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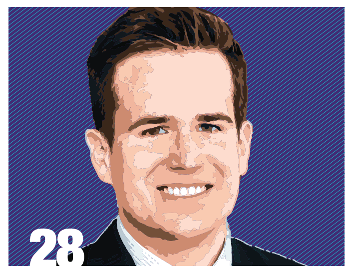
Contents

JUNE 2017 / VOLUME 127 / NO 6



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What's going on @americanbanker.com

Keeping financial services professionals updated on vital developments and focusing sharply on their most important concerns

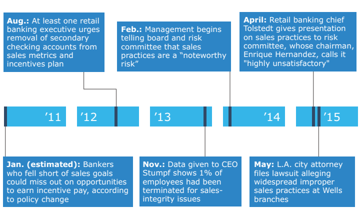
MOST READ

Takeaways from Wells' Report on Sales Scandal

Wells Fargo tried to turn the page with a report that mostly blamed executives who had either left or been demoted, but the report showed the misconduct went further back than previously acknowledged.

Bubbling pot

Debates had gone on for several years at Wells Fargo about what kind of sales behavior it was promoting well before its $190 million regulatory settlement last fall



Source: Wells Fargo board of directors report

MOST SHARED

Keeping Lenders Focused on Long Term

Texas Capital ties bankers' bonuses to loan performance instead of volume. That helps with recruitment and allows the bank to achieve exceptional loan growth while keeping credit quality sound.

Case study: Texas Capital's banker pay plan

The problem: Incentives gone awry
- Typical volume-based compensation plans encourage bankers to open accounts and make loans regardless of risk

The solution: Skin in the game
- Bonuses tied to client retention, risk mitigation and credit quality
- Each banker has an individual balance sheet and income statement
- Bankers are shown how they perform relative to colleagues

The results: Stellar growth, in-line credit quality
- Average annual loan growth of 16.7% since 2009 (without acquisitions), vs. 3.2% average for banks of similar asset size ($10B-$30B)
- Nonperforming assets made up 0.91% of total assets at Dec. 31, down from 3.26% at the post-crisis peak in mid-2010
- NPAs/assets in line with the 0.86% industry average at Dec. 31
- Funded energy loans down 31% from end of 2014 to $622M, or 3.5% of total loans

Sources: Texas Capital, FDIC

FLASHBACK

The Day Glass-Steagall Died — or Did It?

In November 1999, we covered the repeal of the Glass-Steagall Act, a Depression-era banking law, in the style of an obituary (see the story in BankThink). It seemed unthinkable that today we'd consider a resurrection.

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Editor's Note

BY BONNIE McGEER

Actress Takes on the Role of Brand Builder

The business proposal Jessica Alba drafted for her startup was more like an art project initially.

"I didn't have any experience putting together a business plan, but I did know how to put together a collage, so I basically collaged the first idea around this company," said the Golden Globe-nominated actress and co-founder of The Honest Co., which produces nontoxic household and beauty products.

Alba, known for her roles in films such as "Fantastic Four" and "Little Fockers," offered a few lessons she learned from growing the business she started five years ago to 400 employees, $250 million in annual revenue and a $1.7 billion valuation, during a recent Success Makers Summit that American Express OPEN hosted in New York. The event was part of a marketing push highlighting new benefits for its Business Platinum card, including quintuple rewards points on flights and prepaid hotels.

What Alba shared was not only interesting for the entrepreneurs (and fans) who attended, it was great insight for bankers into the challenges of starting a small business and the creativity and courage that augur success.

From the outset, Alba had a very clear vision of what her company should and shouldn't be. That's where the collage came in. "I had a bunch of pictures of things in the home from cleaning products to personal care products," she said. "And then I put on top of that all of these words, like 'transparency,' 'honesty,' 'responsibility,' 'giving back.' And this was my first mood board, or inspiration board."

What Alba wanted was ethically made products, transparency with the ingredients, consumer education and, more broadly, social justice as core values. She looked around to assess who her competitors would be and none were already doing what she envisioned. "There really wasn't one brand that went across every single vertical that met the standards and ethics that I wanted in a company."

Even for someone with her name recognition, getting funding wasn't easy. But Alba kept at it, and found that through rejection came clarity. "I think the most helpful thing I did, actually, was check my ego and actually pitch this idea of this company to as many people as possible and learn about what they didn't understand or get about it," she said. "It helped me really refine what was sticky, what really mattered, and get to the essence of the idea."

She also was able to draw on her background to refine her approach – figuring out how to create the right message for the right audience. "I actually learned that in entertainment," Alba said. "The ads that I would do for superhero movies for Spike, an all-men's kind of audience, is very different than what I would do for ABC Family. And in that same way you have to think of marketing with your brand."

One tenet of success Alba kept coming back to was staying in touch with customers. She jumps on customer calls and even schedules FaceTime chats sometimes. Her company has used the insight to expand into new business lines and develop new products. "We started with 17," she said. "We didn't know where we were going to go, but when you get thousands of people telling you to go and start a beauty brand, eventually you do, and they are there and they are grateful and they want more from you. And it's been really cool, because when you are that consumer-centric and when you actually deliver on your promise, they're very loyal and you have to do a lot less traditional marketing, in a way, because they become your brand ambassadors and they want to tell their friends about you."

Alba advised being willing to take risks, in business and in life. She cited one of her mentors as her own inspiration in this: James Cameron, who directed blockbusters like "Titanic" and "The Terminator."

She recounted a conversation with Cameron when he was planning to make a documentary and a movie about the Titanic. "He was like, 'I'm going to do this documentary. We're going to go to the deepest part of the ocean where the Titanic is sunk. No one's ever gone down there.'"

But at the time no apparatus existed that could withstand the immense pressure of those depths, so Cameron had to invent the means to do what he wanted to do.

"He's never made a submarine before; he's a filmmaker. And then to make a camera that can survive underwater with that pressure with the lights, I mean, it's just amazing," Alba said. "But he opened my mind to, 'Who cares what's happened or what's out there in the world?' You can create your own reality, and if you want something, go after it." □

Briefings

MICROLENDING | LAW & REGULATION | SMALL BUSINESS

Ask Alice—She'll Say Character Is Collateral

Nebraska banker's microlending program emphasizes integrity

By Marissa Fajt

BEING RETIRED FOR 16 YEARS HASN'T stopped Alice Dittman from having her name on fresh loans all over Nebraska.

In 2011, while she was still on the board of directors for Cornhusker Bank in Lincoln, she spotted a need the bank couldn't fill. So she did something few others would do. She put up $1 million of her own money to start a microlending program.

"I spent over 60 years working in banking and I am never tired of it," said Dittman, 86. "This is probably the riskiest type of credit you can do. It is hard to make the overhead and hard to make a profit at 5.5% interest."

Her initiative, called Alice's Integrity Loan Fund, has an emphasis on the character of applicants and requires no collateral. The loans go up to $5,000 and have an average interest rate of 5% annually with a three-year term. If the loan is repaid as agreed, a second loan for $10,000 can be made.

There is also an education component, which requires borrowers to learn how to write a business plan.

Since the fund's inception, 83 loans have been made, mostly to women and minorities, for enterprises like salons, a T-shirt printing shop, cleaning business-

ILLUSTRATION BY GETTYIMAGES.COM

es and a grocery store.

The loans have been made through two local nonprofits that focus on helping entrepreneurs, Community Development Resources and the Center for Rural Affairs. The center operates the Rural Enterprise Assistance Project, which offers several loan programs, including Dittman's, across 12 counties.


Alice Dittman

"We have very little in the way of defaults," said Dorris Miller, who oversaw the fund when it was administered through Community Development Resources. The default rate on the $269,000 that her organization loaned out is 3.8%; on the $137,000 that REAP loaned out, it is 0%.

"Part of that is people in the state of Nebraska have a tendency not to walk away from debts," Miller said.

Approval for loans relies on some nontraditional criteria – such as an assessment of character – instead of focusing solely on credit score and collateral.

"With our clientele 75% are low to moderate income, trying to make their lives better by starting a business or doing something on the side," said Monica Braun, director of the Women's Business Center for REAP. "Being able to make a loan without collateral is critical to people starting a business. Or, if they have used their collateral and need that boost for inventory, this gives them that pop to move the business forward."

The qualifying criteria include capacity to repay, commitment to success, and capital. But REAP's loan review committee puts the greatest emphasis on character. To help determine character, Dittman said she encourages the lenders to look at community activities, such as volunteer work, church involvement and participation in civic organizations.

Dittman – who doesn't expect the fund to use up the initial $1 million for several more years – started out in the industry by working at Cornhusker, her father's bank, in 1953. She went on to start two banks of her own, but later became president of Cornhusker and grew it from $8 million of assets to $200 million during her tenure.

Today that bank, which is still primarily family owned, has $500 million in assets and is a unit of Cornhusker Growth Corp. in Lincoln. Her son, John, is chairman of the board.

The bank participates in her microlending fund by servicing the first 100 loans for free, which helps the lenders keep the loans affordable for borrowers and earns the bank credit under the Community Reinvestment Act.

Dittman had several firsts in her banking career, including being the first woman to serve as the president of the Nebraska Bankers Association back in 1993. "She is aware of the glass ceilings people reach, especially in banking," Miller said. "She is aware of what people face in life."

Though the fund targets women and minorities, it makes loans to everyone, Miller added. A total of 48 loans have gone to women and 24 to minorities.

Dittman said there is one big drawback to the fund, from her perspective.

"The least favorite thing to me personally about that tax-deductible contribution I made is that I am not able to talk to the recipients and help them with advice," she said, noting the Internal Revenue Service has rules that prohibit her from being directly involved in the loans.

We'll See You in Court

Bankers are suing more in a bid to effect policy change

FINANCIAL SERVICES COMPANIES and groups are increasingly willing to take regulators to court in an effort to fight back against enforcement orders and new initiatives – and so far, they appear to be succeeding.

Two more players joined the fray on April 26, with the Conference of State Bank Supervisors suing to stop the development of a new fintech charter while Ocwen Financial pushed back against the Consumer Financial Protection Bureau by challenging its constitutionality.

They are hardly alone. A pending lawsuit by the mortgage servicer PHH Corp. threatens CFPB Director Richard Cordray's ability to keep his job, while MetLife has successfully used the courts to scrap its designation as a systemically important financial institution.

Other significant challenges include the American Bankers Association's suit against Congress over its law limiting dividends paid to banks by the Federal Reserve Board, and even a case by a small bank that establishes its right to sue over its exam rating.

"There's an increased willingness to litigate," said H. Rodgin Cohen, chairman of Sullivan & Cromwell, one of the country's most high-profile banking lawyers. "It's two factors. The consequences of what the agencies or Congress has done are so substantial … and there is a view that there is no other method to resolve this situation."

The proliferation of major cases is a sea change from the way the banking industry has behaved in the past. Generally speaking, banks don't sue their regulators. "Bankers are reluctant to stick their heads up," said Karen Shaw Petrou, managing partner at Federal Financial Analytics. "They feel – with good reason – that they live or die with the goodwill of regulators."

But that is changing, in part because of victories by PHH Corp. and MetLife. "Success breeds courage," Petrou said.

There has long been a stigma associated with taking a regulator or rule to court, which appears to be going away. "The more cases are brought, the less one worries about a stigma," Cohen said.

The cases come at a time of increased

attention to court challenges against the government more generally. The Trump administration has struggled to implement its immigration policies after courts have blocked some of the president's executive orders.

H. Rodgin Cohen

At the heart of many of the financial cases is the question of what kind of deference is due to an agency in interpreting existing bank regulatory policy. Two legal precedents establish separate kinds of deference. Under the so-called Chevron doctrine, named after a Supreme Court case, courts will generally defer to the statutory interpretation by a government agency charged with implementing the statute, as long as the agency's interpretation is sound. Another type of deference is for agencies that interpret their own previous rules.

The amount of deference afforded to regulators is the key issue in MetLife's challenge to the Financial Stability Oversight Council, which is currently under appeal, and the CSBS's challenge on April 26 to the Office of the Comptroller of the Currency.

The Chevron doctrine did not help the FSOC, though. "The issue of Chevron deference is a very big issue in the MetLife v. FSOC case because FSOC was applying its designation authority under Title I of Dodd-Frank," said Arthur Wilmarth, a law professor at George Washington University.

It also has not helped the CFPB in PHH's case against the agency. A three-judge panel, in addition to finding the single-director structure of the bureau was unconstitutional, ruled that the CFPB had interpreted laws under its jurisdiction in improper ways. That case has now been appealed to an 11-judge panel.

There's a growing sense that the agencies, and the CFPB in particular, have interpreted their mandates aggressively, which opens them up to more legal challenges. "The CFPB pushed it as far as it could, like a court prosecutor would," Petrou said. "That forces institutions in the regulatory and enforcement environment to fight back."

The same argument has been made against the OCC, which is accused of overextending its legal authority to charter fintech firms. In their April 26 suit, state regulators said the OCC did not have the right to charter nonbanks.

