

# HOW

## THE TOP BANKS DO IT

WHAT'S THE SECRET TO RUNNING A  
HIGH-PERFORMANCE BANK IN TODAY'S  
DEMANDING INTEREST RATE ENVIRONMENT?  
FIND A MARKET NICHE OR SPECIALTY AND  
EXECUTE WITH LASERLIKE INTENSITY.

by **JACK MILLIGAN**

## Conventional wisdom has it that banking is a mature business with little room for strategic diversity, but the results of the 2006 Bank Performance Scorecard tell a very different story.

The top 10 finishers in this year's Scorecard—which measures the performance of the 150 largest U.S. banks and thrifts across a range of profitability, capitalization, and asset quality metrics—offer up a surprising mix of business models, geographies, and size.

There are three lessons that boards of directors should take from the results of this year's Bank Performance Scorecard. One is that a bank's location and the strength of its regional economy appear to be less important than other factors in determining how well it performs. While being situated in a booming economy is an undeniable advantage, banks that operate in more slowly growing regions can still perform at a very high level.

"There really wasn't a correlation between geography and performance," says Mark Fitzgibbon, director of research at Sandler O'Neill & Partners L.P., a New York-based investment banking firm that specializes in financial services industry. "If you look at the first five companies on the ranking, they're in states as disparate as Illinois, Missouri, Montana, California, and Ohio."

Another important lesson is the value of having a market niche or distinct strategy that sets an institution apart from its competitors. Bankers are often criticized for having a herd mentality, and the fact that most institutions *do* follow essentially the same strategy of spread lending can provide those companies that have figured out meaningful ways of differentiating themselves in the marketplace with a competitive advantage.

"Companies that have carved out unique niches are seeing really robust growth," says Fitzgibbon. "This would

include companies that have a large amount of their revenue tied to fee sources that are less susceptible to the yield curve than traditional community banking."

But merely being different isn't enough to ensure success, which leads us to the third—and probably most important—lesson from this year's Scorecard. Perhaps because its core products and services have become so highly commoditized, banking is still a business of execution. Even those institutions employing a conventional business model in a region with average economic prospects can achieve a high level of financial performance if their management teams are very good at executing their strategies.

For bank directors—who bear a fiduciary responsibility to their institution's shareholders—the message is clear: Don't allow your management team to use geography as an excuse for poor performance, *do* look for a strategic advantage, and always make sure your senior executives are focused on sharp execution.

Fitzgibbon says that all of the top-ranked banks on this year's Scorecard have a couple of characteristics in common. "I think they all have very charismatic and driven leaders," he says. "I think they all have a disciplined focus on cost control and I think each has carved out a unique niche where they have become extraordinarily good and have been able to garner premium pricing."

The *Bank Director* Bank Performance Scorecard measures the country's 150 largest banks and thrifts across a range of indicators, beginning with two profitability metrics—return on average assets (ROAA) and return on

## 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	NPAs/Loans & OREO (%)	NPA Rank	Reserves/Loans (%)	Reserve Rank	
1	Corus Bankshares	IL	9,571,933	1.95	5	23.75	4	12.11	33	10.18	20	0.00	1	0.94	103	87.5
2	Commerce Bancshares	MO	14,273,397	1.61	18	16.52	28	11.51	45	9.47	27	0.17	28	1.37	24	108.0
3	Glacier Bancorp	MT	3,913,382	1.52	28	17.11	25	11.79	41	9.39	30	0.21	38	1.52	13	114.0
4	City National Corp.	CA	14,477,067	1.63	17	16.43	29	11.29	50	8.45	57	0.15	21	1.60	8	114.0
5	Park National Corp.	OH	5,412,447	1.74	10	17.22	23	14.10	17	9.51	26	0.79	127	2.07	4	120.0
6	Synovus Financial Corp.	GA	30,527,088	2.02	4	18.48	16	10.40	76	10.39	17	0.48	93	1.32	31	128.5

