

2008 BANK **PERFORMANCE** SCORECARD

Highlighting America's Best Banks

150

THE TOP

PERFORMERS

by PAUL SWEENEY

There is not much flash and glitz among this year's crop of top-performing U.S. banks and thrifts. But given all that's occurred in the last six months, maybe slow and steady really is the name of the game.

In fact, over a recent 12-month period, as the credit and financial markets came unhinged and some of the country's best-known depository financial institutions teetered on the brink of collapse, "steady at the helm" was the governing mantra for the highest-ranked banks.

That is just one salient feature of this year's class of top performers among banks and thrifts, according to our annual Bank Performance Scorecard. Based on measurement criteria and analysis compiled by Sandler O'Neill & Partners L.P., a New York-based investment banking firm that specializes in the financial services industry, the scorecard features the institutions that maintain top standing in good times and bad—often with recurring high scorers.

The five financial institutions atop this year's scorecard, which ranks the country's largest 150 banks and thrifts with assets of more than \$3 billion, are Glacier Bancorp Inc., Kalispell, Montana; First Financial Bankshares, Abilene, Texas; SVB Financial Group, Santa Clara, California; Bank of Hawaii Corp., Honolulu, Hawaii; and Westamerica Bancorp., San Rafael, California.

More so than in the past, geography appears to matter

this year. To place in the forefront, it helped to be located west of the Mississippi, mostly in high-growth areas, but also in regions rich in natural resources where the economy was buoyed by swelling commodity prices. Size also mattered: Interestingly, none of the best banks or thrifts was a megabank. The top five—and seven of the top 10—are mid-sized financial institutions ranging in asset size from \$3 billion to \$11 billion.

And they are a sober-minded, traditional bunch. Top performers this year have largely eschewed exotic loan products. They tend to have minimal exposure to real estate and construction loans, preferring to lend money to businesses, corporations, and individuals with sound credit histories.

"None are big players in construction lending, which has been a disaster," says Mark Fitzgibbon, Sandler O'Neill's director of research who oversaw the Scorecard's compilation. "Commercial and industrial lending is the bread and butter of these banks," he adds.

Consider the Scorecard's six-point criteria as it pertains to Glacier Bancorp, ranked No. 1 this year. With \$5.0 billion in second-quarter 2008 assets, Glacier Bancorp, which is head-

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Rank	Company Name	State	Total Assets (\$000)	Profitability				Capital Adequacy				Asset Quality				Final Score
				Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tier 1 Ratio (%)	Tier 1 Rank	Leverage Ratio (%)	Leverage Rank	NPA/Loans & OREO (%)	NPA Rank	Reserves/Loans (%)	Reserve Rank	
1	Glacier Bancorp	MT	5,027,868	1.49	9	13.48	21	12.26	28	10.74	10	0.68	38	1.59	43	89.5
2	First Financial Bankshrs	TX	3,084,665	1.72	3	15.35	13	15.25	15	9.55	26	0.71	40	1.23	92	102.5
3	SVB Financial Group	CA	7,309,87	1.68	4	16.25	7	10.43	64	10.72	11	0.22	5	1.14	106	104
4	Bank of Hawaii Corp.	HI	10,371,149	1.67	5	23.24	1	10.91	48	7.04	131	0.10	2	1.57	45	119
5	Westamerica Bancorp.	CA	4,188,868	2.03	1	22.60	2	10.22	67	7.06	130	0.52	24	2.10	22	124.5
6	Capital One Financial Corp.	VA	151,114,271	1.47	11	8.96	62	11.28	38	9.44	28	0.68	38	3.41	6	128

