

COVER STORY

Banking's Top Performers

The best got there by attracting low-cost deposits and focusing their lending on (or benefitting from) healthy economic sectors

Community banks did not dominate the headlines in the past 12 months, but they shared in much of the turmoil. The continuing decline in credit quality among construction and land development (CLD) and commercial real estate (CRE) loans caused difficulties for institutions with total assets of less than \$3 billion, much like declining quality in mortgage portfolios and mortgage-related securities caused trouble among larger banks and thrifts. Many institutions were unable to take advantage of the lower rate environment to strengthen margins. As competition for creditworthy borrowers increased, demand for credit slowed, and money moved from the markets into interest-bearing deposit accounts.

Nevertheless, community banks and savings institutions, on average, remained profitable in 2008, unlike the nation's largest banks, which posted an average return on average equity (ROAE) of -4.21%. In part 2 of our bank performance rankings, we take a closer look at how the most profitable community banks and thrifts managed to overcome the obstacles to good performance that tripped up so many in 2008. The tables accompanying this year's article show the top 25 institutions in each of our four categories. The full consolidated rankings—and our charter-level rankings—may be found at www.ababj.com.

Ranking methodology

Our ranking assesses the perfor-

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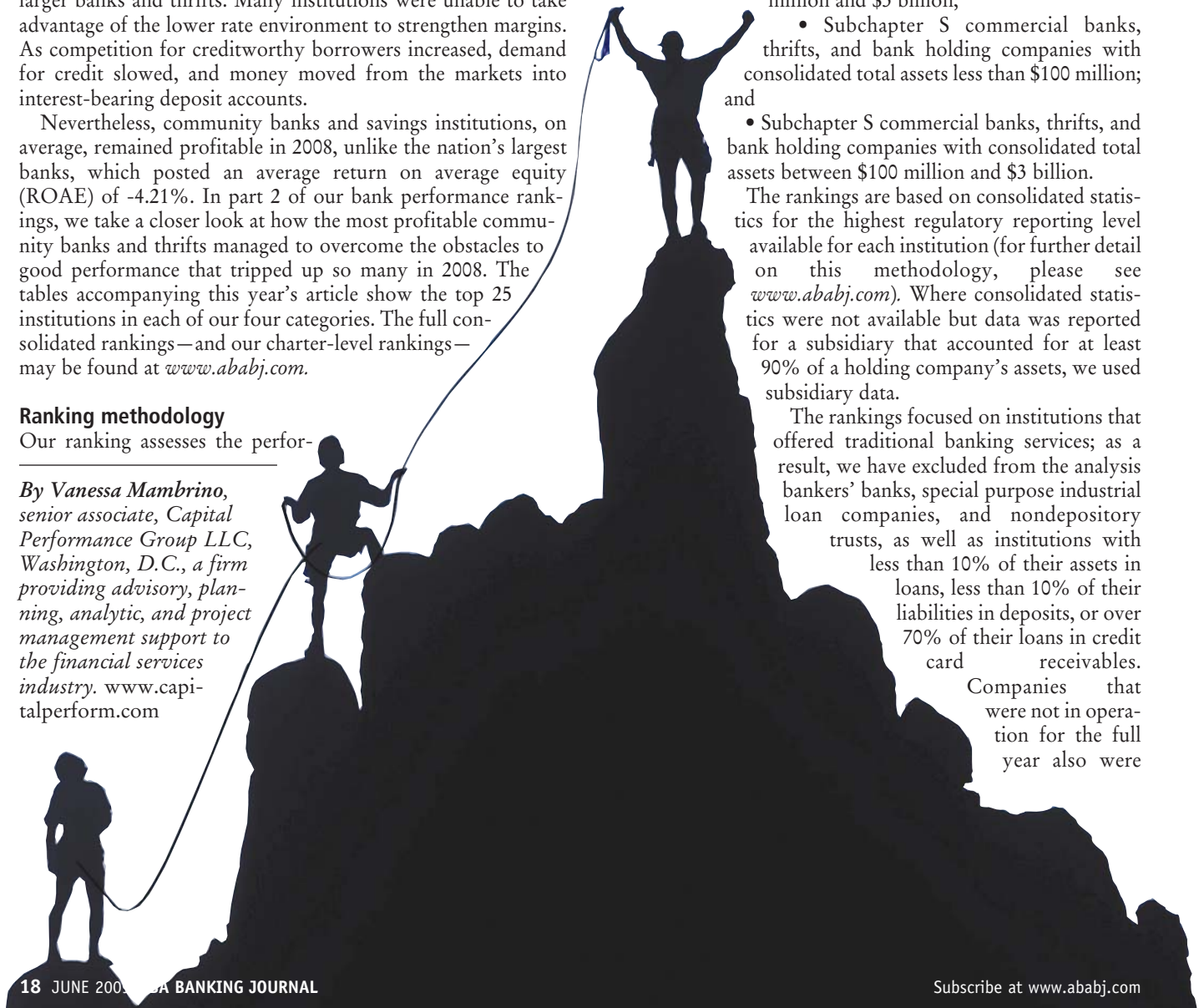
mance of four groups of community financial institutions, defined by size and corporate structure:

