DIGITAL BANKER OF THE YEAR

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Tinkerer, counselor, evangelist

There is no definitive job description for what Tim Spence does. But his responsibility is to help Fifth Third transform itself for a digital era.

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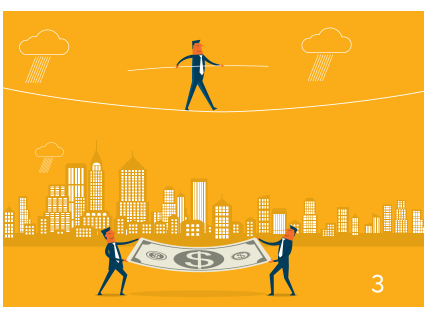

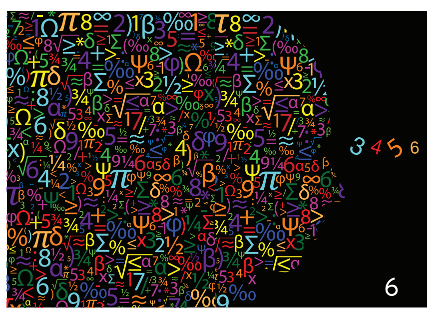

AMERICAN BANKER

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What's going on @ americanbanker.com

MOST READ

How next-gen branches will look

Bank of America is investing heavily in videoconferencing at unstaffed branches, Citigroup is experimenting with gamification and Union Bank's PurePoint Financial is going entirely paperless. Yet, "humans in a physical setting are still important" to customers, said Dena Roten, above, head of the U.S. branch channel at Citi.

MOST SHARED

Casting a wide net
Small-to-midsize businesses tend to seek out several different credit providers

91% applied at primary deposit institution

60% also applied at a different institution

Only 22% submitted just one application

Source: Aite Group

Fewer lenders, more lending

Millennium Bank in Ooltewah, Tenn., sped up loan approval times with software that frees lenders from manual tasks. The result: Loan balances have increased by more than 50% in less than two years. "We've seen our loan growth increase pretty well without adding any headcount," credit officer John Hatfield said.

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A $100 cash advance for free?

That's what Oportun is trying with a new 'safety net' for checking accounts. It aims to help people avoid overdraft fees, but also hopes to attract future loans.

By Kevin Wack

Banks routinely charge $30 to customers who overdraw their accounts. Now one Silicon Valley company is planning to offer a free service aimed at staving off those hefty charges.

U.S. consumers who link their bank accounts to Oportun will receive text alerts when their balances fall below $100, along with the option of receiving a cash advance of up to $100. The funds will be repaid with zero interest once the account is replenished.

"It's a safety net for your checking account," Oportun's chief executive officer, Raul Vazquez, said.

Unlike many Bay Area fintechs, the privately held firm operates a multistate network of more than 270 stores. It has lent out more than $5 billion to more than 1.1 million customers since it was founded in 2005.

Vazquez said in an interview that the new product would be made available only to a limited number of consumers at first, then be rolled out more broadly in the second half of the year.

He acknowledged that the offer is something of an experiment. "We want to get a simple, easy-to-use product out there, and then learn as much as we can," he said.

One big question is whether Oportun can recoup the costs of providing a free cash advance. The San Carlos, Calif., company's hope is that some of the product's users will eventually take out an Oportun loan.

Vazquez said he is not concerned about cannibalizing the existing demand for Oportun's loans. The loans, which range from $300 to $8,000, are frequently used to pay for unexpected large expenses or planned purchases.

Meanwhile, although a $100 cash advance might not be large enough to cover a car repair, it could help to bridge a misalignment in the timing of a paycheck and when monthly bills are due.

"They're focused on solving very different use cases," Vazquez said. "It's not a zero-sum game."

The product will be available to U.S. adults whose checking accounts show three months of incoming deposits of at least $1,000.

Oportun is one of numerous companies that are seeking to solve mismatches in consumers' cash flow — a predicament that can lead to repeated overdraft fees or high-cost payday loans. Others trying to address the problem include FlexWage, Earnin and Even.

New HELOC Alternative

Fintech offers a hybrid of a credit card and an unsecured personal loan

The first online lending firm Renaud Laplanche founded, LendingClub, targeted consumers with hefty credit card balances, offering them the opportunity to refinance at a lower interest rate.

But now Laplanche aims to lure customers before they rack up big credit card bills.

Upgrade, the latest San Francisco-based online lender he founded, is rolling out a new product designed for people who are anticipating big expenses but are not sure exactly how much they will need to spend or when.

One example might be a homeowner who is planning a small home-improvement project, but is not sure when it will be finished or how much each step will cost, and does not want to wait to be approved for a home equity line of credit.

Upgrade's product, which is expected to be available by midyear, is a hybrid between a traditional credit card and an unsecured personal loan. It will feature a credit line of up to $50,000 that can be accessed in increments of whatever size the borrower needs.

But unlike a credit card, the balance will get converted into an installment loan at the end of the month in which the borrower draws on the line. The installment loan will have a fixed interest rate and a term of up to five years.

"I think what we came up with is really a third way," Laplanche said in an interview.

The credit lines will carry annual percentage rates of 6.46% to 35.89%. Laplanche said that he expects the average rates will be in line with those charged on Upgrade's personal loans, and will be lower than the rates available on credit cards.

By the end of the year, Upgrade plans to make the personal credit line available on plastic cards and in mobile wallets.

Laplanche, an online lending pioneer, founded San Francisco-based LendingClub 12 years ago. He shepherded the company through its initial public offering in December 2014 but was forced out just 17 months later.

His ouster was prompted by an internal investigation that found certain loan information had been falsified. In February, LendingClub announced that it has agreed to pay $77.25 million to settle multiple shareholder lawsuits, which alleged that the company inflated its stock price by concealing operational shortcomings.

Laplanche founded Upgrade in August 2016, just a few months after leaving LendingClub.

The company started offering personal loans in April 2017, and is currently originating about $100 million in loans per month, according to Laplanche.

— *Kevin Wack*

Savings App Pick-Me-Up

Fresh funding for Qapital furthers two trends

Qapital, a fintech whose mobile app aims to encourage users to save, is creating an interactive experience that other savings accounts could take a cue from.

The $30 million in funding it raised in April is a sign of success not only for the young firm, which started in Sweden in 2015 and now focuses on the U.S. market, but also for the concept of apps that help consumers save, a trend quickly gaining traction with banks and fintechs alike.

Qapital's strategy is also an example of the "rebundling" trend in fintech. When fintechs first emerged, they picked off pieces of banking to specialize in and streamline — for instance, online lending, robo-advising and personal financial management. Lately many fintechs, including MoneyLion, SoFi and Stash, have been fleshing out their product lines to become full-fledged challengers to banks.

In August, Qapital added a checking account and debit card (backed by Lincoln Savings Bank) to its savings product (which is backed by Wells Fargo). It's also beta-testing a robo-adviser it developed that it plans to launch sometime in 2018.

"There's been a lot of earlier success in disrupting verticals, but it's all coming back now to how can this be bundled and get something that's truly different from the banks and truly makes a difference in people's lives," said George Friedman, Qapital's co-founder and chief executive officer.

Qapital lets customers set up specific savings goals — short or long term. They can attach images to those goals. Then it takes an "if this, then that" approach to setting money aside.

For instance, a user might set up a weekly Starbucks budget and whenever she comes under it, $10 is moved from checking to savings. Or every time she swipes her Qapital Visa debit card or a linked credit card, $2 goes to the trip-to-Bermuda fund. The automatic savings could be linked to something completely separate from spending, like reaching a daily steps goal on a Fitbit.


George Friedman

Qapital has 450,000 people using its automated savings app.

"People are living more paycheck to paycheck and it's difficult to change behaviors," Friedman said. "We have them set very specific goals and help them allocate their paycheck and automate the flow of funds, so you get paid and then it moves it instantly into the right buckets for you."

Many users are saving for vacation or a rainy day, he said. Board member and investor Dan Ariely, a psychology professor at Duke University, helped design the product.

The checking and savings products generate "a healthy revenue stream" through interchange fees, Friedman said.

The $30 million in new funding will go toward continuing its U.S. growth and launching the robo-adviser, Friedman said. The financing was anchored by Swedbank Robur, a wholly owned subsidiary of Swedbank, with participation from the venture capital firm Northzone.

The robo-adviser is intended for the 40% of users who are saving for long-term goals like retirement.

"If a goal is three to four years out, that money should not sit in an interest-bearing savings account, it should be in the market to get results faster," Friedman said.

Qapital Invest will have five portfolios ranging from aggressive, with a lot of exposure to the stock market, to conservative, with mostly income investments. Down the road, Qapital may offer credit products too.

— *Penny Crosman*

Look! No-Hands Invoice Processing!

Banks are making business customers happy with new digital billing services as machine learning meets the lockbox

By Brian Browdie

Many corporations still have manual steps in the way they process outstanding invoices. But Rodney Gardner of Bank of America Merrill Lynch — and other bankers — are starting to offer their corporate clients a way to automate incoming and outgoing payments.

The service is proving to be valuable both for the banks and the corporations.

Gardner invites clients to give him a ledger of a month's worth of the money owed to them by their customers. He then runs the information through a system of cloud-based software that BofA calls Intelligent Receivables.

The system scours the river of data that flows to these corporations from their customers via myriad channels, from emails to online payment sites. Then it matches the data to money that comes in.

To do this, it harnesses high-powered computing developed by HighRadius, a fintech firm that has a partnership with the nation's third-largest bank by assets.

By using artificial intelligence to intuit information — the automated analysis compares customer names and dollar amounts on assorted documents — the system speeds the processing of receivables from invoicing through forecasting, relays the information to the corporation's accounting system and directs attention to such matters as shortfalls, disputes and delays.

"I am able to figure out up to 95% of the time what this payment was for and who paid it, and send you a file, just like back in the lockbox days," said Gardner, who heads the global receivables business in BofA's investment banking unit. "I've not touched it. The client has not touched it. The algorithm gets smarter as it goes, and that's how the straight-through rate improves over time."

Think of it as machine learning

meets the lockbox.

In an era of paper-based payments, the lockbox shaved days from the time it took companies to receive remittances, thanks to banks placing collection points in proximity to postal hubs.

Now as paper gives way to digitization for business-to-business payments, data science is allowing companies to collect cash they are owed faster and refining their ability to predict when they will be paid.

It is the same technology that is also picking the portfolios we invest in and suggesting the products we buy.

Though business payments by check continue to endure, they are trending lower. This year, 70% of business-to-business payments in the United States will take place electronically, a figure that is expected to climb to 80% by 2024, according to a recent report by the research firm Celent.

"We think paper's minority status is going to motivate more buyers and sellers to say this whole paper invoice and check processing thing is for the birds, it's time we get off this," said Bob Meara, a senior analyst at Celent who co-authored the report.

