RESULTS OF THE

★★ 2009 ★★

Bank Performance SCORECARD

HOME RUN HITTERS

In what's been one of the toughest years in banking, institutions that played it fiscally conservative ended up batting a thousand on our annual performance rankings.

by **CHARLES KEENAN**

Glancing at the performance rankings of the nation's largest 150 banks this year, it's not hard to spot trouble. Nearly half of the banks lost money over a 12-month period ended June 30, 2009, a cruel reminder that many financial institutions are still paying dearly for the shaky underwriting conducted during the credit bubble earlier this decade.

Yet a look at the top banks tells a different story. Despite the upheaval of bank balance sheets across America, there are many financial institutions still going strong, especially ones that adhere to a basic formula for successful banking: lend money to low-risk borrowers, keep a lid on expenses, and dominate local market share.

Once again, plain vanilla banking won out over the growth-at-any-cost mentality, according to our annual Bank Performance Scorecard. Based on measurement criteria and analysis complied by Sandler O'Neill & Partners LP, a New York-based investment banking firm that specializes in the financial services industry, the Scorecard usually includes repeat performers that generate high ranks in boom times and bust.

This year, most of the top 10 financial institutions are commercially focused, which shielded them from heavy losses stemming from deteriorating residential and consumer loans. The top five financial institutions in this year's Scorecard are First Financial Bankshares Inc., Abilene, Texas; Bank of the Ozarks Inc., Little Rock, Arkansas; Glacier Bancorp, Kalispell, Montana; Westamerica Bancorp., San Rafael, California; and Republic Bancorp, Louisville, Kentucky.

The Scorecard looks at the nation's largest 150 banks and thrifts with assets of $3 billion and up. Those banks are ranked by three main measures: profitability, capital adequacy and asset quality. The review period spans the last two quarters of 2008 and the first two quarters of last year.

Among the top performers, size mattered, with banks with $3 billion to $12 billion faring best. "It was really a year where being smaller was better," says Mark Fitzgibbon, Sandler's director of research, who oversaw the Scorecard's compilation. "The midsize and smaller companies tend to be a little more conservative. During this past year, conservatism was critically important. The companies that were conservative tended to outperform."

THE TOP 150 PERFORMERS

				Profitability				Capital Adequacy				Asset Quality				
Rank	Company Name	State	Total Assets ($000)	Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tier 1 Ratio (%)	Tier 1 Rank	Leverage Ratio (%)	Leverage Rank	NPAs/ Loans & OREO (%)	NPA Rank	Reserves/ Loans (%)	Reserve Rank	Final Score
1	First Financial Bankshares	TX	3,077,535	1.73	2	14.66	6	17.36	5	10.53	31	0.94	13	1.57	95	80
2	Bank of the Ozarks	AR	2,961,696	0.89	24	9.69	19	15.74	12	12.50	4	2.01	47	2.19	61	105
3	Glacier Bancorp	MT	5,638,424	1.15	10	9.67	20	14.41	23	12.04	12	3.92	95	2.36	48	119
4	Westamerica Bancorp.	CA	5,193,595	2.08	1	20.77	2	14.57	21	8.23	99	1.02	16	1.29	119	130.5
5	Republic Bancorp	KY	3,104,340	1.41	4	16.94	4	16.75	8	9.18	68	1.46	33	0.86	141	133
6	Bank of Hawaii Corp.	HI	12,194,695	1.44	3	19.21	3	12.56	55	6.66	138	0.67	7	2.22	59	135.5

