

At first glance, community banks appeared to have escaped the storms of 2006 with less damage than their larger counterparts. Despite an inverted yield curve, increased reliance on higher-rate deposit funding, and slowing loan growth, banks with total assets of less than \$3 billion posted higher net interest margins, on average, than their larger competitors, and the gap between the two groups continued to widen.

But they still saw a decline in margins on average. This decline is indicative of the many challenges community banks face. They continue to generate the bulk of their revenue from interest—most still have not found ways to supplement intermediation income with sustainable earnings streams from noninterest sources. In addition, higher-yielding commercial real estate (CRE) and commercial and industrial (C&I) loans constitute a larger portion of community bank portfolios than in the past, attracting continued regulatory scrutiny. As competition for these loans has increased, credit quality has declined, and large banks have continued to improve their ability to penetrate niche markets that were once primarily the domain of community banks.

Last month, Part 1 of the 15th annual *ABA Banking*

*By Vanessa Mambrino, senior associate, Capital Performance Group LLC, Washington, D.C., a firm providing advisory, planning, analytic, and project management support to the financial services industry.
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Banking's Top Performers

*One-time gains help
many move up*

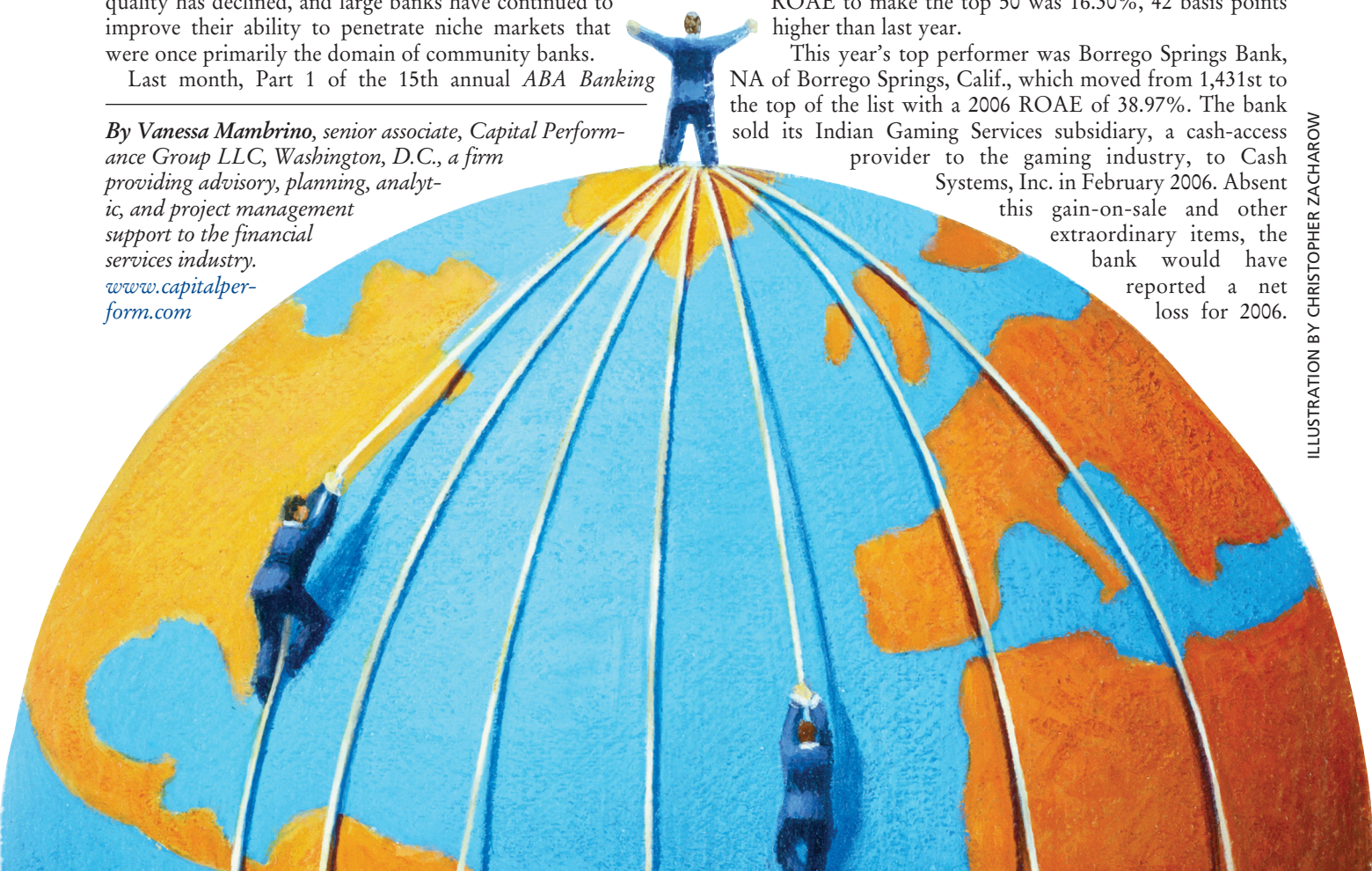
Journal performance rankings reviewed the performance of the nation's largest banks, bank holding companies, and thrifts. This month we highlight the successes of community banks and savings institutions that exhibited outstanding performance in 2006. This year's top performers engaged in various strategies to address both the economic environment and the competition, with many benefiting from one-time gains from the sale of assets to keep earnings at or above 2005 levels. Although some institutions generated record earnings in 2006, the sources of these earnings may not be sustainable in the long-term.

Non-5 banks & thrifts under \$100 million

The top performers in this category saw little change in their profitability in 2006, posting an average ROAE that was virtually unchanged relative to 2005 levels. The category as a whole, however, which numbers 1,982 institutions, did not fare so well—overall average ROAE declined from 6.01% to 5.42%. The minimum

ROAE to make the top 50 was 16.30%, 42 basis points higher than last year.

This year's top performer was Borrego Springs Bank, NA of Borrego Springs, Calif., which moved from 1,431st to the top of the list with a 2006 ROAE of 38.97%. The bank sold its Indian Gaming Services subsidiary, a cash-access provider to the gaming industry, to Cash Systems, Inc. in February 2006. Absent this gain-on-sale and other extraordinary items, the bank would have reported a net loss for 2006.