Dealing with the side effects of digital payments

Electronic payments represent a boon for buyers but generate a jumble of information, formats and sources for sellers.

Paper aside, the algorithms that power the latest generation of receivables platforms also promise to improve on the use of software that reads information about remittances from forms that accompany them.

If anything, mismatches between the data captured from such forms and remittances received electronically — a likelihood whenever someone varies the format or a field — have boosted the number of payments that companies must resolve manually.

"The state of the industry is dependent on this old, manual and error-prone templating technology that has a lot of problems with it," said Mike Dignen, who heads HighRadius' sales to banks.

Enter artificial intelligence, which avoids the errors by "essentially reading and interpreting the data much like a human would," he said.

The automation offers banks an opportunity to help their corporate clients improve interactions with their own customers, who increasingly expect commercial transactions to embody the convenience they experience at sites such as Amazon.

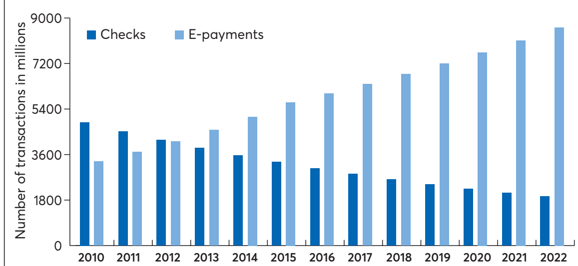
"All those trends in digital payments that consumers have experienced have drifted over to the business-to-business side," said Megan Kakani, who directs new partnerships for commercial payments at KeyCorp.

"Our clients' customers need that choice, but our clients need to be able to handle that complexity without drowning in it," she said.

The $135 billion-asset KeyCorp holds an equity stake in Billtrust, a fintech firm that automates accounts receiv-

B2B payments mix

Business-to-business digital payments have surpassed payments by check



Sources: Celent estimates, Federal Reserve, The Clearinghouse, NACHA, Association for Financial Professionals ables. Software from Billtrust forms the backbone of the KeyTotal AR platform, which uses automation and machine learning to simplify both billing and collections.

According to Kakani, the value of teaming up with Billtrust is that it gives KeyCorp the ability to provide such services holistically to clients who already may be using its processing, billing and lockbox services.

"Wholesalers, distributors and manufacturers have the most pain because they have the widest range of customers," said Kakani. "Part of the value is being able to bring all that automation under one roof, so our clients don't have to manage multiple partners."

The convenience that Kakani alludes to may be an imperative for banks. Besides seeing a decline in revenue from lockboxes, financial institutions face the prospect of fintech firms coming between them and their corporate clients.

A new way for banks to become part of the workflow

As Meara sees it, the transition gives banks an opportunity to reassert their primacy at the center of their clients' financial workflow amid what he anticipates will be acceleration in the falloff of revenue from lockboxes. Still, lowering costs for corporate clients while boosting revenue and profitability for the bank may prove to be easier said than done.

"It sounds like a no-brainer that holds the potential to leave banks and customers better off, the problem is how most banks are organized," said Meara.

But he noted that the shift demands a willingness to forgo some of the $20 billion in revenue that banks earn annually from treasury services tied to cleaning up the data that accompanies remittances.

Teaming with fintech firms offers a way forward. Such arrangements can marry the business relationships of banks with the know-how of fintechs, which have experience selling systems that automate receivables to companies and their customers.

Fintech firms that started out by offering companies a way to cut costs and lower the fees they paid to banks have come to see that teaming up with banks makes sense, said Meara.

"Now there are a bunch of onetime rivals who are very happy to partner with banks and to provide a solution along with robust sales and service support," he added. "You just have to want to do it. The heavy lifting has already been done."

That seems to be the experience of Royal Bank of Canada, which has partnered with VersaPay, a Toronto-based company, to automate receivables for the bank's business customers with the goal of accelerating the flow of payments.

The joining of Canada's biggest bank by assets with a fintech firm in its backyard comes amid a move by Canada to modernize its payments ecosystem with a series of initiatives that, among other things, aim to promote efficiencies for businesses such as straight-through processing. (Straight-through processing refers to transactions passing through the system without the need for manual intervention.)

"We have talked to corporate customers, from small businesses to multinationals, across the country," said Stephen Miller, RBC's senior director for working capital management solutions. "We see a light turn on around the opportunity this has to transform their accounts receivables capability."

The Branch-Closing Conundrum

The challenge with retail strategies today is that closing branches is great for cost control but keeping them open is still key to attracting deposits.

As the banks in our annual midtier ranking illustrate, some are doing better than others at figuring out how to balance these competing goals.

For those in the $2 billion-to-$10 billion asset class, the positive trends last year included improved efficiency ratios, as some banks focused on core lines of business and rationalized their branch networks. The overall group of 237 banks that qualified for this ranking had a median efficiency ratio of 59.6%, an improvement of 211 basis points from a year earlier, according to an analysis by Capital Performance Group.

Nonetheless, trouble is looming. Their ratio of net loans to total deposits rose 150 basis points to a median of 93.2% in the same time period.

"It shows that these banks are running out of capacity to lend," said Kevin Halsey, a consultant at CPG.

In other words, midtier banks aren't growing core deposits fast enough to keep up with rebounding loan demand. Loan growth for the peer group was 8.4% in 2017, compared with core deposit growth of 7.1%.

The ability to keep adding loans is especially important to profitability dynamics in a rising rate environment, Halsey said. And core deposits offer the cheapest, most-stable source of funding for bank loans.

While there are many factors behind deposit trends, a slowdown in core deposit growth can be tied at least in part to banks' having fewer branches. And the midtier banks have accelerated the closure of larger branches, in terms of square feet. According to data from CPG, banks in this asset size range had 1,202 fewer branches at year-end than they did three years earlier, a 10% drop.

Several top performers actually posted ratios of total loans to deposits exceeding 100%, meaning that they don't have enough deposits to fund all of their loans. The $2 billion-asset Stearns Financial Services in St. Cloud, Minn. — which retained its No. 1 spot in the ranking — had a loan-to-deposit ratio of 117%. The $3 billion-asset Sterling Bancorp in Southfield, Mich., had an even higher ratio, at 121%.

Nevertheless, banks will continue to close branches as customers go digital, Halsey said. They have to because efficiency is so important.

But to keep deposits from dropping, high performers will distinguish themselves by reallocating resources from low-growth to high-growth markets, deepening the relationships of existing customers, and developing strong digital offerings, Halsey said. — *Andy Peters*

Rank	Institution/Ticker	Location	Total Assets ($000)	3-Year Avg. ROAE (%)	ROAE (%)	ROAA (%)	Net Income ($000)	Net Interest Margin FTE (%)	Efficiency Ratio FTE (%)	Net Loan Growth YOY (%)	Core Deposit Growth YOY (%)	Net Loans/ Deposits (%)
1	Stearns Financial Services	Saint Cloud, MN	2,129,266	22.81	14.41	2.20	45,552	6.76	39.11	7.61	(10.34)	117.15
2	Sterling Bancorp (SBT)	Southfield, MI	2,961,958	19.80	20.25	1.54	37,977	4.05	35.25	36.24	34.25	120.58
3	Bessemer Group*	Woodbridge, NJ	3,413,062	18.34	22.00	2.47	116,663	1.14	78.63	14.35	(19.27)	27.41
4	Independence Bancshares*	Owensboro, KY	2,175,888	18.07	17.62	1.18	30,221	3.80	56.73	15.65	7.11	75.53
5	ServisFirst Bancshares (SFBS)	Birmingham, AL	7,082,384	15.86	16.38	1.43	93,092	3.68	34.19	19.15	12.83	95.15
6	Union Savings Bank*	Cincinnati, OH	2,746,734	15.19	14.84	1.48	63,962	2.82	47.58	(7.57)	(6.73)	93.19
7	Hingham Instit. for Savings (HIFS)	Hingham, MA	2,284,599	15.04	14.73	1.21	25,757	3.05	30.08	14.22	1.95	121.79
8	Northern Bancorp	Woburn, MA	2,069,721	14.94	14.36	1.22	22,804	4.21	41.63	22.37	21.82	108.41
9	Watford City Bancshares*	Watford City, ND	2,464,402	14.89	13.83	0.94	31,760	4.23	66.00	5.08	10.77	81.56
10	State Bankshares	Fargo, ND	4,878,243	14.70	13.06	1.23	55,251	3.83	71.09	21.08	15.85	104.29
11	Woodforest Financial Group*	The Woodlands, TX	5,453,740	14.40	14.43	1.10	83,508	3.47	84.46	37.57	11.54	78.91
12	West Bancorp. (WTBA)	West Des Moines, IA	2,114,377	14.17	13.29	1.18	23,070	3.37	45.66	7.97	14.72	82.51
13	Alpine Banks of Colo.	Glenwood Springs, CO	3,482,796	14.06	13.55	1.03	33,636	4.31	62.17	9.72	15.65	73.07
14	Fremont Bancorp.*	Fremont, CA	3,981,648	14.05	12.93	0.90	48,968	3.58	73.83	13.79	3.71	88.52
15	INTRUST Financial*	Wichita, KS	5,137,201	13.98	15.10	0.81	58,536	2.81	66.94	3.70	(3.29)	75.12
16	Inwood Bancshares*	Dallas, TX	2,615,431	13.60	13.41	1.27	46,303	3.46	46.23	6.52	12.52	73.15
17	FB Financial Corp.* (FBK)	Nashville, TN	4,727,713	13.58	11.26	1.38	52,398	4.46	67.55	57.17	30.50	100.13
18	First Financial (FFIN)	Abilene, TX	7,254,715	13.20	13.63	1.72	120,371	4.01	49.29	3.42	10.91	57.90
19	Landrum Co.	Columbia, MO	2,798,878	12.90	12.36	0.94	25,076	3.84	67.67	9.52	9.43	67.40
20	Stock Yards Bancorp (SYBT)	Louisville, KY	3,239,646	12.88	11.61	1.25	38,043	3.63	60.81	4.51	3.17	92.61