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7	Internat'l Bancshares Corp.	TX	11,451,499	1.10	11	10.97	13	16.64	9	10.37	36	3.49	84	1.48	103	140
8	1st Source Corp.	IN	4,544,369	0.66	50	5.86	53	15.62	13	12.62	3	2.42	55	2.53	39	158
9	CVB Financial Corp.	CA	6,414,897	0.72	45	8.52	34	15.10	17	10.20	40	1.60	38	2.07	66	159.5
10	Signature Bank	NY	7,881,212	0.80	37	9.40	24	15.26	16	10.65	26	1.27	25	1.12	134	161.5
11	Northern Trust Corp.	IL	75,045,200	0.98	16	12.08	10	12.60	53	8.61	84	0.81	8	1.02	138	167.5
12	Trustmark Corp.	MS	9,626,870	0.97	18	8.33	35	13.50	28	10.38	33	2.72	68	1.49	102	168.5
13	NBT Bancorp	NY	5,417,057	1.02	15	12.46	8	11.00	100	8.08	108	1.08	19	1.72	79	176
14	Community Trust Bancorp	KY	3,035,967	0.95	20	9.10	27	12.92	45	10.23	39	2.49	59	1.32	117	177
15	Capitol Federal Financial	KS	8,319,292	0.83	32	7.56	42	22.90	1	9.82	50	0.62	6	0.18	150	177.5
16	State Street Corp.	MA	153,421,000	0.96	19	11.89	11	14.49	22	7.26	129	0.52	5	0.85	142	179
17	SVB Financial Group	CA	11,465,887	0.75	42	6.68	50	13.89	25	9.88	48	2.39	54	2.28	56	183.5
18	BancFirst Corp.	OK	4,269,325	0.84	29	8.05	40	13.12	42	9.56	55	1.31	28	1.44	105	184
19	Oriental Financial Group	PR	6,950,304	1.34	5	27.41	1	14.62	20	7.31	127	4.08	99	1.39	110	184
20	Bank of New York Mellon Corp.	NY	203,012,000	1.31	6	10.01	18	12.48	56	7.63	121	0.99	14	1.14	132	185.5
21	FirstMerit Corp.	OH	10,696,962	0.88	25	9.66	21	11.38	87	8.74	80	1.02	16	1.55	97	186
22	Hudson City Bancorp	NJ	57,406,338	0.93	21	10.11	17	20.67	2	7.73	117	1.41	30	0.29	149	187
23	Simmons First National Corp.	AR	2,897,831	0.81	35	8.20	37	13.58	27	9.32	63	1.10	20	1.28	121	187.5
24	UMB Financial Corp.	MO	9,955,126	0.87	26	8.62	32	13.40	31	8.01	111	0.41	2	1.26	123	191.5
25	Cullen/Frost Bankers	TX	15,784,812	1.30	7	11.14	12	10.91	104	8.50	87	2.20	50	1.42	107	193
26	Commerce Bancshares	MO	17,720,043	0.82	34	8.62	33	11.44	86	9.08	71	1.19	22	1.68	82	197.5
27	BancorpSouth	MS	13,297,819	0.86	27	9.22	26	11.34	88	8.92	75	1.06	18	1.41	109	198
28	Valley National Bancorp	NJ	14,132,031	0.92	22	10.28	16	11.09	97	8.74	80	0.92	11	1.04	137	200.5
29	Flushing Financial Corp.	NY	4,063,579	1.03	14	14.81	5	11.99	72	8.11	107	1.92	42	0.47	147	203
30	TrustCo Bank Corp NY	NY	3,584,717	0.83	30	12.16	9	12.45	57	6.20	142	2.31	51	1.65	84	206
31	United Bankshares	WV	7,847,516	1.05	13	10.91	14	10.34	114	8.89	78	1.45	31	1.09	135	206
32	Wilshire Bancorp	CA	3,174,111	0.67	48	7.32	45	13.26	39	12.30	8	3.98	97	1.62	87	208.5
33	SCBT Financial Corp.	SC	2,807,309	0.77	39	8.19	38	12.01	71	9.63	52	1.76	40	1.42	107	212
34	Tompkins Financial Corp.	NY	2,968,057	1.09	12	14.20	7	10.67	110	7.37	126	1.34	29	1.16	130	216.5
35	Community Bank System	NY	5,336,987	0.91	23	8.72	31	11.85	77	7.13	131	0.48	4	1.30	118	219
36	U.S. Bancorp	MN	265,560,000	0.98	17	9.65	22	9.40	138	8.42	90	3.22	78	2.31	54	219
37	First Bancorp	NC	3,525,966	0.68	47	7.01	48	12.36	62	11.44	18	1.96	45	1.22	125	220
38	Hancock Holding Co.	MS	7,047,315	0.81	36	9.05	28	10.98	101	8.13	106	1.00	15	1.48	103	226.5
39	Prosperity Bancshares	TX	8,838,599	1.24	8	8.10	39	11.24	91	5.81	146	0.35	1	1.23	124	228
40	TowneBank	VA	3,492,374	0.69	46	5.68	54	11.61	83	10.55	30	0.93	12	1.14	132	228.5
41	First Financial Bancorp.	OH	3,783,353	0.38	76	4.28	69	14.77	18	12.02	13	1.48	34	1.33	116	235.5
42	New York Community Bancorp	NY	32,860,123	1.17	9	8.97	29	11.10	96	7.74	116	1.50	35	0.43	148	235.5

Compared with last year's Scorecard, geography this time had less significance with the top performers, who came from all regions—even those battered by the highest unemployment rates and steepest housing downturns such as California. "They may feel some pressures from the slowing economic situation and their nonperforming assets, but they are able to grind through and have enough capital to fight through this difficult period," Fitzgibbon says.

First Financial Bankshares, which ranked No. 1 on the Scorecard this year, received high scores in four of the six metrics used to gauge performance, while holding its own in the others. The bank, with $3.1 billion in second quarter 2009 assets, operates as a multibank holding company with 50 locations in west and north Texas.

The first two measurements on the Scorecard gauge profitability: return on average assets (ROAA) and return on average equity (ROAE). These metrics are based on publicly available data calculations for the third and fourth quarters of 2008 and the first two quarters of 2009. Over this period, First Financial's 1.73% ROAA ranked second in the category, while its ROAE of 14.66% placed sixth. (The Scorecard's philosophy views profitability as the most important performance criteria for a public company, giving ROAA and ROAE each a 25% weight of the overall score, thus making up half of the total. The other four metrics each receive a weight of 12.5% each, representing the other half.)

The next two metrics measure capital adequacy, which includes the Tier 1 capital ratio and leverage capital ratio on June 30, 2009. First Financial's Tier 1 ratio was 17.36%, ranking it fifth, while its leverage ratio came in at 10.53%, in 31st place. The capital adequacy metrics make up a quarter of the Scorecard tabulation.

The final two measures gauge asset quality make up the final 25% of the score. One is the ratio of nonperforming assets (NPAs) to total loans and "other real estate owned," or OREO, where First Financial came in 13th at 0.94%. The other number measures the percentage of loan loss reserves to total loans: First Financial ranked 95th at 1.57%.

While First Financial did not register No. 1 in any single category, it generated the highest overall score by coming in consistently high in the rankings, especially profitability. Top performers all generated high rankings in most categories relative to their peers.