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

2007 rank	2006 rank	Institution	Total assets (000)	2006 ROAE	2006 ROAA	Asset growth rate	Loans/deposits	Noninterest inc/total rev	Efficiency ratio (FTE)	NPLs/tot loans	Leverage ratio
1	1431	Borrego Springs Bank, NA Borrego Springs, CA (bank)	\$86,074	38.97%	5.62%	-2.77%	89.68%	30.63%	117.33%	8.48%	14.55%
2	N/A	First National Bank, Heavener, OK (bank)	85,516	31.05	2.19	8.32	114.89	12.48	46.19	1.61	6.88
3	11	Utah Community Bank, Sandy, UT (bank)	71,152	27.69	3.75	42.32	89.93	8.11	33.37	0.00	14.07
4	N/A	Community Bank, Bristow, OK (bank)	63,138	25.99	1.79	10.04	69.29	24.90	54.72	0.00	6.69
5	33	Roxbury Bank, Roxbury, KS (bank)	14,501	25.85	2.79	16.97	100.56	5.96	57.85	0.37	11.29
6	26	First State Bank, Mobeetie, TX (bank)	49,518	25.82	1.45	11.54	30.59	10.37	46.45	0.00	6.82
7	N/A	Lakeside Bank, Salina, OK (bank)	23,924	24.76	2.65	-2.12	84.27	18.50	46.56	0.00	10.41
8	N/A	First National Bank, Munday, TX (bank)	63,446	22.49	2.10	-12.40	81.88	20.34	66.54	0.54	10.87
9	12	Bank of Goochland, NA, Manakin Sabot, VA (bank)	87,555	22.13	2.49	37.76	91.68	7.09	52.74	0.00	11.31
10	N/A	Bridge City State Bank, Bridge City, TX (bank)	97,467	21.75	1.66	-4.08	50.06	10.38	56.64	0.73	9.23
11	62	State Exchange Bank, Lamont, OK (bank)	37,165	21.57	1.45	17.35	112.00	4.85	51.00	0.89	7.40
12	N/A	Citizens Bank, Edina, MO (bank)	65,503	21.38	1.79	6.05	90.52	8.95	37.95	1.56	8.31
13	5	First State Bank, Camargo, OK (bank)	20,610	21.16	1.61	21.58	94.23	22.59	67.62	0.00	8.08
14	N/A	International Bank, Trinidad, CO (bank)	63,940	20.78	1.57	32.75	63.63	18.95	50.65	0.00	7.34
15	24	Sundown State Bank, Sundown, TX (bank)	85,307	20.72	1.40	10.17	56.14	15.05	64.82	0.00	6.67
16	738	Community Development Bank, Ogema, MN (svgs inst.)	25,147	20.71	3.45	19.26	88.95	29.43	64.62	1.61	15.10
17	45	Bank of Star Valley, Afton, WY (bank)	90,881	20.67	1.79	18.94	74.57	10.46	50.72	0.80	8.43
18	38	Bank of Newington, Newington, GA (bank)	94,606	20.23	1.96	10.97	93.73	4.67	40.97	0.50	10.16
19	N/A	Bank of Locust Grove, Locust Grove, OK (bank)	26,157	19.73	2.33	-4.89	70.29	21.48	53.81	0.00	9.50
20	313	Farmers State Bank & Trust Co., Mount Sterling, IL (bank)	54,822	19.68	1.61	2.50	75.72	37.28	49.44	0.16	8.72
21	N/A	Farmers State Bank, Stickney, SD (bank)	43,817	19.33	1.56	12.24	88.70	6.06	45.34	0.00	7.83
22	824	Dallas National Bank, Dallas, TX (bank)	79,006	19.02	1.81	-3.19	58.04	40.36	54.35	0.36	11.21
23	138	Haviland State Bank, Haviland, KS (bank)	21,593	18.94	2.08	3.84	80.00	9.31	64.57	0.01	11.94
24	15	Citizens State Bank, Cortez, CO (bank)	78,280	18.47	1.36	-2.94	65.74	29.12	64.95	3.99	8.71
25	19	Peoples B&T, Pt. Coupee Par., New Roads, LA (bank)	87,980	18.44	1.92	8.91	112.93	15.35	47.20	0.19	9.93
26	61	Gunnison Bank & Trust Co., Gunnison, CO (bank)	69,788	18.44	1.55	21.08	93.42	7.22	60.95	0.56	8.13
27	N/A	Farmers & Merchants State Bank, Iroquois, SD (bank)	39,858	18.07	1.72	-0.66	95.31	6.69	42.32	0.00	9.79
28	119	Silver Falls Bank, Silverton, OR (bank)	99,635	18.04	1.85	20.04	114.40	3.25	50.19	0.00	10.33
29	35	Peoples Trust & Savings Bank, Riverside, IA (bank)	21,877	17.90	1.56	26.11	36.37	12.68	51.56	0.00	7.55
30	1	University Bank, Ann Arbor, MI (bank)	87,194	17.88	1.41	35.40	67.04	65.33	86.59	0.11	9.80
31	84	Thunder Bank, Sylvan Grove, KS (bank)	35,704	17.73	1.74	31.96	127.30	17.46	56.90	0.00	7.72
32	29	First National Bank, Estes Park, CO (bank)	92,816	17.64	1.92	2.56	102.98	11.23	50.23	0.00	11.44
33	23	Grandview Bank, Grandview, TX (bank)	67,877	17.49	1.65	17.06	69.35	17.85	59.24	0.05	8.71
34	3	American Interstate Bank, Elkhorn, NE (bank)	94,951	17.47	1.52	-0.11	89.69	8.12	46.64	0.18	8.55
35	71	High Plains Bank, Flagler, CO (bank)	83,943	17.28	1.67	6.55	101.88	8.68	56.69	1.04	10.13
36	242	Northland National Bank, Gladstone, MO (bank)	82,937	17.11	1.83	12.39	76.09	7.42	35.89	2.24	11.19
37	253	Mojave Desert Bank, NA, Mojave, CA (bank)	72,398	17.01	1.52	12.18	69.54	12.86	63.03	0.02	10.01
38	90	First State Bank, Hotchkiss, CO (bank)	54,197	16.98	2.17	4.06	68.77	30.80	48.96	3.88	10.84
39	N/A	Wray State Bank, Wray, CO (bank)	52,679	16.88	1.60	5.13	69.78	14.07	47.34	0.06	8.63
40	185	Community First National Bank, Manhattan, KS (bank)	83,626	16.79	1.21	19.70	99.82	15.22	59.76	0.31	7.47
41	60	Pioneer National Bank, Ladysmith, WI (bank)	59,431	16.78	1.53	1.68	40.23	9.22	52.57	3.13	9.05
42	32	Dakota Heritage Bank, Hunter, ND (bank)	54,964	16.68	1.40	5.86	78.80	9.24	55.80	0.01	8.64
43	67	Colorado Mountain Bank, Westcliffe, CO (bank)	79,274	16.65	1.46	7.13	94.37	13.25	57.93	3.24	9.12
44	N/A	Peoples State Bank, Shepherd, TX (bank)	76,200	16.60	1.00	21.82	47.81	20.54	67.23	0.09	6.27
45	47	Community State Bank, Coffeyville, KS (bank)	47,651	16.48	1.42	8.14	69.36	21.85	64.16	0.07	8.28
46	115	Community Bank, Liberal, KS (bank)	77,747	16.41	1.39	24.80	51.19	17.29	54.47	0.00	9.03
47	413	People's Bank, Seneca, MO (bank)	48,732	16.41	1.16	31.21	48.53	21.00	63.70	1.38	7.06
48	95	Independent Farmers Bank, Maysville, MO (bank)	73,706	16.39	1.26	8.17	81.31	11.55	53.21	0.39	7.89
49	120	Community National Bank, Hondo, TX (bank)	90,948	16.32	1.65	11.68	73.86	12.68	56.67	1.14	10.03
50	50	De Witt State Bank, De Witt, NE (bank)	40,624	16.30	1.30	3.74	92.80	14.87	60.18	0.68	7.17