Metrics & Measures

MIDTIERS, RANKED BY 3-YEAR AVERAGE ROE

Rank	Institution/Ticker	Location	Total Assets ($000)	3-Year Avg. ROAE (%)	ROAE (%)	ROAA (%)	Net Income ($000)	Net Interest Margin FTE (%)	Efficiency Ratio FTE (%)	Net Loan Growth YOY (%)	Core Deposit Growth YOY (%)	Net Loans/ Deposits (%)
21	Villages Bancorp.	The Villages, FL	2,080,571	12.80	13.89	1.35	27,455	2.83	40.89	55.54	7.03	34.22
22	Stockman Financial Corp.*	Miles City, MT	3,534,013	12.79	12.49	1.25	63,588	3.74	51.70	6.81	6.53	93.46
23	Preferred Bank (PFBC)	Los Angeles, CA	3,769,859	12.79	13.79	1.24	43,394	3.80	35.18	15.63	24.28	89.14
24	Heartland Bancorp*	Bloomington, IL	2,968,375	12.56	11.97	1.23	50,911	4.11	57.01	(0.19)	1.57	77.39
25	Lakeland Financial (LKFN)	Warsaw, IN	4,682,976	12.50	12.72	1.29	57,330	3.32	45.29	9.95	7.54	94.16
26	First Bancshares	Merrillville, IN	3,951,273	12.19	11.96	1.02	37,576	3.64	59.13	14.47	10.78	104.80
27	City Holding Co. (CHCO)	Cross Lanes, WV	4,132,281	12.05	11.02	1.33	54,310	3.46	51.34	2.71	1.91	93.76
28	NASB Financial (NASB)	Grandview, MO	2,011,430	12.00	11.25	1.30	25,650	3.99	62.36	9.45	(4.61)	130.40
29	Fidelity Southern (LION)	Atlanta, GA	4,576,858	11.99	10.51	0.89	39,796	3.26	77.49	4.58	14.13	101.08
30	Carolina Financial (CARO)	Charleston, SC	3,519,017	11.98	10.17	1.24	28,565	3.88	55.82	95.42	126.97	89.96
31	Arrow Financial (AROW)	Glens Falls, NY	2,760,465	11.93	12.14	1.09	29,326	3.17	56.88	11.28	6.60	86.06
32	Washington Trust (WASH)	Westerly, RI	4,529,850	11.74	11.26	1.04	45,925	2.93	54.95	4.22	5.97	104.07
33	German American (GABC)	Jasper, IN	3,144,360	11.67	11.59	1.35	40,676	3.76	55.79	7.15	6.14	85.85
34	Canandaigua National (CNND)	Canandaigua, NY	2,661,716	11.63	10.90	0.85	22,030	3.44	63.28	10.23	5.78	100.04
35	Sturm Financial Group*	Denver, CO	2,629,681	11.58	14.00	0.91	33,868	3.50	64.80	1.18	(0.89)	63.92
36	Eagle Bancorp (EGBN)	Bethesda, MD	7,479,029	11.58	11.06	1.41	100,232	4.17	37.67	12.37	1.15	108.85
37	First State Bancshares	Farmington, MO	2,328,585	11.50	12.40	1.31	28,795	3.81	67.31	11.17	10.46	89.91
38	Park National Corp. (PRK)	Newark, OH	7,537,620	11.41	11.15	1.09	84,242	3.48	60.37	1.94	8.62	91.49
39	Exchange Bank (EXSR)	Santa Rosa, CA	2,584,092	11.40	9.71	0.86	19,508	3.63	60.30	4.95	22.83	62.19
40	Access National (ANCX)	Reston, VA	2,873,894	11.32	5.03	0.67	16,500	3.81	62.53	86.57	132.43	89.30
41	Enterprise Financial (EFSC)	Clayton, MO	5,289,225	11.22	9.05	0.97	48,190	3.88	49.44	29.87	27.32	97.62
42	Durant Bancorp*	Durant, OK	6,312,040	11.10	9.86	0.86	75,571	4.02	68.80	14.58	4.01	85.82
43	Hometown Community*	Morton, IL	3,541,951	11.05	10.96	1.04	49,517	3.13	51.88	5.35	13.04	84.59
44	Great Southern (GSBC)	Springfield, MO	4,414,521	10.95	11.32	1.16	51,564	3.74	58.44	(1.11)	1.61	103.82
45	Franklin Financial (FSB)	Franklin, TN	3,843,526	10.90	9.67	0.82	28,099	3.06	51.80	26.21	24.85	70.96
46	BancFirst Corp. (BANF)	Oklahoma City, OK	7,253,156	10.75	11.52	1.22	86,439	3.44	57.76	7.24	3.57	72.90
47	Hanmi Financial Corp. (HAFC)	Los Angeles, CA	5,210,485	10.72	9.97	1.10	54,660	3.82	54.41	11.99	11.52	98.42
48	Farmers & Merchants (FMCB)	Lodi, CA	3,075,452	10.68	9.66	0.94	28,370	3.88	54.58	1.66	11.78	79.50
49	Luther Burbank* (LBC)	Santa Rosa, CA	5,704,380	10.64	16.30	1.27	69,384	2.05	47.76	12.83	1.32	126.83
50	First of Long Island (FLIC)	Glen Head, NY	3,894,708	10.59	10.51	0.95	35,122	2.91	47.56	15.95	7.32	103.35
51	Dime Community (DCOM)	Brooklyn, NY	6,403,460	10.58	8.94	0.84	51,882	2.54	51.65	(0.62)	(1.63)	126.74
52	Institution for Savings	Newburyport, MA	3,301,691	10.56	12.23	1.22	37,429	2.06	78.44	18.69	29.59	93.97
53	Customers Bancorp (CUBI)	Wyomissing, PA	9,839,555	10.51	8.73	0.77	78,837	2.73	59.56	5.28	9.43	127.49
54	Tompkins Financial (TMP)	Ithaca, NY	6,648,290	10.51	9.11	0.82	52,622	3.41	61.19	9.64	8.93	95.69
55	ANB Corp.	Terrell, TX	2,887,121	10.49	10.38	0.86	23,451	3.80	62.00	(1.01)	1.19	71.40
56	Glacier Bancorp (GBCI)	Kalispell, MT	9,706,349	10.47	9.80	1.20	116,377	4.12	53.15	15.27	5.27	85.58
57	Hills Bancorp. (HBIA)	Hills, IA	2,963,360	10.43	9.24	1.02	28,061	3.39	53.34	7.74	11.97	106.46
58	CoBiz Financial (COBZ)	Denver, CO	3,846,272	10.40	10.27	0.87	32,918	3.85	62.41	7.13	8.03	96.35
59	Wilson Bank (WBHC)	Lebanon, TN	2,317,033	10.34	9.06	1.04	23,526	3.82	57.12	3.00	6.34	85.01
60	CVB Financial (CVBF)	Ontario, CA	8,270,586	10.32	9.84	1.26	104,411	3.63	42.89	10.10	3.96	72.88
61	CNB Financial (CCNE)	Clearfield, PA	2,768,773	10.30	9.97	0.89	23,860	3.75	60.33	14.07	(0.38)	98.12
62	QCR Holdings (QCRH)	Moline, IL	3,982,665	10.29	11.51	1.01	35,707	3.78	58.42	23.39	21.74	89.70
63	American National*	Omaha, NE	3,570,778	10.28	11.06	1.00	47,668	3.94	55.44	9.30	9.17	98.76
64	Century Bancorp (CNBK.A)	Medford, MA	4,785,572	10.27	8.75	0.48	22,301	2.25	57.82	13.17	3.71	54.88
65	Flushing Financial (FFIC)	Uniondale, NY	6,299,274	10.25	7.75	0.66	41,121	2.93	58.75	7.13	6.98	117.64
66	Fishback Financial	Brookings, SD	2,715,283	10.23	10.02	1.20	27,057	4.36	59.61	24.68	23.47	91.81
67	First Financial (FFBC)	Cincinnati, OH	8,896,923	10.20	10.78	1.12	96,787	3.66	58.28	4.52	7.19	86.59
68	Westamerica Bancorp. (WABC)	San Rafael, CA	5,513,046	10.19	8.39	0.92	50,025	3.12	51.66	(4.66)	3.30	26.20
69	Longview Financial	Longview, TX	2,437,744	10.18	9.67	1.02	24,143	3.62	55.65	3.73	7.56	90.59
70	Heartland Financial (HTLF)	Dubuque, IA	9,810,739	10.17	8.63	0.84	75,272	4.19	65.53	19.07	20.59	78.32
71	LegacyTexas Financial (LTXB)	Plano, TX	9,086,196	10.09	9.62	1.04	89,494	3.79	44.99	9.62	8.06	114.60
72	Southside Bancshares (SBSI)	Tyler, TX	6,498,097	10.07	9.65	0.96	54,312	3.07	50.36	28.64	29.82	72.54
73	Guaranty Bancorp (GBNK)	Denver, CO	3,698,890	10.04	10.35	1.12	38,624	3.88	52.20	11.55	6.40	94.65
74	TrustCo Bank Corp (TRST)	Glenville, NY	4,908,008	10.00	9.64	0.88	43,145	3.22	53.72	6.07	2.30	86.08
75	First American Bank Corp.*	Elk Grove Village, IL	3,755,553	9.96	8.92	0.69	31,203	2.72	74.62	11.90	8.40	58.81
76	HomeStreet (HMST)	Seattle, WA	6,742,041	9.94	10.20	1.05	68,946	3.32	84.99	12.88	6.96	107.49
77	Ameris Bancorp (ABCB)	Moultrie, GA	7,856,203	9.87	9.55	1.00	73,548	3.95	59.49	16.30	21.36	93.84