For First Financial, that in part was due to its careful strategy of operating in markets where it can operate as the leader in terms of deposit market share. It ranks first or second in most markets. Its Texas footprint lacks fierce competition of the national banks, allowing it to charge higher rates on loans and lower rates on deposits. It also has benefited from a Texas economy that has fared better than other regions, thanks in part to a solid energy sector and a housing market that has not been as hard hit as other Sun Belt states. "Clearly this bank is in offensive mode," Fitzgibbon says. "They have capital. They have clean credit metrics and reserves. And they are spinning out high levels of profitability in a difficult period. This is a company that is well positioned to capitalize on the dislocation that is occurring in the marketplace."

First Financial, the runner-up in last year's Scorecard, operates 10 banks under its holding company. While it rebranded all of its banks last year with the same First Financial name, each bank has a separate board and management, which make their own calls on lending, pricing, and marketing (see profile, page 26). "The decision-making process for the customer is at the bank," says Scott Dueser, chairman, president, and chief executive officer of the holding company. "Each president, his loan committee, and board make the decisions."

That means First Financial bankers know their customers and can detect problems early on among its diverse customer base. In Abilene, Texas, First Financial bankers cater to customers such as oil and gas companies, students, ranchers, and doctors. That is far different from Hereford, situated in the Texas Panhandle, an economy based around cattle and agriculture, where bankers often dress in boots and jeans to blend in with their customers.

Bank of the Ozarks, with $3 billion in assets at the end of the second quarter 2009, moved into second place, up from 12th in the previous Scorecard. Bank of the Ozarks has 72 branches in Arkansas, metropolitan Dallas, and the Texarkana metropolitan area, which straddles the Texas-Arkansas border. George Gleason, chairman and chief executive officer, bought the bank in 1979 when it had $29 million in assets. He has mainly grown the bank organically, luring away officers from bigger competitors. "We hire talented and experienced bankers, place them in prime locations in good markets, and arm them with quality products and services," Gleason says.

In terms of profitability, the bank's ROAA of 0.89% allowed it to inch up to 24th place in the rankings, from 27th, while its ROAE of 9.69% dropped the bank to 19th in the category, down from 6th. Yet the Bank of the Ozarks more than made up for it in capital adequacy, with its Tier 1 ratio rising to 15.74%, up from 11.20% in last year's Scorecard, giving it a ranking of 12th in the category. Similarly, its leverage ratio rose to 12.50%, up from 9.01%, ranking it fourth in the metric.

The increase in the capital ratios was in part due to a raising in the fourth quarter of 2008 of $75 million as part of the Federal Reserve's Troubled Asset Relief Program (TARP), which it later exited during the fourth quarter of 2009. Nevertheless, Gleason says steady earnings growth

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43	NewAlliance Bancshares	CT	8,581,440	0.51	67	3.03	79	19.43	4	10.88	22	1.14	21	1.05	136	237.5
44	F.N.B. Corp.	PA	8,710,320	0.53	64	4.51	67	13.30	36	10.11	43	2.55	61	1.72	79	240.5
45	Wells Fargo & Co.	CA	1,284,176,000	0.66	49	7.47	43	9.80	125	8.32	94	2.00	46	2.65	32	240.5
46	Investors Bancorp	NJ	8,136,432	0.57	56	5.13	57	15.86	10	9.52	58	1.95	44	0.75	144	241
47	Provident New York Bancorp	NY	2,824,356	0.59	53	4.18	71	12.72	48	9.04	74	1.29	26	1.63	86	241
48	Dime Community Bancshares	NY	3,974,399	0.77	40	10.90	15	10.70	107	7.63	121	0.46	3	0.62	145	243
49	City National Corp.	CA	17,660,785	0.52	65	4.52	66	12.61	51	10.38	33	3.19	76	2.06	67	244.5
50	BOK Financial Corp.	OK	22,768,319	0.83	33	9.56	23	9.86	124	7.97	112	3.49	84	2.12	63	247.5
51	Great Southern Bancorp	MO	3,332,715	0.55	61	7.19	46	13.84	26	8.20	101	2.92	73	1.70	81	247.5
52	People's United Financial	CT	20,811,500	0.63	51	2.47	81	12.61	51	10.74	25	1.25	24	1.15	131	247.5
53	Northwest Bancorp	PA	7,092,291	0.74	43	8.27	36	12.43	59	8.15	105	2.68	66	1.29	119	253.5
54	First Citizens BancShares	NC	17,317,880	0.28	79	3.22	77	13.30	36	10.18	41	0.88	9	1.39	110	254
55	IBERIABANK Corp.	LA	5,702,627	0.63	52	5.47	55	11.83	78	9.24	65	1.23	23	1.18	129	254.5
56	Southwest Bancorp	OK	3,038,985	0.34	78	3.63	75	12.67	50	12.70	2	3.32	80	1.90	71	254.5
57	Bank Mutual Corp.	WI	3,447,412	0.54	63	4.73	64	20.27	3	9.99	44	2.70	67	0.80	143	255.5
58	Washington Trust Bancorp	RI	2,919,808	0.73	44	9.36	25	10.98	101	7.53	124	1.59	36	1.37	114	256.5
59	S&T Bancorp	PA	4,243,876	0.56	58	4.87	61	11.33	89	9.56	55	2.13	49	1.67	83	257
60	PacWest Bancorp	CA	4,476,236	0.38	75	4.01	73	13.26	39	12.78	1	4.95	111	1.85	73	260
61	PNC Financial Services Group	PA	279,754,000	0.55	59	5.25	56	10.49	112	9.11	70	3.20	77	2.69	31	260
62	BB&T Corp.	NC	152,398,000	0.76	41	7.14	47	10.63	111	8.48	88	3.41	82	2.10	64	260.5
63	Texas Capital Bancshares	TX	5,304,378	0.51	66	6.12	52	11.17	95	10.56	29	1.69	39	1.20	126	262.5
64	National Penn Bancshares	PA	9,757,913	0.59	54	4.93	59	11.31	90	8.80	79	1.93	43	1.56	96	267
65	Independent Bank Corp.	MA	4,455,059	0.83	31	8.97	30	9.52	136	7.60	123	1.30	27	1.19	127	267.5
66	Beneficial Mutual Bancorp	PA	4,185,811	0.18	84	1.18	90	17.14	6	10.87	23	2.91	71	1.60	91	269.5
67	TFS Financial Corp.	OH	10,783,140	0.42	72	2.46	82	17.13	7	12.37	7	2.91	71	0.58	146	269.5
68	M&T Bank Corp.	NY	69,913,217	0.80	38	7.88	41	8.17	145	8.38	91	2.53	60	1.62	87	270.5
69	WesBanco	WV	5,736,941	0.54	62	4.61	65	12.18	67	8.61	84	2.38	53	1.65	84	271
70	Chemical Financial Corp.	MI	3,998,756	0.17	86	1.33	88	14.69	19	10.87	23	4.38	102	2.33	51	271.5
71	First Niagara Financial Group	NY	11,577,171	0.85	28	4.75	63	11.02	99	7.13	131	0.90	10	1.28	121	271.5
72	Associated Banc-Corp	WI	24,013,567	0.49	70	4.19	70	12.45	57	9.06	73	4.85	107	2.59	36	276.5
73	Washington Federal	WA	12,042,618	0.49	68	4.02	72	15.80	11	9.21	66	7.18	132	1.74	78	283.5
74	Sterling Bancshares	TX	4,912,367	0.58	55	5.03	58	11.08	98	9.42	59	3.54	87	1.50	101	285.5
75	Heartland Financial USA	IA	3,766,731	0.24	83	3.11	78	13.44	30	10.14	42	4.06	98	1.55	97	294.5
76	First Horizon National Corp.	TN	28,758,943	-1.00	112	-9.25	111	15.55	14	12.49	5	6.16	122	4.79	3	295
77	First Commonwealth Fin'l Corp.	PA	6,448,997	0.38	74	3.93	74	10.68	109	9.37	60	2.37	52	1.83	75	296
78	First Midwest Bancorp	IL	7,767,312	0.26	82	2.55	80	12.38	61	9.87	49	5.69	117	2.39	46	298.5