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7	Cullen/Frost Bankers	TX	11,402,813	1.67	15	18.81	15	12.00	36	9.40	29	0.57	113	1.30	35	136.5
8	Bank of Hawaii Corp.	HI	10,325,190	1.67	14	24.08	3	9.93	94	7.09	118	0.08	9	1.41	22	138.5
9	U.S. Bancorp	MN	213,405,000	2.24	1	23.14	5	8.90	118	8.23	69	0.38	70	1.42	20	144.5
10	Westamerica Bancorp.	CA	4,906,886	2.08	3	24.86	2	9.61	103	6.26	143	0.24	41	2.16	3	150.0
11	Mellon Financial Corp.	PA	40,192,000	2.18	2	20.04	9	10.85	66	8.34	65	0.20	36	0.84	118	153.5
12	Harbor Florida Bancshares	FL	3,219,540	1.58	21	14.95	48	14.92	12	9.86	23	0.17	28	0.81	121	161.0
13	Mercantile Bankshares Corp.	MD	17,002,714	1.77	7	12.96	78	11.97	38	9.99	21	0.24	41	1.18	55	162.5
14	CVB Financial Corp.	CA	5,952,419	1.40	43	21.17	7	11.98	37	7.94	79	0.03	5	0.90	112	166.5
15	SVB Financial Group	CA	5,471,651	1.49	33	13.97	58	12.83	26	12.32	6	0.43	83	1.28	39	168.0
16	BancFirst Corporation	OK	3,389,689	1.42	41	14.93	49	12.98	24	10.23	19	0.45	88	1.21	49	180.0
17	Central Pacific Financial Corp.	HI	5,290,812	1.55	24	11.66	99	12.05	35	10.60	16	0.29	54	1.42	20	185.5
18	Washington Federal	WA	8,803,135	1.70	12	11.83	98	24.87	3	13.65	2	0.10	10	0.36	140	187.5
19	UnionBanCal Corp.	CA	50,800,136	1.55	25	16.82	26	8.92	117	8.74	46	0.10	10	0.94	103	189.0
20	Greater Bay Bancorp	CA	7,369,654	1.45	35	13.23	73	13.49	20	12.07	8	0.68	121	1.50	14	189.5
21	International Bancshares Corp.	TX	10,649,121	1.32	58	17.21	24	12.79	27	7.33	107	0.37	65	1.40	23	193.0
22	United Bankshares	WV	6,717,873	1.56	22	16.02	36	10.26	81	8.56	54	0.19	34	0.92	108	196.5
23	Hanmi Financial Corp.	CA	3,624,305	1.77	8	13.97	59	11.02	58	9.61	25	0.43	83	0.98	96	198.0
24	East West Bancorp	CA	10,018,291	1.50	31	16.74	27	9.41	109	8.43	60	0.13	16	0.96	98	199.5
25	Investors Finl. Services Corp.	MA	12,367,469	1.27	61	19.47	10	19.30	7	7.04	119	0.00	1	0.03	150	209.5
26	FirstFed Financial Corp.	CA	10,254,669	1.13	86	20.10	8	13.40	21	6.48	139	0.07	8	1.09	72	214.0
27	First Community Bancorp	CA	4,557,634	1.73	11	10.85	105	10.87	64	12.00	9	0.45	88	1.26	42	217.5
28	S&T Bancorp	PA	3,301,896	1.60	19	14.43	51	9.78	99	8.75	45	0.93	134	1.47	18	218.0
29	Cathay General Bancorp	CA	7,457,650	1.70	13	14.20	55	9.45	107	8.85	42	0.51	104	1.21	49	219.0
30	Comerica Inc.	MI	57,080,000	1.48	34	15.94	37	8.26	135	9.83	24	0.37	65	1.03	85	225.5
31	Valley National Bancorp	NJ	12,429,815	1.37	46	18.08	20	10.54	74	8.17	73	0.37	65	0.91	109	226.5
32	Compass Bancshares	AL	33,613,492	1.42	40	18.86	14	8.00	138	7.25	113	0.28	51	1.19	53	231.5
33	Pacific Capital Bancorp	CA	7,182,740	1.53	26	18.97	13	8.50	129	7.12	117	0.35	62	1.03	85	235.5
34	Wells Fargo & Company	CA	499,516,000	1.67	16	19.24	12	8.35	133	6.99	121	0.49	98	1.13	66	237.0
35	Capitol Bancorp Ltd.	MI	3,722,642	1.14	83	13.56	65	14.13	16	13.60	4	0.89	132	1.35	26	237.0
36	PNC Fin'l Services Group	PA	94,914,000	1.51	30	16.40	31	8.80	120	7.71	89	0.44	86	1.16	61	239.0
37	First Midwest Bancorp	IL	8,692,828	1.45	36	18.44	17	8.64	123	6.59	135	0.39	75	1.24	46	242.4
38	Wilmington Trust Corp.	DE	10,590,714	1.76	9	17.71	22	7.74	144	6.98	122	0.57	113	1.22	47	244.0
39	UCBH Holdings	CA	8,291,093	1.25	65	16.36	32	10.44	75	8.72	49	0.40	77	0.95	100	247.5
40	Umpqua Holdings Corp.	OR	7,179,943	1.41	42	10.05	121	10.38	77	11.84	10	0.13	16	1.10	70	249.5
41	Associated Banc-Corp	WI	21,128,354	1.52	27	14.59	50	9.53	105	7.73	87	0.71	123	1.32	31	250.0
42	BB&T Corp.	NC	116,283,730	1.58	20	15.46	42	9.10	116	7.26	112	0.40	77	1.08	73	251.0

average equity (ROAE). The Scorecard also uses Tier 1 capital and leverage capital ratios to measure the strength of an institution's capitalization. The final category—asset quality—is determined by calculating each institution's ratio of nonaccrual loans and other real estate owned to total loans (generally referred to as the nonperforming asset ratio) as well as its ratio of loan loss reserves to total loans (otherwise known as reserve coverage).