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7	Commerce Bancshares	MO	17,018,463	1.27	16	13.31	22	10.65	53	9.03	35	0.32	11	1.27	85	130
8	Hancock Holding Co.	MS	6,270,116	1.19	23	12.67	26	11.46	36	8.57	50	0.52	24	1.40	62	135
9	State Street Corp.	MA	146,221,000	1.32	14	16.04	9	17.13	10	8.25	64	0.02	1	0.12	149	135
10	Republic Bancorp	KY	3,053,209	1.26	17	15.98	10	14.96	16	9.94	19	0.84	45	0.76	137	135.5
11	BancFirst Corp.	OK	3,839,831	1.15	28	11.20	35	12.28	27	9.83	21	0.54	26	1.28	80	140
12	Bank of the Ozarks	AR	3,062,117	1.16	27	16.38	6	11.20	40	9.01	36	0.89	46	1.16	102	145
13	Cullen/Frost Bankers	TX	13,671,253	1.62	7	14.64	16	10.15	70	8.69	44	0.59	32	1.13	109	150.5
14	U.S. Bancorp	MN	246,538,000	1.79	2	19.47	3	8.47	129	7.95	77	0.67	37	1.48	56	154.5
15	UMB Financial Corp.	MO	8,806,522	1.05	41	9.62	53	14.01	17	10.14	14	0.23	7	1.17	100	163
16	Frontier Financial Corp.	WA	4,156,721	1.43	12	12.52	29	9.96	76	9.71	24	3.24	129	2.07	23	167
17	FirstMerit Corp.	OH	10,564,752	1.13	30	12.85	23	10.33	66	8.23	65	0.57	31	1.35	70	169
18	International Bancshrs Corp.	TX	11,010,549	1.21	20	14.00	18	12.11	31	8.29	62	1.28	71	1.15	104	172
19	Washington Federal	WA	11,795,247	1.25	18	10.10	49	17.34	8	10.12	15	0.92	50	0.57	141	174
20	BancorpSouth	MS	13,399,151	1.08	37	11.91	33	10.54	56	8.53	51	0.51	22	1.28	80	174.5
21	TrustCo Bank Corp NY	NY	3,489,577	1.08	36	15.54	11	12.59	25	6.18	144	1.10	58	1.73	38	179.5
22	S&T Bancorp	PA	4,353,568	1.65	6	16.50	5	8.00	138	8.04	75	0.51	22	1.12	110	183.5
23	First Midwest Bancorp	IL	8,311,025	1.36	13	14.83	15	9.29	106	7.56	106	0.63	35	1.28	80	191.5
24	CVB Financial Corp.	CA	6,453,846	1.01	46	14.62	17	11.35	37	7.65	98	0.38	13	1.06	114	194
25	Prosperity Bancshares	TX	6,793,734	1.48	10	8.25	71	12.70	22	7.87	81	0.29	9	1.03	121	197.5
26	City National Corp.	CA	16,339,258	1.20	21	11.31	34	9.28	107	7.89	79	0.95	51	1.52	49	198
27	Northern Trust Corp.	IL	74,806,900	1.31	15	19.19	4	9.83	84	6.91	133	0.12	3	0.60	140	199
28	Old National Bancorp	IN	7,601,786	1.02	44	11.91	32	11.23	39	8.22	66	1.50	80	1.31	73	205
29	United Bankshares	WV	8,048,472	1.19	22	12.15	31	9.92	79	8.43	57	0.74	43	0.97	125	205
30	1st Source Corp.	IN	4,477,614	0.75	76	7.58	77	11.49	35	10.07	16	0.81	44	2.14	21	211
31	Independent Bank Corp.	MA	3,387,458	1.07	39	12.62	28	9.49	96	7.61	101	0.45	18	1.29	78	213.5
32	StellarOne Corp.	VA	3,030,695	0.95	53	8.75	65	11.89	33	10.64	12	1.10	58	1.24	91	215
33	Valley National Bancorp	NJ	12,987,718	1.18	25	15.52	12	9.51	94	7.51	109	0.50	21	0.81	135	216.5
34	WSFS Financial Corp.	DE	3,198,043	0.86	64	12.65	27	11.03	47	8.83	38	1.31	72	1.22	95	217
35	Wells Fargo & Co.	CA	609,074,000	1.16	26	13.76	20	8.24	133	7.35	115	1.10	58	1.73	38	218
36	National Penn Bancshares	PA	9,241,355	1.11	32	10.59	44	9.39	99	7.60	103	0.33	12	1.33	71	218.5
37	Community Bank System	NY	4,657,783	0.96	52	9.44	57	12.23	29	7.75	93	0.40	14	1.27	85	219.5
38	People's United Financial	CT	20,392,400	1.09	35	3.83	105	16.50	12	13.11	2	0.60	33	1.06	114	220.5
39	NBT Bancorp	NY	5,309,500	0.98	50	12.77	24	9.67	88	7.23	123	0.64	36	1.51	50	222.5
40	F.N.B. Corp.	PA	8,095,880	1.03	42	10.61	43	10.60	54	8.17	72	1.26	70	1.27	85	225.5
41	Chemical Financial Corp.	MI	3,737,854	1.00	47	7.50	80	16.00	13	12.01	4	2.70	118	1.39	65	227
42	Pacific Capital Bancorp	CA	7,485,323	1.11	31	12.28	30	10.10	72	8.39	60	2.83	122	1.29	78	227

quartered in scenic Kalispell, Montana, operates as a multi-bank holding company with 94 branches west of the Rockies (but east of Washington state's Cascade Mountains) in the states of Idaho, Montana, Utah, Washington, and Wyoming.

The first two measurement criteria on the Scorecard—return on average assets (ROAA) and return on average equity (ROAE)—are based on publicly available data calculations for the third and fourth quarters of 2007 and the first two quarters of 2008. Over this period of four linked quarters, Glacier's 1.49% ROAA ranked ninth, while its 13.48% ROAE ranked 21st. (On the theory that profitability is the most important performance criteria for a public company, ROAA and ROAE have been given a greater weight than the other four metrics in the Scorecard's final calculation.)

Next up are two capital adequacy metrics. Capital adequacy includes both the Tier 1 capital ratio and the leverage capital ratio at the close of second quarter 2008. Glacier's Tier 1 capital ratio stood at 12.26%, ranking it 28th; its leverage capital ratio of 10.74% ranked 10th.