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79	Pinnacle Financial Partners	TN	5,036,742	-0.30	99	-2.38	99	13.39	32	11.09	20	3.32	80	1.85	73	300.5
80	StellarOne Corp.	VA	3,056,915	0.08	92	0.62	92	13.47	29	11.58	15	3.60	90	1.52	100	301
81	Wilmington Trust Corp.	DE	11,163,400	0.48	71	4.76	62	9.68	128	9.79	51	3.59	89	2.02	69	301.5
82	Old National Bancorp	IN	8,012,175	0.56	57	6.56	51	10.25	116	7.10	133	1.81	41	1.54	99	302.5
83	Columbia Banking System	WA	3,021,857	0.08	93	0.61	93	13.35	34	11.22	19	6.39	126	2.30	55	303
84	Comerica Inc.	TX	63,630,000	-0.01	95	-0.10	95	11.58	84	12.11	11	2.63	65	1.89	72	306
85	Nara Bancorp	CA	3,260,809	-0.51	105	-5.11	105	13.37	33	10.50	32	3.42	83	2.40	45	306.5
86	Central Pacific Financial Corp.	HI	5,525,287	-0.45	102	-4.20	103	13.28	38	10.61	28	6.89	130	4.40	8	307
87	Sandy Spring Bancorp	MD	3,617,497	0.15	88	1.33	87	12.02	70	9.95	45	5.41	116	2.43	44	312.5
88	East West Bancorp	CA	12,719,515	-0.60	107	-5.14	106	12.25	64	10.38	33	3.27	79	2.63	33	317.5
89	KeyCorp	OH	97,792,000	-1.25	116	-13.10	117	12.57	54	12.26	9	3.55	88	3.48	18	317.5
90	Susquehanna Bancshares	PA	13,872,483	0.27	80	1.98	83	10.69	108	9.62	53	2.57	62	1.59	94	321.5
91	JPMorgan Chase & Co.	NY	2,026,642,000	0.26	81	3.35	76	9.69	126	6.20	142	2.57	62	4.27	9	326.5
92	Bank of America Corp.	NC	2,254,394,000	0.02	94	0.23	94	11.93	74	8.18	102	3.52	86	3.40	19	328.5
93	Astoria Financial Corp.	NY	21,101,328	0.38	73	6.98	49	11.46	85	6.62	139	2.42	55	1.00	140	331.5
94	Renasant Corp.	MS	3,701,957	0.49	69	4.49	68	10.92	103	8.37	92	3.77	91	1.43	106	333
95	PrivateBancorp	IL	10,989,350	-0.61	108	-7.75	109	11.95	73	11.67	14	2.42	55	1.60	91	333.5
96	Sun Bancorp	NJ	3,561,110	0.16	87	1.47	86	10.27	115	9.29	64	2.42	55	1.62	87	333.5
97	Fulton Financial Corp.	PA	16,875,852	-0.14	97	-1.27	97	11.19	94	9.36	61	2.09	48	1.77	77	334
98	MB Financial	IL	8,402,065	-0.49	104	-4.29	104	11.88	75	9.55	57	3.77	91	2.80	29	334
99	TCF Financial Corp.	MN	17,475,721	0.55	60	7.34	44	8.71	142	6.42	141	2.76	69	1.39	110	335
100	First BanCorp.	PR	20,012,887	-0.15	98	-1.69	98	13.08	43	9.12	69	10.59	144	3.10	24	336
101	First Financial Holdings	SC	3,607,066	0.35	77	4.91	60	9.54	134	7.29	128	2.89	70	2.00	70	338
102	Fifth Third Bancorp	OH	115,984,000	-2.05	124	-21.03	124	12.90	46	12.17	10	5.02	112	4.11	13	338.5
103	Boston Private Fin'l Holdings	MA	7,265,738	-1.45	118	-15.23	120	14.24	24	10.29	38	2.61	64	1.81	76	339
104	CapitalSource	MD	15,106,231	-3.38	133	-19.15	123	15.51	15	12.46	6	8.91	141	4.25	10	342
105	Capital One Financial Corp.	VA	171,911,307	-0.48	103	-3.02	101	9.69	126	7.67	120	1.45	31	4.42	7	346
106	Umpqua Holdings Corp.	OR	8,656,677	-1.15	115	-7.03	107	13.02	44	11.45	17	4.32	100	1.60	91	348
107	SunTrust Banks	GA	176,734,971	-0.83	110	-7.14	108	12.23	66	11.02	21	5.39	115	2.21	60	349
108	Cathay General Bancorp	CA	11,396,189	-0.30	100	-2.87	100	12.24	65	9.36	61	6.57	127	2.34	50	351.5
109	Park National Corp.	OH	7,007,610	0.08	91	0.91	91	11.71	81	8.43	89	5.32	114	2.27	58	353
110	Whitney Holding Corp.	LA	11,975,082	-0.09	96	-0.76	96	10.79	105	9.21	66	5.13	113	2.48	42	355
111	MainSource Financial Group	IN	2,928,661	-1.06	113	-9.33	112	12.70	49	9.08	71	4.35	101	2.38	47	359
112	Santander BanCorp	PR	7,037,435	0.13	89	1.78	85	9.57	133	7.09	134	4.67	105	3.38	20	370
113	Citigroup	NY	1,848,533,000	-0.94	111	-13.19	118	12.74	47	6.92	136	4.56	103	5.60	1	372.5
114	Webster Financial Corp.	CT	17,452,576	-1.27	117	-11.89	115	11.83	78	8.91	76	3.86	94	2.61	34	373