"The OCC is taking a very aggressive view of its power," said Brian Knight, senior research fellow at the Mercatus Center of George Mason University. "Everyone had gotten used to how the OCC and the states had interacted, but now the OCC is taking its authority a step further. The CSBS feels that it has to react."

The Chevron defense itself may not last much longer. New Supreme Court Justice Neil Gorsuch has expressed open skepticism on the idea of deference to government agencies, while House Republican leaders have targeted Chevron as part of regulatory reform.

In recent cases, the agencies may well have been counting on the idea of deference to shield them from lawsuits. In the MetLife battle, the court found that FSOC had not properly substantiated its decision-making process or provided adequate justification for many of its actions. In the OCC's case, some suggest the agency should have explicitly limited a fintech charter's ability to preempt state usury laws to minimize conflict with state regulators.

"It's certainly a debate right now on whether any deference should be given at all to regulatory agencies when they interpret their own statute," said John Beaty, a partner at Venable.

"What that becomes is the question of whether judges who see particular statutes on an occasional basis are better at interpreting a statute or whether they should recognize the familiarity to the statute that the regulator has."

The legal challenges have spread even to an area where regulators were thought to have more sway: exams. An appeals court ruled in January that the $41.4 million-asset Builders Bank in Chicago had the right to sue the Federal Deposit Insurance Corp. to overturn its Camels rating. That may spur other banks to follow suit and demonstrates that deference to government agencies – once thought unassailable – appears to have lessened.

"The Chevron doctrine is not absolute insulation," Cohen said. "When an agency oversteps its bounds, the courts are willing to say so."

The increase in critical court cases also could be a matter of timing. When the Dodd-Frank Act was enacted in 2010, it took time for regulators to write rules implementing those changes. Challenges to those rules are just coming to a head.

"We're at the point of the first mature cycle of really thinking through whether the CFPB is a good idea," Knight said. "That seed was planted when the CFPB was created. In the MetLife case, Dodd-Frank created this whole new SIFI process. It's now at the point where this unique model is being tested and litigated. Now is the time for pushback."

– Rob Blackwell and Joe Adler

Bridging a Finance Gap

Second-lien lender aims to work with community banks

WHEN LARGE BORROWERS NEED loans that are too much for one bank to handle, a nonbank, second-lien lender is often brought in to help close the financing gap.

Smaller businesses typically do not have that option because they lack the size needed to interest second-lien lenders. In those instances, the loan won't get made or the small business will have to settle for considerably less than what it requested.

Jason Tepperman

Promontory Local Credit, a nonbank lender in Arlington, Va., that opened in April, wants to help these companies get the funding they need.

It is a second-lien lender that will focus exclusively on the credit needs of small and midsize firms. Working mostly with community banks, it intends to make second-lien loans of $500,000 to $3 million, potentially increasing the credit available to a business borrower by 25% to 50%, said Jason Tepperman, one of the principals and the former director of the Treasury Department's Small Business Lending Fund.

Tepperman said many second-lien lenders will make loans of $10 million or $20 million, but few will lend as little as $1 million to community banks' "bread-and-butter" clients. These are firms with perhaps $20 million to $30 million of annual revenue that may need loans ranging from $3 million to $8 million to purchase equipment, make acquisitions or buy out retiring partners.

"Our objective is to expand access to capital for small businesses in situations where a bank is able to make most but not all of a loan," Tepperman said in an interview. "We see this as filling an unmet need in the credit market."

Promontory Local Credit is affiliated with, but not a division of, Promontory Interfinancial Network, a deposit-placement firm founded in 2002. Promontory Interfinancial has roughly 3,000 community bank clients and it was conversations with some of them that convinced officials to launch a separate company focused on lending.

"Simply put, we've helped build Promontory Local Credit to support Main Street banks as they lend to local businesses," Mark Jacobsen, president and chief executive of Promontory Interfinancial Network, said in a press release announcing the new firm's launch. "It is another way we can help the thousands of banks that are Promontory Network members better serve their customers and communities."

Promontory Local Credit has $380 million in backing from institutional and individual investors, including several of Promontory Interfinancial Network's founders, Tepperman said.

Apart from Tepperman, the new firm's principals are: Alan Colner, a former director at Yadkin Financial, a North Carolina banking company that was recently sold to F.N.B. Corp. in Pittsburgh, and a co-founder of one of Yadkin's predecessor community banks; and Arcinée Hermiston, a former chief credit officer at Bank of the West.

The key difference between Promontory Local Credit and other second-lien lenders is that it is strictly a lender and will not seek warrants or equity stakes in firms it lends to, Hermiston said in an interview.

The rate on the second lien will be higher than that of the bank loan, but otherwise the structure and terms will be very similar.

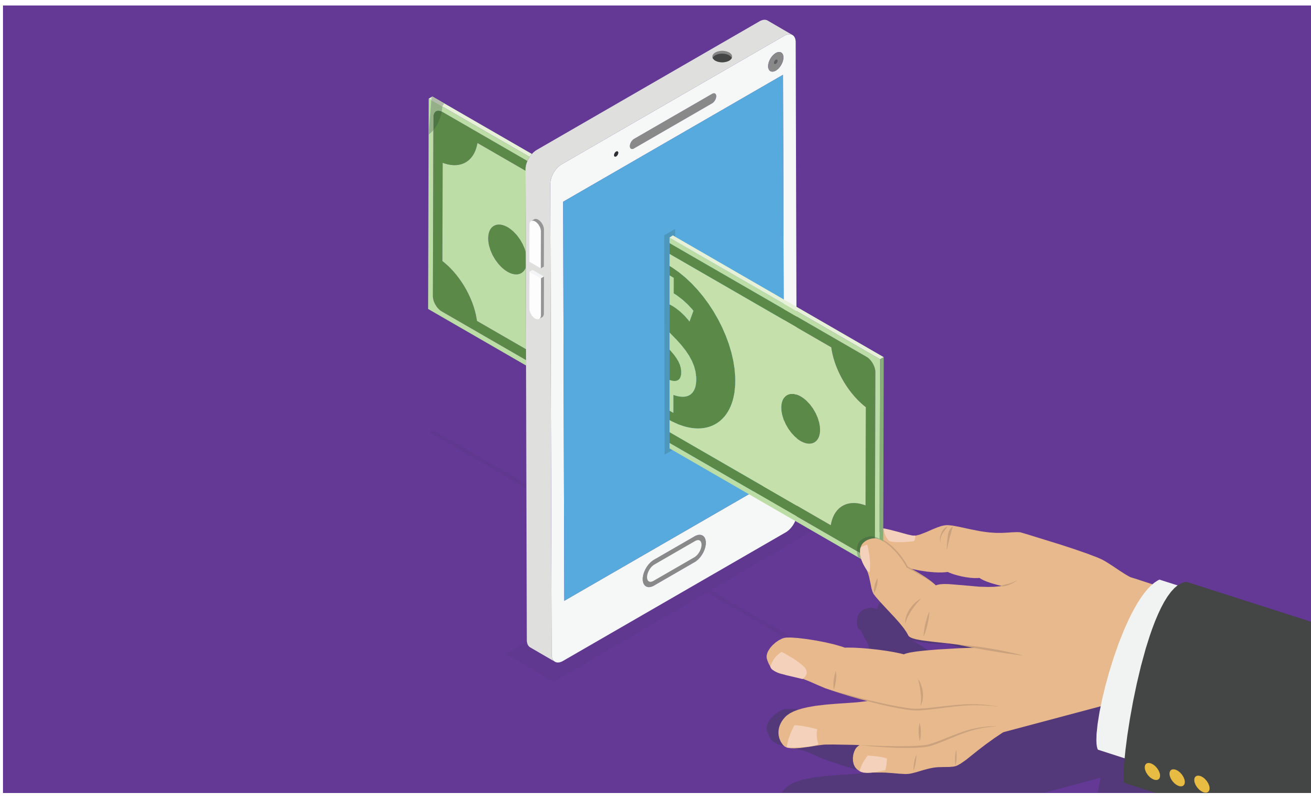
"From a borrower's perspective, it's nothing they aren't familiar with," Hermiston said. "There are no surprises or additional burdens."

The second-lien option will help banks strengthen relationships with their best customers, she said. Currently, when a customer has a loan request too large for a bank to handle, the bank will often share a piece of that loan with another, sometimes rival, bank.

Sometimes the participating institution may want something in return, such as a share of the customer's deposits, Hermiston said. In the worst cases the other bank may even try to cross-sell its own products and services.

Loan sharing "isn't necessarily a bad thing, but in general banks want to keep relationships for themselves," Hermiston said. *– Alan Kline*

BankTechnology



A Company Called Dave Is Out to Eliminate Overdrafts

The billionaire Mark Cuban is among the investors in the new app

By Mary Wisniewski

A NEW APP AIMS TO PREDICT WHEN customers' checking balances will be low and offer them advances so they can avoid overdraft fees.

Dave, a Los Angeles startup with a chummy name, launched its app in April. The company – which has raised $3 million from the billionaire Mark Cuban and other investors – will fund its own advances instead of using a bank partner. It will get income from $1 monthly user fees (they start after the first month of use) and voluntary donations.

The mission of the app underscores a growing trend among banks and fintech startups alike: the attempt to ease cash flow challenges at a time when almost half of consumers say they could not cover a $400 emergency expense without having to sell something or borrow money.

Instead of predicting what consumers can save, like Digit does, or what consumers can spend, like BBVA's Simple does, Dave is crunching transaction data, including upcoming bills, to predict when bank customers will encounter low balances within the next seven days. It offers those customers one remedy – advancing up to $250 to their linked accounts.

On borrowers' next payday, the app

ILLUSTRATION FROM ADOBESTOCK

automatically grabs the money owed from their accounts if they agree to it. But borrowers also can pay the startup back manually. Any new advances are barred before the previous one is paid, company officials say.

Such services typically raise privacy issues. Dave's privacy policy says consumers may limit sharing of personal information for joint marketing with other financial companies, affiliates and nonaffiliates. They cannot block marketing directly from Dave or sharing with affiliates or credit bureaus for everyday business purposes.

Jason Wilk, Dave's co-founder and chief executive, sees the service as a way to avoid overdraft fees – something he still believes requires new solutions despite reforms made in recent years and banks' offering alternative accounts. "The problem isn't getting any better," Wilk said.

Though it's hard to quantify the revenue earned on overdraft fees industrywide, the Consumer Financial Protection Bureau estimates banks with $1 billion or more in assets received $11.42 billion from overdraft and nonsufficient-funds fees in 2016 (the second year banks had to report this data). The agency estimates that total revenue from consumer overdraft and NSF fees is as much as $17 billion annually.

Banks are required to get consumers to opt in to overdraft fees; however, data from the Pew Charitable Trusts shows that more than half of consumers who received a debit card overdraft penalty fee do not recall opting in to for coverage.

In a survey Dave conducted in March, consumers cited "forgotten bills" and "I come up short before my payday" as top reasons why they were dinged with overdraft fees.

As Wilk sees it, there is also a segment of consumers who do not opt in to overdraft protection because they are either unaware or want to avoid using overdraft as an expensive form of credit.

For all of these consumers, Dave is meant to be a cheaper alternative for times when bills are due, balances are low and payday is still a ways off. Besides the monthly $1 fee, there are no interest charges, but Dave asks users to make an optional donation for the help with avoiding overdraft fees, given that those fees are often around $34 a pop.

Regardless of whether Dave lives up to its goal of an overdraft fee remedy, there is no question that consumers struggle with juggling swings in income and expenses. According to some estimates, as many as half of U.S. households experience what economic researchers call "income volatility," meaning their incomes can go up or down by 25% or more from one month to the next.

"It's not a niche issue," said John Thompson, senior vice president of the Center for Financial Services Innovation.

Dave is but the latest to launch a service designed to bridge gaps between payday and money owed. Some, like FlexWage, are positioning their services as an employee benefit. Others, like Activehours and Even, are direct-to-consumer like Dave.

The name-your-fee model is atypical in finance with a few exceptions. Activehours and the startup Aspiration still ask for tips as part of their revenue models. Green Dot's original GoBank also used to request tips from users of its mobile checking account, but stopped after striking a distribution deal with Walmart.

Like the others, Dave is up against many challenges, including courting consumers. But Wilk is optimistic. "We are saving people from a very negative" outcome," he said.

Nick Bourke, director of consumer finance at the Pew Charitable Trusts, said the jury is still out on whether advances ahead of paychecks are helpful or harmful. He said consumers need to be able to pay back small-dollar loans over time to avoid a cycle of dependency.

Granted, Dave users do not have to advance a portion of their paychecks. The forecasting feature, after all, is designed to get people thinking about ways to avoid the outcome.

However, forecasting transactions is almost as controversial as offering small lines of credit. Some see forecasting transactions as being more useful than personal financial management services, which show things that have already happened. But others see forecasts as potentially confusing to consumers and possibly dangerous if it deepens their debt.

Regardless of whether Dave endures, it is part of a trend that is expected to gain importance in banking. It gives consumers an option for addressing a common challenge.