Finally, two metrics measure asset quality at the financial institutions. The first is the ratio of nonperforming assets (NPAs) to total loans and "other real estate owned," or OREO, a category in which Glacier ranked 38th with 0.68%. The second asset-quality metric is the percentage of loan loss reserves to total loans: Glacier ranked 43rd with 1.59%.

Thus, while Glacier does not score higher than ninth in any single category, it ultimately ranks highest overall by keeping on an even keel across several metrics. That makes it "one of the best banking franchises in the country," says Sandler O'Neill research analyst Brad Milsaps. Adds Fitzgibbon, his colleague at Sandler O'Neill: "The moral of the story is that you don't have to shoot the lights out to score well in the survey. You just have to do a good job in every category and be in the upper half of the companies on each list."

Glacier, for its part, has grown both organically and by acquisition, adding 17 banks since 1988. After entering the Glacier Bank fold, however, most acquired banks continue to operate autonomously while retaining their home-grown brand names. In sharp contrast to mass firings endemic to big bank mergers, the same management teams and employees continue on as before.

Changes are subtle, internal ones: loan levels increase and data processing is centralized. In addition, each of Glacier's member banks maintains its own board of directors. The local bank directors, asserts Glacier's president and chief executive Michael Blodnick, constitute "a full-blown board that is not just advisory and focuses on markets, services, and the types of lending they do."

First Financial Bankshares, an Abilene-based bank holding company with \$3.1 billion in assets, debuts on the list at

No. 2 after crossing the \$3 billion eligibility threshold in the second quarter of 2008. While it's not a clone of Glacier, the Texas bank's president and chief executive Scott Dueser admits to adopting a number of Glacier's best practices. "We've compared notes," Dueser says.

Most obviously, the Texas and Montana banks share the community banking model. In addition to maintaining a local identity, First Financial's family of banks hold roughly 40% to 50% of the market share in such West Texas communities as Sweetwater, San Angelo, Stephenville, and Weatherford, notes Bain Slack, an Atlanta-based bank analyst at Keefe, Bruyette & Woods.

Hewing to the community banking model means veteran bankers know their customers and detect problems early on. And their dominant market share in the bank's footprint means loan pricing is advantageous: Slack reports that at the end of third quarter 2008, First Financial sported a net-interest margin of 473 basis points, compared with an average of 395 basis points for Texas banks overall. "They don't have to fight for pricing like bankers in the Dallas and Houston markets," Slack says.

In addition, the West Texas economy is strong. Agricultural prices in wheat and corn have been robust for a few years now; higher oil and natural gas prices, although slipping of late, have meant that drilling rigs continue to be deployed throughout the region, spurring job creation. West Texas is also capitalizing on wind energy and wind-mill manufacturing. And such staples as military bases and defense spending provide additional ballast to the regional economy.

Ranked third on the Scorecard is SVB Financial Group. Based in Santa Clara, California, it is the holding company for financial services firms that include \$7.0 billion Silicon Valley Bank. In addition to operating 27 U.S. branches, SVB has offices in China, India, Israel, and the United Kingdom. While best-known for serving entrepreneurs and working in tandem with venture capitalists in the high-technology and life sciences industries, SVB Financial also lends to private equity financiers and vintners in California's premium wine industry.

Marc Verissimo, chief strategy officer at SVB, is a battle-scarred veteran of California's banking scene, having worked in the trenches at Bank of America and First Interstate Bank (now part of Wells Fargo). He reports that SVB pulled its excess cash—as well as its clients' investments—out of auction rate securities probably four years ago. The bank, meanwhile, has skirted the subprime mortgage crisis and avoided construction loans. "We don't deal with developers," he says.

SVB, which made it through the technology bust earlier in the decade in surprisingly good shape, is actually benefiting from the travails of less-circumspect competitors.