THE TOP 150 PERFORMERS

				Profitability				Capital Adequacy				Asset Quality				
Rank	Company Name	State	Total Assets ($000)	Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tier 1 Ratio (%)	Tier 1 Rank	Leverage Ratio (%)	Leverage Rank	NPAs/ Loans & OREO (%)	NPA Rank	Reserves/ Loans (%)	Reserve Rank	Final Score
115	WSFS Financial Corp.	DE	3,587,916	0.10	90	1.33	89	9.95	121	8.08	108	3.11	74	1.62	87	374
116	South Financial Group	SC	12,588,231	-3.66	137	-31.49	127	12.36	62	10.31	37	6.12	121	3.05	25	386.5
117	First Merchants Corp.	IN	4,717,045	-0.40	101	-4.18	102	10.01	119	8.31	95	3.80	93	2.16	62	387.5
118	Western Alliance Bancorp.	NV	5,701,536	-4.25	139	-43.37	137	13.20	41	11.49	16	4.87	109	2.09	65	391.5
119	Zions Bancorp.	UT	52,874,957	-1.77	122	-16.30	121	9.66	130	9.89	47	4.58	104	3.00	26	396.5
120	Provident Financial Services	NJ	6,668,844	-1.76	121	-11.65	114	12.13	69	8.26	96	1.59	36	1.19	127	399
121	Wintrust Financial Corp.	IL	11,359,536	0.17	85	1.94	84	8.91	141	7.86	115	3.14	75	1.01	139	404
122	Regions Financial Corp.	AL	142,811,000	-4.32	141	-33.78	129	12.16	68	9.62	53	4.68	106	2.33	51	409
123	Banner Corp.	WA	4,532,542	-2.26	125	-24.46	126	11.23	92	9.90	46	8.45	138	2.32	53	415.5
124	Hanmi Financial Corp.	CA	3,870,851	-0.59	106	-8.73	110	9.43	137	8.02	110	8.05	136	3.33	21	418
125	First Busey Corp.	IL	4,276,514	-1.47	119	-12.63	116	10.06	117	7.90	113	5.72	118	2.80	29	423.5
126	Huntington Bancshares	OH	51,397,252	-5.17	149	-43.58	138	11.86	76	10.62	27	6.37	125	2.35	49	425.5
127	TierOne Corp.	NE	3,160,553	-0.83	109	-10.03	113	10.05	118	8.51	86	12.64	147	2.28	56	425.5
128	Doral Financial Corp.	PR	9,754,438	-3.44	135	-36.30	131	13.32	35	8.16	103	15.40	149	2.58	37	428
129	Citizens Republic Bancorp	MI	12,288,348	-4.54	144	-37.72	133	11.81	80	8.68	82	7.06	131	3.92	15	431
130	Sterling Financial Corp.	WA	12,399,775	-3.18	131	-35.14	130	11.70	82	8.68	82	8.76	140	2.51	40	433
131	Capitol Bancorp Ltd.	MI	5,726,148	-1.12	114	-16.83	122	10.01	119	8.22	100	7.61	135	2.48	42	434
132	Popular	PR	36,498,792	-2.99	130	-36.68	132	10.73	106	8.26	96	8.35	137	4.61	5	434
133	Hampton Roads Bankshares	VA	3,050,898	-1.53	120	-13.70	119	9.02	140	7.90	113	5.78	119	3.25	23	436.5
134	Flagstar Bancorp	MI	16,423,292	-2.34	126	-44.91	139	12.39	60	7.19	130	9.44	143	4.15	12	437.5
135	Marshall & Ilsley Corp.	WI	59,693,703	-3.40	134	-31.98	128	9.88	123	8.90	77	7.40	134	2.84	28	443
136	United Community Banks	GA	8,477,355	-2.56	128	-23.95	125	10.44	113	7.68	119	7.22	133	2.57	38	454.5
137	Synovus Financial Corp.	GA	34,349,670	-4.03	138	-39.69	136	9.53	135	8.25	98	6.17	123	3.29	22	463
138	Taylor Capital Group	IL	4,548,325	-2.88	129	-45.87	140	9.67	129	7.52	125	6.78	129	4.18	11	466
139	First Place Financial Corp.	OH	3,404,467	-3.24	132	-37.85	135	11.23	92	8.16	103	4.86	108	1.39	110	473.5
140	AMCORE Financial	IL	4,885,858	-2.02	123	-37.79	134	5.81	150	4.02	150	12.92	148	4.79	3	482.5
141	Independent Bank Corp.	MI	2,976,629	-3.65	136	-52.78	144	9.64	131	7.72	118	6.60	128	2.60	35	486
142	First State Bancorp.	NM	2,992,356	-2.46	127	-51.95	143	7.02	149	4.66	149	10.59	144	4.86	2	492
143	BankAtlantic Bancorp	FL	5,261,025	-4.42	142	-81.51	149	9.93	122	7.01	135	10.84	146	4.09	14	499.5
144	Pacific Capital Bancorp	CA	7,313,772	-5.16	148	-59.70	146	8.19	144	5.58	147	6.09	120	4.55	6	502.5
145	Harleysville National Corp.	PA	5,210,327	-4.29	140	-51.25	142	8.14	147	5.91	145	3.92	95	2.05	68	509.5