"It's different than it used to be," Thompson said. Dave "represents an opportunity to solve problems consumers have as opposed to just asking them to solve them on their own."

More Death By Fintech

Truebill now threatens to rob banks of late fees

TRUEBILL IS ADDING A NEW FEATURE to its app that will help consumers cancel bank fees such as overdrafts and late charges.

For more than a year the app has been helping its users track the fees they pay, a service that has become more useful as consumers, especially millennials, increasingly pay for things with an automatic debit from a card – streaming TV services, gym memberships, cellphone bills, rent and so forth.

"Over the last 18 months, the average number of automated charges per person has doubled," said Yahya Mokhtarzada, the co-founder and chief executive of Truebill, a fintech startup that acts as an automated financial advocate.

Truebill's app connects to bank or credit card accounts, monitors transactions and identifies potentially improper charges that the consumer might not even notice. With customers' permission, it applies for a cancellation on their behalf. "It turns out there are a lot of people out there who are paying for an old subscription that they forgot about or for a free trial that converted into a subscription they're unaware of," Mokhtarzada said.

The app provides a dashboard that shows the users all of their subscriptions and recurring bills in one place and lets them cancel any subscription with one click. It has 120,000 users so far.

Now it is tackling bank fees. When the new feature detects a late fee or an overdraft charge, it contacts the bank to request a refund, in cases where customers grant permission.

"Last year, banks made $16 billion in revenue just on overdraft fees," Mokhtarzada pointed out.

Truebill developers reverse-engineer the process each bank goes through when deciding to issue a refund.

"We look at things like, is the account in good standing now and is this the first charge of that type in the past X months?" Mokhtarzada said. "If those criteria match, we know there's a much higher possibility of refunds."

In a month of testing, Truebill clawed the bank fees back 40% of the time.

One thing that comes up when trying to cancel recurring charges is the challenge of coding – the way the merchant and transaction are identified does not necessarily match the name the consumer is familiar with. Sometimes only a phone number is provided. Other times, the vendor uses a third-party billing service the consumer fails to recognize. Truebill has automated processes to determine the original biller.

Some companies, like Netflix or Spotify, are amenable to cancellations. Others, whom Mokhtarzada calls "bad actors," sneak people into subscriptions and make it really difficult to get out.

Truebill continuously updates the workflows it uses to cancel each subscription. Some billers, for instance, will suddenly require extra information such as the last four digits of a Social Security number, so Truebill will set up an automated process to obtain that data.

Truebill keeps 30% of the recovered amount of bank fees and subscriptions.

– Penny Crosman

U.S. Bank's Mobile Carrot

Rewards points are tied to spending via a smartphone

AT FIRST BLUSH, U.S. BANK'S NEW Altitude Reserve Visa Infinite card has all the markings of a "me too" card, coming on the heels of similar efforts by JPMorgan Chase, Citigroup and American Express to offer a credit card for the well-heeled who are willing to pay a high fee for concierge services.

But there are some key differences to the Minneapolis company's approach that make it distinct. The biggest is how customers earn the coveted triple points per dollar spent.

Other high-end cards link extra points mostly to restaurants and travel. The Altitude Reserve, which U.S. Bank started offering on May 1, pays triple points on travel purchases as well. But it goes further by paying triple points for any mobile purchases on Apple Pay, Android Pay, Samsung Pay or Microsoft Wallet.

The idea is to put the decision-making in the hands of the consumer, said John Steward, president of retail payment solutions for U.S. Bank. Rather than earn the extra points at restaurants, a customer might choose to earn them at a bike shop they often visit, he said. "The idea is to keep 'me' in control," Steward said.

The adoption of mobile payments has been slower than expected. Many believe it to be the future of payments and that is why several of the largest banks are angling to snag a top-of-wallet position.

Still, the industry has struggled with figuring out how to determine the best way to spark adoption. Tying rewards to can be an effective solution and U.S. Bank's strategy with the Altitude Reserve card is among the most ambitious.

"This is one of the more aggressive attempts we've seen to juice mobile spending through carrots," said Peter Wannemacher, a senior analyst at Forrester.

Wannemacher said he expects the card to do well but not achieve market dominance. Essentially, people who use it may love it, but others might not see the appeal.

The friction factor matters more to consumers than rewards, he said. And there is not a lot of friction in using a card. "It's the convenience quotient," Wannemacher said. "Using a card is the way we've done it for the past four decades and that is really hard to overcome."

Still, Steward said the customers the bank is targeting for the card wanted the ability to earn and redeem rewards via their mobile devices. "We heard from customers that they do everything from their phone and they asked for a rewards experience that capitalizes on the control consumers have from managing everything in one place," Steward said. "So we designed a card that both allows for earning and redemption via mobile."

The other distinction for the Altitude Reserve card is who can get it: only customers with other accounts at U.S. Bank. A noncustomer interested in the offering could open a new account, but they could wait up to 35 days before becoming eligible.

That difference is important and could help lower acquisition costs, observers said. JPMorgan's fourth-quarter earnings took a hit related to the acquisition costs of Sapphire Reserve, but U.S. Bank hopes to avoid a similar fate.

"We would anticipate being able to utilize this type of product to get better penetration with respect to" existing wealth and private clients, Terry Dolan, U.S. Bank's chief financial officer, said in an interview.

"The approach that we'll take will be

a bit different than the Sapphire card, as an example, because we're not necessarily going to chase volume through huge rewards," Dolan added. "I know that JPMorgan views that as the right strategy, and who knows, only time will tell."

U.S. Bank is essentially going for a cross-selling strategy and that is going to set the card apart, said Ron Shevlin, director of research at Cornerstone Advisors. The targeting of existing customers "significantly" lowers acquisition costs.

Additionally, this product is likely to appeal primarily to millennials, who are beginning to shift from using debit cards to credit cards. And lastly, interchange fees on credit cards are higher than debit cards. "At first, this reminded me of the movie 'Spinal Tap' – 'This amp goes to 11,' " Shevlin said. "But it sounds like they closely studied the economics of it and it seems like a smart move on their part."

– Robert Barba

A Branch Novelty

Robot chats up customers and offers banking tips

THE CANADIAN BANK ATB FINANCIAL is putting a new face on customer service at its branches, and the face isn't human.

As of May, customers at select branches are being greeted by Pepper, a 4-foot-tall humanoid robot with a built-in touchscreen tablet.

The robot can talk to customers, recommend products and services to meet their needs, and offer to give them a financial literacy quiz. Apparently, it can even learn dance moves.

"We're excited for her to say hello to our customers and tell them about ATB – or just dance together for a bit," said Dave Mowat, ATB's president and chief executive.

While bankers are becoming accustomed to the idea that artificial intelligence and chatbots will affect their business, a "Jetsons"-style robot is a novel feature at a branch.

Describing its use of the robot as a proof of concept for the "future of banking," the $34.4 billion-asset bank said it plans to have one stationed in at least three of its Calgary branches by July.

The robot, which has large, anime-style eyes and is capable of lifelike gestures, will bring "something new, delightful and informative" to ATB's retail banking experience, said Steve Carlin, global chief strategy officer for SoftBank Robotics America, the San Francisco company that developed Pepper.

The robot's Canadian debut follows two pilot programs in the United States. The first was with Westfield Corp. in two shopping centers in the San Francisco Bay area, and the second, at Oakland International Airport, was with the restaurateur HMSHost.

But this appears to be the first time the little white robot has popped up in a North American bank branch.

– Brian Patrick Eha

A Pitch to The Rich

Robo-adviser is first to do lending against investments

THE ROBO-ADVISORY FIRM WEALTHFRONT has begun offering lines of credit to its young, well-heeled client base.

Investors who have at least $100,000 in taxable Wealthfront accounts will be able to borrow up to 30% of the account value, the company said.

The credit lines, which the company pledges to fund within 24 hours, will be secured by the assets in the client's portfolio. They will carry annual percentage rates of 3.25% to 4.5% – more affordable than many home equity lines of credit.

Wealthfront, the first robo-adviser to offer securities-based lending, is positioning itself to better compete with traditional wealth managers. Wells Fargo and Morgan Stanley are among the banks offering a similar product. *– Kevin Wack*

Hey, Big Spenders, Way to Go

The top-performing banks in the $2 billion-to-$10 billion asset class are a diverse group made up of traditional commercial lenders, mortgage powerhouses, serial acquirers and fee generators. But one common characteristic is that they are unafraid to invest in growth. This is especially striking given the pressure all banks are under to control expenses these days.

Last year the median spending increase for those in the top 20 was 10.92%, compared with 6.33% for all 238 banks that qualified for this ranking. Not coincidentally, these standouts generated stronger growth in both interest and noninterest income than the peer group and, despite higher overhead, had lower efficiency ratios. Most notably, their median return on equity – at 14.30% for 2016 – was a whopping 558 basis points higher than that of their peers.

Three newcomers – Stearns Financial in St. Cloud, Minn., Independence Bancshares in Owensboro, Ky., and Sterling Bancorp in Southfield, Mich. – topped the ranking, which is based on return on average equity across three years. They are among 22 banks appearing here for the first time after having crossed the $2 billion-asset threshold in 2016.

Stearns is one of 11 banks in the top 20 whose spending increased by a double-digit percentage last year. It has a niche in equipment finance and other specialty lending, and continued investment in those business lines helped it achieve loan yields and a net interest margin far superior to those of its peers.

"Those that invest wisely in the businesses that best support revenue growth are the ones that are able to improve profitability over time," said Kevin Halsey, a Capital Performance Group consultant who compiled the data for this annual ranking.

Apart from their willingness to spend money, the top-performing banks do not have much else in common, Halsey said.

Some are what Halsey calls "fee-income superstars," like Woodforest Financial Group in The Woodlands, Texas, and State Bancshares in Fargo, N.D. Woodforest, which has more than 700 branches in Walmart stores nationwide, generates much of its income from ATM fees and deposit service charges, such as monthly maintenance fees and overdraft fees. Its ratio of fee income to average assets was 9.6% last year, by far the highest of any bank in the ranking. State Bancshares' 5.30% was next highest, plumped up by the sale of mortgages.

ServisFirst Bancshares in Birmingham, Ala., has succeeded largely by hiring successful teams of bankers away from competitors, and Watford City Bancshsares in North Dakota, is a commercial lender that, outside of Stearns, had the highest ratio of interest income to total assets in the group. Then there's Hingham Institute for Savings, which can actually point to expense control as its secret to success. "As you can see, there are many ways to be a top performer," Halsey said. *– Alan Kline*

Rank	Institution/Ticker	Location	Total Assets ($000)	3 YR ROAE (%)	ROAE (%)	ROAA (%)	Efficiency Ratio FTE (%)	Net Interest Margin FTE (%)	Net Income ($000)	Change in Net Income YOY (%)	Net Loan Growth YOY (%)	Core Deposit Growth YOY (%)
1	Stearns Financial Services*	Saint Cloud, MN	2,045,635	24.93	18.54	2.59	39.94	7.07	51,852	(38.35)	3.82	6.92
2	Independence Bancshares*	Owensboro, KY	2,006,098	19.29	17.39	1.22	58.11	3.95	28,362	(6.12)	7.72	11.62
3	Sterling Bancorp	Southfield, MI	2,164,369	18.98	22.86	1.80	31.70	4.10	34,417	49.15	25.91	48.30
4	Watford City Bancshares*	Watford City, ND	2,263,118	18.30	11.08	0.77	68.09	4.39	23,291	(40.05)	6.94	0.41
5	State Bankshares	Fargo, ND	4,289,053	17.03	17.84	1.65	67.23	3.89	65,094	78.81	10.78	19.71
6	Hingham Institution for Savings (HIFS)	Hingham, MA	2,014,599	16.57	15.59	1.22	32.09	3.10	23,423	21.07	14.24	17.60
7	Woodforest Financial Group*	The Woodlands, TX	4,914,172	15.65	13.51	1.12	86.07	2.88	78,343	0.19	15.74	5.90
8	ServisFirst Bancshares (SFBS)	Birmingham, AL	6,370,448	15.25	16.64	1.42	38.82	3.42	81,479	28.23	16.34	31.47
9	Union Savings Bank*	Cincinnati, OH	2,925,022	14.19	16.34	1.57	49.91	2.80	65,432	16.36	10.53	7.02
10	Alpine Banks of Colorado	Glenwood Springs, CO	3,057,174	14.13	14.89	1.16	64.21	4.30	33,419	20.97	14.85	14.68
11	Stock Yards Bancorp (SYBT)	Louisville, KY	3,039,481	13.74	13.49	1.42	57.71	3.59	41,027	10.33	13.25	7.91
12	FB Financial Corp.* (FBK)	Nashville, TN	3,276,881	13.72	14.51	1.36	73.53	4.10	40,591	(15.18)	19.68	7.70
13	Landrum Co.	Columbia, MO	2,568,898	13.69	13.07	0.90	67.10	3.90	22,602	17.56	6.69	7.24
14	Fremont Bancorp.*	Fremont, CA	3,671,887	13.35	16.47	1.13	71.35	3.60	56,488	35.35	11.58	19.71
15	First Financial Bankshares (FFIN)	Abilene, TX	6,809,931	13.32	12.36	1.59	49.12	4.08	104,774	4.38	0.90	8.76
16	Inwood Bancshares*	Dallas, TX	2,387,860	13.23	13.43	1.20	47.90	3.34	41,926	6.12	2.95	9.23
17	Heartland Bancorp*	Bloomington, IL	2,971,569	13.14	12.87	1.27	55.68	4.17	52,565	7.97	(1.04)	5.13
18	Home BancShares (HOMB)	Conway, AR	9,808,465	13.06	14.08	1.85	36.43	4.81	177,146	28.18	11.19	12.82
19	Amboy Bancorp.*	Old Bridge, NJ	2,440,961	12.87	9.85	0.94	57.32	3.44	31,749	49.24	9.86	5.05
20	City Holding Co. (CHCO)	Cross Lanes, WV	3,984,403	12.83	12.09	1.36	54.40	3.50	52,128	(3.64)	6.44	5.99