- 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.

The rankings are based on consolidated statistics for the highest regulatory reporting level available for each institution (for further detail on this methodology, please see www.ababj.com). 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



Non-S banks and thrifts under \$100 million in assets

2009 rank	2008 rank	Institution	Total assets (000)	2008 ROAE	2008 ROAA	Asset growth rate	Loans/deposits	Noninterest inc/total rev	Efficiency ratio (FTE)	NPLs/tot loans	Leverage ratio
1	1823	First State Bank, Danville, VA (bank)	\$27,655	44.08%	2.49%	-4.41%	72.20%	66.01%	74.35%	9.55%	7.80%
2	N/A	First National Bank, Mattoon, IL (bank)	54,817	38.97	3.07	-45.28	79.10	65.53	46.28	2.34	12.48
3	144	Bank of Calhoun County, Hardin, IL (bank)	58,822	29.58	2.53	1.27	78.36	9.52	77.42	1.54	8.68
4	5	Community Bank, Bristow, OK (bank)	62,806	26.10	1.89	1.64	72.99	27.08	53.32	0.18	6.78
5	4	First National Bank, Heavener, OK (bank)	89,635	23.28	1.71	-3.77	104.80	16.36	51.20	5.93	7.12
6	16	People's Bank, Seneca, MO (bank)	72,984	19.53	1.29	8.15	71.43	18.56	47.75	0.94	7.03
7	13	First State Bank, Mobeetie, TX (bank)	84,213	19.50	1.21	25.86	19.31	11.82	46.90	0.63	
8	23	International Bank, Trinidad, CO (bank)	75,567	19.39	1.65	1.42	90.04	14.22	54.24	1.68	9.54
9	116	State Bank, Bellingham, MN (bank)	25,498	19.05	1.49	6.78	120.46	4.02	50.84	0.00	8.27
10	11	Lakeside Bank, Salina, OK (bank)	28,094	18.98	2.22	10.16	92.78	18.33	45.24	0.91	9.07
11	8	State Exchange Bank, Lamont, OK (bank)	51,833	18.76	1.48	20.37	121.88	7.30	49.09	0.89	
12	60	Bank of Cushing & Trust Co., Cushing, OK (bank)	87,290	17.92	1.75	0.96	49.42	24.34	56.99	0.58	11.20
13	9	Citizens Bank, Edina, MO (bank)	70,375	17.76	1.64	3.68	105.34	10.56	35.61	0.42	9.19
14	33	State Bank, Schaller, IA (bank)	18,764	16.57	1.98	11.38	57.33	45.08	58.04	0.67	11.26
15	20	Roxbury Bank, Roxbury, KS (bank)	19,179	16.49	1.58	18.92	100.85	6.72	52.57	0.56	8.68
16	21	Community State Bank, Coffeyville, KS (bank)	57,825	16.37	1.37	6.04	64.76	19.32	59.22	0.00	8.42
17	17	Summit National Bank, Hulett, WY (bank)	35,446	15.99	1.11	12.66	83.93	13.04	72.33	0.20	7.26
18	203	Citizens Savings Bank, Spillville, IA (bank)	51,128	15.90	1.54	7.74	90.45	8.92	52.95	0.06	11.11
19	29	First National Bank, Ogden, IL (bank)	80,434	15.84	1.12	8.42	76.30	13.97	57.04	1.95	7.01
20	234	Security State Bank, Wewoka, OK (bank)	74,753	15.83	1.64	-4.28	73.54	18.76	51.16	3.17	10.80
21	40	Longview State Bank, Sidney, IL (bank)	59,595	15.61	1.14	16.67	82.15	10.39	55.87	0.00	7.11
22	52	Farmers & Stockmens Bank, Clayton, NM (bank)	55,819	15.41	1.46	-2.63	88.39	12.70	57.70	0.00	7.52
23	27	Scribner Bank, Scribner, NE (bank)	55,977	15.17	1.66	3.15	69.24	54.94	68.97	0.48	11.11
24	71	Eden State Bank, Eden, TX (bank)	61,654	15.06	1.46	-0.33	24.69	29.18	67.59	0.07	9.46
25	142	Atkins Savings Bank & Trust, Atkins, IA (bank)	47,262	14.97	1.15	20.18	50.15	9.31	51.21	0.00	8.40