146	Integra Bank Corp.	IN	3,346,262	-5.12	147	-64.96	147	8.58	143	6.48	140	8.62	139	3.49	17	513.5
147	Frontier Financial Corp.	WA	3,987,403	-4.50	143	-47.89	141	8.15	146	6.74	137	23.59	150	2.89	27	514
148	Anchor BanCorp Wisconsin	WI	5,238,320	-4.81	145	-96.38	150	9.25	139	6.05	144	9.37	142	3.58	16	515.5
149	Midwest Banc Holdings	IL	3,569,199	-5.38	150	-65.72	148	7.20	148	5.35	148	4.87	109	2.50	41	521
150	Superior Bancorp	AL	3,209,421	-5.11	146	-52.89	145	9.62	132	8.36	93	6.32	124	1.34	115	523

and a modest dividend of 25% of earnings has allowed the bank to boost capital and gives it the opportunity to purchase deposits and assets from failed banks from the Federal Deposit Insurance Corp. While the bank has favored organic growth over the years as a way to preserve its culture and avoid overpaying for assets, Gleason is open to buying up deposits and loans of failed banks. "We have been retaining a very favorable amount of earnings as the economy has slowed over the last couple of years," Gleason says. "That puts us in excellent position to be able to look for acquisitions of failed FDIC institutions without an immediate need to raise capital."

Coming in third on the Scorecard is Glacier Bancorp, last year's winner, which once again did particularly well in profitability and capital adequacy. Glacier, which had $5.6 billion in assets at the end of the second quarter 2009, is

FIRST FINANCIAL: BASES LOADED, NO OUTS

F. Scott Dueser

While the current recession has thrown many banks into survival mode, the hard times spell opportunity for First Financial Bankshares.

Conservative underwriting and a service-oriented culture have led to steady and predictable growth, says F. Scott Dueser, chairman, president, and chief executive officer. "We are extremely focused on our shareholders and our customers," he says. "Those are the two things at the top of our list—every day."

The holding company, based in Abilene, Texas, had $3.1 billion in assets at the end of 2009. Most of its 10 banks are situated along the Interstate-20 corridor, running west from the outskirts of the Dallas-Fort Worth metropolitan area.

The banks' markets vary. First Financial in Abilene has a range of customers, including ranchers, oil and gas companies, doctors, and college students. Its banks closer to Dallas have portfolios with more retail, small commercial businesses, and suburban developments. And its bank in Hereford, in the Texas Panhandle, mainly serves ranchers and agriculture.

"We are very diverse," says Dueser, who has been with the bank for 33 years. "That is what we like about our company. Because if somebody is having a tough year, somebody else is having a great year. So when you look at our earnings, they are very consistent."

The numbers say so. The mix of portfolios across First Financial's footprint helps smooth out profits, with the company generating increased earnings for 22 consecutive years through 2008, with analyst estimates predicting the 23rd year for 2009.

"We have had through the years a strong emphasis on earnings performance," says Kenneth Murphy, senior chairman of the board of the holding company. "To us, earnings reflect whether you are doing things right or wrong. If you're doing things right, it shows on up on the bottom line. If you're wrong, it also shows up on the bottom line."