Assuming that profitability is the single most important performance measurement of any public company, the Scorecard gives the two profitability metrics a full weighting in the final score for each institution. The other four metrics are each given a half weighting in the final tally. The Scorecard was developed by *Bank Director* in consultation with Sandler O'Neill, which also performed all of the necessary calculations using publicly available data. The ROAA and ROAE calculations were based on data from four linked quarters—the third and fourth quarters of 2005 and the first two quarters of 2006. The capital and asset quality metrics were based on period-ending numbers for the second quarter of 2006.

Institutions that tend to do well on the Scorecard are the all-around good performers that are highly profitable—but don't achieve their profitability by leveraging up their balance sheets at the expense of capital. This year's winner is Corus Bankshares, a Chicago-based commercial bank that jumped all the way up from a 20th-place finish in 2005. Coming in second was Commerce Bankshares Inc. in St. Louis, which improved upon a sixth-place finish in 2005. Rounding out the top five were Kalispell, Montana-based Glacier Bancorp.; City National Corp. in Beverly Hills, California; and Park National Corp. in Newark, Ohio. Glacier also ranked third on the 2005 Scorecard, while City National and Park National essentially traded their 2005 rankings when they finished fifth and fourth, respectively.

The highest-ranked bank in 2006 with assets exceeding \$100 billion was \$213 billion U.S. Bancorp in Minneapolis, which finished in the ninth spot after placing 14th in 2005. The top ranked thrift in 2006 was Harbor Florida Bancshares Inc. in Fort Pierce, Florida, which finished 12th. However, only five of the top 50 finishers on this year's Scorecard were thrifts—clear evidence the thrift sector's performance lags behind the banking sector. The last-placed finisher in this year's ranking was Alpharetta, Georgia-based NetBank Inc., a thrift whose retail distribution system includes the Internet, telephone, automated teller machines, and the mail.

Banks and thrifts today are operating in an extremely challenging operating environment. A relatively flat yield curve, which is the difference between short-term and long-term interest rates, has made it increasingly more difficult for most financial institutions to earn a satisfactory

return on their lending activities. The rise in short-term rates has forced many banks to pay up for consumer deposits, which drives up their funding costs, while the commercial loan market remains very competitive—which limits how much they can charge their business borrowers. This interest rate vice has squeezed profit margins throughout the industry.

"We have not been through a period of time where the yield curve stayed this flat for this long, and it's really putting to the test all the tools that managements have at their disposal," says Fitzgibbon. And that tough business climate makes the performance of the industry's leaders even especially impressive.

Corus, which notched high scores on the ROAA, ROAE, and nonperforming asset ratio metrics, specializes in commercial real estate lending in Florida, California, New York City, and Washington, D.C.—with a strong emphasis on the construction of new condominiums. Although the bank does operate a network of 11 branches in metropolitan Chicago, it also markets its various deposit products nationwide. Commercial real estate lending generally offers much higher returns than many other asset categories, which partly explains Corus's strong profitability. But the bank's share price fell sharply from May through October of this year, signaling that some investors had lost their enthusiasm for the stock. "There's a large contingency of investors who are worried about [the bank's] aggressive growth in the Florida condo market," Fitzgibbon says. It should be pointed out, however, that Corus maintains one of the stronger balance sheets in the industry.

Commerce Bankshares, this year's second-place finisher, offers a distinct contrast to Corus. The largest independent bank left in the St. Louis market, Commerce is a careful lender with relatively little appetite for excessive credit risk. In recent years, the bank has also grown its payments systems business—including a variety of credit, debit, and corporate purchase cards—and the resulting fee-based revenue has helped boost its profitability despite the effects of a flat yield curve. (See story on page 26.)

Glacier is a highly decentralized, multibank holding company that operates a number of community bank subsidiaries in Montana and Idaho. This network of local banks was assembled through a series of acquisitions that Glacier has made in recent years, and each unit maintains its original name and local identity. "There are several different banking models out there and Glacier is a community bank at its core that has been an acquirer in the past," says Brett Rabatin, an equity analyst with FTN Midwest Securities Corp. in Nashville. "They want to be in markets where community banks don't have the majority of market share and there are no dominant commercial banks." Glacier's policy of keeping local management in place following a buyout

