corps between \$100 million and \$3 billion), performance was significantly impacted by the rever-

S-Corp Banks & Thrifts with Total Assets of \$100MM to \$3B

2011 RANK	2010 RANK	Institution; City, State	Total Assets (\$000)	2010 ROAE (%)	2010 ROAA (%)	Non-interest inc/total rev (%)	Efficiency ratio (FTE) (%)	NPLs/total loans (%)	Leverage ratio (%)
1	2	Continental Bank, Salt Lake City, UT	102,183	66.28	10.23	-1.43	19.95	1.30	20.52
2	19	Merchants Bank of Indiana, Lynn, IN	432,312	52.63	5.85	70.99	23.47	1.41	11.87
3	103	Live Oak Banking Company, Wilmington, NC	245,335	51.99	4.62	85.17	52.78	2.44	8.84
4	8	Benchmark Bank, Plano, TX	367,764	49.54	4.66	69.40	61.72	1.24	9.04
5	10	Cenlar Federal Savings Bank, Ewing Twp, NJ	580,741	45.16	2.47	82.18	82.89	9.02	8.63
6	5	United National Corp, Sioux Falls, SD	1,682,620	44.99	16.62	61.98	39.33	1.63	38.77
7	627	Roundbank, Waseca, MN	312,592	34.36	3.44	42.33	38.12	7.60	9.31
8	7	Charter Bank, Corpus Christi, TX	158,936	32.55	2.67	13.96	57.30	1.57	7.02
9	11	Community Bank, Longview, TX	128,795	32.24	2.28	18.17	55.96	0.02	7.19
10	31	First Financial Banc Corp, El Dorado, AR	726,714	31.93	2.50	40.39	54.50	3.20	8.58
11	38	Union Savings Bank, Cincinnati, OH	2,124,636	31.90	2.25	67.12	53.90	1.25	7.35
12	41	Bank of Montgomery, Montgomery, LA	164,765	30.77	2.48	27.54	55.17	0.17	8.24
13	9	First National Bank, Fabens, TX	306,613	30.14	2.35	15.41	47.76	0.72	7.93
14	12	Texas Bank, Brownwood, TX	292,022	29.97	3.53	18.11	50.17	0.16	11.47
15	36	The Bank, Oberlin, KS	185,133	28.77	2.92	7.08	38.02	0.29	8.70
16	N/A	Bank of Baker, Baker, MT	112,010	27.80	2.42	6.33	38.52	0.20	8.30
17	68	Firstbank, Antlers, OK	208,317	27.78	2.30	17.49	62.72	0.21	7.73
18	47	Citizens State Bank, Okemah, OK	171,881	27.55	2.26	7.79	37.59	0.51	8.39
19	148	American Interstate Bank, Elkhorn, NE	113,469	27.28	2.22	5.45	40.14	0.31	8.02
20	85	American State Bank & Trust Co, Williston, ND	392,769	27.15	1.98	16.80	46.79	1.14	6.78
21	6	NRBC Holding Corporation, Chicago, IL	1,279,030	26.89	2.46	0.69	26.11	2.05	9.58
22	42	Community Bank, Mansfield, LA	320,950	26.76	2.20	18.21	51.57	0.21	8.04
23	N/A	First National Bank, Stigler, OK	100,305	26.74	2.29	14.63	52.19	0.71	7.44
24	665	WNB Bancshares, Inc, Odessa, TX	1,090,712	26.58	1.50	14.49	56.86	2.66	7.14
25	16	Bank of Bloomsdale, Bloomsdale, MO	186,004	26.51	2.54	19.20	39.53	1.89	9.18

Source: Highline Financial, LLC

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sal of a securities write-off which restored \$10 million of pre-tax income. On the whole, however, the top performers of 2011 were not only more successful at managing their balance sheet in a low-yield environment, but also better able to take advantage of some of the same strategies employed by their larger counterparts—FDIC-assisted acquisitions and increased opportunities to lend to creditworthy commercial customers.

Ongoing FDIC-assisted acquisitions

Among this year's large community banks and thrifts (\$100 million to \$3 billion), the most common

one-time item reported among top performers was a bargain purchase gain from an FDIC-assisted acquisition. With 157 bank failures in 2010, healthy institutions had many opportunities to expand.