MIDTIERS, RANKED BY 3-YEAR AVERAGE ROE

Rank	Institution/Ticker	Location	Total Assets ($000)	3 YR ROAE (%)	ROAE (%)	ROAA (%)	Efficiency Ratio FTE (%)	Net Interest Margin FTE (%)	Net Income ($000)	Change in Net Income YOY (%)	Net Loan Growth YOY (%)	Core Deposit Growth YOY (%)
21	USAmeriBancorp (USAB)	Clearwater, FL	4,153,283	12.71	14.22	1.12	53.27	3.55	43,371	24.18	14.46	21.64
22	INTRUST Financial Corp.*	Wichita, KS	4,651,918	12.66	14.71	0.84	65.09	2.68	57,671	18.73	10.13	9.11
23	Lakeland Financial Corp. (LKFN)	Warsaw, IN	4,290,025	12.52	12.52	1.29	47.46	3.18	52,084	12.33	12.91	10.44
24	Fidelity Southern Corp. (LION)	Atlanta, GA	4,389,685	12.51	11.61	0.92	72.48	3.32	38,766	(0.94)	14.36	17.76
25	First Bancshares	Merrillville, IN	3,486,109	12.45	12.41	1.07	59.26	3.50	35,192	11.17	12.11	18.61
26	First Security Bancorp	Searcy, AR	5,386,271	12.29	10.52	2.01	40.84	4.92	102,232	(3.38)	6.41	7.83
27	Canandaigua National Corp. (CNND)	Canandaigua, NY	2,476,109	12.28	11.95	0.95	65.28	3.50	22,493	7.16	5.95	14.83
28	United Community Bancorp *	Chatham, IL	2,209,980	12.27	10.47	0.95	59.60	3.25	24,375	(15.03)	22.22	29.39
29	German American Bancorp (GABC)	Jasper, IN	2,955,994	12.21	10.94	1.24	55.01	3.75	35,184	17.03	27.54	29.87
30	Exchange Bank (EXSR)	Santa Rosa, CA	2,179,401	11.98	11.89	1.04	63.79	3.56	21,502	2.25	11.89	8.00
31	Washington Trust Bancorp (WASH)	Westerly, RI	4,381,115	11.95	11.96	1.16	55.79	3.02	46,481	6.94	7.05	0.09
32	Preferred Bank (PFBC)	Los Angeles, CA	3,221,598	11.87	12.77	1.27	38.75	3.72	36,369	22.28	23.68	22.51
33	Eagle Bancorp (EGBN)	Bethesda, MD	6,890,096	11.85	12.27	1.52	39.63	4.19	97,707	16.09	13.56	12.40
34	Arrow Financial Corp. (AROW)	Glens Falls, NY	2,605,242	11.81	11.79	1.06	57.43	3.15	26,534	7.59	11.45	4.16
35	Park National Corp. (PRK)	Newark, OH	7,467,586	11.81	11.68	1.16	60.43	3.52	86,135	6.32	4.18	8.55
36	Hometown Community Bancorp*	Morton, IL	3,315,580	11.44	10.78	0.97	51.83	3.12	44,743	4.30	12.53	6.75
37	Durant Bancorp*	Durant, OK	5,810,900	11.32	12.28	1.07	69.35	3.91	57,004	33.41	97.66	99.24
38	Hanmi Financial Corp. (HAFC)	Los Angeles, CA	4,701,346	11.29	10.89	1.29	56.50	3.95	56,489	4.95	21.58	23.91
39	Farmers & Merchants Bancorp (FMCB)	Lodi, CA	2,922,121	11.27	11.17	1.12	57.55	3.89	29,723	8.51	8.94	11.96
40	Westamerica Bancorp. (WABC)	San Rafael, CA	5,366,083	11.25	10.85	1.12	51.51	3.24	58,853	0.17	(11.76)	4.60
41	Stockman Financial Corp.*	Miles City, MT	3,240,562	11.24	8.34	1.22	52.59	3.59	59,144	2.60	11.72	13.21
42	CNB Financial Corp. (CCNE)	Clearfield, PA	2,573,821	11.23	9.69	0.85	61.52	3.71	20,540	(7.46)	19.35	10.97
43	CVB Financial Corp. (CVBF)	Ontario, CA	8,073,707	11.21	10.26	1.26	43.47	3.46	101,429	2.30	9.49	13.83
44	Century Bancorp (CNBKA)	Medford, MA	4,462,608	11.21	10.80	0.57	62.78	2.12	24,534	6.57	11.18	22.05
45	Enterprise Financial Services (EFSC)	Clayton, MO	4,081,328	11.21	13.14	1.29	49.86	3.84	48,837	27.01	12.04	15.66
46	Tompkins Financial Corp. (TMP)	Ithaca, NY	6,236,756	11.06	10.87	1.01	61.82	3.33	59,471	1.57	12.89	6.05
47	Customers Bancorp (CUBI)	Wyomissing, PA	9,382,736	11.06	11.29	0.86	43.80	2.84	78,702	34.34	13.98	25.52
48	Pinnacle Bancorp*	Omaha, NE	9,702,396	11.02	11.32	1.18	55.57	3.58	164,028	12.33	7.58	6.25
49	Wilson Bank Holding Co. (WBHC)	Lebanon, TN	2,198,051	10.97	10.80	1.21	58.33	3.80	25,633	7.42	15.73	12.65
50	Hills Bancorp. (HBIA)	Hills, IA	2,655,770	10.96	11.26	1.23	54.33	3.39	31,555	11.04	7.44	11.43
51	Flushing Financial Corp. (FFIC)	Uniondale, NY	6,058,487	10.94	13.07	1.10	61.24	2.97	64,916	40.48	10.24	13.83
52	First State Bancshares	Farmington, MO	2,126,423	10.92	11.26	1.15	65.51	3.85	23,578	18.45	8.87	2.55
53	Glacier Bancorp (GBCI)	Kalispell, MT	9,450,600	10.91	10.79	1.32	54.38	4.02	121,131	4.31	12.43	8.55
54	Dime Community (DCOM)	Brooklyn, NY	6,005,430	10.88	13.40	1.31	47.96	2.68	72,514	61.96	20.04	43.59
55	WSFS Financial Corp. (WSFS)	Wilmington, DE	6,765,270	10.83	10.03	1.06	59.75	3.82	64,080	19.70	18.55	21.78
56	Great Southern Bancorp (GSBC)	Springfield, MO	4,550,663	10.78	10.93	1.04	59.80	4.05	45,342	(2.49)	12.63	10.68
57	Ameris Bancorp (ABCB)	Moultrie, GA	6,892,031	10.76	11.75	1.17	59.93	3.99	72,100	76.51	33.69	14.27
58	Fishback Financial Corp.	Brookings, SD	2,211,620	10.75	10.15	1.22	59.97	4.37	25,229	1.54	5.94	10.74
59	Cardinal Financial Corp. (CFNL)	McLean, VA	4,210,514	10.66	11.40	1.23	56.45	3.33	50,491	6.67	4.07	8.15
60	TrustCo Bank Corp NY (TRST)	Glenville, NY	4,868,806	10.63	9.94	0.89	55.66	3.11	42,601	0.86	4.25	1.47
61	First American Bank Corp.*	Elk Grove Village, IL	3,789,823	10.57	11.64	0.89	67.19	2.77	39,888	35.68	4.26	5.99
62	Institution for Savings	Newburyport, MA	2,810,535	10.57	9.78	0.98	72.26	2.20	26,283	11.97	14.42	13.45
63	Franklin Financial Network (FSB)	Franklin, TN	2,943,189	10.55	13.50	1.10	52.04	3.42	28,057	74.48	36.32	46.01
64	BancFirst Corp. (BANF)	Oklahoma City, OK	7,018,952	10.55	10.34	1.05	60.84	3.26	70,674	6.81	3.73	6.04
65	Anchor Bancorp	Saint Paul, MN	2,024,797	10.51	10.34	0.89	60.78	3.63	17,416	30.92	7.02	6.08
66	First of Long Island Corp. (FLIC)	Glen Head, NY	3,510,320	10.50	10.62	0.93	49.83	2.89	30,880	19.27	13.25	17.94
67	Longview Financial Corp.	Longview, TX	2,293,613	10.33	10.68	1.09	56.92	3.55	24,615	15.22	8.46	5.01
68	Heartland Financial USA (HTLF)	Dubuque, IA	8,247,079	10.28	11.52	0.98	66.73	4.10	80,349	33.82	6.59	13.41
69	CoBiz Financial Inc. (COBZ)	Denver, CO	3,630,313	10.25	12.15	1.02	67.45	3.73	34,899	33.87	9.11	11.17
70	American National Corp.*	Omaha, NE	3,312,790	10.24	9.08	0.90	60.50	3.86	37,835	(0.71)	17.84	11.00
71	Financial Institutions (FISI)	Warsaw, NY	3,710,340	10.20	10.01	0.90	59.05	3.24	31,931	12.68	12.25	9.52
72	Boston Private Financial (BPFH)	Boston, MA	7,970,474	10.13	9.85	1.00	67.47	2.93	75,785	9.31	6.92	0.98
73	ANB Corp.	Terrell, TX	2,815,268	10.06	12.04	0.97	64.87	3.66	25,996	25.28	5.53	4.58
74	Alerus Financial Corp. (ALRS)	Grand Forks, ND	2,050,269	10.00	8.21	0.72	77.33	3.59	14,031	(17.99)	19.43	24.42
75	W.T.B. Financial Corp. (WTBFB)	Spokane, WA	5,668,953	9.99	10.52	0.98	64.41	3.53	51,727	11.58	6.56	10.34
76	QCR Holdings (QCRH)	Moline, IL	3,301,944	9.94	10.56	0.97	61.43	3.75	27,687	63.56	34.02	44.73
77	Triumph Bancorp (TBK)	Dallas, TX	2,641,067	9.84	7.33	1.00	66.13	5.91	20,700	(28.95)	57.12	82.80