Source: SNL Financial LC Data as of Dec. 31, 2008

Non-S banks and thrifts between \$100 million and \$3 billion

2009 rank	2008 rank	Institution	Total assets (000)	2008 ROAE	2008 ROAA	Asset growth rate	Loans/deposits	Noninterest inc/total rev	Efficiency ratio (FTE)	NPLs/tot loans	Leverage ratio
1	3	Security First National Bank, Hugo, OK (bank)	\$101,032	29.89%	2.31%	-0.35%	77.09%	15.81%	42.63%	1.37%	7.14%
2	14	Suffolk Bancorp, Riverhead, NY (bhc)	1,582,818	21.80	1.59	7.72	89.90	18.11	50.72	0.38	7.85
3	326	Southside Bancshares, Tyler, TX (bhc)	2,700,238	21.77	1.30	22.94	65.74	26.83	55.19	1.41	7.48
4	13	First National Bank, Grayson, KY (bank)	198,732	21.63	1.61	8.90	62.56	23.57	54.85	0.13	6.84
5	17	Mississippi River Bank, Belle Chasse, LA (bank)	154,611	20.84	2.34	8.18	56.33	7.42	52.78	0.20	11.15
6	15	Pioneer Trust Bank, N.A., Salem, OR (bank)	264,114	20.56	2.62	5.82	89.53	33.31	33.28	1.16	13.86
7	49	Gibbsland Bank & Trust Co., Gibbsland, LA (bank)	167,588	19.66	1.69	26.75	62.98	19.07	58.88	1.14	8.67
8	144	International Bank, Raton, NM (bank)	208,062	18.96	1.51	13.30	97.25	14.58	51.85	0.45	7.43
9	N/A	Sundown State Bank, Sundown, TX (bank)	103,126	18.27	1.44	11.50	78.99	14.91	59.99	0.31	7.32
10	28	Cass Information Systems, Inc., Bridgeton, MO (bhc)	885,228	18.24	2.06	-1.97	213.29	56.35	66.90	0.20	11.26
11	2762	Independence Bancshares, Owensboro, KY (bhc)	805,845	18.20	0.75	22.25	102.18	15.47	65.16	0.61	6.66
12	5	Commercial State Bank, Andrews, TX (bank)	380,229	17.80	1.38	27.00	86.17	11.08	57.76	0.02	7.50
13	N/A	AMG National Trust Bank, Englewood, CO (bank)	172,546	17.55	2.78	1,039.82*	13.51	92.28	80.22	0.00	9.40
14	57	Synergy Bank, Houma, LA (bank)	251,577	17.44	1.38	24.43	85.30	17.20	51.41	0.37	7.66
15	8	Alpine Banks of Colo., Glenwood Springs, CO (bhc)	2,688,201	17.40	1.28	12.27	89.68	20.55	59.23	1.27	9.56
16	46	First Exchange Bank, Mannington, WV (bank)	188,760	17.32	1.26	13.65	110.66	13.27	54.60	0.42	7.26
17	288	Greenville National Bank, Greenville, OH (bank)	313,678	17.13	1.47	4.40	91.16	15.25	53.67	0.07	7.92
18	107	Exchange National Bank & Tr., Atchison, KS (bank)	197,012	17.11	1.63	8.97	82.10	21.41	50.35	0.40	9.19
19	78	Omaha State Bank, Omaha, NE (bank)	254,369	17.02	1.57	1.03	108.07	18.08	62.32	0.00	9.29
20	34	Meade County Bank, Brandenburg, KY (bank)	119,660	17.01	1.56	-0.94	80.64	12.71	47.41	0.23	9.54
21	74	Independence Bank, Havre, MT (bank)	355,807	17.00	1.87	13.59	94.27	6.80	36.33	0.05	10.52
22	97	First Star Bank, S.S.B., Bremond, TX (savings bank)	171,486	16.92	1.23	31.63	69.68	14.56	63.42	0.84	7.08
23	30	Smithtown Bancorp, Hauppauge, NY (bhc)	1,865,390	16.73	1.05	66.38	123.54	15.36	52.07	0.11	8.66
24	77	Pennsville National Bank, Pennsville, NJ (bank)	178,065	16.69	1.00	5.85	41.56	24.40	62.85	1.08	5.95
25	43	Dime Bank, Honesdale, PA (bank)	472,031	16.59	1.44	8.77	98.82	17.71	50.93	0.12	8.68