MIDTIERS, RANKED BY 3-YEAR AVERAGE ROE

Rank	Institution/Ticker	Location	Total Assets ($000)	3-Year Avg. ROAE (%)	ROAE (%)	ROAA (%)	Net Income ($000)	Net Interest Margin FTE (%)	Efficiency Ratio FTE (%)	Net Loan Growth YOY (%)	Core Deposit Growth YOY (%)	Net Loans/ Deposits (%)
78	Summit Financial (SMMF)	Moorefield, WV	2,134,240	9.85	6.40	0.59	11,915	3.67	52.42	21.84	31.56	99.57
79	Community Trust (CTBI)	Pikeville, KY	4,136,231	9.82	9.93	1.27	51,493	3.67	56.02	6.34	4.45	94.61
80	Financial Institutions (FISI)	Warsaw, NY	4,105,210	9.80	9.62	0.86	33,526	3.21	58.85	17.00	3.07	84.20
81	People's Utah Bancorp (PUB)	American Fork, UT	2,123,529	9.78	8.18	1.11	19,846	4.81	54.00	44.13	26.98	89.27
82	Triumph Bancorp (TBK)	Dallas, TX	3,499,033	9.77	10.66	1.27	36,220	5.92	63.78	38.76	36.61	106.51
83	Nicolet Bankshares (NCBS)	Green Bay, WI	2,932,433	9.68	10.13	1.26	33,433	4.30	57.12	32.99	27.34	84.17
84	Meta Financial Group (CASH)	Sioux Falls, SD	5,417,963	9.62	11.46	1.17	48,343	2.65	64.75	35.37	(3.45)	42.70
85	First Defiance (FDEF)	Defiance, OH	2,993,403	9.60	9.19	1.13	32,268	3.87	60.61	21.22	21.38	95.68
86	W.T.B. Financial (WTBF.B)	Spokane, WA	6,246,093	9.52	7.83	0.72	41,798	3.66	65.27	3.95	11.26	70.57
87	National Bank of Ind.	Indianapolis, IN	2,118,534	9.50	9.75	0.65	13,338	3.17	68.07	4.45	8.76	76.81
88	MainSource Financial	Greensburg, IN	4,647,862	9.45	9.87	1.12	49,438	3.77	59.06	15.41	8.33	86.92
89	1867 Western Financial (WFCL)	Stockton, CA	3,004,474	9.44	11.15	1.80	48,737	4.18	49.84	7.18	6.02	69.76
90	Farmers & Merchants Investment	Lincoln, NE	3,891,967	9.40	9.71	1.09	40,369	3.32	65.54	7.74	2.45	104.92
91	South Plains Financial*	Lubbock, TX	2,573,375	9.35	8.39	0.68	23,635	3.84	77.60	10.82	2.63	85.70
92	Independent Bank Corp. (INDB)	Rockland, MA	8,082,029	9.26	9.55	1.11	87,204	3.60	57.51	5.98	5.59	93.62
93	Heritage Commerce (HTBK)	San Jose, CA	2,843,452	9.21	8.86	0.86	23,828	3.99	52.24	5.18	12.32	63.09
94	TriCo Bancshares (TCBK)	Chico, CA	4,761,315	9.20	8.10	0.89	40,554	4.22	64.42	9.50	4.04	74.57
95	RCB Holding Co.*	Claremore, OK	2,794,861	9.20	9.61	0.92	34,369	3.61	62.59	8.17	(0.68)	69.85
96	Sandy Spring Bancorp (SASR)	Olney, MD	5,446,675	9.18	9.66	1.02	53,209	3.55	55.14	9.80	9.47	107.95
97	1st Source Corp. (SRCE)	South Bend, IN	5,887,284	9.15	9.69	1.21	68,051	3.57	61.63	8.03	6.23	93.54
98	Enterprise Bancorp (EBTC)	Lowell, MA	2,817,564	9.07	8.58	0.73	19,393	3.97	65.71	12.26	2.77	91.64
99	WSFS Financial Corp. (WSFS)	Wilmington, DE	6,999,540	9.06	6.92	0.74	50,244	3.94	60.19	6.85	8.57	91.61
100	Sierra Bancorp (BSRR)	Porterville, CA	2,340,298	9.04	8.82	0.93	19,539	4.04	63.04	23.56	18.79	78.03
101	First Mid-Illinois (FMBH)	Mattoon, IL	2,841,539	9.00	8.92	0.94	26,684	3.70	54.65	6.10	(2.34)	84.39
102	First Busey Corp. (BUSE)	Champaign, IL	7,860,640	8.99	8.48	1.00	62,726	3.58	56.11	36.05	33.47	90.77
103	Revere Bank (REVB)	Laurel, MD	2,098,845	8.94	9.08	0.81	16,271	3.78	54.39	14.19	23.19	100.27
104	Peapack-Gladstone (PGC)	Bedminster, NJ	4,260,547	8.92	10.12	0.89	36,497	2.80	58.58	11.81	7.75	99.21
105	River City Bank (RCBC)	Sacramento, CA	2,037,816	8.89	9.24	0.86	16,684	2.83	34.87	14.52	17.08	93.23
106	Burke & Herbert (BHRB)	Alexandria, VA	3,089,284	8.88	8.25	0.91	27,806	3.34	66.64	11.77	4.85	80.04
107	Bar Harbor Bankshares (BHB)	Bar Harbor, ME	3,565,184	8.88	7.41	0.75	25,993	3.10	55.45	121.10	134.44	105.15
108	Oritani Financial Corp. (ORIT)	Washington Twp., NJ	4,122,391	8.86	7.71	1.05	43,123	2.76	34.66	6.00	11.58	121.75
109	Alerus Financial Corp. (ALRS)	Grand Forks, ND	2,137,058	8.84	8.74	0.77	15,444	3.76	74.82	13.66	5.56	85.88
110	First Merchants Corp. (FRME)	Muncie, IN	9,367,478	8.83	8.65	1.17	96,070	4.02	51.58	31.65	29.61	93.18
111	Mercantile Bank Corp. (MBWM)	Grand Rapids, MI	3,286,704	8.79	8.82	1.00	31,274	3.79	60.57	7.56	11.26	100.66
112	Amboy Bancorp.*	Old Bridge, NJ	2,483,064	8.76	8.58	0.92	33,255	3.50	52.65	(3.42)	6.74	87.96
113	Lakeland Bancorp (LBAI)	Oak Ridge, NJ	5,405,639	8.76	9.25	1.00	52,580	3.38	53.65	7.20	2.36	94.25
114	Old Second Bancorp (OSBC)	Aurora, IL	2,383,429	8.73	7.89	0.65	15,138	3.70	61.56	9.31	5.16	83.43
115	NBT Bancorp (NBTB)	Norwich, NY	9,136,812	8.72	8.71	0.91	82,151	3.47	59.60	6.24	4.30	90.86
116	Central Pacific Financial (CPF)	Honolulu, HI	5,623,708	8.70	8.02	0.75	41,203	3.28	62.68	6.77	8.29	75.40
117	Horizon Bancorp (HBNC)	Michigan City, IN	3,964,303	8.67	8.74	0.97	33,117	3.81	59.82	32.38	15.81	97.84
118	S&T Bancorp (STBA)	Indiana, PA	7,060,255	8.66	8.37	1.03	72,968	3.56	51.52	2.64	3.64	105.19
119	BancPlus Corp.	Ridgeland, MS	2,714,204	8.58	11.41	0.90	24,627	3.74	70.17	5.50	0.48	89.98
120	Amarillo National Bancorp*	Amarillo, TX	3,977,055	8.57	9.60	1.29	76,718	3.64	50.06	5.44	0.55	97.06
121	Broadway Bancshares*	San Antonio, TX	3,639,676	8.56	9.18	0.96	44,194	3.64	62.98	16.19	2.17	63.76
122	Home Bancorp (HBCP)	Lafayette, LA	2,228,121	8.55	8.63	1.04	16,824	4.46	57.23	35.21	51.24	88.35
123	Bank of Marin (BMRC)	Novato, CA	2,468,154	8.52	6.49	0.75	15,976	3.85	59.36	13.06	22.66	77.41
124	Happy Bancshares	Canyon, TX	3,414,764	8.50	7.18	0.77	24,625	3.79	72.97	8.90	(7.90)	88.02
125	Pacific Premier (PPBI)	Irvine, CA	8,024,501	8.45	6.75	0.99	60,100	4.43	50.96	91.79	94.34	101.73
126	First Foundation (FFWM)	Irvine, CA	4,541,185	8.39	8.64	0.71	27,582	2.93	63.02	36.13	41.57	110.34
127	Camden National (CAC)	Camden, ME	4,065,398	8.34	7.00	0.71	28,476	3.23	55.90	6.96	8.63	92.20
128	Boston Private Financial (BPFH)	Boston, MA	8,311,744	8.33	5.65	0.55	45,059	3.04	68.79	6.54	6.45	98.84
129	Independent Bank Corp. (IBCP)	Grand Rapids, MI	2,789,355	8.31	7.82	0.77	20,475	3.65	69.41	25.35	6.31	84.80
130	Bear State Financial	Little Rock, AR	2,161,558	8.29	10.55	0.47	10,274	3.83	57.27	6.99	(2.74)	110.49
131	Community Bank (CYHT)	Pasadena, CA	3,747,398	8.29	7.71	0.72	26,724	3.35	61.32	9.97	12.76	94.56
132	Old Line Bancshares (OLBK)	Bowie, MD	2,105,613	8.27	8.53	0.84	15,964	3.68	54.87	24.18	29.74	102.90
133	Dacotah Banks (DBIN)	Aberdeen, SD	2,406,665	8.23	6.48	0.74	17,510	4.04	60.89	7.49	4.18	93.96
134	Farmers National (FMNB)	Canfield, OH	2,159,069	8.20	9.92	1.09	22,711	3.99	58.47	10.46	4.01	97.55