MIDTIERS, RANKED BY 3-YEAR AVERAGE ROE

Rank	Institution/Ticker	Location	Total Assets ($000)	3 YR ROAE (%)	ROAE (%)	ROAA (%)	Efficiency Ratio FTE (%)	Net Interest Margin FTE (%)	Net Income ($000)	Change in Net Income YOY (%)	Net Loan Growth YOY (%)	Core Deposit Growth YOY (%)
78	Community Trust Bancorp (CTBI)	Pikeville, KY	3,932,169	9.83	9.58	1.21	56.88	3.70	47,346	1.97	2.28	4.27
79	Burke & Herbert (BHRB)	Alexandria, VA	2,960,429	9.80	8.38	0.98	70.37	3.56	27,193	(11.93)	15.55	2.40
80	Bank of Marin Bancorp (BMRC)	Novato, CA	2,023,493	9.79	10.23	1.15	56.03	3.97	23,134	25.45	2.43	3.48
81	Educational Services of America	Farragut, TN	3,198,585	9.72	6.65	0.68	72.27	2.43	23,346	(23.00)	(8.33)	57.47
82	First Interstate BancSystem (FIBK)	Billings, MT	9,063,895	9.72	9.93	1.10	61.22	3.57	95,636	10.19	4.51	6.15
83	Merchants Bancshares (MBVT)	South Burlington, VT	2,062,658	9.71	9.61	0.76	62.67	3.04	14,883	17.95	7.08	2.42
84	South Plains Financial*	Lubbock, TX	2,500,813	9.67	10.03	0.77	78.25	3.58	26,076	13.71	(1.93)	(1.99)
85	First Financial Bancorp. (FFBC)	Cincinnati, OH	8,437,967	9.58	10.48	1.07	58.31	3.68	88,526	17.94	6.65	9.02
86	First Defiance Financial Corp. (FDEF)	Defiance, OH	2,477,597	9.47	10.10	1.20	60.87	3.73	28,843	9.16	7.96	9.94
87	Camden National Corp. (CAC)	Camden, ME	3,864,230	9.46	10.47	1.04	56.69	3.32	40,067	91.23	4.29	6.90
88	Amarillo National Bancorp*	Amarillo, TX	3,931,955	9.42	6.45	0.85	50.35	3.54	48,550	(28.60)	1.99	1.79
89	TriCo Bancshares (TCBK)	Chico, CA	4,517,968	9.39	9.46	1.02	65.87	4.23	44,811	2.27	9.69	8.18
90	RCB Holding Co.*	Claremore, OK	2,789,509	9.30	8.65	0.86	63.40	3.43	30,233	(0.75)	16.70	15.09
91	Independent Bank Corp. (INDB)	Rockland, MA	7,709,375	9.29	9.43	1.04	58.96	3.40	76,648	17.99	8.12	8.62
92	Nicolet Bankshares (NCBS)	Green Bay, WI	2,300,879	9.28	8.26	0.97	59.75	4.06	18,694	61.78	79.47	96.25
93	First Mid-Illinois Bancshares (FMBH)	Mattoon, IL	2,884,535	9.28	9.24	0.94	58.68	3.40	21,840	32.27	42.76	32.75
94	Sturm Financial Group*	Denver, CO	2,662,298	9.28	10.83	0.72	69.64	3.31	26,361	7.66	14.28	10.53
95	Enterprise Bancorp (EBTC)	Lowell, MA	2,526,269	9.28	9.33	0.78	67.93	3.93	18,751	16.12	8.75	17.09
96	Pacific Premier Bancorp (PPBI)	Irvine, CA	4,036,311	9.15	9.37	1.11	53.65	4.48	40,103	57.17	43.75	53.65
97	Farmers & Merchants	Lincoln, NE	3,646,580	9.14	9.79	1.01	63.60	3.21	35,881	21.43	6.96	8.88
98	BNC Bancorp (BNCN)	High Point, NC	7,401,691	9.14	8.81	1.00	51.74	3.87	62,913	41.54	29.81	44.94
99	1st Source Corp. (SRCE)	South Bend, IN	5,486,268	9.13	8.71	1.08	63.13	3.43	57,786	0.52	5.08	9.34
100	Suffolk Bancorp †	Riverhead, NY	2,092,291	9.13	9.54	0.90	62.30	3.77	19,831	12.12	0.55	5.49
101	S&T Bancorp (STBA)	Indiana, PA	6,943,053	9.11	8.67	1.08	54.08	3.47	71,392	6.43	10.92	10.78
102	HomeStreet (HMST)	Seattle, WA	6,243,700	9.10	10.27	1.01	80.26	3.45	58,151	40.74	17.97	33.39
103	MainSource Financial (MSFG)	Greensburg, IN	4,080,257	9.10	8.93	1.01	61.48	3.65	38,323	7.82	23.39	15.20
104	Horizon Bancorp (HBNC)	Michigan City, IN	3,141,156	9.07	7.90	0.81	64.78	3.34	23,912	16.37	22.19	31.83
105	Community Bank System (CBU)	De Witt, NY	8,666,437	9.03	8.57	1.20	59.21	3.71	103,812	13.79	3.09	5.01
106	First Merchants Corp. (FRME)	Muncie, IN	7,211,611	8.92	9.16	1.17	56.00	3.88	81,051	23.96	9.38	8.15
107	Dacotah Banks (DBIN)	Aberdeen, SD	2,297,173	8.90	9.12	1.02	62.08	3.98	22,969	8.12	5.23	1.37
108	Meta Financial Group (CASH)	Sioux Falls, SD	4,213,329	8.89	9.30	0.94	71.70	2.63	30,406	64.20	50.35	24.79
109	Oritani Financial Corp. (ORIT)	Township of Washington, NJ	4,012,169	8.89	8.30	1.20	40.23	2.93	44,363	(18.94)	16.20	26.02
110	South State Corp. (SSB)	Columbia, SC	8,900,592	8.88	9.17	1.16	60.14	4.18	101,282	1.82	11.35	7.55
111	Guaranty Bancorp (GBNK)	Denver, CO	3,366,427	8.83	9.35	0.93	57.96	3.68	24,727	10.12	39.32	51.25
112	Sierra Bancorp (BSRR)	Porterville, CA	2,032,873	8.82	8.71	0.95	64.42	3.95	17,567	(2.77)	11.66	17.24
113	Community Bank (CYHT)	Pasadena, CA	3,584,959	8.82	8.07	0.74	61.94	3.33	26,823	(3.39)	2.83	5.69
114	MidWestOne Financial Group (MOFG)	Iowa City, IA	3,079,575	8.82	6.69	0.68	63.03	3.80	20,391	(18.82)	0.55	0.84
115	WashingtonFirst Bankshares (WFBI)	Reston, VA	2,002,911	8.78	9.50	1.00	62.70	3.52	18,007	46.94	16.57	11.65
116	NBT Bancorp Inc. (NBTB)	Norwich, NY	8,867,268	8.76	8.74	0.92	60.08	3.43	78,409	2.60	5.37	7.11
117	LegacyTexas Financial Group (LTXB)	Plano, TX	8,362,255	8.75	11.52	1.24	47.50	3.77	97,821	37.94	16.30	19.05
118	First Busey Corp. (BUSE)	Champaign, IL	5,425,170	8.74	9.59	1.00	56.81	3.42	49,694	27.40	57.84	26.76
119	Heritage Commerce Corp (HTBK)	San Jose, CA	2,570,880	8.73	10.71	1.13	55.02	4.12	27,381	65.98	10.55	12.07
120	Pacific Continental Corp. (PCBK)	Eugene, OR	2,541,437	8.68	8.23	0.92	54.57	4.25	19,776	5.47	32.31	35.05
121	Happy Bancshares	Canyon, TX	3,135,824	8.62	9.48	0.96	69.79	3.91	28,004	13.56	4.08	16.66
122	Bryn Mawr Bank Corp. (BMTC)	Bryn Mawr, PA	3,421,530	8.60	9.75	1.16	60.94	3.76	36,036	115.09	11.73	10.83
123	First Foundation Inc. (FFWM)	Irvine, CA	3,975,403	8.57	8.44	0.81	64.58	3.13	23,303	74.19	59.06	70.54
124	Lakeland Bancorp (LBAI)	Oak Ridge, NJ	5,093,131	8.50	8.75	0.90	57.03	3.41	41,518	27.82	30.85	33.77
125	Bridge Bancorp (BDGE)	Bridgehampton, NY	4,054,570	8.50	9.82	0.92	54.71	3.46	35,491	68.12	7.72	6.61
126	Sandy Spring Bancorp (SASR)	Olney, MD	5,091,383	8.43	9.15	1.02	59.85	3.49	48,250	6.38	12.31	8.57
127	Stonegate Bank (SGBK)	Pompano Beach, FL	2,901,602	8.40	9.31	1.13	50.78	3.94	28,935	15.01	22.65	22.58
128	First Financial Corp. (THFF)	Terre Haute, IN	2,988,527	8.36	9.26	1.30	61.72	4.04	38,413	27.21	4.39	1.25
129	Central Pacific Financial (CPF)	Honolulu, HI	5,384,236	8.28	9.16	0.90	64.02	3.27	46,992	2.39	10.68	4.44
130	Broadway Bancshares*	San Antonio, TX	3,545,887	8.26	7.96	0.91	65.08	3.60	35,304	(3.46)	9.76	6.92
131	Peapack-Gladstone Financial (PGC)	Bedminster, NJ	3,878,633	8.20	8.92	0.72	59.44	2.74	26,477	32.57	10.45	18.85
132	Simmons First National (SFNC)	Pine Bluff, AR	8,400,056	8.19	8.74	1.25	57.55	4.19	96,814	30.19	14.36	14.31
133	Independent Bank Corp. (IBCP)	Grand Rapids, MI	2,548,950	8.18	9.21	0.92	71.20	3.52	22,766	13.73	6.82	4.90
134	Renasant Corp. (RNST)	Tupelo, MS	8,699,851	8.17	8.15	1.08	62.20	4.22	90,930	33.69	13.25	15.14

MIDTIERS, RANKED BY 3-YEAR AVERAGE ROE

Rank	Institution/Ticker	Location	Total Assets ($000)	3 YR ROAE (%)	ROAE (%)	ROAA (%)	Efficiency Ratio FTE (%)	Net Interest Margin FTE (%)	Net Income ($000)	Change in Net Income YOY (%)	Net Loan Growth YOY (%)	Core Deposit Growth YOY (%)
135	Mercantile Bank Corp. (MBWM)	Grand Rapids, MI	3,082,571	8.15	9.35	1.07	59.96	3.86	31,913	18.11	4.36	7.15
136	OceanFirst Financial Corp. (OCFC)	Toms River, NJ	5,167,052	8.06	6.08	0.62	60.70	3.46	23,046	13.40	92.81	113.13
137	Old Second Bancorp (OSBC)	Aurora, IL	2,251,188	7.96	9.43	0.73	66.91	3.31	15,684	1.94	30.99	8.37
138	Farmers & Merchants Bank (FMBL)	Long Beach, CA	6,729,058	7.94	8.08	1.12	60.39	3.51	71,508	10.10	5.87	10.77
139	WesBanco (WSBC)	Wheeling, WV	9,790,877	7.90	7.13	0.97	56.01	3.32	86,635	7.27	23.67	23.05
140	Columbia Banking System (COLB)	Tacoma, WA	9,509,607	7.85	8.26	1.13	58.46	4.12	104,866	6.11	6.92	9.64
141	Commerce Bancshares Corp.	Worcester, MA	2,238,060	7.84	7.81	0.67	57.56	2.98	12,525	15.48	5.22	15.27
142	Central Bancshares	Lexington, KY	2,298,676	7.76	7.35	0.76	76.83	3.73	17,006	(0.77)	6.60	8.46
143	Community Bancshares	Brandon, MS	2,820,237	7.73	7.78	0.69	71.49	3.86	19,236	12.49	5.93	11.49
144	TowneBank (TOWN)	Portsmouth, VA	7,973,915	7.69	7.49	1.00	62.50	3.50	72,215	9.97	32.64	26.27
145	1867 Western Financial (WFCL)	Stockton, CA	2,872,014	7.67	8.38	1.32	56.51	3.81	33,920	11.42	6.52	10.41
146	First National Bank Alaska (FBAK)	Anchorage, AK	3,609,848	7.67	8.38	1.15	55.24	3.55	41,392	14.58	8.17	2.01
147	Brookline Bancorp (BRKL)	Boston, MA	6,438,129	7.66	7.94	0.88	56.22	3.44	55,224	5.45	8.20	10.80
148	Fidelity Financial Corp.	Wichita, KS	2,012,174	7.64	8.55	0.69	70.70	3.06	16,108	17.69	11.77	12.44
149	First Texas BHC	Fort Worth, TX	2,129,366	7.64	8.52	1.00	62.23	3.82	18,619	22.40	20.16	25.65
150	Grandpoint Capital (GPNC)	Los Angeles, CA	3,326,936	7.64	8.89	1.03	51.77	3.71	33,186	11.57	3.60	1.40
151	Luther Burbank Corp.*	Santa Rosa, CA	5,064,500	7.46	8.99	0.75	59.72	2.11	52,121	47.27	16.02	23.64
152	BancPlus Corp.	Ridgeland, MS	2,706,565	7.40	6.36	0.63	75.92	3.66	16,839	(20.98)	16.18	6.65
153	CBFH	Beaumont, TX	2,952,215	7.34	7.79	0.95	61.93	3.91	27,208	12.73	3.00	1.92
154	Independent Bank Group (IBTX)	McKinney, TX	5,852,801	7.32	8.42	0.98	53.31	3.81	53,540	38.04	14.49	16.89
155	First Community Bancshares (FCBC)	Bluefield, VA	2,386,398	7.30	7.42	1.02	61.04	4.01	25,126	2.39	8.82	(0.04)
156	Carter Bank & Trust (CARE)	Martinsville, VA	4,505,529	7.29	3.67	0.33	58.75	2.24	15,979	(59.19)	3.27	(2.64)
157	Heritage Financial Corp. (HFWA)	Olympia, WA	3,878,981	7.23	8.01	1.04	64.19	3.92	38,918	3.81	10.14	6.71
158	Banner Corp. (BANR)	Walla Walla, WA	9,793,668	7.19	6.41	0.87	66.59	4.20	85,385	88.81	4.54	5.59
159	CU Bancorp (CUNB)	Los Angeles, CA	2,994,760	7.18	8.43	0.96	54.67	3.72	27,457	29.29	11.74	15.69
160	West Suburban Bancorp (WNRP)	Lombard, IL	2,244,293	7.13	6.35	0.60	71.36	2.88	13,229	(10.03)	(1.81)	5.35
161	First Bancorp (FBNC)	Southern Pines, NC	3,614,862	7.11	7.63	0.80	69.39	4.03	27,509	1.76	7.79	8.25
162	Columbia Bank MHC	Fair Lawn, NJ	5,119,893	7.07	7.88	0.70	63.96	2.77	34,964	14.18	6.81	9.57
163	First Commonwealth Financial (FCF)	Indiana, PA	6,684,018	7.06	8.02	0.89	58.53	3.32	59,590	18.84	4.26	21.20
164	ConnectOne Bancorp (CNOB)	Englewood Cliffs, NJ	4,426,348	7.03	6.30	0.73	41.73	3.38	31,082	(24.76)	14.83	17.85
165	Equity Bancshares (EQBK)	Wichita, KS	2,192,192	7.01	5.55	0.55	64.73	3.35	9,374	(8.99)	44.21	38.33
166	Provident Financial Services (PFS)	Iselin, NJ	9,500,465	7.00	7.12	0.95	57.59	3.09	87,802	4.87	7.19	13.81
167	Salem Five Bancorp	Salem, MA	4,119,458	6.98	7.19	0.78	63.58	2.85	30,640	14.82	10.62	16.59
168	State Bank Financial Corp. (STBZ)	Atlanta, GA	4,224,859	6.96	8.63	1.34	58.90	4.68	47,591	67.44	29.92	18.20
169	NEB Corp.	Fond du Lac, WI	2,007,394	6.94	6.41	1.27	46.73	3.65	24,091	(6.80)	(0.55)	15.61
170	Parkway Bancorp	Harwood Heights, IL	2,489,702	6.89	8.12	0.74	56.05	2.96	17,904	13.32	1.69	(1.98)
171	Heritage Oaks Bancorp †	Paso Robles, CA	2,024,890	6.81	7.97	0.87	63.15	3.68	16,933	10.32	11.20	9.09
172	Southwest Bancorp (OKSB)	Stillwater, OK	2,475,392	6.74	6.18	0.74	64.59	3.46	17,704	1.71	5.49	(0.74)
173	FCB Financial Holdings (FCB)	Weston, FL	9,090,134	6.63	10.80	1.23	43.68	3.56	99,916	87.14	28.08	42.48
174	Bangor Bancorp	Bangor, ME	3,633,393	6.62	6.64	0.72	73.47	3.09	24,826	10.19	7.44	13.91
175	Union Bankshares Corp. (UBSH)	Richmond, VA	8,426,793	6.62	7.79	0.96	61.99	3.80	77,476	15.50	11.16	8.51
176	Univest Corp. of Pa. (UVSP)	Souderton, PA	4,230,528	6.60	4.46	0.56	69.50	3.82	19,505	(28.47)	51.16	35.64
177	Ocean Bankshares	Miami, FL	3,408,278	6.57	6.22	0.67	74.65	3.87	22,687	27.31	12.32	0.29
178	CenterState Banks (CSFL)	Winter Haven, FL	5,078,559	6.54	7.96	0.87	56.71	4.20	42,341	7.63	32.33	29.16
179	Yadkin Financial Corp. †	Raleigh, NC	7,215,630	6.50	5.93	0.80	52.90	3.95	55,168	23.62	67.70	70.10
180	Hometown Financial Group	Easthampton, MA	2,028,162	6.39	6.85	0.71	63.98	3.46	12,803	40.58	53.03	56.37
181	Cambridge Financial Group	Cambridge, MA	3,415,490	6.33	7.01	0.67	65.79	3.08	22,209	24.26	9.95	0.51
182	Republic Bancorp (RBCAA)	Louisville, KY	4,816,309	6.32	7.68	1.02	59.74	3.65	45,903	30.53	14.81	30.16
183	El Dorado Savings Bank	Placerville, CA	2,111,141	6.31	6.36	0.63	62.43	2.22	12,982	7.79	8.64	7.51
184	New York Private	New York, NY	6,438,580	6.19	3.74	0.50	74.67	3.72	33,023	(58.79)	7.65	(21.43)
185	Sabadell United Bank	Miami, FL	5,789,346	6.19	8.08	0.88	54.99	3.05	48,513	38.89	12.36	6.41
186	PeoplesBancorp	Holyoke, MA	2,057,358	6.15	6.53	0.63	77.77	2.89	12,773	24.36	9.62	(3.82)
187	Cape Cod Five Mutual Co.	Orleans, MA	3,117,352	5.97	7.25	0.66	72.63	3.07	19,638	38.16	7.90	4.00
188	Berkshire Hills Bancorp (BHLB)	Pittsfield, MA	9,162,542	5.82	6.44	0.74	60.91	3.27	58,670	18.48	16.27	19.02
189	Discount Bancorp	New York, NY	9,272,477	5.64	6.82	0.65	52.15	2.37	60,129	0.12	4.86	(3.87)
190	Capitol Federal Financial (CFFN)	Topeka, KS	9,139,510	5.55	5.96	0.74	43.19	1.75	83,354	6.40	6.10	4.15
191	Middlesex Bancorp	Natick, MA	4,521,734	5.50	5.19	0.64	66.04	2.77	28,472	(0.25)	3.77	7.45

