

ICBA's

TOP

PERFORMERS

The leading community bank earners of 2007
relied on expertise and relationship banking
to draw profits in a challenging economic cycle

BY KELLY PIKE

The trying conditions in today's financial services industry began playing out, and building up, last year as the big-bank and non-bank subprime mortgage fiasco and credit crunch started to unfold. Non-interest margins continued to tighten, and community banks ended up increasing their loan-loss reserves as bad debt charge-offs drifted upward and the country's economic slowdown began to take hold in many regions. Consequently, overall profits for most community banks were down in 2007.

While those market conditions made 2007 a tough year, many community banks—like those featured in this year's annual ICBA list of top performers—still reported good news. “Despite challenging economic times, community banks still returned profits to their shareholders and helped their small business customers,” says Paul Merski, ICBA's chief economist and director of federal tax policy. “Expertise in local markets and fine-tuning their relationship banking has allowed them to be successful even in a difficult credit market.”

For instance, last year was remarkably profitable for Texas Bank. In a year marked by distress at the nation's largest institutions, the Brownwood, Texas-based community bank saw a large spread in its favor: low cost funds and strong core deposits. With a focus on owner-occupied commercial real estate, the bank capitalized on its growing community—which has been attracting the attention of large national chain stores—and the small businesses benefiting from the community's development.

Calling Out the Best

As part of our annual year-end performance ranking of ICBA members, *ICBA Independent Banker* pulled call report data from the FDIC to identify the top community bank return on average assets (ROA) and return on average equity (ROE) ratings for 2007.

Using this data, top-performing ICBA members were grouped by their Subchapter S corporation and Subchapter C corporation filing status, then further separated into five different asset-size categories:

- Banks with assets of \$50 million or less;
- Banks with assets of \$50 million to \$100 million;
- Banks with assets of \$100 million to \$250 million;
- Banks with assets of \$250 million to \$500 million; and
- Banks with more than \$500 million in assets.

ICBA congratulates all the community banks that earned their way onto the 2007 rankings of the community banking industry's top performers. See pages 32 through 42 for listings.

All of the community banks listed were formed before 2007 and are ICBA members as of March 31, 2008.

“Most of what we do is not speculative,” says Carey Stewart, chief financial officer at the \$229 million-asset bank. “These are firm projects, businesses that have been here a long time.” Stewart cites examples of contractors and electricians involved in building and supporting industries for the large plants that provide many of the town’s jobs.

Brownwood’s location, 140 miles north of Austin and 180 miles west of Dallas-Fort Worth, gives the bank another advantage: less competition for deposits. “We’re just far enough away from the [Dallas-Fort Worth] Metroplex that we’re not having to compete with [JPMorgan] Chase for deposits,” says Stewart. “There’s a lot of local competition, but we don’t have that newspaper ad that comes out in *The Dallas Morning News* offering special rates.”

To thrive in this competitive market, Texas Bank reduced the cost of funds by maintaining 30 percent of its core deposits as non-interest-bearing items. Combine that data with the fact that

A New Yard Stick

There are many measures of community banking success. In “Redefining Bank Performance,” a white paper by Pacific Coast School of Banking graduate Dante Tosetti, the California community banker argues that return on average assets is a profitability ratio, not a performance ratio.

Tosetti argues that tax expense, provisions for loan losses and gains on the sale of securities wrongly impact such rankings. As an alternative, he developed a new performance ratio to compare fundamental bank performance. Coined “AVA,” Tosetti’s ratio eliminates the above factors. He also suggests that the Uniform Bank Performance Report should include a line item to account for extraordinary items, like branch sales, to better gauge bank management.

To read Tosetti’s whitepaper, go to the Article Vault section of *ICBA Independent Banker’s* Web page at www.icba.org/independentbanker.

the bank is 80 percent loaned up most of the time, and it’s easy to see why the Subchapter S institution posted a return on assets (ROA) of 3.25 percent in 2007 and a return on equity (ROE) of 32.85 percent.

Overall, Texas Bank’s impressive numbers made it one of *ICBA Independent Banker* magazine’s best performing community banks in 2007—no small feat, given the economic obstacles facing the banking industry last year.

In 2007, industry-wide earnings were only \$105.5 billion—a decline of \$39.8 billion (27.4 percent) from 2006 earnings—marking the lowest annual net income for the industry since 2002. Moreover, unlike the previous six record-breaking years, 2007 marked the first time since 2000 that annual net income dropped.