Within this group, No. three-ranked First Michigan Bank of Troy, Mich., grew the most from assisted acquisitions during 2010. The bank completed two FDIC-assisted acquisitions during the year and increased total assets from \$91.4 million in 2009 to \$1.7 billion. This growth contributed to increases in other line items, including net interest income (due to higher yielding loans) and fee

income (due to a larger customer base). Most importantly, these acquisitions brought First Michigan Bank a total of \$80.9 million in other noninterest income, primarily from bargain purchase gains. Combined, these factors drove an impressive improvement in earnings performance at the bank and contributed to an increase in the bank's ROAE from 0.52% in 2009 to 36.61% in 2010.

Larger community banks were not the only institutions to participate in M&A activity. Jefferson Bank of Fayette, Miss., the top performing non-S-corp with total assets of under \$100 million,

S-Corp Banks & Thrifts with Total Assets of less than \$100MM

2010 RANK	2009 RANK	Institution; City, State	Total Assets (\$'000)	2010 ROAE (%)	2010 ROAA (%)	Non-interest inc/total rev (%)	Efficiency ratio (FTE) (%)	NPLs/total loans (%)	Leverage ratio (%)
1	6	Citizens State Bank of Clayton, Clayton, WI	97,322	39.22	3.01	24.43	47.15	0.04	8.15
2	11	Riverside Bank, Sparkman, AR	57,261	35.29	2.81	18.51	47.43	1.78	7.72
3	12	Wells Bank of Platte City, Platte City, MO	86,909	33.70	2.48	15.06	48.28	1.59	7.80
4	3	Bank of Buffalo, Buffalo, KY	67,003	32.25	2.93	6.64	32.90	0.70	8.24
5	220	Goodfield State Bank, Goodfield, IL	70,753	31.98	3.35	30.61	40.22	0.09	10.88
6	35	Heritage State Bank, Lawrenceville, IL	74,962	31.30	2.56	3.34	51.75	0.53	8.12
7	1	Priority Bank, Ozark, AR	81,053	30.74	2.60	28.19	57.32	0.58	8.23
8	28	Security State Bank, Sutherland, LA	75,006	30.44	2.53	9.01	43.53	0.00	8.13
9	68	Brunswick State Bank, Brunswick, NE	75,187	28.93	2.65	7.17	45.12	0.52	8.99
10	25	Mainland Bank, Texas City, TX	96,626	28.88	2.46	13.92	57.84	0.06	8.02
11	7	Oklahoma State Bank, Buffalo, OK	47,996	28.65	2.13	17.98	59.37	1.00	7.40
12	105	Tri-State Bank & Trust, Haughton, LA	33,586	27.94	4.19	10.65	36.74	0.00	14.22
13	N/A	Lone Star State Bank, Lone Star, TX	36,704	27.84	2.06	12.11	45.34	0.00	7.77
14	26	Farmers & Merchants State Bank, Plankinton, SD	71,408	27.34	2.73	11.48	42.43	0.45	9.39
15	44	Citizens State Bank, Miles, TX	77,020	26.51	1.98	8.84	54.75	0.00	7.78
16	4	State Bank of New Richland, New Richland, MN	88,503	26.34	2.24	5.76	45.91	1.53	8.07
17	5	Security State Bank, Ansley, NE	94,593	26.17	2.21	51.29	65.34	3.68	8.07
18	19	Brush Country Bank, Freer, TX	40,785	25.93	2.43	14.81	55.93	0.06	6.91
19	8	Wilburton State Bank, Wilburton, OK	61,096	25.93	2.17	17.84	54.24	0.14	6.93
20	17	Lusk State Bank, Lusk, WY	43,539	25.87	2.38	7.48	53.03	0.53	9.20
21	79	Home State Bank, Louisville, NE	80,453	25.36	2.80	24.39	47.89	0.00	11.75
22	30	Farmers & Merchants Bank, Kendall, WI	55,950	25.19	2.70	15.45	38.77	3.49	11.39
23	24	First American Bank, Stonewall, OK	22,640	25.14	2.68	15.86	54.50	0.82	10.75
24	38	Nebraska State Bank, Oshkosh, NE	44,796	24.77	2.27	39.01	56.23	0.46	9.45
25	18	Auburn Banking Company, Auburn, KY	64,528	24.51	1.95	15.35	57.14	1.28	8.49