MIDTIERS, RANKED BY 3-YEAR AVERAGE ROE

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192	Liberty Bank	Middletown, CT	4,566,523	5.44	6.27	0.90	74.87	3.21	39,374	44.26	17.52	15.13
193	Dickinson Financial Corp.	Kansas City, MO	2,159,237	5.44	4.31	0.88	81.86	3.16	18,411	(22.05)	23.18	4.49
194	Park Sterling Corp. (PSTB)	Charlotte, NC	3,255,395	5.44	5.62	0.63	64.13	3.66	19,948	20.13	38.58	25.54
195	Bank Mutual Corp. (BKMU)	Milwaukee, WI	2,648,524	5.38	5.93	0.66	69.24	3.05	16,954	19.59	11.79	7.21
196	Peoples Bancorp Inc. (PEBO)	Marietta, OH	3,432,348	5.35	7.20	0.94	64.77	3.55	31,157	184.77	7.43	1.45
197	Union Savings Bank	Danbury, CT	2,205,675	5.35	5.49	0.55	75.21	3.20	12,318	2.32	0.25	4.83
198	Johnson Financial Group	Racine, WI	4,513,958	5.31	5.41	0.65	78.84	3.25	28,794	16.44	6.23	9.88
199	BSB Bancorp (BLMT)	Belmont, MA	2,158,704	5.29	7.78	0.61	56.58	2.49	11,981	73.29	21.47	12.02
200	Seacoast Banking Corp. (SBCF)	Stuart, FL	4,680,932	5.28	7.06	0.69	65.34	3.64	29,202	31.89	32.86	24.13
201	Mutual of Omaha Bank	Omaha, NE	7,602,676	5.28	5.37	0.56	72.78	3.25	42,184	(1.05)	12.11	0.70
202	Meridian Bancorp (EBSB)	Peabody, MA	4,436,002	5.22	5.77	0.87	55.73	3.34	34,190	38.94	27.96	26.67
203	Dollar Bank	Pittsburgh, PA	7,621,000	5.19	5.32	0.59	71.06	2.86	43,788	4.63	7.19	3.82
204	OFG Bancorp (OFG)	San Juan, PR	6,501,824	5.17	6.49	0.88	58.59	4.90	59,186	NM	(6.46)	3.03
205	Northwest Bancshares (NWBI)	Warren, PA	9,623,640	5.15	4.28	0.55	62.72	3.73	49,667	(17.96)	4.71	31.93
206	Capital Bank Financial (CBF)	Charlotte, NC	9,930,657	5.14	5.46	0.73	57.26	3.63	58,164	6.29	31.77	39.65
207	Valley View Bancshares	Overland Park, KS	3,143,088	5.14	5.44	0.92	57.91	3.24	29,882	5.25	2.31	5.63
208	Origin Bancorp	Ruston, LA	4,072,217	5.12	3.11	0.33	69.12	3.32	12,850	(55.81)	2.85	4.08
209	Carlile Bancshares †	Fort Worth, TX	2,206,223	5.11	5.53	0.92	69.25	4.18	20,905	(3.49)	4.07	(1.79)
210	Eastern Bank Corp.	Boston, MA	9,803,122	5.06	5.06	0.63	77.56	3.35	62,714	0.24	7.71	2.27
211	First Connecticut Bancorp (FBNK)	Farmington, CT	2,837,555	5.05	5.98	0.55	70.29	2.80	15,215	20.96	7.57	12.95
212	Firstrust Savings Bank*	Conshohocken, PA	3,131,868	5.03	5.67	0.68	81.62	4.17	29,187	31.55	14.08	18.75
213	Lone Star National Bancshares	McAllen, TX	2,188,566	4.95	5.35	0.64	79.86	3.43	13,814	29.99	4.79	(1.07)
214	CrossFirst Holdings	Leawood, KS	2,133,106	4.90	5.76	0.56	65.97	3.27	10,311	38.05	30.59	21.56
215	Opus Bank (OPB)	Irvine, CA	7,882,563	4.73	1.22	0.16	49.71	3.62	11,454	(80.89)	1.94	30.23
216	Cadence Bancorp	Houston, TX	9,531,252	4.50	5.96	0.70	58.84	3.33	65,306	71.61	7.38	16.05
217	Spencer Savings Bank	Elmwood Park, NJ	2,609,703	4.32	4.62	0.52	68.01	2.66	13,403	1.46	3.26	5.14
218	BCI Financial Group	Miami, FL	8,260,624	4.18	6.98	0.94	48.69	3.17	69,147	565.84	31.77	10.79
219	Cascade Bancorp (CACB)	Bend, OR	3,079,058	4.15	4.75	0.57	70.66	3.54	16,771	(18.50)	25.23	28.00
220	Standard Bancshares †	Hickory Hills, IL	2,327,196	4.06	(1.16)	(0.12)	89.57	3.59	(2,914)	NM	(0.88)	(0.57)
221	Southern BancShares (SBNC)	Mount Olive, NC	2,512,429	4.05	5.46	0.56	71.45	3.79	13,359	70.05	29.75	25.73
222	Manufacturers Bank	Los Angeles, CA	2,613,381	4.01	4.44	0.53	62.11	2.58	14,057	6.78	0.85	11.47
223	Western New England Bancorp (WNEB)	Westfield, MA	2,076,018	3.74	2.95	0.32	73.46	2.70	4,834	(15.42)	92.30	87.45
224	Capital City Bank Group (CCBG)	Tallahassee, FL	2,845,197	3.60	4.22	0.43	84.10	3.25	11,746	28.85	4.62	6.08
225	Green Bancorp (GNBC)	Houston, TX	4,024,822	3.60	(0.22)	(0.03)	53.64	3.65	(972)	NM	(0.07)	14.95
226	Northfield Bancorp (NFBK)	Woodbridge, NJ	3,850,094	3.58	4.26	0.70	60.53	2.98	26,130	33.79	25.31	40.00
227	TotalBank	Miami, FL	2,947,741	3.56	4.73	0.76	62.46	2.93	22,153	39.89	7.00	5.82
228	Home Federal Bank of Tenn.	Knoxville, TN	2,215,364	3.46	3.31	0.56	68.95	2.58	12,301	(1.88)	2.32	7.13
229	Atlantic Capital Bancshares (ACBI)	Atlanta, GA	2,727,543	3.07	4.44	0.49	71.50	3.12	13,395	NM	6.89	4.05
230	Mercantil Bank Holding	Coral Gables, FL	8,434,540	2.94	3.35	0.29	77.16	2.51	23,580	56.73	2.29	(7.59)
231	HomeTrust Bancshares (HTBI)	Asheville, NC	2,774,240	2.77	3.66	0.48	73.51	3.39	13,250	51.72	12.06	4.80
232	Beneficial Bancorp (BNCL)	Philadelphia, PA	5,738,593	2.52	2.46	0.47	72.40	3.02	25,469	11.25	37.00	16.40
233	CTBC Capital Corp.	Los Angeles, CA	2,957,485	2.41	3.09	0.73	64.51	3.14	20,953	44.49	19.28	11.44
234	Ridgewood Savings Bank	Ridgewood, NY	5,347,525	2.30	2.41	0.31	85.53	2.17	16,454	8.19	14.27	4.37
235	Bank Leumi Le-Israel Corp.	New York, NY	7,420,694	1.95	3.59	0.39	76.29	2.89	26,387	(57.32)	14.26	23.01
236	National Bank Holdings (NBHC)	Greenwood Village, CO	4,573,046	1.90	3.95	0.50	69.47	3.49	23,060	372.44	10.96	1.88
237	Kearny Financial Corp. (KRNY)	Fairfield, NJ	4,585,308	1.49	1.68	0.43	67.32	2.37	19,180	162.38	14.46	4.83
238	Blue Hills Bancorp (BHBK)	Norwood, MA	2,469,692	1.30	2.20	0.39	74.72	2.68	8,653	19.73	24.70	23.95
	Median for all 238 institutions		**3,639,987**	**8.71**	**8.72**	**0.94**	**61.23**	**3.51**	**31,831**	**12.41**	**10.65**	**10.71**
	Median for the top 20 institutions		**3,005,525**	**13.93**	**14.30**	**1.31**	**56.50**	**3.90**	**46,889**	**13.34**	**10.65**	**8.34**
	Average for all 238 institutions		**4,443,897**	**8.61**	**8.74**	**0.92**	**61.53**	**3.49**	**40,918**	**20.82**	**14.73**	**15.53**
	Average for the top 20 institutions		**3,650,501**	**15.36**	**14.85**	**1.38**	**55.34**	**3.92**	**55,305**	**13.53**	**10.42**	**12.66**

Source: Capital Performance Group analysis of data provided by SNL Financial. Ranking is of top consolidated bank holding companies, banks, and thrifts with total assets of between $2 billion and $10 billion as of 12/31/16 and is based on three-year average return on equity for 2014 to 2016. Additional data is for the year ended 12/31/16; year-over-year changes compare 2016 to 2015. Financials are from SEC filings. If unavailable, regulatory financials were used. Excludes industrial banks, nondepository trusts, foreign-owned banks and bankers' banks, as well as institutions with credit cards to total loans of more than 25%, loans to total assets of less than 20% or loans to total deposits of less than 20%. Excludes institutions with a leverage ratio of less than 5%, 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 in the ranking period. Excludes institutions that received a tax benefit of greater than 10% of net income or that did not report data for any year in the ranking period. Also excludes institutions that have fewer than five depository branches and are owned by a company not primarily focused on commercial or retail banking. Based on the preceding criteria, 44 institutions in this asset size range were excluded from the ranking. Ties broken using first the 2016 ROAE and subsequently the 2015 ROAE.