Source: SNL Financial LC Data as of Dec. 31, 2008 *Prior to 2008, AMG Nat'l Trust was a subsidiary of an investment bank with a nondepository trust charter. It has since converted to a commercial bank charter.

excluded.

Within the four groups identified, institutions were ranked on their ROAE for 2008. Data were obtained from SNL Financial, LC and reflect operations for the year ending Dec. 31, 2008. In cases where certain ratios were not available from SNL but the component data had been reported by the institutions, these ratios were calculated. Restated data were used where applicable.

Top performers

Upon closer examination, the top 10 banks and thrifts in each of our four groups of institutions are not as different from each other as asset size and corporation type might suggest. As with large banks, core banking activities separated the top performers from the rest in 2008. The effective execution of core banking principles helped even banks with real-estate-heavy loan portfolios. Case in point is Priority Bank of Ozark, Ark. (#1 on our list of S-corps with total assets of less than \$100 million), a savings institu-

tion at which 92% of loans were one-to-four family mortgages and at which non-performing loans represented 0.00% of total loans. With a few exceptions, this year's top performers gathered lower-cost funding faster; made greater numbers of higher yielding loans; and maintained lower levels of noninterest expenses than other community banks. Two primary

Top performers maintained a cost of funds that was 43 basis points lower on average than that of other institutions analyzed

methods were used to achieve these results: maintaining a low-cost deposit base and focusing on healthier industry sectors, such as agriculture.

Low-cost funding always helps

With loan yields declining, the ability to achieve or maintain a low cost of funds

became especially important in 2008. Top performing institutions in all four groups (i.e. the top 10), on average, maintained a cost of funds that was 43 basis points lower than that of other institutions analyzed. Transaction, MMDA, and savings accounts represented between 55% and 60% of total deposits at top performers, compared with 45% to 50% at other institutions. Though all banks benefited from the flight of consumer and business funds from riskier investments into these three types of insured deposit accounts, many of the top performers have historically maintained high concentrations of low-cost balances. At Brighton Bank of Salt Lake City, Utah (#10 among S-corps with total assets of between \$100 million and \$3 billion), deposits in transaction, MMDA, and savings accounts have accounted for 95% or more of total deposits since 2005. This has allowed the bank to maintain one of the lowest cost of funds among all of our top performers: 0.74% for 2008.