Just under half of all banks (49.2 percent) reported improved earnings in 2007—the first time in at least 23 years that a majority of insured institutions have not posted full-year earnings increases. The FDIC has

TOP ROA SUBCHAPTER C BANKS (banks with less than \$50 million in assets)

Institution Name	Location	ROA
1 The Philadelphia Trust Co.	Philadelphia, PA	4.93
2 State Bank of Scotia	Scotia, NE	2.18
3 Wilcox County State Bank	Abbeville, GA	2.07
4 First National Bank	Spearville, KS	2.04
5 State Bank of Schaller	Schaller, IA	2.00
6 Community Bank, N.A.	Lucedale, MS	1.98
7 Mutual Savings Bank	Hartsville, SC	1.87
8 Farmers & Merchants State Bank	Iroquois, SD	1.77
9 The Hershey State Bank	Hershey, NE	1.73
10 Garfield County Bank	Jordan, MT	1.70
11 State Exchange Bank	Lamont, OK	1.68
12 Liberty Bank Inc.	Salt Lake City, UT	1.66
12 Security State Bank	Stockdale, TX	1.66
14 Liberty State Bank	Powers Lake, ND	1.58
15 The Peoples Bank	Red Level, AL	1.56
15 The Monitor Bank	Big Prairie, OH	1.56
17 The Peoples Savings Bank	New Matamoras, OH	1.54
18 Commercial Bank	Nelson, NE	1.53
19 The First National Bank of Aspermont	Aspermont, TX	1.51
20 Bonduel State Bank	Bonduel, WI	1.49

TOP ROE SUBCHAPTER C BANKS (banks with less than \$50 million in assets)

Institution Name	Location	ROE
1 State Exchange Bank	Lamont, OK	23.97
2 Wilcox County State Bank	Abbeville, GA	21.82
3 Summit National Bank	Hulett, WY	20.37
4 Bank of Wyandotte	Wyandotte, OK	19.11
5 Farmers & Merchants State Bank	Iroquois, SD	17.29
6 Pony Express Community Bank	Saint Joseph, MO	17.22
7 Farmers State Bank	Stickney, SD	16.96
8 Farmers and Merchants Bank	Milligan, NE	16.85
9 Lincoln State Bank, S.B.	Rochelle, IL	16.32
10 State Bank of Schaller	Schaller, IA	16.30
11 Community Bank, N.A.	Lucedale, MS	15.34
12 Dutton State Bank	Dutton, MT	13.93
13 Mainstreet Bank	Ashland, MO	13.85
14 The Bank of Commerce	Wetumka, OK	13.81
15 Community Bank	Alva, OK	13.68
16 The First National Bank of Ekalaka	Ekalaka, MT	13.57
17 Bank of Steinauer	Steinauer, NE	13.37
18 Howard State Bank	Howard, KS	13.32
19 Southwest National Bank	Weatherford, OK	13.18
20 Curtis State Bank	Curtis, NE	13.16

TOP ROA SUBCHAPTER C BANKS

(banks with \$50 million–\$100 million in assets)

Institution Name	Location	ROA
1 First East Side Savings Bank	Tamarac, FL	4.79
2 Greensburg State Bank	Greensburg, KS	3.29
3 Bodcaw Bank	Stamps, AR	2.94
4 First Bank of White	White, SD	2.77
5 Excel National Bank	Beverly Hills, CA	2.52
6 The Farmers Bank	Hardinsburg, KY	2.30
7 Peoples State Bank & Trust	Baxley, GA	2.28
8 Leitchfield Deposit Bank & Trust Co.	Leitchfield, KY	2.02
9 Peoples-Webster County Bank	Red Cloud, NE	1.91
10 Community Bank	Bristow, OK	1.88
10 Union Bank and Trust Co.	Minneapolis, MN	1.88
12 Farmers State Bank	Hillsboro, WI	1.82
13 Clay County Bank	Clay, WV	1.79
14 The Citizens State Bank of Choteau	Choteau, MT	1.75
15 Green Lake State Bank	Green Lake, WI	1.71
16 Holladay Bank & Trust	Holladay, UT	1.69
17 First New Mexico Bank of Silver City	Silver City, NM	1.68
18 Garden Plain State Bank	Wichita, KS	1.67
18 Bank of Star Valley	Afton, WY	1.67
20 The Citizens State Bank of Ouray	Ouray, CO	1.65
20 West Central Georgia Bank	Thomaston, GA	1.65

TOP ROE SUBCHAPTER C BANKS

(banks with \$50 million–\$100 million in assets)

Institution Name	Location	ROE
1 First East Side Savings Bank	Tamarac, FL	47.65
2 First Bank of White	White, SD	33.30
3 Community Bank	Bristow, OK	26.35
4 Greensburg State Bank	Greensburg, KS	25.87
5 Excel National Bank	Beverly Hills, CA	23.69
6 Bodcaw Bank	Stamps, AR	22.95
7 First State Bank	Mobeetie, TX	21.96
8 People's Bank of Seneca	Seneca, MO	21.73
9 Green Lake State Bank	Green Lake, WI	19.21
10 Community State Bank	Coffeyville, KS	18.55
11 Bank of Star Valley	Afton, WY	18.35
12 Merchants Bank, N.A.	La Crescent, MN	17.41
13 Wray State Bank	Wray, CO	17.39
14 The First National Bank of Ogden	Ogden, IL	16.81
15 Independent Farmers Bank	Maysville, MO	16.60
16 Clay County Bank	Clay, WV	16.19
17 Farmers & Merchants State Bank	Bloomfield, NE	16.04
18 Bridge City State Bank	Bridge City, TX	15.97
19 Peoples State Bank & Trust	Baxley, GA	15.80
20 Guaranty Bank and Trust Co.	New Roads, LA	15.48

attributed the decline to “sharply higher loss provisions and a very rare decline in annual non-interest income.”