* Denotes institutions that operated as a subchapter S corporation for at least one quarter between 2014 and 2016. Their profitability ratios were calculated from regulatory financials and adjusted using an assumed tax rate. †Institution was acquired between January 1 and April 5.

TELL US WHAT YOU REALLY THINK

Bank of America has spent years catching up to peers on customer service. Its next objective: using insight from customer feedback to shape a top-tier digital experience. When the haters hate, Michelle Moore listens.

BY ROBERT BARBA | PHOTOGRAPHY BY KENT SMITH

Digital Banker of the Year

– Michelle Moore

Head of Digital for Bank of America

When Michelle Moore was asked to expand beyond overseeing call centers to leading the digital efforts for Bank of America, she was perplexed.

She isn't a technologist – her 14 years at the bank have been in a mixture of consumer and finance jobs, with a stint on the commercial team.

"'Hey, we'd like you to run digital.' Wow, I don't know anything about digital," she recalled thinking. "I play the Wii with my kids. That's about all I know.

"I had a flip phone for way too long – I feel like I was the last person to adopt the iPhone and that was because my friends kept telling me, 'Are you serious with that phone?' "

Her luddite tendencies aside, Moore had a willingness to learn new businesses and an obsession with customer perceptions. She might not have understood tech, but she understands people.

Her direct reports, particularly those three hours behind her on the West Coast, often arrive to an inbox with at least a handful of notes about what she has read that morning in app store reviews, customer satisfaction reports and surveys. She wants to figure out what fans of the mobile app like about it and how to keep them, and what is frustrating the critics and how to win them over.

Her focus at first had been on the two extremes in the ratings, which range from one to five stars. But now she hunts mostly for reoccurring comments – like the ones about a new feature in the remote deposit function that automatically snaps a photo of a check. The bank considered it an upgrade, but many customers complained. A manual option soon followed.

"I used to study the 'fives' to see why they liked us and the 'ones' to see why they hated us," Moore said. "But you have to pay as much attention to the twos, threes and fours. Look at everyone and study why they didn't give us a higher score."

Moore's particular skill set might be exactly what Bank of America needed. Its reputation in digital banking has been solidly "also ran" for much of the iPhone era. Its products were adequate, but not spectacular. It wasn't a fast adopter. Digital banking was a channel where people could do basic banking tasks, but it was just one of multiple channels, seemingly no more or less important.

During Moore's two and a half years as head of digital, B of A's active mobile users increased by about 50% to 22.2 million. Today, about 22% of bank's sales happen online or on the app.

B of A has committed to making sure that nearly everything customers can do in a branch can be done on its newer, more user friendly app. And when they do need to go to a branch, about 30,000 of them set up an appointment via the app each week. The branches have about 5 million visits weekly overall.

After getting the features on the app caught up with others in the industry, Moore and her team began looking for additional ways to improve it. They want to catapult it from a tool to transact to an everyday essential that is integrated into people's lives.

To achieve that, they are adding features, such as a map of places where customers can save money by using their B of A card and a digital assistant that uses artificial intelligence and predictive analytics to provide the type of advice that typically would be reserved for wealth management clients.

When the digital assistant – called erica, which is a play on "Bank of America" and spelled with a lowercase "e" – rolls out later this year, it will be among the first ones available in the banking industry. B of A sees it as a way to combat disintermediation from a slew of competitors.

It's for all of these reasons that Michelle Moore is American Banker's Digital Banker of the Year for 2017.

Moore is based in Charlotte, N.C., but several key members of her team, like Brent Reston, head of digital sales, are based in San Francisco.

By the time Reston gets to office in the morning, his inbox could have between five and 10 emails from Moore related to what customers are saying about their experience using Bank of America's digital products.

"For her everything starts with the customer," Reston said. "I prepare for every meeting knowing that is her No. 1 priority."

Charles Liu, chief of branch transformation, ATM innovation and market planning for B of A, used words like "maniacal" and "obsessed" to describe her interest in customer sentiment. "She challenges all of us to be better," he said.

Moore has been particularly influential in the effort to make all the channels work together seamlessly using technology, according to Liu.

It seems like every bank is pursuing an omnichannel strategy, and B of A has more resources than most to make everything look and feel the same across channels. But Moore's part in the process is about making sure that the team considers "how would clients really use this?" at every junction, Liu said.

Though that should be a focus of any business, banks often fall short in that regard. Fintech startups have built much of their value proposition on the idea that they are removing the pain points consumers have.

In a way, Moore's focus on the custom-

ANDY HERNANDEZ

Head of e-business
Regions Bank, Birmingham, Ala.
$126 billion in assets

Regions Bank has spent the past few years building a digital user experience team that incorporates people from outside the banking industry — including content strategists and motion graphic designers.

As the head of this team, Andy Hernandez plays a key role in driving digital innovation at the bank.

Last year the team wholly redesigned Regions' website and among the new features is an "intelligence engine" that provides product recommendations to customers based on information they provide. The team also helped migrate Regions to a new content management system, converting more than 3,000 web pages to a more responsive, mobile-friendly design.

The results so far include an 8% increase in visits to Regions.com and a higher position in Google search rankings. — *Bryan Yurcan*

ALICE MILLIGAN

Chief customer and digital experience officer
Global cards unit of Citigroup, New York
$1.7 trillion in assets

To Alice Milligan, customer satisfaction is not merely a "soft area" of financial services but one that can drive real economic benefit. After all, she says, "people who are happy spend more."

To make Citi customers happy, she oversaw the launch of 86 new digital features in 2016, including the ability to lock and unlock a credit card, track a replacement card and file a dispute from within the bank's mobile app.

Last year global downloads of Citi's app jumped 66% and the number of active mobile users increased 43% compared with the year before.

One of the next innovations: a mobile experience tailored to each user based on that person's typical behavior when using the app. Bots and a messaging platform are also in the works.

Already about 85% of the services available to Citi card customers through any channel are available on the mobile app. By the end of 2017, Milligan said, her 400-person team will make it 100%.

— *Brian Patrick Eha*

er experience makes her role a logical extension of what she has done before.

Before becoming head of digital, she served as the "client experience executive" for the consumer banking business. As she describes it, the role was about reshaping how customers view B of A – at the call centers and in other channels – by finding ways to show them that the bank cares.

"Coming out of the financial crisis, the industry's reputation was horrible and my job was to help clients understand we aren't evil," Moore said.

Building digital tools that help them – such as the budgeting tools that were part of a recent update to the app – is a tangible way to accomplish that.

"If you stopped someone on the street and asked them what they want from their bank, they'd say, 'I want my bank to have my back. Help me help myself. Prevent me from spending money I don't have,' " Moore said.

B of A's digital savvy is paying off, particularly with millennials, said Jim Miller, senior director of banking at J.D. Power.

"I think it was very easy to be a critic of B of A in the past," Miller said. "They are still having a harder time with older people, but with younger people, due to its digital offerings, it is one of the top-performing banks from a satisfaction perspective."

In the early years of mobile banking, Bank of America was similar to lots of other banks, said Ken Hans, a partner at Blackstone Technology Group.

"There was a rush to get the foundational plumbing in place – to get it tactical and practical. Once that was there, some banks took their foot off the gas," Hans said. "But this channel needs to continue to mature and be fed."

Early on B of A had an app that was supposedly device agnostic, but was really intended for the iPhone and was clunky for many other devices. The app has since been rebuilt so that the experience is native to each operating system.

The bank also has consistently rolled out new functions. Its September 2015 update included Touch ID sign-ins and an accounts overview page. In the summer of 2016, B of A did a navigation redesign, added FICO scores and credit card rewards redemption, and introduced a Spanish version of the app. Before the year ended, it launched new budgeting tools and expanded the BankAmeriDeals functions to show nearby offers.

The bank had been providing most customers with the basic tools needed to transact all along, Liu said. But over the past few years it has been working to go further than competitors with the digital assistant erica and the forthcoming auto and mortgage applications, he said.

This flurry is partly because Moore saw a need to get new things ready faster and adopted what is known as agile development.

It is an approach that consists of small phases of work done in parallel with other efforts. One of the main benefits is that problems can be identified and fixed faster, as opposed to more sequential processes.

Changing the approach to development allowed the team to quickly overhaul things like credit card applications on mobile.

But the move to agile has a ways to go yet, Moore said. While the digital sales team utilizes it, the features team is still primarily working in a waterfall system – a sequential process – that is evolving toward the agile approach.

Moore said this change is essential. "If something takes us a year to build, it is going to be obsolete," she said. "It's start-

AAYAZ PIRA

Senior vice president of digital
Canadian Imperial Bank of Commerce, Toronto
$380 billion in assets

Aayaz Pira expanded his digital team from 50 people to 250 last year — and kept them very busy.

Two important innovations went live. An app called Hello Home allows customers to apply for a mortgage – only meeting with humans at the closing. And natural-language understanding allows users of the bank's mobile app to start the process of paying a bill by saying, "Pay a bill."

His impressive list of accomplishments also includes launching a digital innovation hub called Live Labs. It puts traditional bankers together with digital and tech team members and young interns, and asks them to rethink customer experience for all parts of the business.

But perhaps most importantly, Pira persuaded CIBC's top executives to invest heavily in digital channels by painting a picture of what the bank, its reputation and its profitability could look like as a result of that support.

— *Penny Crosman*

BRETT PITTS

Head of digital for virtual channels
Wells Fargo, San Francisco
$1.9 trillion in assets

For more than a decade, banks have bemoaned the risky practice of customers sharing the login credentials for their accounts to use popular apps like Mint or Quicken.

Now Brett Pitts and his team are on a quest to give Wells Fargo customers a safer alternative. In the last 12 months, the bank has struck partnerships with three tech companies that will help facilitate a new way for customers to share their financial data with third-party apps.

The effort to move from screen scraping to application programming interface puts Wells at the forefront of an innovation that is going to influence digital banking across the industry — from online lenders to money-management apps and beyond.

As Pitts sees it, the longer journey is nothing short of championing digital advancements that will benefit the customer.

"This is the future," Pitts said.

— *Mary Wisniewski*

ing to feel like nine months is pushing it."

The key is not to become so aggressive with the timetable that quality gets sacrificed. As Cathy Bessant, B of A's chief operations and technology officer, has said, failure at scale cannot happen.

Moore said much of the time savings has come from areas you'd expect it to come from in a large organization: the bureaucracy of getting a new project off the ground. Better aligning folks from Moore's team and Bessant's team helped too.

But some things cannot be rushed. "The question becomes, 'So, what three months did you cut out?' We didn't cut testing," Moore said.

Last February Moore said she was sitting in her office in Charlotte and reading an article about Siri and Alexa when she had a thought.

"Why can't our app talk to customers?" she said. "If Apple can have Siri, why can't we?"

After all, Bank of America has data on 65 million people, and customers want more personalized service. The wealth and investment business lines can afford to offer that personalization, but it isn't practical on the retail side.

Erica – which delivers its services via voice like Siri and Alexa as well as text – is intended to be a "personal advocate" for customers, Moore said at Money 20/20 in Las Vegas last year where she gave a demo.

The services range from basic things like telling customers their balance to suggesting that, given their spending and savings habits, they could afford to increase their monthly credit card payment and thus save money on interest. If customers spend more than they typically do in a given month, erica is supposed to spot that trend and suggest they move money into their checking account.

Though erica will be one of the few voice-based digital assistants offered by a bank, this type of artificial intelligence – basically chatbots – is one of the hottest areas of the technology sector in general. Businesses are betting that by improving AI, they will be able to replicate many tasks currently done by humans.

Suffice it to say Moore doesn't expect B of A to be without much company for long.

