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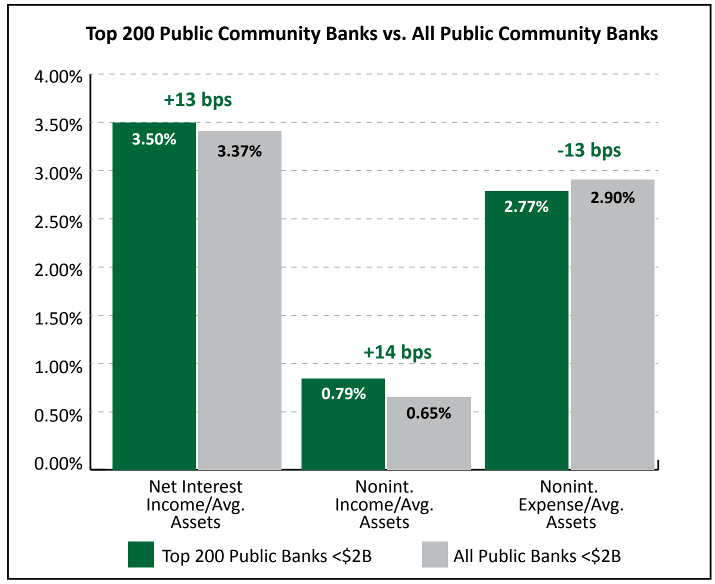
CPG and the American Banker Rank the Top Performing Public Community Banks

Each year CPG partners with the American Banker to rank the top performing community banks.

2016 was another good year for the public community bank group (under $2B). These institutions improved the median return on average equity by 31 basis points. This is noteworthy given the macroeconomic challenges that continued during the year, including contracting margins. Profitability improvements were spurred by the group's ability to build scale. The median noninterest expenses to average assets for the group declined 5 basis points year-over-year, while levels of net interest and noninterest income remained flat. Improved asset quality also helped.



The top 200 public community banks generated a double-digit ROE and modestly outperformed their peers in each of the major income statement items as shown in the chart to the right. This allowed the group to post significantly better profitability and efficiency ratios.

The full ranking and analysis of the publicly-traded banks with assets of less than $2 billion will appear in the May edition of the American Banker Magazine. Please check back to our online newsletter for a link to the article when it is published.

Rankings of the top performing mid-tier banks and thrifts ($2B - $10B) will be available on the American Banker website and in the June 2016 issue of the American Banker Magazine. CPG's BankThink article on top performance in the industry will also be featured in the magazine and online in June. For more information, please contact Kevin Halsey (202-337-7873).

Endnote information for this article on page 2.

Rank	Institution Name	City, State	Total Assets ($000) 2016	3-Year Avg ROAE (%) 2014-2016	ROAE (%) 2016
1	Fidelity Federal Bancorp	Evansville, IN	456,271	20.46	17.15
2	Thomasville Bancshares, Inc.	Thomasville, GA	779,284	16.76	17.07
3	University Bancorp, Inc.	Ann Arbor, MI	193,069	16.65	25.25
4	Seacoast Commerce Banc Holdings	San Diego, Ca	569,537	16.44	17.96
5	West Town Bancorp, Inc.	Raleigh, NC	280,158	16.05	7.01
Median: All Public Community Banks[1]			**445,977**	**7.35**	**7.62**
Change in Median (2015-2016): All Public Community Banks[1]			**39,264**	**0.31**	**0.31**
Median: Top 200 Public Community Banks[2]			**663,237**	**10.33**	**10.51**
Change in Median (2015-2016): Top 200 Public Community Banks[2]			**61,670**	**0.01**	**(0.02)**

Announcements

ABA Payments Forum, June 22-23, Washington DC

CPG's Mary Beth Sullivan and Rolland Johannsen will present the results of ABA's Payments Survey 2017. We hope to see you at the Forum! Capital Performance Group is working closely with the ABA on its new Payments Forum and its new ABA Payments Suvey Report. For more information and to register for the forum, visit the ABA Payments Forum website.

Winning Strategies for Community Banks by Mark Gibson

in the online *ABA Bank Marketing* magazine, April 14, 2017.

Community banks are under pressure to grow and remain relevant—to attract new customers as their existing customer base ages. But smaller banks face particular challenges. Some alarmists are even sounding the death knell for small community banks.

That's entirely premature. By understanding their own competitive advantages, community banks can pursue a number of avenues to fight back and win.

Ahoy! Onboard Customers for Life by Mary Ellen Georgas

in the online *ABA Bank Marketing* magazine, April 5, 2017.

What if….

- You could improve new customer retention rates 25% – 50%?
- You could lift cross-sell campaign responses 1.5 – 2.0 times within the first 90 days of new account =opening?
- You could increase revenue from new customers 35% – 40%?

Onboarding—how your bank welcomes, communicates with, and integrates new customers into the organization—sets the tone for the development and profitability of the customer relationship. Well thought out onboarding processes and communications plans not only leave customers feeling like they made the right decision when they opened their account, but also sow the seeds for higher retention rates, profitability, and customer satisfaction.

Top Performing Credit Unions

CPG also ranked the financial performance of credit unions with over $1 billion in assets, based on 2016 return on average assets (ROA). The five credit unions with the highest ROA are shown below.