Community banks with fewer than \$100 million in assets earned \$1.3 billion, down 23.6 percent from the \$1.7 billion earned in 2006. Community banks between \$100 million and \$1 billion in assets fared relatively better, earning \$12.4 billion, a 14.8 percent decrease.

Industry-wide return on average assets declined nearly 33 percent, from 1.28 percent to 0.86 percent, marking the lowest yearly average since 1991 (0.42 percent) and the first time in 15 years that the industry’s annual ROA has been below 1 percent. Similarly, return on average equity continued its decline from the highs of 2003, dropping 33 percent to 8.17 percent from 12.3 percent in 2006. Institutions with fewer than \$100 million in assets saw significant declines, with ROA declining to 0.75 percent from 0.93 percent last year, and ROE dropping to 5.39

percent from 7.1 percent. Those institutions between \$100 million and \$1 billion in assets reported an ROA of 0.99 percent and an ROE of 9.44 percent, compared with 1.17 percent and 11.32 percent, respectively, in 2006.

Industry-wide net interest margins also declined slightly over the course of the year, finishing at 3.29 percent, a 21.5 percent decline from 2006. Community banks saw just a small decline in margins: from 4.11 percent to 4.05 percent among institutions with fewer than \$100 million in assets, and from 4.03 percent to 3.86 percent among those with \$100 million to \$1 billion in assets.

The Compensation Component

While the performance of local communities impacted many community banks’ operations, those banks that saw the most success also relied on specialized niches and compensation programs that boosted employee efficiency. “Many flexible community banks that actively

managed their portfolios and stayed on top of the changing marketplace reported stellar returns in 2007,” says Merski. “They worked hard to stay viable so they can continue to provide needed capital and credit to small communities while big banks experienced economic stress.”

In Bozeman, Mont., a focus on high-end development and residential lending—often for home construction with costs in excess of \$5 million—has kept \$472 million-asset American Bank on track despite economic tumult. The Subchapter S bank, whose two largest markets are Montana and Hawaii, reported an ROA of 2.92 percent and an ROE of 32.05 percent. The bank’s knowledge and speed in processing deals is the secret to its success, says Leon Royer, bank president.

“Affluent people have all the money they will ever need; they just don’t have all the time they need,” says Royer, whose bank relies on word of mouth for new customers. “We try to deliver our products and services with unparalleled efficiency—no loan

committees. Our approval process is one over one. As a result, we can turn credit requests around much more quickly than competitors.”

To ensure employees are motivated to provide speedy service, American Bank pays top dollar in terms of salary and benefits—more than Citibank, Wachovia and Wells Fargo,

“Many flexible community banks that actively managed their portfolios ... reported stellar returns in 2007.”

— Paul Merski, ICBA’s chief economist

Royer says. But when he divides net operating profit by average salary and benefits, he finds that each employee returns 2.3 times their annual salary to the shareholders. “We’re all thrilled to be here because we are compensated so well,” he says. “In exchange for that compensation, we put in extraordinary effort.”

Incentives also drive employees at \$151 million-asset Brighton Bank

in Salt Lake City, Utah. Despite the commercial bank’s record loan growth in a time when other banks have pulled away from the market, Brighton Bank doesn’t concern itself with growth, according to Howard Holt, president and CEO. Instead, the community bank focuses on profitability and safety and soundness,

using rewards to motivate employees to meet goals. “I can’t think of any employee that doesn’t have an incentive,” says Holt. “[Opening] safe deposit boxes, checking [accounts], savings accounts—there are incentives. Proof operators have quality issues. If they don’t make mistakes, they get incentives.”

Holt is also a big believer in parties, lunches and contests to reward employ-

ees and make them excited to come to work. “Happy employees make happy customers,” he notes.

In exchange for such incentives, everyone at Brighton Bank is expected to work hard. Holt himself signs almost every check and approves almost every loan. “We run hard. We run fast. Everybody in this bank is pounding nails,” he says. The strategy has paid off for the bank, which ranked number one in both ROA and ROE among Subchapter S banks with \$100 million to \$250 million in assets. The bank reported an ROA of 4.74 percent and an ROE of 39.52 percent.