Source: SNL Financial LC Data as of Dec. 31, 2006

Noninterest income played a smaller role in the success of other top performers—the average ratio of noninterest income to average assets among the top 50 dropped by 82 basis points to 1.07%. Among all institutions in this asset tier, this ratio

stayed relatively flat, declining by six basis points to reach 0.64%.

No company in this year's top ten ranked among the top ten last year, either at the subsidiary or consolidated level. Third-ranked Utah Community Bank

moved up from its 11th place position in last year's rankings, while previously top-ranked University Bank, Mich. slid to 30th on this year's rankings. (A profile of Utah Community Bank follows this article.)

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

2007 rank	2006 rank	Institution	Total assets (000)	2006 ROAE	2006 ROAA	Asset growth rate	Loans/deposits	Noninterest inc/total rev	Efficiency ratio (FTE)	NPLs/tot loans	Leverage ratio
1	52	Seattle Savings Bank, Seattle, WA (svgs inst.)	\$609,651	37.56%	3.34%	63.15%	110.13%	83.69%	71.94%	0.01%	8.96%
2	N/A	Security First National Bank, Hugo, OK (bank)	101,393	33.29	2.42	6.58	87.13	12.13	41.60	0.49	7.02
3	N/A	First National Bank & Trust Co., Weatherford, TX (bank)	164,930	31.85	2.49	16.37	91.72	28.48	38.16	0.51	7.99
4	87	Bridgeview Bancorp., Chicago, IL (bhc)	1,345,189	31.85	1.97	-0.89	96.17	37.45	36.86	1.36	8.78
5	4	Orion Bancorp., Naples, FL (bhc)	2,555,707	31.12	1.43	46.89	119.70	7.90	42.60	0.00	5.93
6	8	FCB Florida Bancorp., Orlando, FL (bhc)	669,328	30.56	1.82	22.88	101.06	8.33	35.23	0.03	7.14
7	7	First Regional Bancorp., Century City, CA (bhc)	2,074,527	30.53	1.97	14.48	112.53	6.35	39.64	0.00	9.56
8	221	Southwest Securities, FSB, Arlington, TX (svgs inst.)	948,699	30.25	2.71	14.56	105.29	43.29	48.99	1.30	8.38
9	6	Florida Community Banks, Immokalee, FL (bhc)	1,016,707	29.00	2.31	12.09	104.09	6.97	27.21	4.44	11.78
10	N/A	Capital Community Bank, Provo, UT (bank)	101,567	28.47	2.97	33.66	80.98	7.67	60.57	0.61	10.50
11	29	Commercial State Bank, Andrews, TX (bank)	247,670	26.84	1.93	30.41	79.73	9.05	47.40	0.16	7.30
12	124	Hillcrest Bancshares, Overland Park, KS (bhc)	1,557,737	26.02	1.83	17.92	104.74	6.75	28.04	0.39	8.31
13	19	Village Bank, Saint George, UT (bank)	214,391	25.77	1.77	31.13	75.40	9.03	48.46	0.40	7.27
14	2	Big Sandy Holding Co., Longmont, CO (bhc)	1,087,898	25.70	1.59	30.00	100.93	1.87	45.48	0.10	8.64
15	10	Wilshire Bancorp., Los Angeles, CA (bhc)	2,008,483	25.35	1.85	20.54	88.91	25.18	38.54	0.61	9.79
16	N/A	First National Bank, Baird, TX (bank)	171,056	25.28	1.98	14.85	91.94	17.56	49.28	1.42	8.22
17	17	Triangle Financial Group, Loganville, GA (bhc)	476,752	24.97	2.11	20.90	98.08	6.79	38.09	1.64	10.27
18	141	Mississippi River Bank, Belle Chasse, LA (bank)	154,275	24.82	2.11	16.74	45.15	11.82	40.25	0.43	8.77
19	37	EvaBank, Eva, AL (bank)	307,746	24.69	1.98	20.33	114.10	15.24	37.40	0.42	8.64
20	86	Centennial Bank, Ogden, UT (bank)	196,954	24.67	2.56	18.73	97.64	9.05	50.41	0.83	10.50
21	N/A	First Southern Bank, Florence, AL (bank)	103,608	24.64	2.36	7.51	92.20	21.61	85.69	2.61	10.44
22	3	Silver State Bancorp, Henderson, NV (bhc)	1,209,518	24.54	2.08	49.66	106.43	9.36	43.88	0.01	10.53
23	32	Mission Bank, Bakersfield, CA (bank)	142,196	23.80	2.15	-11.74	75.51	11.19	42.07	0.00	10.15
24	133	Monterey County Bank, Monterey, CA (bank)	188,702	23.61	2.40	17.16	99.51	37.63	58.27	0.12	10.15
25	N/A	First Utah Bank, Salt Lake City, UT (bank)	284,653	23.47	1.97	47.40	101.05	13.94	60.06	1.15	9.40
26	328	Union Bank, NA, Gilbert, AZ (bank)	125,233	23.40	1.96	5.86	110.39	15.64	50.25	0.00	8.88
27	9	Temecula Valley Bancorp., Temecula, CA (bhc)	1,238,189	23.35	1.64	42.49	105.66	24.27	59.31	1.67	11.42
28	50	First South Bancorp., Washington, NC (bhc)	916,358	23.31	1.94	9.81	96.02	16.00	43.60	0.41	9.40
29	63	Century Bank, FSB, Sarasota, FL (svgs inst.)	819,143	22.93	1.52	34.04	114.64	10.52	40.20	0.70	6.34
30	65	Coppermark Bancshares, Oklahoma City, OK (bhc)	906,363	22.90	1.64	9.64	96.27	26.74	57.58	0.36	8.66
31	N/A	Highlands Independent Bank, Sebring, FL (bank)	295,880	22.88	1.68	12.78	82.31	21.78	53.62	0.00	8.07
32	55	Sierra Bancorp., Porterville, CA (bhc)	1,214,808	22.75	1.70	15.40	101.84	15.78	49.79	0.08	9.92
33	N/A	Summit Bank, Oakland, CA (bank)	195,434	22.64	2.00	17.76	70.82	4.49	47.61	0.00	8.42
34	117	Smithtown Bancorp., Hauppauge, NY (bhc)	1,048,224	22.63	1.45	19.35	95.17	19.34	49.86	0.00	7.94
35	158	Capitol Bancorp., Britton, SD (bhc)	560,062	22.36	2.66	10.01	99.65	42.44	40.00	0.21	15.66
36	43	Suffolk Bancorp., Riverhead, NY (bhc)	1,392,649	22.30	1.61	-1.09	78.11	13.97	50.92	0.09	8.31
37	N/A	Heartland National Bank, Sebring, FL (bank)	225,607	22.28	1.63	12.03	91.21	13.35	46.36	0.02	7.94
38	80	Alpine Banks of Colorado, Glenwood Springs, CO (bhc)	2,014,985	22.10	1.56	25.14	79.69	21.11	55.02	0.06	8.97
39	N/A	PrimeSouth Bank, Blackshear, GA (bank)	339,966	22.08	1.72	10.06	91.32	9.76	36.87	1.00	7.84
40	42	Metro Bank, Pell City, AL (bank)	472,116	21.95	1.93	13.37	89.02	15.78	40.15	0.26	8.98
41	N/A	Liberty Bank & Trust Co. New Orleans, LA (bank)	290,233	21.94	1.35	-1.27	53.10	16.57	53.60	2.95	7.89
42	N/A	Bank of Cleveland, Cleveland, TN (bank)	237,906	21.79	2.06	19.87	110.67	14.11	44.89	0.05	9.89
43	67	Carolina Financial Corp., Charleston, SC (bhc)	804,648	21.79	1.02	21.73	111.17	25.16	56.90	0.06	6.81
44	N/A	People's Bk&Tr Co. of Pickett Cty., Byrdstown, TN (bank)	100,358	21.64	2.16	5.51	89.77	11.81	40.50	0.66	10.16
45	137	Concord Bank, Saint Louis, MO (bank)	158,750	21.64	2.04	3.40	109.43	3.99	30.66	0.00	9.83
46	99	United Security Bancshares, Fresno, CA (bhc)	675,476	21.57	2.04	7.83	84.16	21.05	44.62	1.54	11.55
47	204	Idaho Independent Bank, Coeur D'Alene, ID (bank)	615,245	21.41	2.00	20.26	109.92	11.25	48.26	0.52	9.69
48	2578	Bank of Louisiana, New Orleans, LA (bank)	104,709	21.41	1.74	-16.63	62.96	18.97	64.59	0.11	9.19
49	34	Fidelity Bank of Florida, NA, Merritt Island, FL (bank)	367,540	21.40	2.67	23.32	123.84	0.56	13.75	1.96	12.49
50	N/A	Community Bank, Raceland, LA (bank)	258,748	21.38	2.06	16.63	82.47	14.84	48.15	1.03	9.96