Rank	Credit Union Name	City, State	Total Assets ($000) 2016	ROAE (%) 2016
1	Idaho Central Credit Union	Chubbuck, ID	$2,810,897	1.97%
2	Robins Financial Credit Union	Warner Robins, GA	$2,223,899	1.93%
3	Lake Michigan Credit Union	Grand Rapids, MI	$4,823,232	1.89%
4	Redwood Credit Union	Santa Rosa, CA	$3,287,602	1.88%
5	Logix Federal Credit Union	Burbank, CA	$4,787,262	1.65%
Median: All Credit Unions (>$1B)[1]			**$1,678,785**	**0.80%**
Median: Top Performers[2]			**$2,104,611**	**1.25%**

Top performing credit unions were defined as those institutions that generated an ROA in the top quartile. The top performing credit unions separated themselves from the pack by generating higher levels of revenue. The top performers grew members, loans, and share balances at a faster rate than their peers. This helped the group grow revenue at a median rate of almost 13%.

Interestingly, the top performing group had a higher median noninterest expense to average assets ratio and a higher median growth rate in expenses compared to the overall group. These expenses were more than offset by impressive revenue growth, enabling the top performing credit unions to operate at lower efficiency ratios and attain ROAs of greater than 1.00%.

	Median All Credit Unions[1] 2016	Median Top Performers[2] 2016	Variance 2016
Number of Institutions	274	69	
Total Assets ($000)	1,678,785	2,104,611	425,827
Profitability & Efficiency			
ROAA	0.80%	1.25%	0.45%
Net Margin/Avg. Assets	4.20%	4.63%	0.44%
Noninterest Income/Avg. Assets	1.41%	1.70%	0.29%
Noninterest Expense/Avg. Assets	3.02%	3.10%	0.09%
Efficiency Ratio	72.79%	64.30%	-8.49%
Annual Growth, 2016			
Member Growth	5.11%	6.95%	1.83%
Loan Growth	12.59%	14.02%	1.44%
Deposit and Share Growth	8.31%	10.31%	2.01%
Revenue Growth	9.37%	12.61%	3.24%
Expense Growth	8.96%	10.95%	1.99%

Source: CPG analysis of data provided by SNL Financial, LC, 2017. Data are for the twelve months ended December 31, 2016.

1. All credit unions with assets greater than $1 billion were considered for this analysis. Credit union service organizations were excluded for the analysis.
2. The Top Performers are credit unions that rank in the top quartile based on return on average assets.

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Wealth Management: Is it Contributing to Your Bottom Line?

Wealth management can be a source of significant fee income. Indeed, at banks with top producing wealth units, the wealth management businesses contribute close to 10% of consolidated revenue. In CPG's experience, high-performing wealth groups have several common characteristics:

- A consistent commitment from bank executives;
- Deep integration and collaboration of wealth management with other business lines;
- Comprehensive customer relationship services including financial planning, investment management, and estate planning;
- A competitive distinction by offering a consistent and positive client experience;
- Clearly identified customer segments;
- Open architecture investment platforms and full digital capabilities; and,
- Outsourced noncore back-office operations.

Institutions with Assets Between $1B - $10B

Metric	High Performers[1] Median	All Banks Median	Implied Gap (%)
Total Assets ($000)	2,127,895	2,017,834	
Wealth Revenue[2]/Total Bank Revenue[3] (%)	9.79%	2.79%	7.00%
Wealth Revenue[2]/Total Bank Noninterest Income (%)	37.38%	12.65%	24.73%

Source: CPG analysis of data provided by SNL, Financial, LC 2017. Data are for the twelve months-ended December 31, 2016. Institutions included in the analysis are top-tier consolidated institutions with assets of between $1 billion and $10 billion. Excludes institutions with no wealth management revenue, fewer than eight branches, and a total loans to assets ratio of less than 40%.

1. Defined as the median of institutions that are above the 75th percentile in terms of wealth management revenue as a percentage of total bank revenue.
2. Defined as bank noninterest income derived from fiduciary activities, fees & commission from Sec Brokerage, F&C annuities and sales, insurance & reinsurance underwriting, and other insurance income.
3. Defined as summation of bank net interest income and total noninterest income.

Endnote for CPG and the American Banker article on pg. 1

Source: Capital Performance Group analysis of data provided by SNL Financial, LC, 2017. Financial data is based on SEC filings. If SEC data was unavailable, regulatory financials were used. Data is for the twelve months ended December 31, 2016, unless otherwise indicated.

1. Includes bank holding companies, banks, and thrifts with total assets of less than $2 billion as of December 31, 2016 that are publicly-traded or report financials to the SEC. Excludes institutions with a leverage ratio of less than 5%, or a Tier 1 risk-based capital ratio of less than 6%, or a total risk-based capital ratio of less than 10% during any quarter between 2014 and 2016. Institutions that received a tax benefit of greater than 10% of net income in any year between 2014 and 2016 were excluded. Also excludes industrial banks and institutions that operated as a subchapter S corporation for at least one quarter between 2014 and 2016. Institutions that did not report SEC or regulatory data at year-end for any year between 2014 and 2016 were also excluded.
2. The top 200 qualified institutions (as described above) ranked on three-year return on average equity between 2014 and 2016.