Frontier Bank in Everett, Wash., is yet another top-performing community bank that attributes much of its success to an incentive-based system. The bank’s equity compensation program turns any employee who has been with the bank five years or longer into a shareholder. “The nature of our lending—leveraging our balance sheet so we’re running at a 115 percent loan-to-deposit ratio—has helped us maximize the earnings capacity of our balance

(continued on page 38)

TOP ROA SUBCHAPTER C BANKS (banks with \$100 million–\$250 million in assets)

Institution Name	Location	ROA
1 Pioneer Trust Bank, N.A.	Salem, OR	2.70
2 Security First National Bank	Hugo, OK	2.53
3 Mississippi River Bank	Belle Chasse, LA	2.14
4 The First National Bank of Baird	Baird, TX	1.97
5 First National Bank of IZARD County	Calico Rock, AR	1.90
5 Virginia Bank & Trust Co.	Danville, VA	1.90
5 The First National Bank of Weatherford	Weatherford, TX	1.90
8 People’s Bank and Trust Co.	Byrdstown, TN	1.87
9 Corsicana National Bank & Trust	Corsicana, TX	1.86
10 First Financial Bank, N.A.	Mineral Wells, TX	1.83
11 Cumberland Security Bank	Somerset, KY	1.82
12 Commercial State Bank	Wagner, SD	1.80
12 South Sound Bank	Olympia, WA	1.80
14 Capital Community Bank	Provo, UT	1.79
14 Bank of Clarkson	Clarkson, KY	1.79
16 Bankers’ Bank of Kansas, N.A.	Wichita, KS	1.77
17 Bank of Prairie du Sac	Prairie du Sac, WI	1.76
18 Farmers & Merchants Bank of South Carolina	Holly Hill, SC	1.75
19 New Millennium Bank	New Brunswick, NJ	1.74
19 United National Bank	Cairo, GA	1.74

TOP ROE SUBCHAPTER C BANKS (banks with \$100 million–\$250 million in assets)

Institution Name	Location	ROE
1 Security First National Bank	Hugo, OK	32.95
2 The First National Bank of Weatherford	Weatherford, TX	23.55
3 FirstBank of Silverthorne	Silverthorne, CO	23.27
4 The First National Bank of Baird	Baird, TX	23.23
5 FirstBank of Breckenridge	Breckenridge, CO	21.70
6 Pioneer Trust Bank, N.A.	Salem, OR	21.30
7 Mississippi River Bank	Belle Chasse, LA	20.86
8 FirstBank of Adams County	Northglenn, CO	19.89
9 The Eastman National Bank	Newkirk, OK	19.21
10 First Exchange Bank	Mannington, WV	18.70
11 People’s Bank and Trust Co.	Byrdstown, TN	18.65
12 Gibsland Bank & Trust Co.	Gibsland, LA	18.53
13 Silver Falls Bank	Silverton, OR	18.43
14 North Alabama Bank	Hazel Green, AL	18.27
15 Bank of Clarkson	Clarkson, KY	18.12
16 Cumberland Security Bank	Somerset, KY	18.03
17 Central Valley Bank	Yakima, WA	17.75
18 Security State Bank of Hibbing	Hibbing, MN	17.44
19 VALUEBANK TEXAS	Corpus Christi, TX	17.43
20 The Pennsville National Bank	Pennsville, NJ	17.30

TOP ROA SUBCHAPTER C BANKS (banks with \$250 million–\$500 million in assets)

	Institution Name	Location	ROA
1	1st Financial Bank USA	Dakota Dunes, SD	4.68
2	Northeast Community Bank	White Plains, NY	4.01
3	The Fort Sill National Bank	Fort Sill, OK	2.41
4	National Bank of California	Los Angeles, CA	2.17
5	Citizens Bank	Carthage, TN	2.14
6	The Old Fort Banking Company	Old Fort, OH	2.08
7	The First National Bank of Wyoming	Wyoming, DE	2.07
8	Colorado Community Bank	Yuma, CO	1.83
8	Independence Bank	Havre, MT	1.83
10	Western State Bank	Devils Lake, ND	1.75
11	The Farmers National Bank of Buhl	Buhl, ID	1.74
11	Siuslaw Bank	Florence, OR	1.74
11	Citizens Bank of Blount County	Maryville, TN	1.74
14	The Village Bank	Saint George, UT	1.73
15	FNB Bank	Scottsboro, AL	1.68
16	South Louisiana Bank	Houma, LA	1.66
17	Community Bank	Cabot, AR	1.65
17	Parke Bank	Sewell, NJ	1.65
17	Omaha State Bank	Omaha, NE	1.65
20	Citizens Bank & Trust Co.	Van Buren, AR	1.62

TOP ROE SUBCHAPTER C BANKS (banks with \$250 million–\$500 million in assets)