MIDTIERS, RANKED BY 3-YEAR AVERAGE ROE

Rank	Institution/Ticker	Location	Total Assets ($000)	3-Year Avg. ROAE (%)	ROAE (%)	ROAA (%)	Net Income ($000)	Net Interest Margin FTE (%)	Efficiency Ratio FTE (%)	Net Loan Growth YOY (%)	Core Deposit Growth YOY (%)	Net Loans/ Deposits (%)
135	Bear State Bank	Little Rock, AR	2,160,299	8.17	9.63	1.12	24,528	3.91	51.21	6.99	(2.58)	110.35
136	Heritage Financial (HFWA)	Olympia, WA	4,113,270	8.15	8.36	1.05	41,791	3.89	62.38	7.55	4.25	83.09
137	Klein Financial*	Chaska, MN	2,007,777	8.11	9.30	1.01	26,003	3.37	66.21	8.94	8.18	64.47
138	United Financial (UBNK)	Hartford, CT	7,114,159	7.98	8.09	0.80	54,618	3.03	61.92	9.91	15.22	104.30
139	TowneBank (TOWN)	Portsmouth, VA	8,522,176	7.97	8.26	1.11	92,789	3.51	63.15	2.23	3.45	96.38
140	Grandpoint Capital (GPNC)	Los Angeles, CA	3,193,934	7.94	6.34	0.76	24,442	3.68	56.71	(0.28)	(4.63)	98.64
141	Fidelity Financial Corp.	Wichita, KS	2,113,822	7.89	7.52	0.57	14,730	2.88	71.92	4.74	12.10	91.80
142	First Bancorp (FBNC)	Southern Pines, NC	5,547,037	7.81	8.62	1.00	45,972	4.08	61.23	49.92	54.06	91.48
143	First Financial Corp. (THFF)	Terre Haute, IN	3,000,668	7.80	6.69	0.98	29,131	4.11	58.78	3.65	3.18	76.74
144	Parkway Bancorp	Harwood Heights, IL	2,510,717	7.78	7.56	0.75	18,177	2.92	47.37	6.65	9.17	93.44
145	First National Alaska (FBAK)	Anchorage, AK	3,653,142	7.73	7.22	1.00	36,427	3.64	55.44	8.39	(1.38)	74.39
146	CenterState Bank Corp. (CSFL)	Winter Haven, FL	7,123,975	7.71	6.81	0.88	55,795	4.28	54.65	39.80	31.07	85.60
147	Community Bancshares of Miss.	Brandon, MS	3,083,475	7.65	8.21	0.60	17,730	3.82	69.98	6.71	7.86	79.94
148	ConnectOne Bancorp (CNOB)	Englewood Cliffs, NJ	5,108,442	7.65	7.81	0.93	43,220	3.45	40.50	18.04	10.06	109.73
149	New York Private Bank & Trust	New York, NY	6,195,192	7.62	9.79	1.43	91,573	4.15	68.38	(1.36)	6.51	93.37
150	Farmers & Merchants (FMBL)	Long Beach, CA	6,991,578	7.58	6.88	0.93	64,764	3.43	64.09	12.87	7.85	71.40
151	Brookline Bancorp (BRKL)	Boston, MA	6,780,249	7.57	6.87	0.81	53,619	3.57	55.76	5.91	2.75	116.49
152	Renasant Corp. (RNST)	Tupelo, MS	9,829,981	7.53	6.68	0.97	92,188	4.16	59.04	21.22	12.43	96.99
153	Bridge Bancorp (BDGE)	Bridgehampton, NY	4,430,002	7.46	4.64	0.49	20,539	3.32	56.39	19.29	14.45	92.10
154	Central Bancshares	Lexington, KY	2,408,725	7.45	7.01	0.75	17,410	3.99	73.87	11.06	6.12	99.13
155	OceanFirst Financial (OCFC)	Toms River, NJ	5,416,006	7.40	7.20	0.80	42,470	3.49	55.66	4.23	5.38	91.32
156	CBTX (CBTX)	Beaumont, TX	3,081,083	7.38	7.18	0.93	27,571	4.05	62.55	7.40	3.12	87.91
157	MidWestOne (MOFG)	Iowa City, IA	3,212,271	7.37	5.58	0.60	18,699	3.83	58.63	5.21	4.09	86.73
158	Independent Bank (IBTX)	McKinney, TX	8,684,463	7.34	6.71	0.96	76,512	3.84	50.41	42.27	54.23	97.57
159	United Community (UCFC)	Youngstown, OH	2,649,905	7.29	7.63	0.85	21,785	3.38	57.43	33.03	21.51	106.48
160	Southern BancShares (SBNC)	Mount Olive, NC	2,655,335	7.26	12.65	1.35	33,890	3.88	66.59	9.31	8.39	71.88
161	Peoples Financial (PFIS)	Scranton, PA	2,169,031	7.26	7.02	0.90	18,457	3.69	59.69	10.36	10.25	97.39
162	Union Bankshares (UBSH)	Richmond, VA	9,315,179	7.21	7.07	0.83	72,923	3.63	61.13	13.28	8.75	102.18
163	WesBanco (WSBC)	Wheeling, WV	9,816,178	7.19	6.83	0.96	94,482	3.44	55.28	1.50	3.98	89.68
164	Provident Financial (PFS)	Iselin, NJ	9,845,274	7.18	7.28	0.99	93,949	3.28	54.31	4.67	3.01	108.21
165	National Commerce (NCOM)	Birmingham, AL	2,737,676	7.17	6.18	0.89	21,975	4.44	58.09	44.57	44.22	94.16
166	First Commonwealth (FCF)	Indiana, PA	7,308,539	7.15	6.45	0.77	55,165	3.57	59.62	11.12	14.01	96.29
167	State Bank Financial (STBZ)	Atlanta, GA	4,958,582	7.12	7.37	1.06	46,574	4.70	55.71	24.63	19.17	83.42
168	Seacoast Banking (SBCF)	Stuart, FL	5,810,129	7.04	7.51	0.82	42,865	3.73	58.88	32.84	20.35	83.06
169	Republic Bancorp (RBCA.A)	Louisville, KY	5,085,362	7.02	7.26	0.95	45,632	4.32	58.60	5.15	5.31	116.17
170	BSB Bancorp (BLMT)	Belmont, MA	2,676,565	7.02	8.40	0.61	14,386	2.44	51.56	23.09	10.01	131.16
171	Hometown Financial Group	Easthampton, MA	2,052,126	6.99	7.41	0.79	16,181	3.32	61.20	2.86	0.30	92.00
172	West Suburban (WNRP)	Lombard, IL	2,269,263	6.99	7.22	0.68	15,391	3.15	64.92	4.83	0.93	55.09
173	Salem Five Bancorp	Salem, MA	4,677,837	6.96	6.98	0.72	32,132	2.99	63.83	17.74	8.66	103.45
174	Equity Bancshares (EQBK)	Wichita, KS	3,170,509	6.92	7.03	0.84	20,649	3.89	58.99	52.76	49.02	88.63
175	First Community (FCBC)	Bluefield, VA	2,388,460	6.87	6.14	0.91	21,485	4.23	57.38	(2.02)	7.75	93.16
176	Columbia Bank MHC	Fair Lawn, NJ	5,754,049	6.86	5.36	0.46	24,791	2.87	64.81	7.57	8.37	102.58
177	Univest Corp. (UVSP)	Souderton, PA	4,554,862	6.80	8.37	1.01	44,094	3.78	61.66	9.95	13.26	101.27
178	Veritex Holdings (VBTX)	Dallas, TX	2,945,583	6.77	4.55	0.76	15,152	3.78	51.52	124.73	87.46	97.49
179	Territorial Bancorp (TBNK)	Honolulu, HI	2,003,846	6.76	6.34	0.77	14,962	3.15	58.68	11.35	2.42	93.24
180	Bryn Mawr Bank (BMTC)	Bryn Mawr, PA	4,449,720	6.67	5.76	0.67	23,016	3.69	60.17	29.46	22.25	96.99
181	Cape Cod Five Mutual Co.	Orleans, MA	3,228,279	6.67	7.16	0.67	20,874	3.13	72.36	0.41	9.58	99.57
182	Cambridge Financial Group	Cambridge, MA	3,668,417	6.58	6.58	0.64	22,302	3.30	62.32	7.02	1.48	104.83
183	Discount Bancorp	New York, NY	9,321,790	6.53	5.43	0.54	49,682	2.57	53.65	3.63	7.07	75.94
184	Bangor Bancorp MHC	Bangor, ME	3,770,005	6.47	6.29	0.66	24,695	3.02	74.58	6.95	11.41	93.90
185	Mutual of Omaha Bank	Omaha, NE	8,144,695	6.42	8.29	0.87	68,676	3.50	62.62	5.05	6.76	97.58
186	El Dorado Savings Bank	Placerville, CA	2,172,609	6.35	6.50	0.65	13,916	2.22	59.49	8.63	5.61	27.73
187	Educational Services	Farragut, TN	3,153,334	6.31	2.94	0.35	10,986	2.46	80.98	(2.50)	20.40	222.20
188	Gate City Bank	Fargo, ND	2,064,412	6.25	6.01	0.67	13,565	3.09	77.21	7.12	5.85	103.34
189	Peoples Bancorp (PEBO)	Marietta, OH	3,581,686	6.14	8.54	1.10	38,471	3.62	62.05	5.90	5.83	85.74
190	Capitol Federal (CFFN)	Topeka, KS	8,990,159	6.10	6.94	0.86	95,395	1.82	41.00	1.67	1.42	136.53
191	PeoplesBancorp MHC	Holyoke, MA	2,358,674	6.08	6.14	0.57	12,837	3.05	68.81	12.68	0.14	107.69

