

Calculating the Top 150 Scorecard

The *Bank Director* **Bank Performance Scorecard** is comprised of six performance categories that measure profitability, capitalization, and asset quality. The categories are:

Return on average assets, which measures a bank's profitability relative to its total assets. This metric was given a full weighting in the Scorecard calculation and was based data from four linked quarters—the 3rd and 4th quarters of 2005 and 1st and 2nd quarter of 2006.

Return on average equity provides a second measurement of profitability—this one focusing on shareholder returns. This metric also received a full weighting and was based on the same four linked quarters of data.

Tier 1 capital ratio, which is defined as shareholders equity, retained earnings and convertible preferred stock divided by risk-adjusted assets. This received a half weighting.

Leverage ratio, which is Tier 1 capital divided by total average equity. This received a half weighting.

Nonperforming asset ratio, or the ratio of nonperforming loans and foreclosed assets to total loans and other real estate owned. This received a half weighting.

Reserve coverage, which is the institution's loan loss reserve divided by total loans. This received a half weighting.

The final four metrics were based on period ending data for the 2nd quarter of 2006.

The 150 banks and thrifts in this year's Scorecard received a numerical rating in each individual category, with the highest ranked institution in each category receiving a score of one and the lowest ranked institution getting a score of 150. These six category scores were then added across and the institution with the lowest score won.

In the event that two or more institutions received the same final score, ties were broken by awarding the highest finish to the institution with the highest ROAE.

Sandler O'Neill & Partners, a New York-based investment banking firm, helped *Bank Director* devise the Bank Performance Scorecard formula and performed the calculations.