Source: SNL Financial LC Data as of Dec. 31, 2006

Five companies in the top ten—First National Bank of Heavener, Okla. (2nd), Community Bank of Bristow, Okla. (5th), Lakeside Bank of Salina, Okla. (8th), First National Bank in Munday, Tex. (9th), and Bridge City State Bank of

Bridge City, Tex. (10th)—appeared under their parent company's name on the \$100 million to \$3 billion list in last year's ranking, but none of the parents filed consolidated financials this year (see "Ranking methodology," p. 36).

First National Bank in Munday showed one of the more dramatic improvements in rankings. The bank's 2006 ROAE came as a result of aggressive balance sheet management. Like many other banks, First National Bank shifted the focus of its lend-

S-corp banks and thrifts under \$3 billion in assets

2007 rank	2006 rank	Institution	Total assets (000)	2006 ROAE	2006 ROAA	Asset growth rate	Loans/deposits	Noninterest inc/total rev	Efficiency ratio (FTE)	NPLs/tot loans	Leverage ratio
1	13	ANB Bancshares, Rogers, AR (bhc)	\$1,649,400	80.36%	3.99%	70.30%	127.96%	32.14%	33.25%	2.55%	8.60%
2	12	Woodforest Financial Group, The Woodlands, TX (bhc)	2,246,615	67.27	3.04	20.55	69.64	69.00	71.56	0.42	6.84
3	1949	First National Bank, Grant Park, IL (bank)	112,069	53.26	4.54	-26.68	74.50	10.86	81.51	1.09	15.16
4	170	Citadel Bank, Colorado Springs, CO (bank)	65,126	50.82	3.50	-2.46	37.00	26.24	51.67	0.00	7.85
5	4	Charter Bank, Corpus Christi, TX (bank)	132,282	49.99	2.78	10.74	71.61	14.51	52.12	0.75	5.94
6	17	Broadway Bank, Chicago, IL (bank)	946,818	48.58	5.20	26.26	98.03	1.67	13.95	0.24	12.51
7	20	Bank of Dade, Trenton, GA (bank)	76,007	47.83	3.02	0.15	67.16	12.50	47.54	0.74	7.17
8	N/A	First National Bank, Picayune, MS (bank)	227,618	47.62	3.37	3.72	78.58	14.32	40.68	0.09	7.94
9	53	Guaranty Development Co., Livingston, MT (bhc)	471,938	47.34	2.30	-4.01	106.02	15.14	50.38	0.00	6.88
10	1973	Gulf Coast Bank & Trust Co., New Orleans, LA (bank)	661,039	46.24	2.48	-0.52	86.62	12.40	62.53	1.44	6.68
11	23	First National Bank, Stigler, OK (bank)	81,987	46.19	2.72	-4.16	49.15	19.18	46.80	1.05	7.00
12	5	United National Corp., Sioux Falls, SD (bhc)	1,445,000	45.76	22.37	25.31	232.06	67.66	44.53	0.14	52.86
13	8	Eastern Savings Bank, Hunt Valley, MD (svgs inst.)	980,325	45.45	6.54	15.19	106.95	2.61	34.27	21.34	12.97
14	N/A	Brighton Bank, Salt Lake City, UT (bank)	166,441	42.94	4.76	-8.38	64.97	18.23	42.37	0.00	11.35
15	36	Wilburton State Bank, Wilburton, OK (bank)	52,959	42.72	2.68	-0.76	53.80	12.79	43.44	0.00	5.97
16	N/A	Columbian Bank & Trust Co., Topeka, KS (bank)	528,816	41.98	3.67	37.55	130.23	3.93	28.39	1.15	9.01
17	159	WNB Bancshares, Odessa, TX (bhc)	744,672	41.37	2.24	22.15	66.90	14.03	51.64	0.14	8.19
18	N/A	First National Bank, Fabens, TX (bank)	220,568	41.36	3.37	7.19	69.92	11.32	41.27	0.00	8.02
19	N/A	State Bank of Texas, Irving, TX (bank)	303,829	40.21	5.27	50.10	158.87	8.17	24.57	0.05	15.86
20	16	Amboy Bancorp., Old Bridge, NJ (bhc)	2,886,451	40.21	3.19	10.44	105.22	11.60	23.01	4.26	10.26
21	49	Thornton Holding Co., Douglasville, GA (bhc)	400,429	40.02	3.10	16.02	85.70	15.45	36.20	0.31	8.12
22	N/A	Pueblo Bank & Trust Co., Pueblo, CO (bank)	360,483	38.85	4.41	1.92	88.62	13.76	45.75	5.44	11.73
23	N/A	TriCentury Bank, Simpson, KS (bank)	5,352	38.83	3.69	-2.66	26.57	91.70	90.78	1.78	9.92
24	74	First National Bank, Burlison, TX (bank)	141,393	38.81	2.31	12.50	44.09	18.09	54.45	0.07	7.39
25	58	Blue Ridge Savings Bank, Asheville, NC (svgs inst.)	298,938	38.79	3.73	17.03	98.07	2.84	29.06	0.90	9.36
26	41	SBC, Incorporated, Countryside, IL (bhc)	1,121,309	37.96	3.54	11.75	76.72	5.59	28.53	0.37	8.74
27	43	United Security Bank, Sparta, GA (bank)	129,867	37.78	2.77	13.96	103.75	8.15	42.43	1.04	8.02
28	14	Miami Valley Bank, Lakeview, OH (bank)	170,242	37.71	3.38	11.18	91.16	8.73	31.89	2.49	7.85
29	267	America West Bank, Layton, UT (bank)	185,435	37.55	3.47	78.12	99.55	11.81	41.99	0.01	8.46