MIDTIERS, RANKED BY 3-YEAR AVERAGE ROE

Rank	Institution/Ticker	Location	Total Assets ($000)	3-Year Avg. ROAE (%)	ROAE (%)	ROAA (%)	Net Income ($000)	Net Interest Margin FTE (%)	Efficiency Ratio FTE (%)	Net Loan Growth YOY (%)	Core Deposit Growth YOY (%)	Net Loans/ Deposits (%)
192	Beacon Bancorp	Taunton, MA	2,078,459	6.07	6.74	0.88	17,114	3.19	76.29	11.28	9.02	100.63
193	Bank Leumi Le-Israel Corp.	New York, NY	7,026,521	5.99	4.96	0.54	37,704	3.33	62.87	10.36	9.47	93.31
194	Northwest Bancshares (NWBI)	Warren, PA	9,363,934	5.91	7.95	0.99	94,467	3.82	64.18	3.20	(1.23)	98.85
195	Albina Community Bank	Portland, OR	180,603	5.88	(0.76)	(0.07)	(133)	3.86	85.79	3.47	9.34	75.79
196	Southern National (SONA)	McLean, VA	2,614,252	5.75	1.02	0.13	2,425	3.87	52.23	122.71	279.26	110.07
197	First Connecticut (FBNK)	Farmington, CT	3,055,050	5.71	5.96	0.55	16,189	2.93	64.81	7.97	8.08	112.19
198	Johnson Financial Group	Racine, WI	4,783,395	5.62	6.56	0.80	36,767	3.42	79.04	6.57	7.82	96.33
199	Meridian Bancorp (EBSB)	Peabody, MA	5,299,455	5.59	6.82	0.89	42,945	3.23	52.51	18.55	16.59	112.63
200	Liberty Bank	Middletown, CT	4,768,556	5.57	5.92	0.87	40,192	3.14	69.93	4.45	3.06	100.90
201	Banner Corp. (BANR)	Walla Walla, WA	9,763,209	5.52	4.57	0.60	60,776	4.24	67.90	(0.80)	1.98	92.27
202	Dollar Bank	Pittsburgh, PA	8,294,175	5.51	5.84	0.65	52,389	2.94	71.39	7.71	5.41	104.81
203	Scottdale Bank & Trust	Scottdale, PA	260,735	5.50	13.42	2.27	5,953	2.48	82.93	10.35	(2.28)	32.91
204	Middlesex Bancorp MHC	Natick, MA	4,684,443	5.41	5.63	0.71	32,667	2.83	64.37	7.51	4.96	75.83
205	Valley View Bancshares	Overland Park, KS	2,999,714	5.41	5.45	0.83	25,766	3.52	53.67	8.43	(0.28)	69.26
206	Firstrust Savings Bank*	Conshohocken, PA	3,152,950	5.35	5.91	0.66	30,952	4.17	80.86	2.92	(3.05)	110.08
207	Union Savings Bank	Danbury, CT	2,181,709	5.35	4.83	0.51	11,431	3.39	75.16	0.16	2.56	99.48
208	Origin Bancorp	Ruston, LA	4,154,498	4.59	3.19	0.36	14,669	3.49	80.37	4.38	3.46	93.11
209	Lone Star National	McAllen, TX	2,240,139	4.58	4.05	0.48	10,531	3.54	76.97	(0.82)	17.70	59.72
210	TotalBank	Miami, FL	3,009,339	4.38	4.89	0.80	24,005	2.96	59.17	4.35	1.45	102.84
211	Opus Bank (OPB)	Irvine, CA	7,486,809	4.38	4.76	0.63	47,643	3.18	66.51	(8.28)	(9.82)	85.76
212	Ocean Bankshares	Miami, FL	3,722,008	4.35	1.63	0.17	6,342	3.95	68.56	7.28	6.57	93.05
213	Carter Bank & Trust (CARE)	Martinsville, VA	4,112,292	4.34	(0.16)	(0.02)	(681)	2.79	59.05	(1.77)	(3.94)	72.20
214	Dickinson Financial Corp.	Kansas City, MO	2,352,705	4.29	3.32	0.62	13,959	3.63	71.33	17.25	9.64	85.03
215	County First Bank	La Plata, MD	226,668	4.28	3.59	0.40	926	3.58	77.66	(8.15)	5.80	71.48
216	Needham Bank	Needham, MA	2,017,627	4.26	3.58	0.46	9,215	3.10	69.03	2.85	9.57	121.25
217	Green Bancorp (GNBC)	Houston, TX	4,261,916	4.01	7.57	0.83	34,136	3.60	51.05	2.28	6.35	93.21
218	Western New England (WNEB)	Westfield, MA	2,083,070	4.00	4.94	0.59	12,320	3.12	63.74	4.08	0.28	107.55
219	Manufacturers Bank	Los Angeles, CA	2,664,289	3.93	3.02	0.38	9,980	2.76	61.28	(4.28)	(1.59)	84.27
220	OFG Bancorp (OFG)	San Juan, PR	6,189,053	3.93	5.57	0.84	52,646	5.31	52.57	(2.20)	5.03	84.52
221	Northfield Bancorp (NFBK)	Woodbridge, NJ	3,991,417	3.85	3.88	0.63	24,768	2.99	56.36	5.82	(3.52)	109.79
222	Mercantil Bank Holding	Coral Gables, FL	8,436,767	3.81	5.88	0.51	43,057	2.68	72.22	5.57	(13.97)	94.87
223	Capital City Bank (CCBG)	Tallahassee, FL	2,898,794	3.79	3.83	0.39	10,863	3.37	79.61	5.53	3.32	66.60
224	Spencer Savings Bank	Elmwood Park, NJ	2,722,998	3.77	1.93	0.22	5,896	2.72	66.47	5.62	4.73	102.13
225	Home Federal Bank of Tenn.	Knoxville, TN	2,203,118	3.14	2.63	0.46	10,081	2.60	70.81	1.24	3.18	53.93
226	Blue Hills Bancorp (BHBK)	Norwood, MA	2,668,520	2.70	4.14	0.65	16,489	2.77	67.49	14.59	10.02	107.61
227	Penn Community Mutual	Perkasie, PA	2,009,849	2.63	3.21	0.42	8,348	3.00	73.25	6.62	7.03	94.64
228	National Bank (NBHC)	Greenwood Village, CO	4,843,465	2.44	2.67	0.31	14,579	3.50	68.20	10.38	6.08	79.21
229	North Shore Bank	Brookfield, WI	2,040,344	2.44	2.83	0.35	6,565	3.44	79.36	2.86	1.41	87.26
230	Ridgewood Savings Bank	Ridgewood, NY	5,391,946	2.38	2.47	0.32	17,259	2.33	77.23	10.49	0.29	84.36
231	CTBC Capital Corp.	Los Angeles, CA	3,239,819	2.32	1.67	0.37	11,545	3.45	55.65	15.04	21.30	97.81
232	Beneficial Bancorp (BNCL)	Philadelphia, PA	5,798,828	2.31	2.32	0.41	23,924	3.14	68.74	0.59	0.29	96.15
233	HomeTrust (HTBI)	Asheville, NC	3,250,588	2.00	(0.01)	(0.00)	(59)	3.50	68.82	23.94	19.83	114.03
234	Kearny Financial (KRNY)	Fairfield, NJ	4,843,847	1.30	1.42	0.31	14,973	2.42	72.47	10.51	9.42	107.62
235	Atlantic Capital (ACBI)	Atlanta, GA	2,891,421	0.83	(1.17)	(0.14)	(3,726)	3.28	72.85	(4.01)	12.11	78.18
236	1st Mariner Bank	Baltimore, MD	989,423	(2.29)	(2.39)	(0.24)	(2,373)	3.48	100.00	4.19	17.65	100.40
237	Scotiabank de Puerto Rico	San Juan, PR	4,131,799	(2.33)	(4.13)	(0.91)	(37,840)	4.45	59.51	(15.96)	2.16	82.02
	Median for all 237 institutions		**3,653,142**	**8.58**	**8.40**	**0.89**	**32,918**	**3.58**	**59.62**	**8.39**	**7.11**	**93.19**
	Median for the top 20 institutions		**3,100,802**	**14.55**	**14.10**	**1.23**	**45,928**	**3.74**	**58.77**	**11.76**	**10.84**	**85.51**
	Average for all 237 institutions		**4,301,708**	**8.57**	**8.31**	**0.88**	**38,015**	**3.52**	**60.57**	**13.74**	**12.72**	**91.37**
	Average for the top 20 institutions		**3,650,620**	**15.32**	**14.65**	**1.32**	**52,647**	**3.73**	**56.25**	**15.10**	**8.85**	**86.72**

Source: Capital Performance Group analysis of data provided by S&P Global Market Intelligence. Ranking is of top consolidated bank holding companies, banks, and thrifts with total assets of between $2 billion and $10 billion as of 12/31/17 and is based on three-year average return on equity for 2015 to 2017. Additional data is for the year ended 12/31/17; year-over-year changes compare 2017 to 2016. 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, 67 institutions in this asset size range were excluded from the ranking. Ties broken using first the 2017 ROAE and subsequently the 2016 ROAE.

* Denotes institutions that operated as a subchapter S corporation for at least one quarter between 2015 and 2017. Their profitability ratios were calculated from regulatory financials and adjusted using an assumed tax rate.

How Tim Spence is transforming Fifth Third for a digital era

By Suleman Din

Photographs by Jeremy Kramer

What does holistic digital transformation look like? At Fifth Third, Tim Spence is charged with figuring that out.

There's a book in Tim Spence's office that he's loved since he was a child — David Macaulay's "The Way Things Work," a compendium of drawings that reveal in cutaway detail all the components that work to let a trebuchet sling a rock, a bridge span a river, or a laser beam slice through solid steel.

When he is asked about the first piece of technology he ever owned, what immediately comes to mind is this book. "A lot of my interaction with technology actually had to do with disassembling old, broken things, probably inspired by the book," he said. "I wanted to understand the way that they worked, and how the pieces and the parts went together."

Growing up, Spence was breaking down and reassembling toasters and computers. Today, he's helping to reinvent Fifth Third Bancorp in what it refers to as a holistic digital transformation.

The head of payments, strategy, and digital solutions, Spence has a new but critical role that goes beyond his title, one that is bound to become more common for financial institutions of all sizes chasing a transformation agenda. In the last five years alone, according to CB Insights, the top 10 U.S. banks have spent nearly $4 billion on fintech partnerships to boost their own technological prowess; a second study by research firm Statista found that 82% of U.S. commercial banks plan to increase fintech investment over the next three years.

Spence is essentially the Cincinnati banking company's designated visionary for innovation, guiding its consumer and commercial banks, issuing research, championing new ideas and investments, and overseeing projects to transform everything from internal workflows to mobile banking offerings. And informally, he fills the role of mentor and confidant to many within the bank and partners outside of it.

Last year, Spence oversaw the configuration of so-called Agile teams to work on Fifth Third's online banking channels and mobile apps. This resulted in a revamped bill pay experience, along with the addition of online branch appointment scheduling and the ability to withdraw cash at ATMs using the bank's mobile app. In months, it was also able to launch Zelle peer-to-peer payments and Momentum, a proprietary app that helps millennials pay off student loans faster through micro payments from rounding up purchases.

All of this is necessary, Fifth Third insists, since 50% of its consumer deposits now come through digital channels and 90% of its customer interactions come through digital channels.

Spence also has steered Fifth Third's investment of more than $100 million in fintech companies, with the goal of getting an edge in retail banking. Its partners include home improvement loan facilitator GreenSky, which in April filed plans for a $100 million IPO. Additionally, Fifth Third has beefed up tech offerings for commercial clients through partnerships with Transactics, AvidXchange, and Dade Systems, enabling it to provide updated turnkey managed accounts payable, accounts receivable, and billing services.

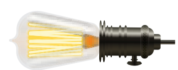
The term "holistic digital transformation" itself is up for interpretation at banks. At small community banks, for instance, it largely means just making the switch from paper to digital forms, while the largest banks experiment with artificial intelligence and blockchain custody. Fifth Third applies the label to an evolving mix of internal and external initiatives that collectively touch just about all aspects of its operations.

But regardless of what definition a given bank decides to use, emerging from Spence's work are key steps for any financial institution devising their own digital transformation blueprint.

Spence, 39, said there is a single question he returns to repeatedly as he helps the $142 billion-asset company reinvent itself, a question that all banks attempting such changes must ponder: What is the point of new banking technology if the customer's best interest isn't at the heart of it?

A focus on making customers happy by better serving their needs helps bring clarity to complicated decisions about which technology changes matter most.

For his leadership in making over Fifth Third for a digital age, Spence is American Banker's Digital Banker of the Year for 2018.



Step one: Find true believers to join the mission

A few years ago, Spence had his own transformative banking experience.

Before joining Fifth Third in 2015, Spence was a senior partner in Oliver Wyman's retail and business banking practice. A report he read back then by Michael S. Barr really struck him, and stays with him still. Called "Banking for the Unbanked," it detailed the daily money hassles that affect the estimated 10 million unbanked Americans. Moved by what he read, Spence decided at the time to go a week in Manhattan without using a checking account or ATM.

There were many emotional experiences — from the panic in running out of money to the embarrassment in having to walk dozens of city blocks home after discovering his subway card had insufficient fare.

"You get a bill from the utility company, you pop it into bill pay, you pay the bill. You don't think to go to the utility bill collection center like many people living only on cash have to do," Spence said. "You don't think about the idea that you can't just pay for something on your credit card. You actually have to check to see if you have the cash to buy lunch." (Spence ended up missing the payment on his utility bill that week).

That sort of curiosity, empathy and desire to understand banking's impact on customers got the attention of Fifth Third's Greg Carmichael.

Carmichael had worked on technology initiatives for Fifth Third as chief operating officer before becoming the chief executive officer in 2015. And that's when years of lobbying Spence — a consultant on those initiatives — to join the company finally paid off.

Spence said what won him over was the chance to immerse himself in change on a broad scale. "How do I manage the interactions with my clients holistically? How do I balance investments in physical distribution and digital channels?" he asked.

He also longed to see how things turned out. "In consulting, I kept finding reasons to hang around with clients after the engagements were up. I just wanted to see our work through."

Once on board, it was Spence's turn to find others who believed in the mission of holistic digital transformation He set out to recruit tech talent from his own rolodex, hiring Melissa Stevens as chief digital officer and Ben Hoffman to lead digital lending.