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43	Northern Trust Corp.	IL	53,325,900	1.35	49	18.32	18	9.96	89	6.79	132	0.15	21	0.63	127	251.5
44	TCF Financial Corp.	MN	14,198,349	1.86	6	25.59	1	8.58	126	6.27	142	0.46	90	0.53	134	253.0
45	BOK Financial Corp.	OK	16,924,085	1.33	52	14.09	57	10.00	88	8.74	46	0.40	77	1.07	77	253.0
46	PFF Bancorp	CA	4,487,517	1.32	57	15.31	44	9.94	93	8.22	70	0.24	41	0.94	103	254.5
47	KeyCorp	OH	94,794,000	1.26	63	15.43	43	7.90	142	8.82	43	0.43	83	1.34	30	255.0
48	NBT Bancorp	NY	4,995,912	1.21	70	15.65	40	9.90	96	7.27	111	0.38	70	1.50	14	255.5
49	National Penn Bancshares	PA	5,225,420	1.27	60	13.11	75	9.72	100	7.77	84	0.27	50	1.68	7	255.5
50	IndyMac Bancorp	CA	23,756,442	1.34	50	21.66	6	11.66	43	7.62	93	0.76	126	0.38	139	256.5
51	BancorpSouth	MS	11,832,245	1.09	91	12.93	79	12.47	29	8.61	53	0.28	51	1.26	42	257.5
52	Prosperity Bancshares	TX	4,531,951	1.42	39	10.82	106	12.47	29	6.98	122	0.02	4	1.10	70	257.5
53	Sky Financial Group	OH	15,751,002	1.33	53	13.27	70	10.95	61	9.16	34	1.24	144	1.29	38	261.5
54	Golden West Financial Corp.	CA	128,805,627	1.25	64	17.98	21	13.26	22	7.18	115	0.39	75	0.25	145	263.5
55	M&T Bank Corp.	NY	56,507,088	1.51	29	14.14	56	7.31	148	6.84	129	0.38	70	1.55	11	264.0
56	Downey Financial Corp.	CA	17,464,780	1.14	82	16.23	35	15.21	11	7.56	97	0.25	46	0.32	141	264.5
57	Chemical Financial Corp.	MI	3,730,642	1.36	48	10.22	118	16.50	9	12.09	7	0.98	135	1.22	47	265.0
58	Chittenden Corp.	VT	6,460,615	1.32	55	12.81	81	11.29	50	7.97	77	0.54	109	1.35	26	267.0
59	MB Financial	IL	5,908,883	1.17	79	13.25	72	11.29	50	8.92	39	0.42	81	1.14	64	268.0
60	Alabama National BanCorp.	AL	6,794,456	1.20	72	12.24	92	10.29	80	8.09	76	0.12	15	1.26	42	270.5
61	Western Alliance Bancorp.	NV	3,889,621	1.19	76	12.89	80	9.30	113	8.30	67	0.00	1	1.16	61	277.0
62	Fifth Third Bancorp	OH	106,111,000	1.39	44	15.29	46	8.52	127	8.38	62	0.49	98	1.02	89	278.0
63	Trustmark Corp.	MS	8,234,588	1.33	51	14.36	54	9.72	100	7.54	99	0.46	90	1.17	57	278.0
64	Zions Bancorp.	UT	45,142,086	1.39	45	14.41	52	7.63	146	7.51	103	0.22	40	1.07	77	280.0
65	1st Source Corp.	IN	3,608,526	1.07	95	10.65	111	13.10	23	11.37	13	0.56	112	2.19	2	281.0
66	AmSouth Bancorp.	AL	53,929,814	1.33	54	19.32	11	7.51	147	6.62	134	0.29	54	0.95	100	282.5
67	Bank of New York Co.	NY	108,881,000	1.44	37	15.55	41	7.96	139	6.51	137	0.21	38	0.95	100	285.0
68	Independent Bank Corp.	MI	3,442,721	1.37	47	18.20	19	9.45	107	7.52	101	0.75	125	0.91	109	287.0
69	People's Bank	CT	11,004,700	1.22	69	10.33	116	14.80	13	11.36	14	0.31	59	0.82	120	288.0
70	PrivateBancorp	IL	3,650,855	1.06	98	15.66	39	8.62	125	7.43	105	0.06	7	1.13	66	288.5
71	Citizens Banking Corp.	MI	7,814,170	1.14	84	13.47	67	9.96	89	8.21	71	0.59	117	1.99	5	292.0
72	Hancock Holding Co.	MS	6,155,192	1.08	94	12.43	89	10.72	70	7.59	95	0.29	54	2.33	1	293.0
73	Marshall & Ilsley Corp.	WI	54,418,866	1.56	23	15.00	47	7.65	145	7.13	116	0.51	104	1.03	85	295.0
74	Huntington Bancshares	OH	36,265,777	1.29	59	15.89	38	8.45	132	7.62	93	0.53	107	1.08	73	299.5
75	Bank of America Corp.	NC	1,445,193,000	1.21	71	14.37	53	8.33	134	6.13	145	0.26	48	1.36	25	300.0
76	Taylor Capital Group	IL	3,376,763	0.93	117	13.86	60	10.88	63	9.33	31	1.10	140	1.48	17	302.5
77	Fulton Financial Corp.	PA	14,561,545	1.32	56	12.78	82	9.63	102	7.67	90	0.29	54	1.03	85	303.5
78	First Citizens BancShares	NC	15,526,492	0.81	128	10.07	119	13.56	18	9.92	22	0.24	41	1.30	35	305.0

## Calculating the 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 third and fourth quarters of 2005 and first and second quarters 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 second 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 received the highest ranking overall.