30	26	Stearns Financial Services, Saint Cloud, MN (bhc)	1,542,418	37.54	3.85	5.41	116.01	9.80	33.75	1.01	14.24
31	66	First State Bank, Graham, TX (bank)	93,461	37.31	2.72	4.94	57.11	15.92	46.62	0.00	7.74
32	57	Mesaba Bancshares, Grand Rapids, MN (bhc)	500,864	37.15	2.07	9.96	104.58	8.68	49.08	0.27	7.96
33	N/A	Sterling Bank, Lantana, FL (bank)	372,230	37.11	3.09	17.27	109.19	9.31	41.91	0.12	9.16
34	48	First Bank & Trust Co., Wagoner, OK (bank)	167,635	37.08	3.54	6.17	94.23	8.85	36.70	0.14	10.34
35	91	Bank of Baker, Baker, MT (bank)	67,739	37.00	3.26	9.55	63.22	6.77	35.32	0.04	9.22
36	125	First Security Bank, Beaver, OK (bank)	85,478	36.93	2.45	19.46	69.86	6.79	40.09	0.14	7.43
37	38	United Bancorp. of Wyo., Jackson, WY (bhc)	1,424,108	36.90	2.33	20.12	85.22	12.57	41.73	0.11	7.48
38	47	North Valley Bank, Thornton, CO (bank)	115,828	36.39	3.03	1.95	85.97	16.12	54.95	2.06	8.24
39	59	Bank of the Southwest, Roswell, NM (bank)	132,116	36.35	3.35	4.87	101.89	12.09	59.35	0.01	8.84
40	25	Riverside Bank, Sparkman, AR (bank)	48,933	36.07	2.73	2.85	104.81	33.71	54.52	0.10	7.56
41	29	Grand Timber Bank, McGregor, MN (bank)	50,009	35.68	3.18	4.26	109.05	11.35	37.84	3.98	9.43
42	N/A	Citizens Bank, Las Cruces, NM (bank)	320,990	35.59	2.56	12.13	69.47	23.78	53.44	0.49	7.43
43	N/A	First Bank, Wadley, AL (bank)	59,310	35.38	2.73	6.19	60.59	19.24	44.46	0.24	7.79
44	167	Riverside Gulf Coast Bank'g Co., Cape Coral, FL (bhc)	581,388	35.28	1.20	10.13	100.38	20.19	72.21	1.24	5.42
45	15	Hershenhorn Bancorp., Palatine, IL (bhc)	485,216	35.17	3.47	0.53	80.26	3.09	29.55	2.37	13.50
46	N/A	First National Bank, Artesia, NM (bank)	478,917	35.06	2.40	22.07	84.89	16.98	57.07	0.05	7.60
47	882	First State Bank, Yukon, OK (bank)	16,178	35.01	2.95	-9.86	89.75	30.61	59.78	0.61	8.65
48	76	Bank of Bloomsdale, Bloomsdale, MO (bank)	159,016	34.89	2.52	3.57	71.83	14.10	38.86	0.31	7.86
49	104	Valley Bank of Commerce, Roswell, NM (bank)	105,777	34.55	2.60	2.16	47.77	7.30	47.33	0.00	7.19
50	50	State Bank, New Richland, MN (bank)	59,353	34.36	2.44	18.29	95.63	13.20	45.98	0.13	8.33

Source: SNL Financial LC Data as of Dec. 31, 2006

ing activities from residential real estate loans to higher-yielding construction and land development (CLD) and commercial real estate (CRE) loans. The bank also sold \$12 million of its securities portfolio, which reduced assets by \$9 million. First National Bank wasn't the only institution to shrink its way to better returns in 2006—nine of this year's top 50 banks in the category saw negative asset growth for the year, and median asset growth for the top group declined by 153 basis points to 10.17%.

Despite the challenges of last year's interest rate environment, the top performers managed to generate higher levels of interest income during the year. The average ratio of interest income to average assets among the top 50 increased by 68 basis points while interest expense to average assets increased by 52 basis points. Among all institutions, interest income and interest expense to average assets increased by 60 basis points and 62 basis points, respectively.

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

The top performing institutions in this category increased their average ROAE by 43 basis points, an impressive feat when one considers that the average for all institutions in the group (3,094)

declined by 76 basis points. Seattle Savings Bank of Seattle, Wash. (formerly 52nd) led the top performers with an ROAE of 37.56%, significantly above this year's cut-off for the top 50 of 21.38%. Seattle Savings Bank focuses on mortgage lending, especially affordable housing and reverse mortgages for retirees. One-to-four family residential loans outstanding at the bank increased from \$114.2 million to \$266.7 million, driving an increase in total loans of 92.86%, nearly five times higher than the median growth rate among top performers and ten times higher than the overall median loan growth rate for the category.