Source: Highline Financial, LLC

Additional data and rankings appear on www.abaj.com

Top 100 banks and thrifts with <\$3 billion assets

Summary statistics

	Non S-Corps <\$100 million			Non S-Corps >\$100 million			S-Corps <\$100 million			S-Corps >\$100 million		
	2010	2009	Change	2010	2009	Change	2010	2009	Change	2010	2009	Change
Return on Average Equity	14.20	12.62	1.58	17.60	17.55	0.05	22.06	22.11	(0.05)	25.79	25.50	0.29
Return on Average Assets	1.38	1.22	0.16	1.68	1.53	0.15	2.09	2.03	0.06	2.51	2.38	0.13
Non-Interest Income/Total Revenue	17.24	15.04	2.20	26.84	24.59	2.26	14.40	14.75	(0.34)	22.64	21.61	1.03
Efficiency Ratio	60.69	60.57	0.12	57.37	58.17	(0.80)	55.51	56.02	(0.50)	50.99	52.95	(1.96)
Leverage Ratio	9.48	9.62	(0.14)	9.82	9.19	0.63	9.33	9.19	0.14	9.40	9.14	0.25
Nonperforming Loans/Total Loans	1.31	0.95	0.37	2.12	1.86	0.26	0.97	1.01	(0.04)	1.39	1.57	(0.17)

acquired First National Bank of Rosedale in an FDIC-assisted transaction in June 2010. The gain from this acquisition helped the bank to increase noninterest income from 0.57% of average assets in 2009 to 11.87% of average assets in 2010.

Continued strength of ag sector

Jefferson Bank also benefits from a very focused business model. Todd Turner, the president and CEO of the bank, stated that the key driver of the bank's performance is the fact that "we know our people, we know our customers, and we know what we're dealing with." What Jefferson Bank is dealing with is primarily farmers involved in the production of soybeans, corn, rice, and cotton. Farm and agricultural production loans made up 57% of the bank's loan portfolio in 2010. Commodity prices have been rising. The "tremendous" crop year seen in Mississippi increased loan demand and also helped the bank to realize recoveries on loans that had previously been in nonaccrual status. The overall health of the institution—and the expanded lending limits that came with its increase in size—allowed it to take full advantage of opportunities to lend that presented themselves during the course of the year. Together, this contributed to an ROAE of 74.81%, the highest across the four categories.

Many of Jefferson Bank's fellow small institutions also focused on

agricultural lending, a sector that remained strong throughout the recession. Among the top 100 small S-corps, agricultural production and farm loans accounted for 32% of total loans, compared to 29.4% among all small S-corps. The same trend held true for the top 100 small non-S-corps (21.6% compared to 14.5% overall). American Trust Bank of Kirksville, Mo. (#4 among small non-S-Corps) expanded this business during 2010, increasing its portfolio of agribusiness loans to \$4.8 million from \$1.1 million in 2009. This provided the bank with a new source of interest income, which grew 31.3% year-over-year to reach \$1.8 million.

Emphasis on commercial lending

The top performing small community banks and thrifts that did not focus on agricultural lending tended to focus on serving a wider variety of industries and capturing the deposits and loans of small businesses. At Citizens State Bank of Clayton, Wisc., the top performing S-corp under \$100 million, commercial real estate and commercial and industrial loans comprised 49% of the portfolio. "Commercial lending, particularly loans to small businesses and commercial real estate, is our bread and butter," says Dennis Vogel, the bank's president.

This focus and an emphasis on service helped the bank increase interest income as a percent of aver-

age assets by 14 basis points, year-over-year, to 6.33% when top performers across all four categories saw decreases in this ratio of 36 basis points, on average.

Looking ahead

The financial services industry is in the midst of a transitional period. While the future is difficult to predict, this year's top performers indicated that stronger competitors are finding ways to increase share and grow via strategic acquisitions and a focus on the financial services needs of a defined set of customers. ■

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Continental Bank, Salt Lake City
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- ◆ Consolidated rankings of the Top 100 banks and thrifts in all four categories
- ◆ Charter-level rankings of the Top 100 banks and thrifts in all four categories
- ◆ Additional summary statistics