"It is table stakes. If we don't do this we will be way behind," she said when asked if she considered erica a gutsy move. "I think we are maybe being gutsy with how far we've taken it, but I believe it is what we have to do."

B of A is looking to stay ahead of competitors in banking as well as all the others that are encroaching on the industry.

"Could Apple come in? Apple isn't going to get a bank charter, but they are going to push it as far as they can," Moore said. "But we have the data. We can help you. There are so many reasons why we do the things we do, but disintermediation? Yeah, that's part of it, too."

Some argue that the true value of banks is in their data, and Moore said she agrees with that "100%."

"I think we are on the fringe of greatness in using data to help our clients," she said.

Bank of America tripled its tech budget last year, then held it steady in 2017. But it wasn't that top executives refused to increase the budget, Moore said. The digital team already had its hands full with its mobile plays for auto loans, home loans and erica. "If someone said, 'Do you want more money,' I don't know that I would have been able to use it," Moore said.

She also gets more cooperation than flak from the heads of the business lines. Many of those people will see their businesses disrupted by digital, but are working with Moore to facilitate it nonetheless. They are essentially aligning themselves on the side of the disruptor.

In the company's first-quarter earnings slide deck, digital banking got its own page, brimming with stats and fever lines going up.

"It was page 14," Moore said.

For many banks, digital is often viewed through a cost-savings lens. Bank critics like Brett King, founder of the neobank Moven, have warned that if banks don't begin to think of mobile as a revenue driver, they are going to be out of business.

But Moore's focus on usability is ultimately meant to increase sales.

When she moved into her role, digital sales were not part of the operations side of the digital team. Moore had sales moved under her purview because she believes the features teams and the sales teams needed to work more closely to create better overall digital experiences.

"Sales is really more than sales," she said. The goal is helping customers find the right solution. So they need to be able to research everything that is available. And the bank has to make things easy for them to do and easy for them to understand.

Sales have grown along with customer use of digital channels. Digital went from 15% of the bank's overall sales back then to 22% at the end of the first quarter. Moore's goal is to get it to 25% this year.

Moore said she sees mobile as an "entire business."

"We have 22 million users. It is not just an expense play, it is an experience play, it is a revenue play, it is a building-connections play," she said. "All roads lead back to mobile." □

MOM, MARATHONER, APP MAKER

In this quick Q&A, Michelle Moore, head of digital for Bank of America, talks about her favorite apps, her love of running and how she holds herself accountable.

What are your favorite apps?

The apps that I use when I'm not looking at our app is the weather app. I play chess and Candy Crush. I like the FitBit app, and I have the Facebook app and Nordstrom app.

No Uber?

I live in Charlotte. There is just no need for me to use it. I do use Waze for traffic. Uber is just not a big thing for me, but I wish I was on the inventing end of it.

Where do you get news?

I read theSkimm every morning. It's funny. Their choice of words is clever. I have a pattern. I read theSkimm on the walk from my car to work. I get to my desk, and not because you're sitting here, but I read American Banker and BAI Strategies. They hit my inbox at the same point.

At night, I watch Fox News.

What is the last book you read?

I read a lot of books with my children. The last book I read was "Grit" by Angela Duckworth.

How old are your children?

Eric is eight and Jake is seven. They are 14 months apart. Everyone thinks they are twins because they are close in size.

You have a son named Eric and you named your digital assistant erica?

My husband's name is Eric too. My boss said, "Your husband's name is Eric and you just named this app erica?" Let's be clear, it came out of the last five letters of Bank of America.

What do you do outside of work?

I'm a mom. Everything I do revolves around them. They have baseball three nights a week. Tae kwon do two nights a week. Homework.

Running marathons is what I do for me. I ran four miles this morning.

I ran 2001, 2002, took some time off. Then I ran the Chicago Marathon in 2013. My claim to fame is that I broke my foot at mile 17. I felt something snap, thought it was weird, but didn't twist it. By mile 20, I was in a lot of pain, but didn't want to give up because I thought, "What if it is something silly? I'll never forgive myself if I give up." I walked/ran the rest of it. Still finished in under five hours.

I was on crutches for eight weeks, but got back up again. I ran it again in 2014 and 2015. I took 2016 off, but this is the 40th anniversary of the race and I thought it was just too cool not to run it. This will be my sixth marathon.

Do you have a guiding principle in your job?

I do. I just want to make sure whatever we do today is better than what we did the day before.

How do you hold yourself accountable on that?

I go home and reflect on it. Was I a good manager today? Were my interactions good? You can tell when you have not done things well.

I'm also one of those people who writes out my goals for the year and by the end of year I've usually accomplished them. I like progress. I'm very focused and intense that way. I think that is why I like single-person sports. Marathons are me against myself. I also golf. That's me against myself. My friends say it is about having fun, but I'm about winning.

What are some of your 2017 goals, personal or professional?

For the business, we want to get to at least 25 million mobile users, we want one out of every three checks deposited. It is currently one out of every five. We've already achieved our customer satisfaction goals. We want digital sales to be 25% and we want 45,000 appointments booked on mobile a week.

Personally, it is running the marathon again this year, but this time taking my sons. They've never been. When I'm out running, I envision seeing them at the finish line and it makes me cry knowing they are going to be there. I'm making sure I'm spending more time with them. Tonight is the only baseball game of theirs that I will be missing.

BankThink

BY KEVIN HALSEY

Three Pathways to High Performance

How do the top-performing banks continue to post double-digit returns, despite having the same serious profit-dampening challenges as their peers? The answer isn't exactly straightforward.

Last year the top-performing banks in each asset tier had a median return on average equity that was between 420 and 570 basis points higher than the peer median. The standouts have different business models, operate in diverse markets and face their own unique challenges. But in studying this wide range of strategies, we found that the best banks typically follow one of three pathways to financial superiority.

Traditional intermediation powerhouses: Even with tighter margins, excellence in financial intermediation – using deposits to fund loans – remains the most common path to high performance. In every asset size group we examined, at least 70% of the top performers had a ratio of net interest income to average assets that exceeded the peer median.

High performers in this category, including Bank of the Ozarks in Little Rock, Ark., and Western Alliance Bancorp in Phoenix, are characterized by high growth rates in loans and core deposits. But they grow without sacrificing credit quality or margins. They have higher yields on earning assets and lower costs of funds than peers.

Over the past few years, the most successful banks in this category have maintained high profitability by building scale and streamlining processes. This has allowed them to continually reduce their expense levels as a percentage of average assets.

Fee income superstars: Other high performers are reliant on fee income as the key contributor to the bottom line. Across each asset size group, fee income superstars more than doubled the industry median of noninterest income to average assets. But they are very different from each other in how they generate fees. Some, like Federal Savings Bank in Chicago, rely on mortgage banking. Woodforest Financial Group in The Woodlands, Texas, generates high levels of interchange fees and deposit service charges. Others have wealth management, insurance or cash management businesses.

Many of these fee-based businesses require banks to take on higher expense levels as they build scale, which can adversely impact overall efficiency. To be successful in this space, banks need total commitment by executives. Without it, pressure to create efficiency can reduce commitment to invest and the impact to the bottom line will be minimal or even adverse. Banks offering these services must also foster collaboration and integration with other business lines. This allows for deepening customer relationships more cost-effectively.

Niche champions: Intense focus pays off for others. The niche champions pursue well-defined, high-opportunity customer segments, many of which have unique needs. The most successful ones meet these needs by providing their customers with specialty products and pair those with delivery of remarkable experiences. They have well-defined value propositions that ensure they emerge as the clear choice to these target segments.

The financial advantages that come with this strategy tend to be high-yielding loan portfolios and lower cost of funds. These banks are often selective with their physical presence and some even focus on building revenue streams outside of the traditional branch footprint. This allows many of them to carry low levels of overhead.

OPINION

For more viewpoints on industry issues, visit the BankThink page on **AmericanBanker.com**

Examples include SVB Financial in Santa Clara, Calif., which focuses on startups and innovators, and Signature Bank in New York, which targets privately owned businesses, their owners and managers.

To select the right strategy, and execute on it, banks also need a strong executive team. As Stephen Covey said, "Management is efficiency in climbing the ladder of success; leadership determines whether the ladder is leaning against the right wall."

Our study of top-performing banks demonstrates that the most successful institutions have a vision for success and they know how to pursue it. They have well-defined plans that lead them to pay dirt. □

Kevin Halsey is a consultant at Capital Performance Group.

Meet the Innovators & Disruptors Changing Wealth Management

IN|VEST
JULY 11-12, 2017 | NYC

Come to In|Vest and meet disruptors, established leaders and venture investors actively engaged in the wealth management market. In 2017, we expect to attract 1,000+executives to explore and debate the state of the industry—where it's at, where it's going, and who the winners will be when we get there.

Bill Crager
President,
ENVESTNET, INC.

Joe Duran
Founder and CEO,
UNITED CAPITAL

Mark Goines
Vice Chairman, Digital Wealth Management,
PERSONAL CAPITAL

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Chief Digital Officer,
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NOTICE

The annual report of THE **MILLENNIUM FOUNDATION TRUST** for the calendar year ended December 31, 2016 is available at its principal office located at C/O Meltzer, Lippe, Goldstein & Breitstone, LLP, 190 Willis Avenue, Mineola, New York 11501, (516) 747-0300 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Mr. Lewis S. Meltzer.

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BackPorch

JOHN HAIRSTON

“We are not way out of plumb. We are just about a half a bubble off plumb.”

CEO of Hancock Holding, using an analogy to a carpenter’s level to argue that the Dodd-Frank Act needs tweaks rather than a complete overhaul

RICHARD CORDRAY

“Ocwen has repeatedly made mistakes and taken shortcuts at every stage of the mortgage servicing process, costing some consumers money and others their homes.”

Director of the Consumer Financial Protection Bureau, as a slew of lawsuits and enforcement orders from state and federal regulators sent the company’s stock plunging

JAMIE DIMON

“If you are going to have operational risk capital, it should be forward-looking, fairly calculated, coordinated with other capital rules and consistent with reality.”

JPMorgan Chase CEO, arguing that regulatory capital requirements are out of whack

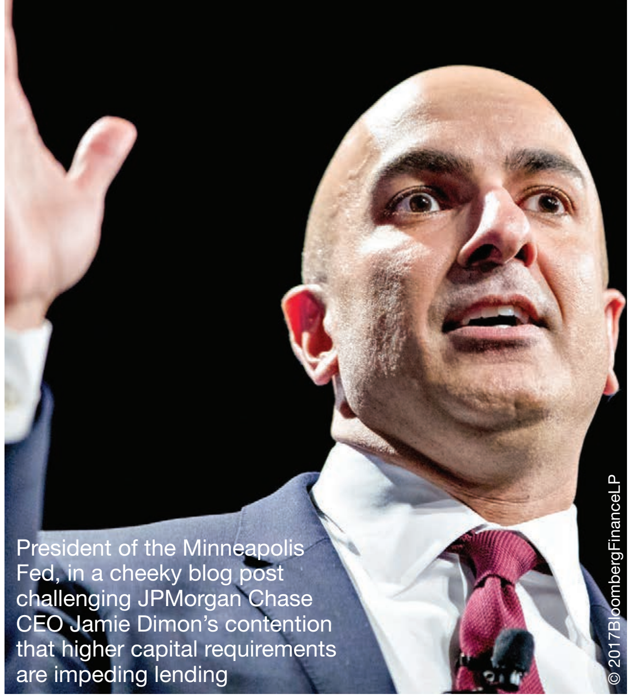
MARK SCHWANHAUSSER

“I’d say it is almost suicidal on the face of it to start charging for this tool.”

Director of omnichannel financial services at Javelin Strategy & Research, on the fintech app Digit charging customers $2.99 a month for its service of helping them build up savings

NEEL KASHKARI

“If JPMorgan had demand for additional loans from creditworthy borrowers, why did it turn those customers away and instead choose to buy back its stock?”



President of the Minneapolis Fed, in a cheeky blog post challenging JPMorgan Chase CEO Jamie Dimon’s contention that higher capital requirements are impeding lending

ELIZABETH WARREN

“In too many of these organizations, there are rewards for cheating and punishments for calling out the cheaters. And as long as that’s the case, the biggest financial institutions will continue to put their customers and the economy at risk.”

U.S. senator from Massachusetts, discussing her new book, “This Fight Is Our Fight”

JOHNNY BURRIS

“They could have put there was a unicorn in my backyard, and I’d have had to sign it. I have been drained of money by Finra and JPMorgan.”

JPMorgan Chase whistleblower, after settling his case with the Financial Industry Regulatory Authority over a $624 client loss

SCOTT LAURIE

“Someone’s paying for this: Either I’m paying for it, or the homeowner is paying for it.”

CEO of the California homebuilder Olson Co., saying a 20% tariff on Canadian lumber would up the cost of building a typical home by a few thousand dollars

ELLY HARDWICK

“In the old days, you’d go through tape and listen to hours of audio.”

Deutsche Bank’s head of innovation, on reducing compliance costs by using artificial intelligence to review recordings of employees speaking to clients

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