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43	Provident Bankshares Corp.	MD	6,382,055	0.86	65	8.84	63	10.59	55	8.67	46	0.91	48	1.38	66	235.5
44	First Citizens BancShares	NC	16,422,674	0.63	86	7.14	82	13.14	20	9.89	20	0.42	16	1.28	80	236
45	BB&T Corporation	NC	136,465,000	1.23	19	12.73	25	8.92	118	7.17	126	1.36	74	1.31	73	239.5
46	Associated Banc-Corp	WI	22,302,704	1.18	24	10.81	39	9.06	115	7.66	96	1.99	99	1.42	59	247.5
47	WesBanco	WV	5,270,942	0.90	60	8.33	68	11.17	41	8.63	48	0.89	46	1.15	104	247.5
48	M&T Bank Corp.	NY	65,893,428	1.13	29	11.10	36	7.76	144	7.16	127	1.25	68	1.58	44	256.5
49	BONY/Mellon Corp.	NY	201,225,000	1.55	8	10.32	46	9.33	104	6.39	143	0.55	27	0.70	138	260
50	Cathay General Bancorp	CA	10,811,915	1.07	38	11.03	37	9.38	100	7.83	85	1.56	83	1.16	102	260
51	First Financial Bancorp.	OH	3,459,962	0.85	66	10.19	48	9.99	74	8.21	67	0.71	40	1.11	111	260
52	Sandy Spring Bancorp	MD	3,164,123	0.99	49	9.61	54	9.72	86	8.68	45	2.55	115	1.37	69	260.5
53	Sterling Bancshares	TX	4,909,454	1.09	34	10.37	45	9.14	112	8.20	70	1.46	78	1.14	106	262
54	Hudson City Bancorp	NJ	49,161,986	0.79	72	7.51	79	22.34	2	8.41	59	0.44	17	0.14	148	264
55	Trustmark Corp.	MS	9,315,049	1.03	43	9.99	50	9.58	89	7.87	81	1.67	90	1.23	92	269
56	Flushing Financial Corp.	NY	3,573,227	0.76	75	10.97	38	11.07	42	7.26	119	0.24	8	0.24	147	271
57	Columbia Banking System	WA	3,169,607	0.88	62	8.14	73	10.17	68	8.64	47	3.17	128	1.83	32	272.5
58	UnionBanCal Corp.	CA	60,593,921	0.88	61	10.61	42	7.96	140	7.95	77	0.49	20	1.14	106	274.5
59	TCF Financial Corp.	MN	16,460,123	1.10	33	16.22	8	8.08	136	5.97	148	1.23	67	1.03	121	277
60	Dime Community Bancshares	NY	3,742,004	0.73	78	9.28	58	10.84	50	7.83	85	0.22	5	0.49	143	277.5
61	Texas Capital Bancshares	TX	4,663,236	0.70	80	9.85	51	9.28	107	9.32	31	0.55	27	0.95	132	279.5
62	Capitol Federal Financial	KS	7,892,137	0.53	95	4.74	97	23.40	1	10.01	17	0.29	9	0.11	150	280.5
63	Heartland Financial USA	IA	3,379,071	0.71	79	10.19	47	9.86	82	7.84	84	2.05	101	1.51	50	284.5
64	NewAlliance Bancshares	CT	8,262,256	0.56	92	3.22	110	18.69	7	11.16	8	0.56	29	0.97	125	286.5
65	Oriental Financial Group	PR	6,060,179	0.79	73	13.86	19	17.26	9	6.80	136	2.86	123	0.97	125	288.5
66	First Niagara Fin'l Group	NY	9,074,502	0.97	51	5.95	87	10.08	73	7.61	101	0.56	29	1.17	100	289.5
67	Pinnacle Financial Partners	TN	4,106,055	0.90	59	7.58	78	9.50	95	8.53	51	0.73	42	1.04	118	290
68	PNC Financial Services	PA	142,771,000	1.02	45	9.52	56	8.20	134	7.25	120	1.05	56	1.31	73	292.5
69	Green Bankshares	TN	3,018,536	0.69	81	6.21	84	10.51	57	9.21	32	2.58	116	1.50	54	294.5
70	Whitney Holding Corp.	LA	11,016,323	0.93	54	8.11	74	9.30	105	8.27	63	2.03	100	1.38	66	295
71	East West Bancorp	CA	11,784,900	0.47	103	4.72	98	11.04	46	10.01	17	2.23	102	1.95	28	297.5
72	Northwest Bancorp, Inc	PA	6,916,333	0.81	70	9.04	61	12.42	26	7.76	92	1.53	82	0.86	134	298
73	Renasant Corp.	MS	3,782,196	0.91	58	8.24	72	10.49	61	8.12	73	1.56	83	1.03	121	299
74	Wilmington Trust Corp.	DE	12,133,300	1.05	40	10.76	40	6.74	150	6.45	142	0.95	51	1.22	95	299
75	First Commonwealth Fin'l	PA	6,251,412	0.80	71	8.29	69	10.16	69	8.21	67	1.32	73	1.08	113	301
76	Signature Bank	NY	6,369,087	0.64	85	8.72	66	12.63	23	7.64	99	1.01	55	0.96	129	304
77	Harleysville National Corp.	PA	3,882,232	0.74	77	8.38	67	9.85	83	8.18	71	1.50	80	1.25	89	305.5
78	Astoria Financial Corp.	NY	21,620,071	0.60	89	10.68	41	11.51	34	6.63	139	0.91	48	0.51	142	311.5