At Woodforest Financial, this year's

S-corp banks and thrifts between \$100 million and \$3 billion											
2009 rank	2008 rank	Institution	Total assets (000)	2008 ROAE	2008 ROAA	Asset growth rate	Loans/deposits	Noninterest inc/total rev	Efficiency ratio (FTE)	NPLs/tot loans	Leverage ratio
1	4	Woodforest Financial Group, Woodlands, TX (bhc)	\$2,987,421	48.37%	2.72%	18.26%	75.76%	79.46%	80.29%	0.79%	7.48%
2	3	Charter Bank, Corpus Christi, TX (bank)	156,327	40.17	2.40	0.59	70.14	15.45	55.36	1.02	5.75
3	41	Rocky Mountain Bank & Tr., Florence, CO (bank)	233,536	37.73	2.03	19.65	37.66	13.63	49.09	10.25	7.51
4	785	Plaza Park State Bank, Waite Park, MN (bank)	141,061	37.57	3.46	7.48	99.03	39.48	43.82	0.32	8.82
5	494	Frontier State Bank, Oklahoma City, OK (bank)	733,066	35.75	2.75	2.72	28.52	2.59	21.17	3.59	8.03
6	104	Security National Bank, Enid, OK (bank)	290,017	34.0	2.67	13.85	45.58	10.91	45.96	0.11	7.82
7	N/A	Community Bank, Longview, TX (bank)	105,936	34.02	2.27	19.7	93.39	19.12	62.54	0.01	6.48
8	8	State Bank of Texas, Irving, TX (bank)	585,494	32.76	3.5	22.54	134.44	3.56	21.45	5.74	11.10
9	30	Security Bank, Odessa, TX (bank)	253,536	32.55	2.28	7.54	76.4	16.02	62.63	0.48	7.51
10	7	Brighton Bank, Salt Lake City, UT (bank)	149,978	32.52	4.17	-0.4	82.56	18.09	47.31	1.36	12.49
11	188	Falcon Bancshares, Laredo, TX (bhc)	914,836	32.24	1.45	12.26	93.40	27.46	62.24	2.00	6.65
12	12	First National Bank, Picayune, MS (bank)	206,080	32.11	2.88	-7.84	92.79	18.68	45.17	0.69	9.46
13	123	Granite Falls Bank, Granite Falls, MN (bank)	148,070	32.10	2.28	-10.82	38.19	4.59	34.07	0.14	7.94
14	6	WNB Bancshares, Odessa, TX (bhc)	953,243	31.83	1.87	23.68	91.95	9.97	55.64	1.14	7.55
15	N/A	Home Bank of California, San Diego, CA (bank)	149,758	31.73	2.86	-1.57	145.35	15.10	40.26	0.43	9.50
16	149	Welch State Bank, Welch, OK (bank)	187,002	31.10	2.45	8.13	104.57	15.72	45.51	0.01	8.41
17	186	Bank of Rantoul, Rantoul, IL (bank)	186,344	30.87	2.30	11.87	77.20	11.54	41.12	1.62	8.78
18	24	Bank of Bloomsdale, Bloomsdale, MO (bank)	168,835	30.42	2.45	7.04	74.20	14.49	41.54	0.10	8.20
19	34	Western Bank, Artesia, NM (bank)	142,447	30.18	2.94	-2.18	50.06	9.29	39.15	0.04	9.24
20	26	Quail Creek Bank, NA, Oklahoma City, OK (bank)	402,651	30.00	2.49	6.39	97.52	7.05	45.39	0.13	8.54
21	2	United National Corp., Sioux Falls, SD (bhc)	1,540,915	29.91	13.49	3.25	187.64	73.08	45.94	0.15	38.28
22	13	First National Bank, Fabens, TX (bank)	266,553	29.84	2.27	11.03	79.28	19.55	51.11	0.76	7.22
23	68	First National Bank, Arcadia, LA (bank)	163,550	29.79	2.18	2.75	101.34	22.93	60.54	1.89	7.16
24	18	Ironhorse Financial Group, Muskogee, OK (bhc)	837,768	29.73	1.88	13.09	97.74	30.59	64.85	1.43	8.65
25	25	Texas Bank, Brownwood, TX (bank)	284,256	29.65	3.00	24.07	72.93	23.84	54.51	0.09	8.90