	Institution Name	Location	ROE
1	FirstBank of Arvada	Arvada, CO	25.80
2	FirstBank North	Arvada, CO	25.14
3	The Old Fort Banking Co.	Old Fort, OH	25.00
4	FirstBank of Lakewood	Lakewood, CO	23.64
5	FirstBank of Cherry Creek	Denver, CO	23.26
6	FirstBank of Tech Center	Greenwood Village, CO	22.46
6	FirstBank of Boulder	Boulder, CO	22.46
8	FirstBank of Aurora	Aurora, CO	22.05
9	FirstBank of Littleton	Littleton, CO	21.49
10	FirstBank of Denver	Denver, CO	20.95
11	Community Bank	Ellisville, MS	20.59
12	The Village Bank	Saint George, UT	20.44
13	FirstBank of Avon	Avon, CO	19.92
14	1st Financial Bank USA	Dakota Dunes, SD	19.91
15	FirstBank of Vail	Vail, CO	19.73
16	FirstBank of Arapahoe County	Englewood, CO	19.45
17	Grand Valley National Bank	Grand Junction, CO	19.37
18	National Bank of California	Los Angeles, CA	19.19
19	FirstBank of Wheat Ridge	Wheat Ridge, CO	18.93
20	The Dime Bank	Honesdale, PA	18.81

TOP ROA SUBCHAPTER C BANKS (banks with more than \$500 million in assets)

	Institution Name	Location	ROA
1	Armed Forces Bank, N.A.	Fort Leavenworth, KS	6.65
2	First National Bank	Pierre, SD	2.79
3	Frontier Bank	Everett, WA	2.14
4	Bank of American Fork	American Fork, UT	2.09
5	First Regional Bank	Century City, CA	2.06
6	Security State Bank & Trust	Fredericksburg, TX	2.04
7	City National Bank of West Virginia	Charleston, WV	1.99
8	Preferred Bank	Los Angeles, CA	1.88
8	Bank of the Sierra	Porterville, CA	1.88
10	Lake Forest Bank & Trust Co.	Lake Forest, IL	1.85
11	The First National Bank of Fort Smith	Fort Smith, AR	1.83
12	The Commerce Bank of Washington, N.A.	Seattle, WA	1.82
13	The Talbot Bank of Easton, MD	Easton, MD	1.81
14	Alpine Bank	Glenwood Springs, CO	1.79
15	Idaho Independent Bank	Boise, ID	1.78
16	Bank of the Cascades	Bend, OR	1.69
17	FirstBank of Colorado	Lakewood, CO	1.66
18	FirstBank of South Jeffco	Littleton, CO	1.64
18	Bridge Bank, N.A.	San Jose, CA	1.64
20	Community National Bank	Midland, TX	1.62
20	First American Bank & Trust	Vacherie, LA	1.62

TOP ROE SUBCHAPTER C BANKS (banks with more than \$500 million in assets)

	Institution Name	Location	ROE
1	Armed Forces Bank, N.A.	Fort Leavenworth, KS	53.26
2	FirstBank of South Jeffco	Littleton, CO	27.77
3	The Commerce Bank of Washington, N.A.	Seattle, WA	25.75
4	FirstBank of Colorado	Lakewood, CO	23.48
5	Frontier Bank	Everett, WA	22.34
6	Lake Forest Bank & Trust Co.	Lake Forest, IL	22.10
7	City National Bank of West Virginia	Charleston, WV	20.73
8	First American Bank & Trust	Vacherie, LA	19.17
9	Alpine Bank	Glenwood Springs, CO	18.96
10	Bank of the Sierra	Porterville, CA	18.58
11	MidSouth Bank, N.A.	Lafayette, LA	18.56
12	Tompkins Trust Co.	Ithaca, NY	18.54
13	First Commercial Bank of Florida	Orlando, FL	18.39
14	The Bridgehampton National Bank	Bridgehampton, NY	18.34
15	Idaho Independent Bank	Boise, ID	17.70
16	West Bank	West Des Moines, IA	17.65
17	Bridge Bank, N.A.	San Jose, CA	17.53
18	First Regional Bank	Century City, CA	17.45
19	First Interstate Bank	Billings, MT	17.09
20	Preferred Bank	Los Angeles, CA	17.04

TOP ROA SUBCHAPTER S BANKS

(banks with less than \$50 million in assets)

	Institution Name	Location	ROA
1	First Illinois Bank	East Saint Louis, IL	3.99
2	Richland State Bank	Bruce, SD	3.33
3	Stockmens National Bank in Cotulla	Cotulla, TX	3.16
4	Moorhead State Bank	Moorhead, IA	2.97
5	Commercial Capital Bank	Delhi, LA	2.85
6	Nebraska State Bank	Oshkosh, NE	2.83
7	Randall State Bank	Randall, MN	2.81
8	First State Bank of Beecher City	Beecher City, IL	2.78
9	Home State Bank	Royal, IA	2.77
9	First Security Bank of Roundup	Roundup, MT	2.77
11	First National Bank	Trinity, TX	2.71
12	The First National Bank of Fairfax	Fairfax, MN	2.70
13	State Bank	Gresham, WI	2.62
14	Bank of Commerce	Chouteau, OK	2.58
15	Lusk State Bank	Lusk, WY	2.57
16	Peoples State Bank	Summit, SD	2.55
17	Town & Country Bank Midwest	La Belle, MO	2.54
18	Elysian Bank	Elysian, MN	2.48
19	TransPecos Banks-Iraan	Iraan, TX	2.47
19	Citizens State Bank of Glenville	Glenville, MN	2.47