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79	Old Second Bancorp	IL	2,955,967	0.91	57	15.01	14	7.80	143	6.52	141	1.38	76	0.97	125	313.5
80	Fulton Financial Corp.	PA	16,058,125	0.92	55	9.14	59	9.06	115	7.41	112	1.10	58	1.05	116	314.5
81	IBERIABANK Corp.	LA	5,323,879	0.92	56	9.09	60	9.34	103	7.25	120	1.12	62	1.10	112	314.5
82	Beneficial Mutual Bancorp	PA	3,747,932	0.17	118	1.00	121	18.86	6	11.68	6	0.48	19	1.01	124	316.5
83	Investors Bancorp	NJ	6,419,142	0.30	113	2.18	119	21.37	3	11.93	5	0.41	15	0.29	146	316.5
84	Zions Bancorp.	UT	54,630,883	0.99	48	9.62	52	7.45	147	7.20	125	1.66	89	1.31	73	317
85	Bank Mutual Corp.	WI	3,551,631	0.50	98	4.04	103	19.17	5	9.20	33	1.06	57	0.61	139	318
86	BOK Financial Corp.	OK	22,435,937	0.83	69	8.80	64	8.69	123	7.83	85	1.37	75	1.22	95	322
87	Webster Financial Corp.	CT	17,478,636	0.44	105	4.23	101	11.06	43	8.93	37	1.75	94	1.45	58	322
88	MB Financial	IL	8,406,592	0.66	84	6.12	85	9.58	89	8.08	74	1.56	83	1.38	66	325
89	Sun Bancorp	NJ	3,424,968	0.48	100	4.43	99	10.46	62	9.57	25	1.25	68	1.19	99	326
90	First BanCorp.	PR	18,828,786	0.38	108	4.79	96	12.20	30	8.78	41	4.05	138	1.81	36	326.5
91	UCBH Holdings	CA	12,871,122	0.63	87	7.42	81	10.40	65	8.33	61	2.41	109	1.26	88	329.5
92	Comerica	TX	66,003,000	0.68	83	8.27	70	7.45	147	8.53	51	1.44	77	1.28	80	330.5
93	Capitol Bancorp Ltd.	MI	5,340,400	0.24	116	3.03	111	13.36	19	12.38	3	2.93	125	1.40	62	331.5
94	TFS Financial Corp.	OH	10,360,935	0.51	97	2.63	113	19.29	4	13.37	1	1.80	97	0.47	144	333
95	Corus Bankshares	IL	9,010,460	0.05	122	0.53	122	13.80	18	10.75	9	19.40	150	3.12	7	336
96	Integra Bank Corp.	IN	3,401,210	0.76	74	7.68	76	9.13	113	7.80	88	2.32	106	1.32	72	339.5
97	Susquehanna Bancshrs.	PA	13,504,721	0.84	67	6.69	83	8.68	124	7.78	90	0.99	54	1.04	118	343
98	First Merchants Corp.	IN	3,822,460	0.87	63	9.52	55	8.50	128	7.34	116	1.70	91	1.05	116	343.5
99	Umpqua Holdings Corp.	OR	8,345,989	0.57	91	3.76	107	9.96	76	9.40	29	1.64	88	1.20	98	343.5
100	New York Comm. Bancorp	NY	31,083,499	0.31	112	2.28	117	11.98	32	8.45	55	0.15	4	0.44	145	347
101	Synovus Financial Corp.	GA	34,227,301	0.62	88	5.62	92	8.91	119	8.70	43	2.98	127	1.51	50	349.5
102	First Busey Corp.	IL	4,265,431	0.69	82	5.74	90	8.93	117	7.53	108	1.77	95	1.53	46	355
103	Sterling Financial Corp.	WA	12,699,710	0.48	101	5.01	94	9.57	91	7.99	76	2.77	121	1.72	41	359.5
104	JPMorgan Chase & Co.	NY	1,775,670,000	0.45	104	5.69	91	9.15	111	6.13	145	1.16	65	2.46	12	361.5
105	Provident Financial Services	NJ	6,384,944	0.55	94	3.41	109	9.41	97	8.42	58	0.62	34	0.96	129	362
106	Western Alliance Bancorp.	NV	5,219,333	0.50	99	4.92	95	8.42	131	7.86	83	1.46	78	1.51	50	365
107	PrivateBancorp	IL	7,478,938	-0.55	130	-6.99	131	10.82	51	11.46	7	1.12	62	1.23	92	367
108	FirstFed Financial Corp.	CA	7,178,136	-1.02	137	-11.72	138	16.52	11	9.45	27	8.84	147	3.96	2	368.5
109	Regions Financial Corp.	AL	144,436,295	0.84	68	5.95	88	7.48	145	6.78	137	1.74	93	1.49	55	371
110	National City Corp.	OH	153,672,543	-1.71	143	-18.15	140	11.06	43	10.33	13	2.69	117	2.97	8	373.5
111	Popular	PR	41,678,594	-0.03	123	-0.42	123	10.50	59	8.52	54	3.70	135	2.36	14	377
112	South Financial Group	SC	13,976,870	-1.29	139	-11.67	137	11.05	45	9.80	22	2.30	105	1.83	32	378
113	United Community Banks	GA	8,264,051	0.59	90	5.75	89	9.17	109	7.03	132	2.54	113	1.53	46	379
114	Fifth Third Bancorp	OH	114,975,000	0.22	117	2.49	115	8.51	127	9.08	34	2.54	113	1.83	32	385