Source: SNL Financial LC Data as of Dec. 31, 2008

top performing large S-corp, low-cost funding was one of three key elements in the bank's success. Deposits in transaction accounts, MMDAs, and savings accounts made up 72% of the bank's total deposits in 2008. The growth in balances in these categories has also driven total deposit growth, which has remained at over 10% since 2005. Woodforest follows a very aggressive branching strategy, continually expanding its branch network through both organic growth and acquisition. As we have mentioned in previous articles, Woodforest provides in-store banking services at Wal-Mart stores in the Southeast and Mid-Atlantic and has expanded its branch network throughout these regions at the same rate as its partner.

This rapid expansion helps the bank to bring in deposits (and customers) at a faster rate than competitors. New deposit customers also often mean new fee income, and this proved to be the second element of Woodforest's success—deposit service charge revenues at the

bank increased by 49% during 2008. Overall, however, this business model has proved expensive to maintain. At 80.29%, Woodforest's efficiency ratio is significantly higher than both the average for top performing large S-corps and the average for all large S-corps (though it should be noted that this includes expenses from recent acquisitions). The bank relies more on debt than on equity to finance its operations—its leverage ratio of 7.48% is significantly lower than either the average for the top 25 large S-corps (9.50%) or the average for all large S-corps (9.26%).

Agribusiness was a big driver

Banks and thrifts that were able to maintain a low-cost deposit base were quite often those who focused on providing financial services to businesses; however, not all businesses were affected equally by the events of the past year. Like 2007, last year proved to be a good year for both the agriculture industry and the banks that catered to it. During the past

two years, this industry has been sheltered from much of what has gone on in the rest of the economy and has maintained relatively high levels of both loan demand and credit quality. Average interest rates on agricultural production and farm loans have remained high relative to other loan categories, at 7.00% and 6.75%, respectively. This trend is most pronounced among the smallest institutions—combined, agribusiness loans represented 35% of total loans made by non-S institutions with total assets of less than \$100 million, compared to 13% of loans made by other small non-S banks and savings institutions. Several banks among our top performers had extremely large concentrations of these loans: at State Bank of Bellingham, Minn. (#9 among small non-S institutions), 91% of all loans fell into one of these two categories; while at Farmers & Merchants Bank of Kendall, Wis. (#5 among small S-corps), 75% of loans were agribusiness loans.