TOP ROE SUBCHAPTER S BANKS

(banks with less than \$50 million in assets)

	Institution Name	Location	ROE
1	First Illinois Bank	East Saint Louis, IL	46.04
2	First National Bank	Trinity, TX	33.31
3	Nebraska State Bank	Oshkosh, NE	30.34
4	Lusk State Bank	Lusk, WY	30.01
5	Peoples State Bank	Summit, SD	28.93
6	Town & Country Bank Midwest	La Belle, MO	28.53
7	Stockmens National Bank in Cotulla	Cotulla, TX	27.07
8	Bank of Commerce	Chouteau, OK	26.93
9	Elysian Bank	Elysian, MN	24.84
10	TransPecos Banks-Iraan	Iraan, TX	24.82
11	Farmers State Bank of Underwood	Underwood, MN	24.58
12	First Security Bank of Roundup	Roundup, MT	23.61
13	The Buffalo Ridge Bank	Beardsley, MN	23.60
14	Randall State Bank	Randall, MN	23.45
15	First Boulder Valley Bank	Boulder, MT	23.24
16	Commercial Capital Bank	Delhi, LA	23.20
17	Community State Bank	Hennessey, OK	22.52
18	Citizens Bank	Amsterdam, MO	22.37
19	The Cowboy Bank	Maypearl, TX	21.66
20	Cowboy State Bank	Ranchester, WY	21.52

(continued from page 34)

sheet,” says John Dickson, CEO of the \$3.8 billion-asset bank. “That, and an efficiency ratio in the high 30s/low 40s, allows us to continue to put up a strong ROE and ROA.”

Despite deploying funds during the year to acquire a nearby bank, Frontier Bank, which has special-

Courting Small Business

Another specialized bank to make ICBA’s list of top performers in 2007 is Excel National Bank in Beverly Hills, Calif. The three-year-old, \$87 million-asset Subchapter S bank deals predominantly in Small Business Administration (SBA) lend-

says Carlson. “It can take a long time, and the competition hears about the deal, and then you’re competing with two other banks over [a loan]. When you execute and get the deal off the street quickly, it helps with pricing.”

Excel National Bank serves customers all over the country, but Carlson has found the breakdown in the commercial mortgage-backed-securitization business to be a boon for his bank as competitors leave the market. “The SBA business tends to be countercyclical,” he says. “More people are looking for financing when things get tighter, which forces people into SBA loans.”

Commercial Capital Bank is also finding success through a niche of government-backed loans. In the case of the Delhi, La.-based bank, Farm Service Agency-guaranteed loans have generated significant fee income and helped the \$33 million-asset Subchapter S bank post an ROA of 2.85 and an ROE of 23.20 in 2007. “We have as much competition as anyone else, but quite a few lenders

“I can’t think of any employee that doesn’t have an incentive. ... Happy employees make happy customers.”

– Howard Holt, Brighton Bank

ized in fee-based construction and land development lending for the past 30 years, posted an ROA of 2.14 and ROE of 22.34 in 2007. Dickson hopes to continue Frontier Bank’s high level of profitability in 2008, but the bank has its work cut out. The national slowdown in construction and land development began to creep into the Pacific Northwest last September.

ing. As the fifth largest SBA lender in California and the 22nd largest in the nation, Excel National Bank ended 2007 with an ROA of 2.52 and an ROE of 23.69.

With a strong staff to efficiently underwrite and process complicated loans, the bank’s competitive advantage is its speed, according to bank President Brian Carlson. “In the SBA business, not everybody is proficient,”

(continued on page 42)

TOP ROA SUBCHAPTER S BANKS (banks with \$50 million–\$100 million in assets)

	Institution Name	Location	ROA
1	State Bank of Wheaton	Wheaton, MN	3.90
2	Preston National Bank	Dallas, TX	3.38
3	Latimer State Bank	Wilburton, OK	3.23
4	First National Bank of Estes Park	Estes Park, CO	3.02
5	Grand Timber Bank	McGregor, MN	2.96
6	The National Bank of Andrews	Andrews, TX	2.88
7	PrinsBank	Prinsburg, MN	2.79
7	Bank of Dade	Trenton, GA	2.79
9	Peoples Bank & Trust Co.	Owenton, KY	2.73
10	Friona State Bank, N.A.	Friona, TX	2.72
10	First National Bank of Alvin	Alvin, TX	2.72
12	Fort Davis State Bank	Fort Davis, TX	2.67
13	Ruby Valley National Bank	Twin Bridges, MT	2.66
14	Peoples Bank of Greensboro	Greensboro, AL	2.64
15	The Chesapeake Bank & Trust Co.	Chestertown, MD	2.63
16	Security Bank of Southwest Missouri	Cassville, MO	2.62
16	State Bank of Niantic	Niantic, IL	2.62
18	Wilburton State Bank	Wilburton, OK	2.60
19	Home State Bank	Louisville, NE	2.59
20	Citizens State Bank of Waverly (Incorporated)	Waverly, MN	2.56
20	Security State Bank of Aitkin	Aitkin, MN	2.56

