Bank Director®

RANKING BANKING

PERFORMANCE POWERHOUSES

2021

RankingBanking®
PERFORMANCE POWERHOUSES

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Building Long-Term Value

On its face, banking is simple: Take in deposits, lend that money out and generate income off the spread.

If only it were really that easy.

The 20 banks featured in the 2021 RankingBanking study prove there's more than one way to crack a nut. Some operate complex, national platforms. Others focus on their core markets, delivering bread-and-butter banking services.

All have generated long-term value for shareholders.

One could argue that it's easy to turn a profit in the good times. But the test of true performance comes from weathering both the good times and the bad, and emerging stronger on the other side.

The 2021 RankingBanking study, sponsored by Crowe LLP, seeks to get under the hood of what we call the industry's "performance powerhouses." We examined multiple factors that impact performance, from profitability, revenue generation and growth to efficiency and credit risk. We looked into each bank's retail and lending strategies. We dug into their cultures to understand how they position themselves to attract and retain the employees that are so vital to executing on strategy. And we analyzed the composition of the board, along with its governance practices, to better understand the body that oversees the bank and sets it up for long-term success.

"If we can do it, why can't everybody else do it?" says Scott Dueser, CEO of Abilene, Texas-based First Financial Bankshares, one of the companies featured in the RankingBanking study. Dueser has successfully led First Financial for almost 20 years, but he sees it as merely continuing the work of his predecessors. "When I came to the bank 45 years ago, we were one of the best banks in the country. It's not something I've done; [I've] kept from screwing it up," Dueser likes to tell new hires. "Much of what I learned in those days, we follow through on today."

The banks in the 2021 RankingBanking study make strong performance look easy. There's a lot we can learn from them.

Emily McCormick
Vice President of Research
Bank Director

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RANKING PERFORMANCE POWERHOUSES

There's nothing like an economic downturn to win full appreciation for a company's commitment to long-term performance and its adherence to a strategic North Star.

With this in mind, Bank Director's 2021 RankingBanking study, sponsored by Crowe LLP, identifies banks that have built enviable value for their shareholders to uncover the building blocks of long-term performance. These high-performing banks were selected based on total shareholder return generated over a 20-year period ending June 30, 2020.

The resulting list of banks yields varying business models and strengths, sizes and geographies. Some are rural, some skew urban, and some operate national platforms. The smallest banks are $948 million First Capital, based in Corydon, Indiana, and $938 million Auburn National Bancorp., in Auburn, Alabama. The largest are $33.2 billion Prosperity Bancshares and Little Rock, Arkansas-based Bank OZK, with $26.9 billion in assets. Three banks are located in Texas: Prosperity, based in Houston, First Financial Bankshares in Abilene, and Southside Bancshares, in Tyler.

What all these banks have in common is a track record for successfully managing their institutions through economic cycles. We examined them across 10 categories to dig into their strategic strengths. These are:

- Best Bank for Creating Value
- Best Revenue Strategy
- Best Retail Strategy
- Best Lending Strategy
- Best Credit Risk Strategy
- Best Growth Strategy
- Most Efficient Bank
- Best Technology Strategy
- Best Employer
- Best Board

"The categories are all components of a well-rounded bank," says Crowe Partner Kara Baldwin. "Through time, certain metrics become in vogue, but performance ultimately boils down to producing consistently strong earnings for your shareholders on a long-term basis." Critical to that is balancing organic and acquisitive growth, effective capital management, a strong credit culture, attracting and retaining talented employees, and today, understanding customer demands in a digital economy.

For each category, Bank Director sourced quantitative data from S&P Global Market Intelligence, company filings and other publicly available information. All told, more than 150 data points factored into our analysis, with the data spanning a five-year time period, from December 2014 to December 2019 — a date selected to avoid the muddiness of the pandemic environment. We also built case studies to better understand each bank's performance, from its reputation as an employer to its technology strategy.

An algorithm was developed for each category; data points were ranked, with the lower score indicating the better performance. We then averaged the category scores to determine the overall winner. Total shareholder return was only used to identify the top 20 performance powerhouses and didn't factor further into the ranking.

How The Top Performers Ranked

OVERALL WINNER

		SCORE	ASSET SIZE (MILLIONS)	TICKER
1	Bank OZK	7.30	$26,888	OZK
2	Independent Bank Corp.	8.50	$13,174	INDB
3	Horizon Bancorp	8.80	$5,790	HBNC
4	WSFS Financial Corp.	9.17	$13,830	WSFS
5	Meta Financial Group	9.24	$6,092	CASH
6	First Financial Bankshares	9.35	$10,568	FFIN
7	Lakeland Financial Corp.	9.44	$5,551	LKFN
8	Glacier Bancorp	9.65	$17,926	GBCI
9	Southside Bancshares	9.66	$7,191	SBSI
10	Community Bank System	9.96	$13,845	CBU
11	Eagle Bancorp Montana	10.23	$1,255	EBMT
12	Stock Yards Bancorp	10.36	$4,365	SYBT
13	Hingham Institution for Savings	10.91	$2,719	HIFS
14	Prosperity Bancshares	11.06	$33,198	PB
15	Greene County Bancorp	11.14	$1,799	GCBC
16	Southern Missouri Bancorp	11.32	$2,541	SMBC
17	First Capital	11.55	$948	FCAP
18	The First Bancorp	12.15	$2,267	FNLC
19	City Holding Co.	12.65	$5,511	CHCO
20	Auburn National Bancorp.	12.71	$938	AUBN

Bank OZK generated the highest 20-year total shareholder return, at 3,142%, and came out on top in the ranking. It didn't win any of the categories outright but performed exceptionally well across the board, landing in the top 10 in every category. It scored in the top five for creating value, efficiency, risk, lending, technology and growth, as well as its ranking as an employer and the strength of its board.