The bank experienced credit weakness last year in the eastern part of the footprint due to slowing housing development near Dallas-Fort Worth, according to Jennifer Demba, an analyst at SunTrust Robinson Humphrey. Yet First Financial's legacy banks in west Texas markets have had good credit performance, thanks to low unemployment in an economy concentrated with energy producers, which include not only oil and gas producers, but also wind farms.

"The Texas market has probably held up better economically than some other states," Demba says. "They benefit from that—but it is clear they have been more conservative on their underwriting policies over a long period of time."

To be sure, the conservative culture dates back to its early days. First Financial, under the name Farmers and Merchants National Bank, opened its doors in 1890, nine years after Abilene was established by cattlemen as a stock shipping point along the Texas Pacific Railway Co. The bank survived the Panic of 1907. And it was the only Abilene bank to get through the Depression in the 1930s without being merged, closed, or recapitalized. Similarly, it emerged strong after the 1980s, when 500 Texas banks either failed or were reorganized.

That ability to withstand the tough times makes the bank a standout now. First Financial's policy of having a separate bank president and board for each subsidiary has helped keep a good read on the pulse of such diverse communities across its footprint. It's a strategy the bank has developed by emulating over time a similar model used by last year's *Bank Director* Scorecard winner, Glacier Bancorp, a Kalispell, Montana, financial institution that came in third this year, with second quarter 2009 assets of $5.6 billion.

"That is one of our great strengths," says Dian Graves Stai, a director at First Financial Bankshares and chair of Mansefeldt Investment Corp., of Abilene. "Not only does it give us a window into the community, it helps us generate business and it helps us monitor the business we have." Adds Brad Milsaps, an analyst at Sandler O'Neill: "It works well. Obviously there are some additional costs with having the extra boards and some regulatory costs. But they can more than offset the costs with new business and the fact they get better underwriting. That bears out in the numbers."

The bank lends conservatively. Even when subprime loans seemed the hot ticket to profitability, it shunned the mortgage type, which Dueser describes as "bad for situated in Kalispell, Montana, and operates 11 banks with about 90 locations in its home state and in Idaho, Utah, Washington and Wyoming. Similar to First Financial, its banks have separate charters and operate independently, with separate boards for each.

While its grades this year for profitability are comparable to the previous Scorecard's rankings, Glacier—like most banks—has experienced rising nonperforming assets, which reached 3.92% of loans and other real estate owned at the end of the second quarter, ranking it 95th in the category, compared with 38th last year. (Glacier reported a third quarter 2009 loss of $1.5 million, with a $47 million provision for loan losses, which obscured its record operating income of $82 million for the period.) The rise in nonperforming assets was mainly due to higher NPAs in its construction and development portfolio in Boise following

the customer." Its one-to-four family mortgages have large down payments, and on the commercial side, First Financial avoids speculative borrowers, with almost every asset in the commercial portfolio owner-occupied, Dueser adds. "We do not like to do investment property," he says. "If you are financing the doctor's office, attorney, manufacturing plant, or store, they are going to pay you. They are not out trying to do a bunch of leases only to end up with a bunch of empty space. That is not the type of deal we do."

Market concentration has also been key. First Financial is the No. 1 player in six of its 10 markets. Its deposit share in Hereford was 47% at the end of the second quarter 2009, well ahead of its second-place competitor, First National Bank of Hereford, which had 29%, according to data from the Federal Deposit Insurance Corp. In Eastland County, roughly 60 miles east of Abilene, it had a 48% share. In the area surrounding Abilene, market share hovered around 39%.

Those high concentrations allow First Financial to price better. The bank's profitability also comes from shrewd management of the balance sheet: Last year Dueser saw the forthcoming drop in interest rates, so he and management decided to let higher rate certificate of deposits roll off at expiration. The goal: Shed less profitable, so-called CD shoppers, whose core deposits rest elsewhere. To be sure, deposits declined to $2.5 billion as of June 30, 2009, down from $2.7 billion a year earlier, according to the FDIC. Though many CD shoppers moved on to find a better deal, to management's surprise, most customers rolled the money into demand deposit accounts at First Financial.

All told, the move helped generate higher interest rate margins, giving fuel to First Financial's continued high rankings in the ScoreCard. Its interest rate margin increased to 4.48% by the end of the second quarter in 2009, up from 4.32% a year earlier. Net operating income at mid-year rose to $26 million, up from $25.4 million for the first six months of 2008.

Dueser also emphasizes customer service. Employees are praised companywide via email if they do something out of the ordinary. In one instance, a personal banker at First Financial's Eastland bank escorted an elderly woman home to help change a kitchen light bulb so she could cook dinner after sunset. In another example, a woman visiting a Hereford branch needed her daughter's signature notarized on a deed to sell a property, but could only do it over the weekend when the daughter would be in town, so a branch representative visited the woman's house on a Saturday morning. "We want to give excellent service to every customer that walks in," Dueser says.

While employees are empowered to take action to go the extra mile, they are also expected to do so. "We don't apologize for working people hard," Dueser says. "You have got to want to work hard. People are happier if they work hard. That is the way we look at it."

With the steady profits, First Financial has amassed an enviable capital position. It

"To us, earnings reflect whether you are doing things right or wrong. If you're doing things right, it shows on up on the bottom line. If you're wrong, it also shows up on the bottom line."
— Kenneth Murphy

has opted in recent years for de novo growth, opening a few branches a year, but has stayed away from acquisitions due to too-high asking prices. Its last purchase was in 2005. Yet the inactive buying period may be coming to end, as Texas banks in need of capital reach out for assistance. These banks might also be tiring of increasingly burdensome regulatory environment. First Financial, in turn, is making calls too, targeting banks on its own list. A prime candidate would be a bank with $100 million to $300 million in assets, situated in a non-metropolitan area that helps expand First Financial's footprint. "We're looking for a good bank at the right price with good management," Dueser says.