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 L.P., a New York-based investment banking firm, helped *Bank Director* devise the Bank Performance Scorecard formula and performed the calculations.

has made it a preferred acquirer in many of its markets, Rabatin adds.

Once known for banking the movie industry in Hollywood, City National has in recent years focused much of its attention on successful entrepreneurs and other wealthy people with a variety of trust and investment management products. "City National has always been more of a deposit franchise," says Rabatin. "Its clients are going to be more high net worth." Although it does not pretend to be a mass market purveyor of financial services, the company also enjoys the distinction of being the largest independently owned bank in the Los Angeles area.

Finishing in fifth place was Park National, which has adopted a business model not unlike Glacier's in some respects. The company, which placed third on last year's Scorecard, services both businesses and individuals with a broad range of banking products, but does so through a network of 11 separate banking subsidiaries, each operating under its own name. Like Glacier, Park National has also been highly acquisitive and the company believes that each unit should maintain its own identity.

Rounding out the top 10 was sixth-place finisher Synovus Financial Corp. of Columbus, Georgia, which has combined the local service and high touch of a supercom-

munity bank with a highly profitable payments system business that helped it post the fourth-best ROAA on this year's Scorecard. (See story on page 30.) Cullen Frost Bankers in San Antonio, Texas, was ranked seventh, followed by the 2005 Scorecard winner—Honolulu-based Bank of Hawaii Inc.—which this year slid down to the number eight spot. Ninth-place finisher U.S. Bancorp also benefited from a substantial payments systems operation, and ranked first and fifth in the ROAA and ROAE categories, respectively—a truly impressive performance for such a large institution. And coming in 10th was San Rafael, California-based Westamerica Corp., a conservatively managed institution that had the second-best ROAE, third-best ROAA, and third-best reserve coverage on this year's Scorecard.

Looking ahead to 2007, Fitzgibbon expects the business climate for banks and thrifts to remain fundamentally unchanged. "If you look at the futures market today, it's suggesting that the yield curve is going to stay fairly flat into 2007," he says. "Although we think banks have done an amazing job across the board at improving their asset/liability modeling and management, I think it will become extraordinarily difficult for them to get through a flat yield curve environment when it stays flat for an