THE TOP 150 PERFORMERS

Rank	Company Name	State	Total Assets (\$000)	Profitability				Capital Adequacy				Asset Quality				Final Score
				Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tier 1 Ratio (%)	Tier 1 Rank	Leverage Ratio (%)	Leverage Rank	NPA's/Loans & OREO (%)	NPA Rank	Reserves/Loans (%)	Reserve Rank	
115	First Place Financial Corp.	OH	3,341,046	0.52	96	5.27	93	10.45	63	7.71	94	2.71	119	1.04	118	386
116	Independent Bank Corp.	MI	3,239,035	0.33	111	4.41	100	9.68	87	7.66	96	4.65	142	1.97	26	386.5
117	Colonial BancGroup	AL	26,031,291	0.34	110	3.83	106	10.12	71	7.38	113	2.32	106	1.42	59	390.5
118	Huntington Bancshares	OH	55,333,841	0.39	107	3.51	108	8.82	120	7.88	80	2.42	111	1.64	42	391.5
119	Citizens Republic Bancorp	MI	13,170,018	-0.99	136	-8.43	132	10.80	52	8.71	42	2.95	126	1.90	30	393
120	Wintrust Financial Corp.	IL	9,923,077	0.47	102	6.09	86	8.70	122	7.79	89	1.21	66	0.79	136	394.5
121	Bank of America Corp.	NC	1,716,875,000	0.35	109	4.02	104	8.25	132	6.07	147	1.14	64	1.92	29	399
122	First Horizon National Corp.	TN	35,549,961	-0.61	132	-9.53	136	10.51	57	8.45	55	3.66	134	2.32	16	399
123	Anchor Bancorp Wisconsin	WI	4,949,335	0.55	93	7.75	75	9.54	93	7.46	111	3.44	132	0.96	129	400.5
124	PacWest Bancorp	CA	4,343,324	-13.93	150	-65.03	150	10.89	49	9.77	23	1.61	87	1.53	46	402.5
125	KeyCorp	OH	101,544,000	-0.76	134	-9.30	134	8.53	126	9.34	30	1.56	83	1.83	32	403.5
126	Park National Corp.	OH	6,820,233	0.27	114	2.87	112	9.91	80	6.91	133	2.90	124	1.97	26	407.5
127	Imperial Capital Bancorp	CA	4,100,182	0.16	119	2.58	114	9.93	78	7.77	91	4.88	143	1.73	38	408
128	Banner Corp.	WA	4,636,344	-0.59	131	-6.08	127	9.57	91	8.80	40	2.71	119	1.47	57	411.5
129	Doral Financial Corp.	PR	10,449,871	-0.38	126	-2.89	125	15.70	14	6.11	146	12.86	148	2.18	18	414
130	SunTrust Banks	GA	177,232,727	0.42	106	4.07	102	7.47	146	7.54	107	2.39	108	1.40	62	419.5
131	BankUnited Financial Corp.	FL	14,119,511	-1.14	138	-21.25	143	12.60	24	7.59	104	8.80	146	2.50	11	423.5
132	Citigroup	NY	2,100,385,000	0.13	121	2.26	118	8.74	121	5.04	150	1.79	96	2.67	10	427.5
133	TierOne Corp.	NE	3,234,284	-2.81	145	-28.31	145	9.90	81	8.82	39	5.81	145	2.31	17	431
134	Guaranty Financial Group	TX	16,031,000	-0.41	128	-6.57	129	9.36	101	7.63	100	3.95	137	2.44	13	432.5
135	Boston Private Fin'l Holdings	MA	7,182,508	-0.48	129	-4.84	126	9.35	102	7.24	122	1.96	98	1.75	37	434.5
136	Downey Financial Corp.	CA	12,632,319	-4.37	148	-46.01	149	12.98	21	7.57	105	16.72	149	6.40	1	435
137	Central Pacific Financial	HI	5,650,349	-3.15	147	-25.12	144	9.83	84	8.21	67	3.48	133	2.06	24	445
138	Marshall & Ilsley Corp.	WI	64,260,422	-0.19	124	-1.65	124	7.87	141	7.34	116	2.44	112	2.05	25	445
139	Superior Bancorp	AL	3,039,558	0.14	120	1.19	120	9.17	109	7.47	110	2.28	104	1.25	89	446
140	Hanmi Financial Corp.	CA	3,845,107	-4.83	149	-44.29	148	9.40	98	8.61	49	3.34	131	1.88	31	451.5
141	Midwest Banc Holdings	IL	3,726,720	0.24	115	2.46	116	9.09	114	7.38	113	1.73	92	0.90	133	457
142	Flagstar Bancorp	MI	14,605,993	-0.30	125	-6.65	130	10.50	59	6.70	138	3.88	136	1.31	73	458
143	BankAtlantic Bancorp	FL	6,514,975	-1.34	140	-18.16	141	9.99	74	6.82	135	4.34	139	2.33	15	462.5
144	Taylor Capital Group	IL	3,719,134	-1.47	141	-19.23	142	8.63	125	7.71	94	5.76	144	3.84	4	466.5
145	Sovereign Bancorp	PA	79,197,449	-1.49	142	-15.13	139	7.86	142	7.28	118	0.96	53	1.41	61	468
146	AMCORE Financial	IL	5,174,796	-0.67	133	-9.39	135	8.47	129	7.10	129	4.62	141	3.43	5	470
147	Wachovia Corp.	NC	812,433,000	-0.91	135	-9.18	133	8.00	138	6.57	140	2.41	109	2.16	19	471
148	Santander Bancorp	PR	8,838,691	-0.39	127	-6.42	128	8.08	136	5.68	149	4.34	139	2.74	9	471.5
149	Irwin Financial Corp.	IN	5,932,166	-2.29	144	-30.87	146	7.40	149	7.22	124	2.25	103	3.95	3	479.5
150	First State Bancorp.	NM	3,464,882	-3.04	146	-32.89	147	8.20	134	7.11	128	3.26	130	2.16	19	498.5