Given First Financial's place at the top, it's probably just a matter of time before another bank opts to join the fold.

a significant slowdown in the local real estate market in September 2008, with fewer individuals from California and elsewhere purchasing homes in Idaho and Montana, according to Jennifer Demba, an analyst at SunTrust Robinson Humphrey in Atlanta. "They have realized they need to stick to their knitting, which is smaller markets," Demba observes.

Glacier is also well capitalized to weather the storm. In the fourth quarter of 2008 it raised $98 million in an equity offering, despite the turmoil in the credit markets. Demba credits the shrewdness of management, with Michael "Mick" Blodnick, president and chief executive officer, at the helm. "Mick Blodnick is one of the better CEOs in the country," Demba says. "He had the foresight to go out and raise capital proactively last fall." That capital should help Glacier pick up troubled assets of competitors in the years to come, she adds.

Westamerica Bancorp, headquartered in San Rafael, California, ranked fourth overall in the Scorecard. Westamerica, with $5.2 billion in assets at the end of the second quarter last year, outperformed all banks in terms of profitability, with an ROAA of 2.08% for the four quarters ended June 30, 2009—the No. 1 ranking in the category. Westamerica scored second place for return on equity, with an ROAE of 20.77%.

There's not much secret to Westamerica's profitability, just steady conservative banking, says David Payne, chairman, president, and chief executive officer. The bank focuses on gathering core deposits from its customers, mainly small businesses with annual sales of $1 million to $10 million. Westamerica watches costs too, shunning prime locations such as high-traffic retail corners, and forgoing wood paneling and pricey furniture. In fact, Payne works out of a cubicle about 20 feet from a conference room at the bank's main office. Branch personnel also lack private offices. The no-frills philosophy resulted in an efficiency ratio of 36% for the six months ended June 30 of last year. The savings allow the bank to better compete on servicing customers, Payne says. "That efficiency ratio gives us so much more flexibility, particularly when a customer wants a little bit better rate. And I know that I'm efficient enough to take care of that for the customer where my competitor down the street can't afford to do it because their efficiency ratio is 60%."

Westamerica also follows strict underwriting guidelines, focusing on cash-flow rich businesses. That seemed downright outdated earlier this decade, when other California banks made loans based on the rising value of collateral, which was usually the real estate itself. The approach was criticized by investors, who said Westamerica was leaving money on the table. Yet with the crash in home prices, those critics are most likely counting their blessings. Payne credits a conservative board that backed up management's approach. "I was probably a bit more conservative than I needed to be through the upswing in the economy," Payne says. "But I'm about consistency and so is the board. Our board was very strong in defense of 'Let's be consistent here. Let's not necessarily follow the herd off the cliff.'"

Republic Bancorp Inc., which had $3.1 billion in assets at the end of the second quarter, took the fifth overall spot, moving up from 10th in the previous Scorecard. The Louisville, Kentucky, bank placed fourth in ROAA, at 1.41%. The bank also ranked fourth in ROAE, which was 16.94%.

Large financial institutions failed to make the top 10 this year. The biggest of the top 10 included Bank of Hawaii Corp., based in Honolulu with $12.2 billion in assets at the time of the survey. It came in sixth overall. International Bancshares Corp., situated in Laredo, Texas, ranked seventh, with $11.5 billion in assets.

In fact, the only large institutions to make the top 20 were trust-oriented banks: Chicago-based Northern Trust Corp., with $75 billion in assets, came in 11th; Boston-based State Street Corp., with $153 billion in assets, was 16th; and Bank of New York Mellon Corp., headquartered in New York, with $203 billion in assets, was 20th.

Surprisingly, only one bank from the Northeast made it to the top 10: New York's Signature Bank, with $7.9 billion in assets, came in 10th place overall. The Northeast's economy has fared better over the past year than other regions; its states do not match the troubles of those such as Florida, California, and Michigan, says Fitzgibbon of Sandler O'Neill. Fitting to Florida's collapse in real estate, the only bank from the state on the list, BankAtlantic Bancorp, came in 143rd place. BankAtlantic, which had $5.3 billion in assets, had a negative ROAA of 4.42% and an NPA ratio of 10.84%.

Fitzgibbon also noted that the last time such a large portion of the 150 banks on the list were unprofitable was in the early 1990s, during the last real estate bust. Banks losing money have been hit hard by rising delinquencies and writeoffs. For example, First Horizon National Corp., which ranked 76th with a negative ROAA of 1%, marks a point on the list where banks start showing losses. Its NPA ratio of 6.16% tells part of the story.

Thrifts also did not fare well. Since they have large residential portfolios, only one managed to make the top 20: Capitol Federal Financial, an $8.3 billion savings association in Topeka, Kansas, came in 15th overall, buoyed by having the No. 1 Tier 1 capital rank, with a ratio of 22.90%, and the No. 6 ranking in of nonperforming assets, with a ratio of 0.62%. "In years past you would have found lot more thrifts at the top of this list," Fitzgibbon says. "They were riding the wave of the consumer segment of the economy, which was obviously a tough place to be in the last year."

Those pains might be remembered for some years to come, until the next banking boom at least. **|BD|**

Charles Keenan is a Brooklyn-based financial and business writer.