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79	Harleysville National Corp.	PA	3,217,018	1.11	88	12.65	84	11.62	44	9.31	32	0.50	100	1.01	92	306.0
80	United Community Banks	GA	6,331,136	1.07	96	13.75	63	8.75	121	7.33	107	0.18	31	1.21	49	313.0
81	State Street Corp.	MA	102,536,000	1.01	104	16.41	30	11.00	59	5.46	149	0.05	6	0.21	146	314.0
82	Texas Regional Bancshares	TX	6,846,144	1.23	68	12.50	86	11.34	48	8.26	68	1.42	147	1.17	57	314.0
83	FirstMerit Corp.	OH	10,254,773	1.20	73	13.22	74	9.91	95	8.13	75	0.86	130	1.28	39	316.5
84	Hudson City Bancorp	NJ	31,329,322	1.06	97	5.70	143	38.78	1	13.92	1	0.11	12	0.16	148	321.0
85	Provident Bankshares Corp.	MD	6,409,226	1.17	77	11.64	100	11.03	57	8.53	55	0.70	122	1.18	55	321.5
86	Popular, Inc.	PR	48,399,514	0.98	107	13.29	69	11.26	53	7.81	83	2.11	149	1.50	14	325.5
87	Colonial BancGroup	AL	23,010,833	1.12	87	12.43	88	9.40	110	7.90	80	0.16	24	1.02	89	326.5
88	Boston Private Fin'l Hold.	MA	5,279,086	1.09	90	10.33	115	10.82	67	8.36	63	0.15	21	1.01	92	326.5
89	Commercial Capital Bancorp	CA	5,738,692	1.15	81	8.67	130	12.11	33	8.88	41	0.18	31	0.64	126	326.5
90	Regions Financial Corp.	AL	86,062,786	1.44	38	11.53	102	8.64	123	7.50	104	0.52	106	1.27	41	327.0
91	First Charter Corp.	NC	4,363,274	0.96	111	12.66	83	11.20	54	9.17	33	0.44	86	0.96	98	329.5
92	UMB Financial Corp.	MO	7,632,832	0.76	132	6.70	137	15.35	10	10.79	15	0.24	41	1.17	57	330.5
93	Dime Comm. Bancshares	NY	3,123,921	1.09	92	11.89	95	9.39	111	9.04	38	0.11	12	0.60	129	332.0
94	First Niagara Fin'l Group	NY	8,106,776	1.17	78	6.83	136	11.40	46	7.57	96	0.33	61	1.30	35	333.0
95	North Fork Bancorp.	NY	59,381,835	1.49	32	9.52	126	10.26	81	7.04	119	0.14	20	0.55	132	334.0
96	Wachovia Corp.	NC	553,614,000	1.24	67	13.62	64	7.81	143	6.57	136	0.25	46	1.04	83	335.0
97	Republic Bancorp	MI	6,346,590	1.08	93	16.30	33	10.98	60	7.52	101	1.36	145	0.88	113	335.5
98	Texas Capital Bancshares	TX	3,412,480	0.93	118	13.11	76	10.05	86	9.05	37	0.20	36	0.76	124	335.5
99	Whitney Holding Corp.	LA	10,427,716	1.25	66	12.38	91	9.96	89	7.82	82	0.83	129	1.17	57	335.5
100	ITLA Capital Corp.	CA	3,202,150	0.85	125	12.60	85	10.90	62	8.91	40	1.41	146	1.74	6	337.0
101	Astoria Financial Corp.	NY	21,861,475	0.97	110	16.24	34	11.09	56	6.19	144	0.37	65	0.55	132	342.5
102	F.N.B. Corp.	PA	6,072,739	1.13	85	13.49	66	9.60	104	7.42	106	0.89	132	1.26	42	343.0
103	TierOne Corp.	NE	3,322,381	1.15	80	12.06	94	10.20	83	8.74	46	1.06	136	1.08	73	343.0
104	Sterling Bancshares	TX	3,789,920	1.11	89	12.16	93	9.19	115	8.65	52	0.48	93	1.11	69	346.5
105	Provident Fin'l Services	NJ	5,860,183	0.95	112	5.36	144	12.41	31	11.59	12	0.16	24	0.86	116	347.5
106	Community Bank System	NY	4,139,724	0.98	106	8.94	127	12.64	28	7.73	87	0.48	93	1.35	26	350.0
107	Partners Trust Fin'l Group	NY	3,793,591	0.88	122	6.33	139	12.98	24	7.64	92	0.29	54	1.58	9	350.5
108	NewAlliance Bancshares	CT	7,112,215	0.74	133	3.67	147	22.90	5	13.61	3	0.26	48	1.02	89	352.5
109	Community Banks	PA	3,385,599	1.26	62	8.88	128	10.30	79	8.44	59	0.50	100	1.01	92	355.0
110	New York Comm. Bancorp	NY	28,728,824	1.04	100	8.30	133	14.19	15	8.15	74	0.16	24	0.44	137	358.0
111	Anchor BanCorp Wisconsin	WI	4,356,921	1.04	99	13.78	62	10.10	85	7.96	78	0.50	100	0.42	138	361.5
112	Sterling Financial Corp.	WA	8,044,338	0.82	126	11.86	97	9.80	98	7.85	81	0.19	34	1.12	68	363.5
113	WesBanco	WV	4,089,003	0.95	115	9.84	123	12.33	32	9.06	36	0.57	113	1.05	81	369.0
114	BankUnited Financial Corp.	FL	12,877,044	0.65	140	12.46	87	13.50	19	7.31	110	0.13	16	0.30	144	371.5