The importance of cohesiveness and dedication on a team tasked with innovation efforts cannot be overlooked. An early and oft-cited study on innovation published in the Journal of Marketing determined the two biggest factors in corporate reinvention success are people and internal culture.

Spence first set out to examine how projects were being managed inside the bank, and then reconfigured product development teams around the Agile innovation methodology.

Given Spence's background, that move should come as no surprise — many consultants tout the benefits of Agile for speedier innovation. It meant the Fifth Third teams became smaller and now worked toward whatever made sense for the overall company rather than being captive to one unit or manager. They were shielded from other demands in their particular departments to focus on a series of micro projects that would affect multiple areas of the bank.

Stevens said some experienced culture shock at first. "Especially for middle management, not to be involved in the day-to-day, it was hard," she said. "Our challenge was, how do we help people through this, so that they feel like they are not losing control?"

The changes he makes are never personal, Spence insisted. The task of innovation in banking simply requires a constant, ruthless assessment of resources and a dedication to the mission.

"There's a paradox in large companies," he said. "On one hand, resources feel like they're really scarce, because it feels like there are so many competing priorities. But simultaneously, you can create immense resources by reallocating work from low priority items to higher priority items.

"We have a saying in my group, 'If you're not in the driver's seat and you're not in the passenger's seat, you're in the backseat, and you shouldn't be in the car.' We talk a lot about how we make sure we're focused on the most critical priorities."

Step two: Evangelize change, with a smile

Fifth Third has some history with innovation that stands out, said Terrence Kelly, a principal at Bartlett Wealth Management in Cincinnati.

In the 1970s, the company formed Midwest Payments Systems to provide electronic funds transfer, or EFT, services to other banks, and later launched the country's first online shared ATM network.

As Midwest grew, it was rebranded and then eventually spun off. Today, it's WorldPay, which claims to process 40 billion transactions for more than 1 million merchant locations worldwide annually.

"To their credit, there's never been this fear factor about innovation at Fifth Third," Kelly said. "They recognized this was a way to develop a good stream of revenue for the company. They used old IBM mainframes and ran with it, and Midwest provided them significant profit."

Carmichael said the challenge for Spence was to connect the new transformation effort to the past innovation success.

Fifth Third also had to deal with pressure from equity analysts, who question the long arc to its digital goals while issues like anemic loan growth and lower fee income impact quarterly performance.

Carmichael argues the bet on digital is essential to performance, not a distraction from it. "Fintechs are nipping at our profit pools, mainly on our consumer side and small business side," Carmichael said. "You've got private equity firms coming in, searching for yield. So there are competitors all around us. That's the reality, and what we're doing about that is making sure we place our bets smartly. "

He said the digital transformation is focused on ways to better reach and serve customers, which is essential given that 60% of Fifth Third's transactions now happen in digital channels. "Our customers want to bank differently than they did 15 years ago," he said.

Hoffman said Spence went on a charm offensive to bring in savvy fintechs that could give the bank an innovative edge. Spence works with the private equity firm QED Investors in Alexandria, Va., to spot promising opportunities.

One such partnership is with GreenSky.

In September 2016, Fifth Third invested $50 million in GreenSky, an Atlanta-based fintech whose technology platform enables home improvement contractors, medical firms and specialty retailers to offer instant loans and lines of credit to their customers. The banks that fund GreenSky's lending see it as a way to diversify and grow their balance sheets.

Now GreenSky aims to expand into other niches, including helping customers arrange to pay for car repairs and buy luxury items. It also has plans to do an IPO.

"All these strategic partnerships that we've struck with fintech lenders — Tim will hate saying it — but he really was the material catalyst driving that change, helping win over hearts and minds," Hoffman said.

To convince skeptical bank executives that Fifth Third wasn't gambling away money on unstable startups, Spence offered detailed case studies from around the globe on both successful and unsuccessful fintech partnerships, Hoffman said.

"Spence gave confidence to the organization, from the senior ranks on down, that we could actually deliver results, that we were not just signing a check, that we had the ability to make magic with these partners," he said.

Spence is also effective at reassuring wary fintech entrepreneurs, said Denise Thomas, co-founder and CEO of the franchise lender ApplePie Capital.

Thomas remembered being anxious when she met Spence for the first time. Welcoming a regional bank as an equity partner into your early-stage startup isn't easy, she said.

"You're wondering, are you going to kill me because you're a giant, or are you going to appreciate me and allow

CAMILLE BURCKHART

Chief information and digital officer
Banco Popular
San Juan, Puerto Rico

$43.9 billion of assets

The Banco Popular trailer with an ATM was built for promotional events.

But in the aftermath of Hurricane María's destruction, Camille Burckhart, the bank's executive vice president and chief information and digital officer, had it retrofitted to help fellow Puerto Ricans in desperate need of cash.

Her employees installed antennas from a satellite internet company so the trailer could be online even in remote parts of the country and equipped it with generators.

"In a post-hurricane reality where there is no power or telecommunications," access to cash was a major challenge, she said. The trailer "became a godsend to citizens who had been driving for hours to get cash during days where gas was scarce."

With less than 20% of point-of-sale terminals working throughout the island, her team also devised a plan to open branches by managing transactions and account balances offline and manually.

More than 40 bank volunteers assembled to help in the wake of the hurricane, starting shifts at 2 a.m. After completing a systems batch run, they delivered encrypted laptops to branches by opening time with updated customer account balances, so that customers could access cash even without an operating network.

"To me, this is innovation at its best," Burckhart said. "Designing ideas such as this one, and being an active participant of it, by visiting branches and working as a volunteer alongside branch employees, was one of the most rewarding professional experiences I've had."

A week after Hurricane María struck, despite communication and electrical outages throughout the island, Popular had 53 of 168 branches and 150 of 635 ATMs up and running, as well as all digital channels, thanks largely to Burckhart's efforts.

In the midst of the hurricane recovery efforts, her team also relaunched the online lending unit Eloan, while continuing to support the bank's U.S. operations and its credit card white label program to U.S. affiliates.

It's for all of these reasons that she is a 2018 Digital Banker of the Year finalist.

Burckhart said she is proud of what her team accomplished over the past year, both on the job and off. "Everyone volunteered to do whatever was needed to help our fellow citizens return to a new normal."

— Suleman Din

me to innovate and grow," Thomas said.

At her San Francisco office that day, Spence won her over by saying that Fifth Third wanted to learn from her how the relationship should work, since the bank had not partnered with such a young company before.

He also made her feel as if Fifth Third would be sticking around. "He touched on the long term and the need for a partnership to function well in good times and in bad times," Thomas said.

Stevens said Spence's collaborative rapport is just as effective in the boardroom.

She recalled how Fifth Third was pondering the decision to launch Zelle during the fourth quarter of 2016. Stevens knew there could be some resistance, since banks often balk at the idea of taking on a major technology project at the end of the year, never mind one that would have to be launched in less than six months.

With the pitch underway, the discussion turned to how much revenue the service might generate, Stevens said.

Spence stood up and launched into a lesson on the dynamics of the payments market.

Mobile P2P transactions in the United States were expected to top $120 billion in 2017, and that figure is projected to double by 2021, according to the research firm eMarketer.

Zelle already counts 4 million users, and more established providers like Venmo and PayPal are formidable.

"At end of the day, this is about providing services banks should offer in calendar 2017," Stevens recalled Spence telling the room.

Swift agreement followed that "we needed to focus on the best solution and get it out as fast as possible," she said.

Step three: Stay curious and keep experimenting

Carmichael said he's come to trust Spence exactly because he "doesn't think like the average banker."

Maybe that's because Spence has an interest in such diverse subjects. He grew up in the Pacific Northwest, where his father, a financial planner with the old Paine Webber, taught him how to read a financial statement when he was just 12. He earned his degree in economics and English literature from Colgate University and names T.S. Eliot as his favorite poet.

"Tim has been a catalyst for a lot of innovation in the company," Carmichael said. "To have someone like that, who I can lean on as my right hand person in this space, gives me a lot of comfort."

Spence gracefully accepts the compliment, but is quick to point out the role has its pressures.

He said one challenge for banks attempting digital transformation is accepting when an initiative isn't going to work out. He cited as an example an attempt by his team to try to help small healthcare network providers in their auto reconciliation with health insurance companies. Though the service made money, the bank never achieved the scale it was seeking.

"We try very hard as a leadership team to acknowledge when something's not working and just move on. But having the discipline to say, 'We're throwing good money after bad here, and we just need to stop doing it,' is really hard," Spence said. "If something falls short of its projections, the tendency is to want to try and fix it."

An avid runner, Spence can't help but use a marathon metaphor when he talks about

MARY KAY LOFTUS

Head of multi-channel
HSBC, U.S. Retail
Banking and Wealth
Management
Buffalo, N.Y.

$180.4 billion of assets

All large banks are investing heavily in digital, but few are going as big as HSBC USA.

The U.S. retail and wealth management arm of the global banking giant invested $131 million in it what it called its "digital transformation" last year, and it tapped Mary Kay Loftus, its head of multi-channel, to oversee the effort.

Loftus led the successful implementation of nine key digital initiatives, many with a focus on improving staff interaction with customers.

They included a co-browser functionality that now allows voice and chat customer representatives to view exactly what customers were seeing on their screens so that they can resolve problems or answer questions more quickly. Loftus and her team also implemented digital signature technology in HSBC's retail banking sales and service unit and, in one year, they successfully migrated nine high-volume forms, including credit card applications, away from paper to digital. (Last year 35,000 paper forms and 7,500 credit card applications were signed digitally).

The massive investment by HSBC comes "at a time when the conventional wisdom is that retail is in decline," said Loftus. But fewer branches does not mean fewer customers and transactions, it just means that transactions "are happening in more varied ways," she said.

It is for her efforts in leading HSBC's retail transformation program that Loftus is a 2018 Digital Banker of the Year finalist.

That's not to say her work is done. Loftus is also spearheading the launch of HSBC's chatbot functionality, which was expected to roll out in late May. The chatbots will help customers to complete their online banking tasks, answer questions about products and offerings and assist customers who are having trouble logging into their accounts. By the end of 2018 HSBC estimates that 25% of all-live chat conversations will be automated, reducing the cost-per-interaction by 300%.

"We're investing to make sure we have the technology to serve customers in the way they want to interact with us today as well as tomorrow," Loftus said. "As a team and a company, we're excited for what is planned for the rest of 2018 and beyond."

— Bryan Yurcan

how the transformative process can sometimes drag, fueling misgivings. "Some industries change quickly. Others don't. Sustaining your effort in an industry that maybe is changing a little more slowly is hard."

There's the initial rush of an exciting project — the gun going off at the starting line and the crowd cheering, he said. "And then you get to mile 13 or 14, and you look around. You're about as far away from the finish line as you're going to get. The pack is stretched out. All of a sudden, you think, 'Wow, we really ran hard early. But we probably outran our pace.' You start to get the nagging sense, am I going to make it?