TOP ROE SUBCHAPTER S BANKS (banks with \$50 million–\$100 million in assets)

	Institution Name	Location	ROE
1	Bank of Dade	Trenton, GA	42.28
2	Wilburton State Bank	Wilburton, OK	40.53
3	First National Bank	Stigler, OK	39.67
4	Community Bank	Longview, TX	34.62
5	The National Bank of Andrews	Andrews, TX	31.95
6	Grand Timber Bank	McGregor, MN	31.68
7	Bank Northwest	Hamilton, MO	30.89
8	Citizens State Bank of Waverly (Inc.)	Waverly, MN	29.73
9	Central Bank & Trust	Lander, WY	29.60
10	State Bank of Southwest Missouri	Springfield, MO	29.43
11	State Bank of New Richland	New Richland, MN	29.12
12	Security Bank of Southwest Missouri	Cassville, MO	28.93
13	First Bank	Wadley, AL	28.49
14	State Bank & Trust Co.	Golden Meadow, LA	28.38
15	Bank of St. Croix Inc.	Christiansted, VI	27.76
16	Fort Davis State Bank	Fort Davis, TX	27.72
17	The Morris State Bank	Morris, OK	27.50
18	First Madison Valley Bank	Ennis, MT	27.05
19	The First Security Bank	Beaver, OK	26.65
20	Vermilion Bank & Trust Co.	Kaplan, LA	26.45

TOP ROA SUBCHAPTER S BANKS (banks with \$100 million–\$250 million in assets)

	Institution Name	Location	ROA
1	Brighton Bank	Salt Lake City, UT	4.74
2	Bank of the Southwest	Roswell, NM	3.37
3	Texas Bank	Brownwood, TX	3.25
4	Bank of the Rio Grande, N.A.	Las Cruces, NM	3.20
4	First National Bank of Dwight	Dwight, IL	3.20
6	Valley Bank of Commerce	Roswell, NM	3.19
7	Commerce Bank	Geneva, MN	3.18
8	The Bank	Oberlin, KS	3.16
8	Western Bank	Artesia, NM	3.16
10	First National Bank of Picayune	Picayune, MS	3.14
11	Flathead Bank of Bigfork	Bigfork, MT	3.06
12	Prior Lake State Bank	Prior Lake, MN	3.04
13	Clackamas County Bank	Sandy, OR	2.86
14	First Fidelity Bank	Burke, SD	2.80
15	Douglas National Bank	Douglas, GA	2.77
15	Prime Alliance Bank	Woods Cross, UT	2.77
17	Guaranty Bank & Trust Co. of Delhi	Delhi, LA	2.72
17	First Bank, Upper Michigan	Gladstone, MI	2.72
19	First National Bank of Monahans	Monahans, TX	2.69
19	Montrose Bank	Montrose, CO	2.69

TOP ROE SUBCHAPTER S BANKS (banks with \$100 million–\$250 million in assets)

	Institution Name	Location	ROE
1	Brighton Bank	Salt Lake City, UT	39.52
2	Valley Bank of Commerce	Roswell, NM	39.33
3	Bank of the Southwest	Roswell, NM	38.85
4	First National Bank of Picayune	Picayune, MS	38.21
5	Texas Bank	Brownwood, TX	32.85
6	First National Bank of Monahans	Monahans, TX	32.58
7	Security State Bank	Odessa, TX	31.59
8	Bank of the Rio Grande, N.A.	Las Cruces, NM	31.52
9	First State Bank	Graham, TX	31.44
10	Central National Bank of Poteau	Poteau, OK	31.43
11	Western Bank	Artesia, NM	31.32
12	The Bank	Oberlin, KS	30.59
13	Montrose Bank	Montrose, CO	30.34
14	Rocky Mountain Bank and Trust	Florence, CO	29.97
15	First Bank	Burkburnett, TX	29.88
16	Centinel Bank of Taos	Taos, NM	28.94
17	Bank Iowa	Clarinda, IA	28.16
18	First National Bank in Graham	Graham, TX	28.01
19	Durden Banking Co. Inc.	Twin City, GA	27.80
20	The First State Bank	Louise, TX	27.79

TOP ROA SUBCHAPTER S BANKS (banks with \$250 million–\$500 million in assets)