Though the bank benefits from operating in the growing Seattle metro area, it has decided to sell its nationwide reverse mortgage operation, the source of much of its loan growth. As a result, the bank will not likely be back on top again next year. (See profile on page 38.)

Last year's top performer, FMB Banking Corp. of Monticello, Fla., is represented this year by its sole subsidiary, which appears among our S corporations at 271st. Of the four companies in this year's top ten making repeat appearances, only FCB Florida Bancorporation, Inc. of Orlando, Fla. saw an improvement in its ranking, moving from 8th to 6th.

While both smaller institutions and subchapter S corporations saw either a decrease or no change in their ratio of noninterest income to average assets, top performers in this category saw the average increase by 49 basis points. It was not uncommon for increases in noninterest income to come from the sale of various assets, which served to significantly limit overall asset growth. At 16.74%, median asset growth among all top performers was 646 basis points lower than in 2005. First National Bank & Trust Co. of Weatherford, Tex. (3rd), Bridgeview Bancorp of Chicago, (4th); and Southwest Securities, FSB of Arlington, Tex. (8th) all experienced gains on the sale of assets that boosted their noninterest income and helped increase their year-end ROAE while shrinking their balance sheets.

Subchapter S corporations under \$3 billion

While the average ROAE among the top performers within the other two bank categories increased slightly compared to last year, the average among the top 50 S corporations decreased by 96 basis points to reach 41.41%, despite the fact that the top performer, ANB Bancshares, Inc., of Rogers, Ark., had a 2006 ROAE of 80.36%. The ROAE needed to qualify for

Summary statistics — Top 50 banks and thrifts with < \$3 bil. assets

	<\$100 million			>\$100 million			S-Corps		
	2007	2006	Change	2007	2006	Change	2007	2006	Change
Financial highlights (average)									
Return on average equity	19.97%	19.97%	0.01%	24.96%	24.67%	0.29%	41.41%	42.37%	(0.96)%
Return on average assets	1.86	1.77	0.10	2.00	1.91	0.09	3.60	3.82	(0.22)
Non-interest income/total revenue	16.29	22.13	(5.84)	17.20	16.33	0.87	17.10	21.53	(4.43)
Efficiency ratio (FTE)	55.68	58.83	(3.15)	46.43	46.66	(0.23)	45.34	44.53	0.81
Leverage ratio	9.33	9.15	0.18	9.16	9.01	0.15	9.76	9.56	0.20
Nonperforming loans/total loans	0.81	0.54	0.27	0.65	0.24	0.41	1.23	1.01	0.22
Income and expense ratios (average)									
Loans/deposits	79.49	80.73	(1.23)	94.64	91.43	3.20	87.42	90.98	(3.55)
Interest income/average assets	7.08	6.40	0.68	8.03	6.62	1.41	8.03	6.97	1.06
Interest expense/average assets	2.21	1.69	0.52	2.78	1.94	0.84	2.59	1.89	0.70
Noninterest income/average assets	1.07	1.89	(0.82)	1.43	0.94	0.49	2.62	2.62	(0.01)
Noninterest expense/average assets	3.41	3.95	(0.54)	3.23	2.75	0.48	4.05	3.51	0.54
Net interest margin	5.25	5.07	0.18	5.59	5.05	0.54	5.69	5.33	0.36
Growth (median)									
Asset growth	10.17	11.70	(1.53)	16.74	23.20	(6.46)	9.76	12.09	(2.34)
Deposit growth	10.36	10.97	(0.61)	16.12	22.04	(5.92)	7.87	9.75	(1.89)
Loan growth	8.99	11.50	(2.51)	19.66	22.02	(2.36)	10.07	9.62	0.45

the top 50 in this category rose from 33.98% to 34.36%.

ANB acquired two mortgage processing offices from Springdale, Ark.-based United Holding Co. and increased its loan portfolio by 81.97% during 2006, more than doubling interest income from real estate loans.

Overall, the top S corp. performers saw their median loan growth rate increase by only 45 basis points, to 10.07%, while the entire category (2,242 institutions) saw median loan growth slow by 95 basis points, to 6.66%. ANB Bancshares maintained a net interest margin of 5.32%, despite the bulk of its 83.26% deposit growth coming from jumbo time deposits. In addition to gains in interest income, ANB saw its noninterest income increase significantly due to the sale of \$10 million worth of securities and contributions from its broker/dealer subsidiary, ANB Financial Group, LLC.

Both Woodforest Financial Group,

Inc. of The Woodlands, Tex (2nd) and Broadway Bank of Chicago, Ill. (6th) also posted year-over-year deposit growth that was well above average, at 22.87% and 26.33%, respectively. Woodforest Financial has grown deposits primarily through de novo branching, mostly in new and existing Wal-Mart stores. As the retailer's footprint has expanded, Woodforest Financial's branch network has also grown. (See profile of Woodforest immediately following.) By comparison, deposit growth among all top performing S corporations slowed—the median growth rate among these institutions decreased by 189 basis points to 7.87%.

Two of this year's ten top performing S corporations are located along the Gulf Coast: First National Bank of Picayune, Miss. (8th), the sole subsidiary of First National Corporation of Picayune, Miss., and Gulf Coast Bank & Trust Company, La. Both are located in counties experi-

encing significant population (and deposit) growth in the aftermath of the 2005 hurricanes Katrina and Rita. Pearl River County, home to First National Bank of Picayune, was among the ten fastest growing counties in 2006.

Looking ahead

All community banks were challenged by the operating environment of 2006. Returns on equity and net interest margins, on average, declined across the board. For the foreseeable future, community banks can expect little relief from pressure on their net interest margins. While one-time fixes can be helpful in addressing earnings shortfalls, they, of course, are not a sustainable strategy. The top performers in 2007 may be those who implement new strategies to diversify income sources and improve service to niche markets and industries. *BJ*

Ranking methodology explained

Our rankings assess the performance of three groups of community financial institutions, defined by size and corporate structure:

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

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

3 Subchapter S commercial banks, thrifts, and bank holding companies with consolidated total assets less than \$3 billion.

The rankings are based on consolidated statistics for the highest regulatory reporting level available for each institution. 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. Banking companies that were not in operation for the full year also were excluded.

Within the three groups identified, institutions were ranked on their return on average equity ("ROAE") for 2006. The institutions with the highest ROAE were selected as the top performers in their categories. Data were obtained from SNL Financial and reflect operations for the year ending Dec. 31, 2006.

Restated data were used where applicable.

Note on the use of consolidated data

We use consolidated data to create our rankings because we believe that this data provides the most complete picture of the businesses' strategies, including those that involve diversification into non-traditional or fee-based businesses for which data may not be captured at the subsidiary level. As a supplement to this article, we also provide rankings of all institutions with total assets of less than \$3 billion at the charter level (excluding institutions that are subsidiaries of parents with assets of more than \$3 billion). These rankings are at www.ababj.com.