At Security First National Bank of Hugo, Okla., the top performing non-S

S-corp banks and thrifts less than \$100 million in assets

2009 rank	2008 rank	Institution	Total assets (000)	2008 ROAE	2008 ROAA	Asset growth rate	Loans/deposits	Noninterest inc/total rev	Efficiency ratio (FTE)	NPLs/tot loans	Leverage ratio
1	10	Priority Bank, Ozark, AR (savings institution)	\$52,556	46.43%	3.29%	12.77%	186.34%	44.37%	54.31%	0.00%	6.50%
2	6	Wilburton State Bank, Wilburton, OK (bank)	62,605	39.54	2.59	9.18	53.80	15.69	47.95	0.00	5.83
3	5	Bank of Dade, Trenton, GA (bank)	88,234	36.84	2.54	3.07	63.76	10.85	51.94	2.47	7.03
4	9	Bank of Baker, Baker, MT (bank)	89,497	36.51	3.35	24.91	59.47	5.55	35.35	0.00	8.79
5	12	Farmers & Merchants Bank, Kendall, WI (bank)	52,634	36.04	3.13	10.09	115.88	11.80	41.37	1.19	10.12
6	36	First Bank, Wadley, AL (bank)	69,360	34.82	2.44	6.36	61.08	14.89	48.86	3.71	7.52
7	80	Farmers & Merchants Bank, Maysville, OK (bank)	16,145	33.46	3.05	-4.22	50.10	38.30	46.59	0.00	8.66
8	7	First National Bank, Stigler, OK (bank)	93,906	33.24	2.50	8.74	45.00	17.17	48.49	0.40	7.07
9	150	Heritage State Bank, Lawrenceville, IL (bank)	83,810	33.10	2.75	12.97	82.14	5.30	56.98	0.00	8.59
10	351	First National Bank, Carrollton, MO (bank)	46,387	31.25	3.06	16.15	37.54	7.00	39.81	0.65	9.80
11	209	Sound Banking Company, Tacoma, WA (bank)	49,605	31.00	2.34	4.24	84.82	24.82	58.34	0.00	7.33
12	47	Brush Country Bank, Freer, TX (bank)	39,856	30.44	2.05	22.71	63.08	10.59	54.21	0.00	5.98
13	30	State Bank, New Richland, MN (bank)	79,836	29.95	2.09	22.28	148.98	8.53	43.76	0.00	7.25
14	32	Security Bank of SW Mo., Cassville, MO (bank)	67,415	29.69	2.65	3.47	73.75	17.25	47.78	1.65	9.37
15	488	First National Bank, Ely, NV (bank)	64,531	29.53	4.72	16.32	41.08	41.88	35.96	7.47	16.62
16	28	Riverside Bank, Sparkman, AR (bank)	51,378	28.94	2.26	-2.83	108.14	25.70	57.06	0.08	7.72
17	1079	Farmers State Bank, Hoffman, MN (bank)	26,412	28.43	3.07	18.84	69.90	37.00	41.49	1.17	11.47
18	25	Lusk State Bank, Lusk, WY (bank)	40,348	28.16	2.40	11.33	80.17	8.30	53.08	1.34	7.44
19	58	Auburn Banking Company, Auburn, KY (bank)	62,401	28.14	2.15	5.79	87.58	16.55	56.70	1.57	8.43
20	19	Oklahoma State Bank, Buffalo, OK (bank)	43,782	27.98	1.98	8.00	48.37	15.79	58.78	0.00	7.08
21	254	Peoples Bank & Trust Co., Owenton, KY (bank)	85,524	27.40	2.88	29.38	76.94	14.49	44.16	0.53	13.83
22	52	Vermilion Bank & Trust Co., Kaplan, LA (bank)	99,605	27.29	2.36	6.62	61.15	14.06	57.75	0.52	8.49
23	15	National Bank, Andrews, TX (bank)	99,799	27.19	2.52	7.90	66.56	35.67	66.40	0.00	8.58
24	17	Bank Northwest, Hamilton, MO (bank)	87,362	26.74	2.15	-0.47	90.65	19.87	52.19	1.99	8.53
25	43	Pikes Peak National Bank, Colorado Springs, CO (bank)	88,256	26.27	2.32	-5.92	71.91	9.93	49.01	4.81	9.09