# 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/Loans & OREO (%)	NPA Rank	Reserves/Loans (%)	Reserve Rank	
115	First Commonwealth Fin'l	PA	5,925,386	0.88	123	10.06	120	11.70	42	8.71	51	0.46	90	1.06	80	374.5
116	Commerce Bancorp	NJ	43,436,299	0.77	131	13.26	71	11.81	40	6.03	146	0.37	65	0.98	96	375.5
117	Investors Bancorp	NJ	5,497,246	0.29	148	2.00	148	26.19	2	12.54	5	0.11	12	0.21	146	378.5
118	Susquehanna Bancshares	PA	8,256,165	1.04	101	9.94	122	8.82	119	8.47	56	0.38	70	1.05	81	386.0
119	SunTrust Banks	GA	181,143,444	1.20	74	12.38	90	7.31	148	6.82	131	0.28	51	0.81	121	389.5
120	Irwin Financial Corp.	IN	6,515,991	0.66	138	8.45	132	11.20	54	10.34	18	1.07	137	1.32	31	390.0
121	Capitol Federal Financial	KS	8,117,173	0.61	143	5.91	142	21.90	6	9.46	28	0.17	28	0.08	149	390.5
122	National City Corp.	OH	141,485,577	1.19	75	13.36	68	7.31	148	6.89	127	0.58	116	0.87	114	395.5
123	Wintrust Financial Corp.	IL	9,172,784	0.91	120	11.86	96	9.50	106	8.32	66	0.35	62	0.72	125	395.5
124	Bank Mutual Corp.	WI	3,503,016	0.66	139	4.25	146	23.80	4	11.65	11	0.41	80	0.60	129	397.0
125	AMCORE Financial	IL	5,424,549	0.85	124	11.29	104	10.12	84	8.40	61	0.67	120	1.04	83	402.0
126	First Horizon Nat'l Corp.	TN	37,469,234	0.93	116	15.31	45	8.70	122	6.86	128	0.55	111	0.80	123	403.0
127	Old National Bancorp	IN	8,306,497	0.81	129	10.35	114	10.36	78	7.65	91	1.12	141	1.57	10	403.0
128	Citigroup Inc.	NY	1,626,551,000	0.95	114	12.98	77	8.51	128	5.19	150	0.82	128	1.44	19	403.5
129	W Holding Company	PR	16,654,961	0.79	130	10.65	112	11.95	39	7.32	109	1.14	142	1.31	34	404.0
130	Signature Bank	NY	4,703,283	0.71	136	8.63	131	17.44	8	8.45	57	0.48	93	0.86	116	404.0
131	Fidelity Bankshares	FL	4,234,980	0.81	127	11.61	101	10.80	68	7.56	97	0.32	60	0.51	135	408.0
132	Banner Corp.	WA	3,397,000	0.64	142	8.88	129	9.33	112	8.76	44	0.38	70	1.19	53	410.5
133	Northwest Bancorp	PA	6,584,367	0.89	121	9.80	124	14.23	14	8.35	64	1.07	137	0.84	118	411.5
134	Webster Financial Corp.	CT	18,022,142	0.99	105	10.67	108	8.46	131	6.91	126	0.48	93	1.20	52	414.0
135	First Republic Bank	CA	10,380,347	0.73	135	11.50	103	10.01	87	6.94	125	0.13	16	0.57	131	417.5
136	First Financial Bancorp.	OH	3,455,385	0.74	134	8.13	134	11.37	47	8.72	49	1.08	139	1.14	64	417.5
137	JPMorgan Chase & Co.	NY	1,328,001,000	0.92	119	10.76	107	8.48	130	5.85	148	0.59	117	1.55	11	429.0
138	Sun Bancorp	NJ	3,212,134	0.58	144	6.06	141	10.65	73	9.10	35	0.53	107	1.08	73	429.0
139	Washington Mutual	WA	350,884,000	1.03	103	13.78	61	8.13	137	6.33	140	0.86	130	0.62	128	431.5
140	MAF Bancorp	IL	11,450,336	0.97	109	10.40	113	10.87	64	7.20	114	0.54	109	0.50	136	433.5
141	BankAtlantic Bancorp	FL	6,402,357	0.50	147	6.14	140	10.71	71	7.75	85	0.18	31	0.93	107	434.0
142	BFC Financial Corp.	FL	7,416,888	0.02	149	1.01	149	10.71	71	7.74	86	0.16	24	0.94	103	440.0
143	South Financial Group	SC	14,077,083	0.65	141	6.33	138	9.96	89	8.21	71	0.50	100	1.15	63	440.5
144	Sovereign Bancorp	PA	88,753,067	0.98	108	10.67	110	7.91	141	6.97	124	0.42	81	0.87	114	448.0
145	First Merchants Corp.	IN	3,408,263	0.95	113	9.70	125	9.30	113	7.53	100	0.59	117	1.00	95	450.5
146	TD Banknorth	ME	40,285,572	1.04	102	5.18	145	7.92	140	6.70	133	0.35	62	1.07	77	453.0
147	Santander BanCorp	PR	8,929,461	0.68	137	10.32	117	8.17	136	5.86	147	1.74	148	1.35	26	482.5
148	Flagstar Bancorp	MI	15,225,864	0.54	146	10.67	109	10.78	69	6.33	140	1.22	143	0.32	141	501.5
149	Franklin Bank Corp.	TX	5,095,829	0.58	145	7.67	135	11.30	49	6.49	138	0.73	124	0.32	141	506.0
150	NetBank	GA	4,142,005	-0.88	150	-11.03	150	9.82	97	6.83	130	2.49	150	0.91	109	543.0