Note on the treatment of small bank holding companies

Although we have attempted to rank all institutions at the consolidated level, regulatory reporting requirements are such that some bank holding companies (BHCs) do not file consolidated financials. In 2006, the exemption from consolidated filing was

expanded significantly to include all BHCs with total assets of less than \$500 million. For the 4,055 holding companies meeting this criterion, subsidiary data represents the highest reporting level available for our analysis. Of this group, 260 companies have multiple bank subsidiaries, of which two appear in the rankings, with three listings each. Thrift holding companies also are not required to file consolidated reports.

Note on the treatment of subchapter S corporations

Due to the different tax treatment of subchapter S corporations, these institutions are considered separately from other institutions with less than \$3 billion in total assets. We determine an institution's subchapter S status by examining both consolidated level financial filings and quarterly changes in an institution's status. An institution is considered to be a subchapter S corporation if the highest level reporting institution was a subchapter S corporation in 2006, and if it held that status for one quarter or more during that year.

**Seattle Savings Bank**

Quietly booming in Seattle

Seattle's not exactly a two-stoplight hamlet, but it has a close-knit business community. The city and surrounding communities are home to Boeing, Microsoft, Starbucks, and other giants, but even so the names Ben Smith and Robert Story are well known and respected—even legendary. The families of the two men own Seattle Financial Group, which grew out of the Seattle Mortgage Co., founded in 1944. But while Smith and Story are well known in Seattle, the size, scope, and success of their operation is not. “They’re under the radar—very low profile,” says one admiring banker from the area.

Being a privately owned company, this family business can do things its own way, pretty much. Such was the case two months ago, when SFG announced that it was selling its fast-growing reverse mortgage business to Bank of America for an undisclosed amount. The business was known as Reverse Mortgage of America and was a subsidiary of Seattle Savings Bank, in turn a sub of SFG. To give you an idea of what the deal means, approximately 400 of the company's 700 employees will join BofA. Also, the savings bank's total assets will drop from the mid \$600s to the mid \$300s. The deal was expected to be consummated this month.

Seattle Financial was a pioneer in reverse mortgages, starting up its business in 1995. Until recently it was one of only two reverse mortgage servicing companies (Financial Freedom is the other), and the rapid growth it experienced in recent years (loan growth of 93% in 2006) was due to the warehouse lines it carried before selling off the loans to Fannie Mae. The operation had a portfolio of 40,000 reverse mortgages (aggregate loan amount of \$4 billion), on which the company held the servicing rights. Last summer, SFG worked with Bank of America Securities to create the first private-label reverse mortgage security.

So why did Seattle Savings exit the business that helped power it to the top of the rankings for non S-corp. banks between \$100 million and \$3 billion?

“It was in our five-year plan to spin off the business,” says Rob Story, Jr., president of Seattle Financial Group. The business had grown rapidly the past two years, he says, and the opportunity to sell came faster than management anticipated. “The timing was right; it was a good opportunity,” says Story, who adds that all employees will be able to keep their jobs.

Working with BofA on the securities side opened the dialog, he says. The big bank's huge branch network will enable the business to grow more rapidly on the retail side than could have been done by Seattle Savings, a state-chartered stock savings bank.

“A portion of the proceeds of the sale will be reinvested in the company to support other activities such as the launch of a commercial banking division and growth of our mortgage company branch network,” says Story. The first of those—a small-business banking specialty—would bring in both loans and low-cost transaction-account deposits. Currently the bank relies mainly on time deposits.

Focus on affordable

Seattle Savings Bank was started in 1999 and has had an “outstanding” Community Reinvestment Act rating ever since. This is largely because the parent company's roots have always been in construction loans to builders of affordable housing, as well as making mortgage loans to the people moving in. This niche has protected them from the vagaries of the high-end residential market, notes Ken North, president of the bank. While the

bank's loan portfolio is heavily commercial real estate by regulatory definition, North points out that about 85% of it is loans to residential builders.

The bank has what could be described as a slow but steady approach to asset-liability management. Currently the margins of many banks and thrifts are being squeezed by the yield curve, but not at Seattle Savings Bank. It's year-end net interest margin was 3.42%—not particularly high, admittedly, but it hasn't moved much for years, says North.

“When we built the bank,” says Story, “we made the duration of our assets and liabilities very similar, which locks in a spread. It really doesn't matter to us what rates do.”

Nevertheless, Story hopes to increase that margin by the move into business lending funded by less-expensive transaction accounts.

Credit quality for the thrift at year-end was a pristine 0.01%. Less than 2% of its mortgage lending could be classified as subprime, according to Story. In addition, he observes that the family has grown up as mortgage bankers and knows the business inside out.

Still, they have been careful to diversify earnings to carry them over rough spots. Subsidiaries other than the mortgage company and the bank include an escrow company, a capital company (for “more challenging projects than the bank would handle”), and, most recently, an insurance company.

All that said, Story concedes that with the sale of the reverse mortgage unit, Seattle Savings Bank won't likely be at the top of the rankings again for a few years. Which is about where they like to be—doing well, and under the radar.

—Bill Streeter, editor-in-chief





Utah Community Bank

Up, up, and over

Some days a bank president may feel like Atlas, with the weight of the world on his or her shoulders. William J. Loosle knows the feeling well, of balancing a heavy weight. And sometimes, Loosle has been known to just chuck it.

Indeed, Loosle (pronounced Loose-lee), who goes by “Jeff,” is a dedicated, record-holding chucker. But it’s not his banking duties he’s throwing.

Loosle, who is of Swiss-Scots-English ancestry, holds distinctions in two worlds. In banking, his \$71.2 million-assets Utah Community Bank ranks third in the Non-S Banks Under \$100 million-assets category, up from the eleventh place in last year’s performance ranking (see page 31).

Loosle’s other distinction—actually, several distinctions—comes in the world of Scottish games.

For instance, Loosle, 53, holds the world’s record, currently, for the Masters 50-plus category, for the “weight over bar” event, which entails oomphing a 42-pound stone over a vertical bar. Loosle set the record for his class at 18’ 6” in May 2005 in Pomona, Calif.

Mastering customer service

Unlike the Scottish games, where events all hinge on the performance of the individual, Loosle credits his bank’s results to teamwork among the bank’s 11 employees (full-time equivalent).

Utah Community, Loosle explains, enjoys the benefit of a staff that has worked together for about 22 years. Most of them first worked together at Draper Bank and Trust, another Utah bank, which was acquired by Zions Bancorp. and merged into its Utah operation, Zions First National Bank.