GLACIER REMAINS BUOYANT AMID ROCKY SEAS

This year's Scorecard leader's conservative approach has proved a successful strategy.

Glacier Bank is buying up banks.

At least, that's the word on the western fringe of the Rocky Mountain States. So much so that Jon W. Hippler, president and CEO of Mountain West Bank in Coeur d'Alene, Idaho, a subsidiary of Glacier, says there is nothing unusual about hearing from bankers across the inland Northwest who are "total strangers" yet want to know about his experience as CEO at one of 11 community banks owned by Glacier Bancorp Inc.

The largest bank holding company in the region, Glacier, which is headquartered in Kalispell, Montana, boasted \$5.2 billion in second-quarter 2008 assets. It operates 94 branch offices in Montana, Utah, Wyoming, Idaho, and eastern Washington and claims top honors as the most successful of the 150 largest U.S. banks and thrifts, according to *Bank Director's* 2008 Bank Performance Scorecard compiled by New York investment firm Sandler O'Neill & Partners L.P.

These and other factors have made Glacier a wannabe partner with many institutions in the northwest corridor in recent times. What makes a deal with Glacier so appealing is its reputation for granting its member banks a wide berth. "I know it sounds too good to be true," Hippler says he tells inquirers, "but we have a great deal of autonomy. We have our own board—just like any other state-chartered bank—our own managers, our own policy and procedures. And we have our own marketing plan, which is different from our sister banks in Wyoming or Montana."

Now, thanks to Glacier's capital strength, Mountain West Bank is able to

offer borrowers up to \$30 million and, Hippler says, share in deals with sister banks. Mountain West was also able to snap up seven bank branches that became available a few years ago after Wells Fargo took over First Security and was required to divest the properties.

Michael "Mick" Blodnick, Glacier's president and CEO, is proud that member banks—such institutions as Big Sky Western Bank of Bozeman, Montana, First National Bank of Morgan (Utah), and Citizens Community Bank in Pocatello, Idaho—retain their own brand names and "11 separate identities." In fact, he attributes much of the financial institution's success to its community-banking structure. "Ask any of our 1,600 employees who they work for and they won't say it's Glacier," Blodnick says. "And that's exactly how we want it."

To some that may seem a bit ungainly, but it doesn't seem to bother Glacier's investors. The structure of separate bank presidents, boards, and charters "makes it more expensive to run than having a single person overseeing the various branches, who all report back to the CEO at headquarters," notes Brad Milsaps, a research analyst at Sandler O'Neill. "But since they have local boards with their feet on the ground," he adds, "it keeps them out of trouble."

Moreover, Glacier, which originally was a thrift and converted to a commercial bank during the 1980s, "keeps it simple," adds Milsaps. "There's no trust department, no credit cards, and no ancillary business like insurance. It's actually kind of boring." (In an interview, Glacier's Blodnick once conceded he shares the homespun values of George Bailey, the fictional operator of a building-and-loan institution immortalized in Frank Capra's

It's a Wonderful Life.)

Coupled with the serendipity of being in a thriving economic region—in-migration population growth remains strong; second homes for the wealthy are popping up amid the region's spectacular beauty; and prices of agricultural commodities and natural resources such as silver and copper, as well as oil and natural gas, remain resilient—the bank's innate conservatism has proven beneficial.

Even so, Glacier has not been entirely immune to the buffeting of the current economic storm. In September, the bank was forced to write down \$2.8 million in investments in common stock of Fannie Mae and Freddie Mac. And during the third quarter of 2008, earnings slipped to \$12.8 million, down 27.5% from the \$17.6 million for the same quarter last year.

Yet, while many competitors in Glacier's footprint are struggling to survive, Glacier is "capital plump" and on the prowl for acquisition candidates, according to a memo written by research analysts Chris Stulpin and Jeff Rulis of D.A. Davidson & Co. On Nov. 3, 2008, Glacier announced a shelf registration that, by late November, had raised \$94 million in a 6.235 million share stock offering.

Davidson's analysts (who declined interviews because they are co-managers of the stock offering with Keefe, Bruyette & Woods) note that fortune favors Glacier as it courts prospective acquisition candidates. Now that Wells Fargo will be digesting gigantic Wachovia, the Montana bank should have the regional marketplace all to itself.

Which means, of course, that Hippler's telephone at Mountain West will keep on ringing.

“We’re seeing a lot of very good opportunities coming our way with so many others in trouble,” Verissimo says. “We can afford to be choosy.”