Source: SNL Financial LC Data as of Dec. 31, 2008

Summary statistics — Top 25 banks and thrifts with < \$3 bil. assets

	Non S-Corps <\$100 million			Non S-Corps >\$100 million			S-Corps <\$100 million			S-Corps >\$100 million		
	2008	2007	Change	2008	2007	Change	2008	2007	Change	2008	2007	Change
Financial highlights (average %)												
Return on Average Equity	20.08	24.82	(4.73)	18.78	27.51	(8.73)	31.54	36.37	(4.84)	33.08	41.43	(8.35)
Return on Average Assets	1.67	2.47	(0.80)	1.60	3.00	(1.39)	2.67	3.17	(0.51)	3.00	3.86	(0.86)
Non-Interest Income/Total Revenue	21.44	22.13	(0.69)	21.84	27.06	(5.22)	18.85	24.47	(5.61)	20.89	21.03	(0.14)
Efficiency Ratio (FTE)	55.76	51.53	4.22	54.99	46.73	8.26	49.93	52.18	(2.25)	48.67	48.64	0.02
Leverage Ratio	8.84	10.44	(1.59)	8.55	10.70	(2.15)	8.68	8.83	(0.15)	9.50	10.41	(0.91)
Nonperforming Loans/Total Loans	1.31	0.83	0.48	0.49	0.96	(0.47)	1.18	0.54	0.64	1.37	2.97	(1.60)
Income and expense ratios (average %)												
Loans/Deposits	77.60	71.10	6.49	86.84	98.36	(11.52)	77.13	72.98	4.14	85.91	93.81	(7.90)
Interest Income/Average Assets	6.34	7.48	(1.14)	6.02	7.45	(1.43)	6.49	7.05	(0.56)	6.91	8.53	(1.61)
Interest Expense/Average Assets	2.10	2.62	(0.53)	1.83	2.94	(1.11)	2.05	2.45	(0.40)	2.00	2.73	(0.73)
Noninterest Income/Average Assets	1.45	1.50	(0.05)	1.93	3.20	(1.26)	1.12	3.44	(2.33)	2.97	3.42	(0.45)
Noninterest Expense/Average Assets	3.31	3.57	(0.26)	3.64	3.33	0.31	2.80	4.87	(2.06)	4.03	4.51	(0.48)
Net Interest Margin	4.58	5.24	(0.66)	4.49	4.86	(0.37)	4.75	4.95	(0.20)	5.15	6.03	(0.88)
Growth (median %)												
Asset Growth	6.04	8.15	(2.11)	11.50	4.82	6.68	8.74	6.50	2.24	7.54	5.94	1.60
Deposit Growth	(0.77)	7.24	(8.01)	6.37	1.32	5.05	7.41	6.59	0.82	7.41	7.97	(0.56)
Loan Growth	10.52	4.86	5.66	13.43	7.02	6.41	4.28	4.71	(0.43)	12.47	12.19	0.28

bank with assets of between \$100 million and \$3 billion, approximately 40% of total loans fell into one of these two agribusiness categories. Of the remainder of the bank's loan portfolio the bulk is made up of one-to-four family mortgage loans (29%) and CRE loans (18%), all funded primarily by transaction accounts (43% of total deposits). These high-yield loans helped Security First post a ratio of interest income to average assets that, at 7.18%, was over 100 basis points higher than the average for all larger non-S institutions (see article, p. 26). With delinquencies creeping up, lending standards tightening, and farmland values beginning to decline, a slightly more diversified portfolio (like Security First's) may be the key to continued success for farm lenders in 2009.

Boosted by one-time gains

First State Bank of Danville, Va., and First National Bank of Mattoon, Ill. (#1 and #2, respectively, among non-S institutions with assets of less than \$100 million) managed to achieve top performer status using different methods. Both institutions were propelled to the top due to gains on the sale of branches. Both banks were also under regulatory order for most of the past year.

Focus on cross-sales and retention

Continued disruptions due to mergers, acquisitions, restructuring, and other activity in most markets will give strong community banks an unprecedented opportunity to steal customers from larger competitors. Taking advantage of this opportunity will require a continued

focus on the core banking principles that have served the top performers well over the past two years. Six months into 2009, it has become clear that the financial services industry will remain challenged this year and that an ability to execute well on fundamentals will be essential. Given that many strong institutions have picked up new customers and balances from troubled competitors, we expect to see a focus on retention and cross-sell programs. (See Tech Topics, p. 36.) In addition, with confidence in the banking industry overall still low, we expect stronger institutions to maintain their focus on the fundamentals of service excellence, quick response to customer inquiries, and continued simplification of products and pricing to improve the customer experience. *BJ*