Utah Community started up seven years ago in Sandy, a suburb of Salt Lake City.

Many of the key employees from Draper came along, giving the new bank a history with customers—and a knowledge of the customers’ history, too—that not all new banks enjoy.

Loosle points out that the bank’s head teller, for instance, has been working in the same general community for 21 years. “She knows people’s grandparents, she remembers their birthdays,” says Loosle.

This is the kind of personal connection, emblematic of the personal service, that Loosle says has helped the bank continue to prosper. The core group of employees has an average of 31 years in banking, and the most experienced member of the group has been at it for 50 years, Loosle says.

The advantage of this longevity can’t be overstated. The bank

has a balanced portfolio of small business, commercial construction, residential construction, and even some consumer loans, the latter in the face of major league credit union competition and considerable presence of larger banks in the market.

Speed represents another important facet of the bank’s stress on service. Loosle points out that his construction lending staff knows the business cold, knows the market, and can even turn a loan around while the builder waits, if time is of the essence.

Being known for service has helped keep both good deposits and good loans coming in, says Loosle, which has helped the bank achieve its strong results. Fee income is decent, but the bank hasn’t even tapped the current fee-income darling, overdraft checking. “We know these people so well, we know how far we can let them go into overdraft,” Loosle explains. Indeed, this feeling is also seen in Loosle’s attitude towards “sales.” He says the bank likes the idea of bankers in a selling role in concept, but adheres to moderation in practice. He explains that he’d never want customers to feel as if they were ducking sales pitches every time they came to the bank.



Keeping a fresh face

No bank exists in a protected bubble, however, and Utah Community does what it can to keep things useful and friendly.

The bank maintains long hours—the lobby is open 9:00-6:00 weekdays and the drive-up from 8:30-7:00, with no Saturday hours—and the bank offers internet banking and is just getting started with remote deposit capture.

“It’s the electronic age,” says Loosle. “You have to go with what people want.”

One thing that people seem to want is the ability to linger a bit, so the bank has taken steps such as putting a TV and comfortable seating in the lobby, along with papers and magazines. And soon, the bank plans to add a few more human touches. One is an old-style soda pop machine that runs on dimes. Officers will keep a supply at their desks for customers.

Nothing fancy, but still, fun. That typifies the bank’s approach to employee incentives too. Loosle says the bank throws two employee parties annually—one in the summer, one at winter holiday time—and winds up the year with a nice bonus for all.

“We get things done together,” he says, “and we work well as a team.” With results like Utah Community’s, that’s hard to argue with.

—Steve Cocheo, executive editor

**Woodforest National Bank**

Texas growth plus Wal-Mart locations

They say everything is bigger in Texas. A touch of hyperbole? Perhaps. But in terms of banker interest, which is big at the moment, the Lone Star state is red hot. According to Keefe, Bruyette & Woods, more banks are opening in Texas than any other state, and despite national jitters about real estate lending, credit quality has been good there.

Yet increased competitive presence hasn't yet undermined performance for \$2.2 billion assets Woodforest National Bank—number two on our list of top performing S-corps (p. 34). Vice-chairman and CFO Michael Richmond points out that the lure of the high growth area has seen former competitors snapped up by big banks that come in and do things in a mass-market, big-bank way. "They aren't really our competitors," says Richmond. "We now occupy different niches."

And that distinction—community versus mass market—matters to Richmond, who thinks that too much bureaucracy can interfere with the deal making flow, and that being all things to all people isn't a formula for success.

"We're responsive. We can get answers quickly," he says of his outfit. "That gives us an edge, especially in the middle market."

Some edge! The bank holding company's ROAE is a whopping 67.27% and its ROAA a respectable 3.04%. As of June 30, 2006 net loans were \$1.3 billion and represented 64% of assets, according to FDIC data. Lending activities are concentrated in real estate, which totaled \$1.1 billion, or 84% of the loan portfolio.

Clearly, the bank holding company has benefited from a dramatically growing population and strong economy.

But there's more to it than a strong market. Woodforest has two faces: its core of 30 community bank branches primarily in the Houston area, and a rapidly growing network of in-store branches, primarily in Wal-Mart stores. The dual model began in Texas, but in 1996, Woodforest let the in-store model take it elsewhere. The bank holding company opened 71 locations last year, has 40 done so far this year, and plans to open another 110 before 2007 sees its end. Currently the bank holding company operates in North Carolina (with 43 locations as of 2006 and a total of 57 expected to be operational by year end); Ohio (with 14 locations currently and a total of 44 expected by year end); Pennsylvania (3 current and 21 expected); and Virginia (26 current and 18 expected). In Illinois 26 branches are expected and West Virginia five will be built. Most recently, Woodforest has negotiated to build four branches in Maryland and 13 in Indiana by year end. In Texas, meanwhile, the branch count of 178 is expected to hit 194.

All this has made Woodforest number seven in in-store branch locations.

As far as marketing goes, the bank relies on a good location within new Wal-Mart stores, pre-opening promotion to Wal-Mart employees, and old-fashioned aisle outreach—replete with balloons and seasonal decorations. Associates shaped by a strong sales culture help to gather deposits account by account.

"Woodforest has always been a little contrarian in a good way," notes veteran bank analyst Hugh Barrett, with The Strategic Alliance Group in Houston. "Back when most banks in the region opened from 9 to 3 Woodforest acted on the fact that shift workers in towns like Pasadena, Texas needed extended hours. Now, by positioning themselves in Wal-Marts, they are targeting their products to an emerging middle class, primarily ethnic."

In-store, in the money

The in-store branches benefit from Wal-Mart's draw and emphasize convenience. Scott Alaniz, formerly with Sandler, O'Neill and Partners, pointed out in a 2005 interview that Woodforest then generated about five times as much fee income from its core deposits as compared to other banks its size.

"We emphasize account growth in our in-stores," says Richmond, explaining the current ratio of noninterest income to total revenue of 69%.

With a full array of the usual services, including check cashing and debit cards, Woodforest also offers innovative checking products such as Second Chance Checking, available to customers with credit problems.

Of the entire network based in the big-box retailer, seven branches run on a 24-hour basis, and the rest stay open for extended hours that range from 8 or 9 a.m. to 7 or 8 p.m. (depending on the market) and are open Sunday from noon to 5 or 6:00 p.m. except for Christmas.

The traditional branches operate in a classic community bank way, says Richmond, albeit one that emphasizes lending to mid-market and small business segments. And, he adds, "doing what needs to be done" for the community is the overarching employee charge. "Likewise, we do deals with a personal touch."

A posting on the employment website The Vault alluded to this personal service as well as the bank's culture of ownership. An anonymous poster wrote that the folks who fare the best at Woodforest embrace its entrepreneurial nature and take charge.

—Lauren Bielski, senior editor