# THE TOP LARGE-BANK 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	NPAs/Loans & OREO (%)	NPA Rank	Reserves/Loans (%)	Reserve Rank	
1	U.S. Bancorp	MN	213,405,000	2.24	1	23.14	5	8.90	118	8.23	69	0.38	70	1.42	20	144.5
2	UnionBanCal Corp.	CA	50,800,136	1.55	25	16.82	26	8.92	117	8.74	46	0.10	10	0.94	103	189.0
3	Comerica Inc.	MI	57,080,000	1.48	34	15.94	37	8.26	135	9.83	24	0.37	65	1.03	85	225.5
4	Wells Fargo & Company	CA	499,516,000	1.67	16	19.24	12	8.35	133	6.99	121	0.49	98	1.13	66	237.0
5	PNC Fin'l Services Group	PA	94,914,000	1.51	30	16.40	31	8.80	120	7.71	89	0.44	86	1.16	61	239.0
6	BB&T Corp.	NC	116,283,730	1.58	20	15.46	42	9.10	116	7.26	112	0.40	77	1.08	73	251.0
7	Northern Trust Corp.	IL	53,325,900	1.35	49	18.32	18	9.96	89	6.79	132	0.15	21	0.63	127	251.5
8	KeyCorp	OH	94,794,000	1.26	63	15.43	43	7.90	142	8.82	43	0.43	83	1.34	30	255.0
9	Golden West Financial Corp.	CA	128,805,627	1.25	64	17.98	21	13.26	22	7.18	115	0.39	75	0.25	145	263.5
10	M&T Bank Corp.	NY	56,507,088	1.51	29	14.14	56	7.31	148	6.84	129	0.38	70	1.55	11	264.0
11	Fifth Third Bancorp	OH	106,111,000	1.39	44	15.29	46	8.52	127	8.38	62	0.49	98	1.02	89	278.0
12	AmSouth Bancorp.	AL	53,929,814	1.33	54	19.32	11	7.51	147	6.62	134	0.29	54	0.95	100	282.5
13	Bank of New York Co.	NY	108,881,000	1.44	37	15.55	41	7.96	139	6.51	137	0.21	38	0.95	100	285.0
14	Marshall & Ilsley Corp.	WI	54,418,866	1.56	23	15.00	47	7.65	145	7.13	116	0.51	104	1.03	85	295.0
15	Bank of America Corp.	NC	1,445,193,000	1.21	71	14.37	53	8.33	134	6.13	145	0.26	48	1.36	25	300.0
16	State Street Corp.	MA	102,536,000	1.01	104	16.41	30	11.00	59	5.46	149	0.05	6	0.21	146	314.0
17	Regions Financial Corp.	AL	86,062,786	1.44	38	11.53	102	8.64	123	7.50	104	0.52	106	1.27	41	327.0
18	North Fork Bancorp.	NY	59,381,835	1.49	32	9.52	126	10.26	81	7.04	119	0.14	20	0.55	132	334.0
19	Wachovia Corp.	NC	553,614,000	1.24	67	13.62	64	7.81	143	6.57	136	0.25	46	1.04	83	335.0
20	SunTrust Banks	GA	181,143,444	1.20	74	12.38	90	7.31	148	6.82	131	0.28	51	0.81	121	389.5
21	National City Corp.	OH	141,485,577	1.19	75	13.36	68	7.31	148	6.89	127	0.58	116	0.87	114	395.5
22	Citigroup Inc.	NY	1,626,551,000	0.95	114	12.98	77	8.51	128	5.19	150	0.82	128	1.44	19	403.5
23	JPMorgan Chase & Co.	NY	1,328,001,000	0.92	119	10.76	107	8.48	130	5.85	148	0.59	117	1.55	11	429.0
24	Washington Mutual	WA	350,884,000	1.03	103	13.78	61	8.13	137	6.33	140	0.86	130	0.62	128	431.5
25	Sovereign Bancorp	PA	88,753,067	0.98	108	10.67	110	7.91	141	6.97	124	0.42	81	0.87	114	448.0

extended period of time.”

While loan quality remains very high throughout the industry—the median nonperforming asset ratio for the 150 banks on this year’s scorecard was just .39%—Fitzgibbon would not be surprised to see some tightening in 2007. “We’re probably in the eighth or ninth inning in terms of credit quality, and our expectation is that we’ll see some softening in the U.S. economy,” he says. “It probably won’t be pervasive across the country, but there will be pockets that weaken during the course of 2007, which means that credit costs will go up.”

Fitzgibbon also expects to see an increase in merger activity next year as some banks find they can no longer grow their earnings. “Our sense is that as more banks begin to struggle with this flat yield curve and realize that it’s not going away any time real soon, their backs will be to the wall, and they’ll be forced to contemplate partnering with somebody else who might have better flexibility to manage through this difficult period.”

And if that’s the case, it will be interesting to see which names may disappear from next year’s Performance Scorecard and who the top ranked banks will be. **[BD]**

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