"The corporate equivalent is, 'We thought this was a good idea. The research did support it, but what if the projections miss? What if we're late on delivery? What if there was something wrong with the research?' And it takes real fortitude to make it through that stretch."

One component to aid forward momentum is curiosity. It was Spence's interest in understanding customers that resulted in Fifth Third developing a millennium-focused app, called, coincidentally, Momentum.

It is a twist on other apps in the market that allow rounding up for different purposes — such as adding to a savings account.

Spence had been looking to learn all he could about millennials, who, studies suggest, are distrustful of banks.

So Fifth Third commissioned its own research, part of which entailed just following around young people going about their lives and documenting their activities, Spence said.

"Half of the people opening checking accounts in U.S. are millennials," he said. "While we think millennials will have the same needs as their parents, the way they conceive of, and the way they choose financial services products, is going to be really different. We have to have to find a way as a company to change along with them to remain relevant."

Fifth Third sensed an opportunity in the millennial angst over student loans: Could the bank help with this burden?

Momentum is a free standalone app that lets customers link Fifth Third debit cards to student loan accounts held by more than 30 servicers. Then any purchase made with the debit card is rounded up to the nearest dollar, and the extra change is applied weekly to the balances on designated loans once a minimum of $5 is accumulated. Despite little advertising, more than 40,000 people have downloaded Momentum and have paid down more than $500,000 in student debt, according to Fifth Third.

Spence said the bank never could have come up with an app that would appeal to millennial customers if it didn't take the time to understand what they wanted.

"We're headed toward a world where people experience things in a more thinly sliced way," Spence said. "You don't sit down and balance your checkbook for an hour. You check the transactions as they flow through on a day in, day out basis. So you have to be thinking more broadly than just what you can learn in a focus group."

Spence believes going forward banks must work to embed themselves at the customer's points of need. Instead of going to a bank to fill out the paperwork for a home improvement loan, the customer will want to do it on their phone with the contractor.

Banks also need to be "treating data as a product, rather than a byproduct, in financial services," he said.

He expects customers to simplify — in the same way that they are demanding of banks — and predicts a shift where they start using fewer apps.

And even as pervasive as digital is, and as critical as it is for banks to hurl themselves into it, he is doubtful that an all-digital model of banking, exemplified by the completely automated, teller-less branch concept, will ever take hold.

"Financial services are abstract concepts," Spence said. "They're not tangible, and they rely on topics like interest compounding that are naturally a little bit confusing. We just believe there are lots of moments where the best solution for a customer is to have the opportunity to talk to someone."

Spence, who values being able to spend some time alone in quiet reflection before the busy day begins, typically arrives at his office by 7 a.m.

Illuminating his desk is a single retro Edison incandescent bulb encased in a glass shell, so its tangled arches of hot orange filament are visible.

It's both a source of warmth and inspiration, according to Spence.

He takes comfort from the reply Thomas Edison supposedly gave when asked about all his failed attempts to invent the lightbulb. Edison said he had not failed, but rather learned a thousand ways that didn't work.

"I wish we lived in a world where you only had to get it right once," Spence said. "We're big believers in the idea that banking isn't about one single moment, rather the accumulation of small moments. Our role is to deliver an overall experience."

Besides Spence's office, there's one other spot Macaulay's book can be found in Fifth Third's headquarters — in the new innovation center's library. Spence insisted that it stock a copy.

As he professes his fondness for the illustrated pages — "I loved the notion you could put things together and accomplish things in new and different ways" — it seems like an entirely appropriate addition. □

BankThink

In Banking, Less Is More

By Kevin Halsey

Thanks to rising interest rates, lower corporate taxes and easing of regulations, the prospects for higher bank profits are bright. The positive trends provide management teams with options regarding where and how to invest in their business, according to Capital Performance Group's analysis of the banking industry's 2017 financial performance. The dramatic changes in consumer and business behavior, and the rapid adoption of technology, also present a wide range of ideas about what investments banks will need to make in order to remain competitive.

More options, however, don't always translate to better decisions for the long-term success of a bank. There are many research studies that suggest the greater the number of choices, the harder it is to make the right choice. We believe this plays out in the banking industry, where many banks often enter new lines of business and new geographies when investment dollars are available.

But banks don't necessarily have a good track record with the concept of "more is better." More branches in more markets have contributed to inefficiencies at many institutions. More product offerings have resulted in too many choices for consumers, watered-down value propositions, ineffective sales conversations and operational complexity in the back office. For some banks, more lines of business have distracted management teams while contributing little to the bottom line.

Our research on the top-performing banks provides examples of management teams that demonstrated an ability to manage the noise and focus on the most important drivers of success for their institutions:

• Some of the standouts purposefully shrank or completely exited lines of business to focus on core activities. Residential mortgage lending was a common pain point this year. Bank of the Ozarks exited its secondary market home lending business, and U.S. Bank exited its wholesale mortgage lending facility.

• Serving particular customer segments continued to work well for others. Silicon Valley Bank (innovation focus), Bremer Financial (agriculture and nonprofit focus), Signature Bank (middle-market business focus) and East West Bank (Chinese-American focus) all offer value propositions that make them perennial high performers.

• Driving efficiency helped propel others to success. Continued trimming of the branch network was a profitable strategy for FCB Financial Holdings and Western Alliance and, notably, they still maintain healthy core deposit growth. Both have reduced their branch networks by more than 10% since 2015, contributing to steady improvements in their efficiency ratios. Many top performers continued to post sub-40% efficiency ratios by intensely monitoring noninterest expense levels against peers and ensuring that new investments generate positive operating leverage.

Ultimately focus remains the most important strategic imperative for high-performing banks. So, what management characteristics lead to clarity in strategic focus?

• *They know what they want.* They set clear financial and strategic targets to be achieved. In turn, these targets provide the framework for prioritizing the initiatives to be pursued and the others that should be postponed or dismissed completely.

• *They are data-savvy.* They use data accurately and objectively to identify the handful of opportunities that will help the bank attain strategic targets. They then use data again to determine the best options for pursuing those opportunities.

• *They understand what they do well.* The high performers recognize what strengths they can leverage and build on. They know which segments they serve well. In short, they see where they can win.

• *They communicate better.* A sharp strategic focus and a well-conceived plan are important. However, both must be clearly and consistently communicated throughout the organization to ensure unity of direction. It's no accident that the best leaders are also the best communicators.

• *They act fast.* None of the above matters if the institution takes too long to implement and execute. In today's world, the timeline for action is becoming shorter and shorter. □

Kevin Halsey is a consultant at Capital Performance Group.

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SUBSERVICING

BackPorch


BLOOMBERG NEWS

JOSEPH OTTING

“The whole question is: How do you eat an elephant? It’s kind of one bite at a time.”

Comptroller of the currency, on the complexity of trying to cut anti-money-laundering compliance costs without adding risk

CHARLES M. ELSON

“The government shouldn’t view a crippled institution as a piggy bank to generate revenue.”

University of Delaware professor, saying the $1 billion Wells Fargo fine is excessive if a healthy bank is the goal

SEN. JOHN KENNEDY

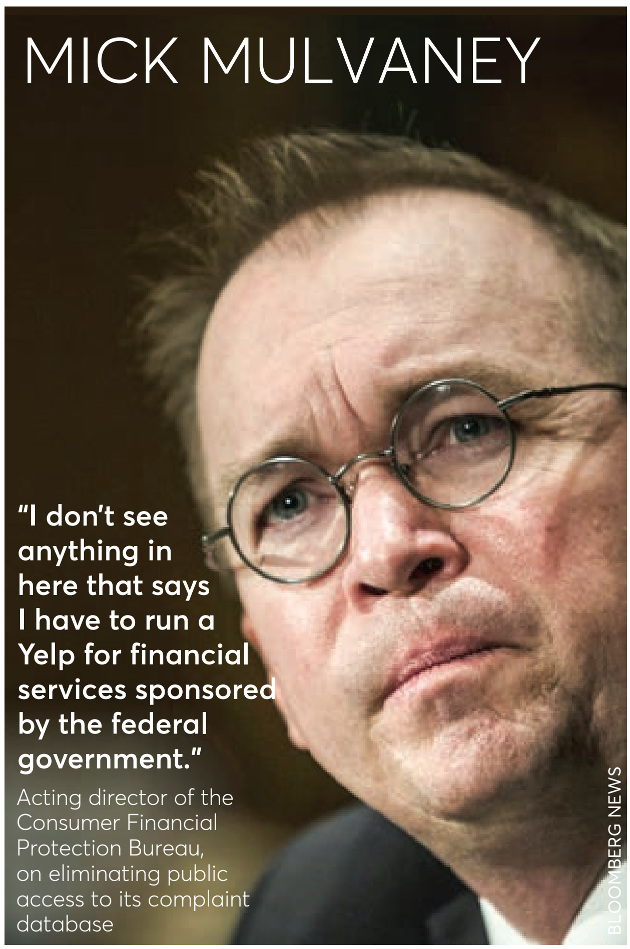
“We don’t need red banks and blue banks.”

Louisiana Republican, blasting big banks like Citigroup for placing restrictions on customers in the firearms industry

LORI BEER

“If you’re trying to build out something in the wholesale payment ecosystem, you’re talking about 200 regulators, $5 trillion we process a day, over 120 currencies and countries.”

JPMorgan Chase’s chief information officer, saying the size and complexity of the company can overwhelm a fintech startup and, in some cases, preclude a partnership



MICK MULVANEY

“I don’t see anything in here that says I have to run a Yelp for financial services sponsored by the federal government.”

Acting director of the Consumer Financial Protection Bureau, on eliminating public access to its complaint database

BLOOMBERG NEWS

ROBERT ASTON JR.

“Frankly, it’s a nightmare.”

TowneBank’s executive chairman, fretting that the stress tests for banks above $10 billion of assets cost up to $700,000 a year

WARREN BUFFETT

“It’s probably rat poison squared.”

Billionaire investor, advising others to stay away from cryptocurrencies like bitcoin

RON SUBER

“The most valuable asset in the world right now … is not oil, not gold, but data.”

Former president of the online lender Prosper Marketplace, arguing that tech giants like Google and Amazon are serious bank competitors

BARRY STAR

“Bad data at the speed of light is still bad data.”

CEO and founder of the data provider Wall Street Horizon, lamenting that too many banks focus on speed over quality

MANNY FRIEDMAN

“It’s like owning a 7-Eleven that can be open all the time, and supermarkets are forced to close by 6 every night, are closed on the weekends and not allowed to sell liquor. You are going to make a lot of money in that 7-Eleven.”

CEO of the hedge fund EJF Capital, contending that regulators’ easing up on small banks makes them a better investment than big ones

BLOOMBERG NEWS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