One of the bank’s strengths, he adds, is a board of directors that is engaged and independent as well as talented and experienced. Among its membership are former CEOs at technology companies, winery owners, audit and consulting professionals, and even international business executives with experience in India and China. “If everyone had a board like ours,” insists Verissimo, “no one would be having trouble right now.”

Honolulu-based Bank of Hawaii, No. 4 on the Scorecard, has \$10.4 billion in assets, making it the largest in asset size of the top five financial institutions. Its impressive 23.24% ROAE is the highest of any large bank or thrift during the four-quarter analysis period. “They are a much more traditional bank with a good mix of commercial and retail customers,” says Aaron Deer, a San Francisco-based research analyst at Sandler O’Neill, who follows western banks. “They’re well rounded and they’ve avoided a lot of the pitfalls that many other banks have stepped into.”

Deer says that the Hawaiian economy, which prospers from tourism, defense spending, and economic ties to Japan, has been strong. Even so, challenges loom. He cites a 17% decline in tourism so far this year and the bankruptcy of Aloha Airlines, which shut down passenger service in March after falling victim to fare wars and soaring fuel costs.

Westamerica Bancorp., a \$4.2 billion financial institution based in San Rafael, California, rounds out the top five. The operator of 86 branches and two trust offices throughout northern and central California, it chalked up a 2.03% ROAA, the best in show. It’s also the only bank or thrift on the list to break through the 2% ceiling in ROAA this year. “Westamerica, probably more than any other bank in the country, is extremely risk averse,” says Deer. “And that is paying off in spades.”

“When a lot of banks were growing their balance sheets like gangbusters, Westamerica’s balance sheet was ‘steady-as-she goes,’” he adds. “They focused on profitability and maintaining efficiency and good core deposit relationships. They were criticized for that at investor meetings, but now they look brilliant.”

The two biggest institutions in the top 10 are both specialty banks. Capital One, ranked as the No. 6 bank by the Scorecard, has \$151.1 billion in assets. It relies on its credit card business for about 80% of its net income, notes Michael Taiano, a senior analyst at Sandler O’Neill. Capital One has belled up to the commercial banking bar with acquisitions in recent years of Hibernia Bank in New Orleans and North Fork, a Long Island, New York bank, the deposits of which provide low-cost capital. But with unemployment rates rising and its credit card lending unse-

cured, “it’s facing a challenging 2009,” says Taiano.

State Street Corp., a \$146.2 billion specialty bank headquartered in Boston, ranks No. 9 and remains in a class by itself. It recorded a nearly negligible .02% in nonperforming asset loans, the top score in that metric. With far-flung offices across the globe from London and Paris to Hong Kong, Seoul, and Tokyo, State Street’s focus is providing services to institutional investors and investment managers. “It has deep expertise in those areas, which allows it to grow very effectively,” says Charles Wendel, president of Financial Institutions Consulting in New York.

The perilous global economy, however, could whip saw any bank on the list, no matter how smartly managed. Last year’s No. 1 bank, \$4.2 billion Frontier Financial Corp., headquartered in Everett, Washington, fell to No. 16 on the Scorecard this year. Jeff Rulis, a Lake Oswego, Oregon-based research analyst at D.A. Davidson, notes that a disproportionate share of Frontier’s loan portfolio is centered on construction and land development. On the Scorecard, its NPA ranked 129th and, Rulis notes, the situation was getting more dire by the end of third quarter 2008: NPAs had deteriorated to 4.92%, compared with a 2.36% median at 37 western banks he follows.

Wells Fargo & Co., the \$609 billion bank headquartered in San Francisco, ranks No. 35 on the Scorecard, making it the Scorecard’s best ranked megabank. Wells Fargo will not only have its hands full, but also its stomach as it prepares to digest \$812 billion Wachovia Corp. Ranked No. 147—fourth from the bottom on the Scorecard—poorly performing Wachovia has been operating in negative territory, mustering a -0.91% ROAA and -9.18% ROAE.

What bears watching is whether Wells Fargo can more than double in size, yet somehow maintain the operational strategy that has made it so successful. Despite its big-bank size, says Sandler O’Neill’s Deer, “Wells Fargo is the country’s best community bank.”

Compare that observation with the management philosophy at gargantuan Citigroup, the world’s biggest bank with \$2.1 trillion, which is smarting after being jilted in its bid for Wachovia. Ranked No. 132 on the Scorecard, Citigroup was positioned well toward the bottom, including dead last at 150th in the leverage ratio metric at 5.04%.

Not coincidentally, Citigroup’s operating philosophy—as advanced by the recently departed former chief executive Charles O. Prince III—sounds almost Pied Piperish. “When the music stops, in terms of liquidity,” he famously told the *Financial Times* on July 10, 2007, “things will be complicated. But as long as the music is playing, you’ve got to get up and dance. We’re still dancing.”

That’s a sharp contrast from the logic employed by this year’s top-ranked banks. They danced to the beat of a different drummer. **[BD]**

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