	Institution Name	Location	ROA
1	America West Bank	Layton, UT	3.66
2	Yellowstone Bank	Billings, MT	3.65
3	American Bank	Bozeman, MT	2.92
4	Western Commerce Bank	Carlsbad, NM	2.87
5	TransCapital Bank	Hallandale Beach, FL	2.78
6	Quail Creek Bank, N.A.	Oklahoma City, OK	2.73
7	Citizens Bank of Las Cruces	Las Cruces, NM	2.61
7	First Bank & Trust Co.	Duncan, OK	2.61
9	Citizens National Bank of Texas	Waxahachie, TX	2.58
10	Security State Bank	Centralia, WA	2.38
11	Stockmans Bank	Elk Grove, CA	2.36
12	St. Martin Bank & Trust Co.	St Martinville, LA	2.28
13	First National Bank of Walker	Walker, MN	2.26
14	First National Bank Albany/Breckenridge	Albany, TX	2.23
15	Community State Bank	Union Grove, WI	2.20
16	The Bank, N.A.	McAlester, OK	2.17
17	First Security Bank	Bozeman, MT	2.14
18	Plains Commerce Bank	Aberdeen, SD	2.13
19	First National Bank of Gillette	Gillette, WY	2.12
20	Herring Bank	Amarillo, TX	2.07

TOP ROE SUBCHAPTER S BANKS (banks with \$250 million–\$500 million in assets)

	Institution Name	Location	ROE
1	America West Bank	Layton, UT	42.55
2	Citizens Bank of Las Cruces	Las Cruces, NM	33.83
3	Quail Creek Bank, N.A.	Oklahoma City, OK	32.75
4	American Bank	Bozeman, MT	32.05
5	The Bank, N.A.	McAlester, OK	28.20
6	Western Commerce Bank	Carlsbad, NM	25.32
6	Citizens National Bank of Texas	Waxahachie, TX	25.32
8	First National Bank of Gillette	Gillette, WY	23.68
9	First National Bank Albany/Breckenridge	Albany, TX	23.59
10	Hilltop National Bank	Casper, WY	23.56
11	First National Bank of Central Texas	Waco, TX	23.46
12	Yellowstone Bank	Billings, MT	23.21
13	BankSouth	Greensboro, GA	22.93
14	Bank of Eastman	Eastman, GA	22.83
15	Citizens Security Bank & Trust Co.	Bixby, OK	22.46
16	Palm Desert National Bank	Palm Desert, CA	22.44
17	Sterling Bank	West Palm Beach, FL	21.99
18	First National Bank of Walker	Walker, MN	21.98
19	PriorityOne Bank	Magee, MS	21.96
20	Herring Bank	Amarillo, TX	21.76

TOP ROA SUBCHAPTER S BANKS (banks with more than \$500 million in assets)

	Institution Name	Location	ROA
1	Stearns Bank, N.A.	Saint Cloud, MN	3.13
2	Woodforest National Bank	Houston, TX	2.63
3	Bank of Washington	Washington, MO	2.56
4	The First National Bank	Artesia, NM	2.46
5	The Citizens Bank	Farmington, NM	2.30
6	Bank of the West	El Paso, TX	2.28
7	First National Bank of Santa Fe	Santa Fe, NM	2.23
8	Citizens Bank	Elizabethton, TN	2.22
8	First National Bank Texas	Killeen, TX	2.22
10	First Financial Bank	El Dorado, AR	2.20

TOP ROE SUBCHAPTER S BANKS (banks with more than \$500 million in assets)

	Institution Name	Location	ROE
1	The First National Bank	Artesia, NM	36.07
2	First National Bank Texas	Killeen, TX	33.91
3	Gulf Coast Bank and Trust Co.	New Orleans, LA	33.38
4	The Citizens Bank	Farmington, NM	30.56
5	Woodforest National Bank	Houston, TX	30.28
6	Bank of the West	El Paso, TX	28.54
7	First National Bank of Santa Fe	Santa Fe, NM	26.90
8	First Financial Bank	El Dorado, AR	25.64
9	American Bank of the North	Nashwauk, MN	25.58
10	Sabine State Bank & Trust Co.	Many, LA	24.52

(continued from page 38)

in our market don't like to do FSA-guaranteed loans because they are complicated," says Phillip Stafford, president and CEO of the agriculture-focused bank. "Bigger banks don't want to fool with them."

In 2007, as in years past, Commercial Capital Bank started funding production loans early in the year, and those loans stayed on the books for nine to 11 months. However, a shift from cotton

to grain loans, which pay off in May or June, will hurt the bank's margin in 2008. The upside is that high grain prices may encourage customers to take out loans to buy or upgrade their equipment later in the year.

As 2008 continues, community bankers expect increased challenges, especially as margins continue to compress in the wake of the rapid decline in the federal funds rate.

"When rates go down that far that fast, it takes awhile to reprice liabilities," says Stewart of Texas Bank. "We don't expect [an ROE of] 33 percent [in 2008], but we expect 28 percent or better."

That sounds like another great year. **ib**

Kelly Pike is ICBA's assistant director of publications.