Much of OZK's performance today derives from how it positioned itself to take advantage of the last financial crisis, explains Piper Sandler Cos. managing director Stephen Scouten. The bank grew its real estate specialties group, a geographically diverse book of high-yield commercial loans, during that time; it also participated in seven FDIC-assisted deals in 2010-11 and bought some distressed bonds.

"They had exponentially better returns due to their more aggressive pursuits at the bottom of the crisis," says Scouten.

Janney Montgomery Scott's Brian Martin finds the bank well positioned for today's downturn. "[C]redit is excellent, profitability is strong, and the bank is accumulating capital and building reserves," he wrote in an October 2020 note.

"We have built an extraordinary bank, with an extraordinary team of people and a great business model," says Bank OZK Chairman and CEO George Gleason. "I think it will prove to be very durable and very profitable over a long period of time."

Coming in second, $13.2 billion Independent Bank Corp. operates through its commercial bank subsidiary, Rockland Trust Co. It generated a 867% TSR. The Rockland, Massachusetts-based bank, which has been recognized by the Human Rights Campaign for LGBTQ workplace equality, won the Best Employer category. It also scored in the top five for its strategy around revenue, retail, technology and growth.

Michigan City, Indiana-based Horizon Bancorp ranks third overall. The $5.8 billion bank, which generated a TSR of 1,185%, ranked second in the Best Board category, and in the top five for lending, revenue and technology.

Horizon's footprint in business-friendly Indiana and Michigan provides a strong foundation, says Chairman and CEO Craig Dwight. From there, managers and employees are encouraged to proactively seek growth opportunities. "The windows of opportunity open and shut quickly," he says. "You have to listen for opportunities; you have to be assertive."

> "The categories are all components of a well-rounded bank. Through time, certain metrics become in vogue, but performance ultimately boils down to producing consistently strong earnings for your shareholders on a long-term basis."
>
> **Kara Baldwin** / Crowe LLP

At fourth, $13.8 billion WSFS Financial Corp. is the only bank to win two categories: Best Board and Best Technology Strategy.

The board's long-term focus directly impacts investments like WSFS' digital transformation initiative, says Chairman and CEO Rodger Levenson. "The pandemic for us has just confirmed and accelerated everything that we've seen over the last few years," he says. "[T]he longer-term trends have only been validated and … reinforced the strategic direction that we embarked upon before the pandemic."

The Wilmington, Delaware-based bank also scored second for its revenue strategy and in the top five in the retail category. It generated a 886% TSR.

Sioux Falls, South Dakota-based Meta Financial Group ranks fifth. The $6.1 billion bank, which operates a unique business model heavy in prepaid cards, won the revenue strategy category due in large part to its ability to grow fee income and overall revenue. It earned a place in the top five in the lending and technology categories, and has the lowest TSR, at 749%.

At sixth, First Financial Bankshares won the Best Bank for Creating Value category. The $10.6 billion bank generated the second-highest TSR, at 2,074%, and ranked in the top five for its retail strategy.

First Financial "is one of the top franchises in our universe given its high level of capital, strong [pre-provision net revenue] and conservative balance sheet, which all represent untapped earnings power potential," wrote Brad Milsaps, a managing director at Piper Sandler, in an October 2020 note.

Warsaw, Indiana-based Lakeland Financial Corp. ranks seventh. The $5.6 billion bank earned second place for its growth strategy, due in part to its high level of profitability growth and its diverse revenue streams. It also has a top-five showing for creating shareholder value and efficiency. Lakeland generated the fifth-highest TSR, at 1,960%.

Glacier Bancorp, based in Kalispell, Montana, ranks eighth, and scored in the top five for creating value, its lending strategy and its reputation as an employer. The $17.9 billion bank generated a 1,201% TSR.

Glacier is "among the best in the industry partly based on its consistent profitability profile, conservative credit culture and ability to use small bank M&A … to enhance EPS over time," wrote Piper Sandler managing director Matthew Clark in October.

Southside Bancshares ranks ninth. The $7.2 billion bank's consistently high profitability earned it second place for creating value; it also landed in the top five in the Best Employer and Best Board categories. It generated a 1,212% TSR.

In tenth place, DeWitt, New York-based Community Bank System won the retail category and ranked in the top five for its attributes as an employer and its strategy around credit risk. The $13.9 billion bank generated a TSR of 912%.

CEO Mark Tryniski believes performance starts and ends with culture. That includes treating people well and building a company that employees are proud to work for. "That, to me, is the secret," he says. "Building the cultural organization and values is of critical importance in terms of sustainable performance."

Rounding out the category winners, Eagle Bancorp Montana, based in Helena, Montana, ranks 11th overall and won the lending category based on loan growth, profitability and loan health. The $1.3 billion bank generated a 1,056% TSR, the same as $2.5 billion Southern Missouri Bancorp, which ranks 16th overall. The Poplar Bluff, Missouri-based bank won the growth category due to strong profitability growth and its successful track record for low-cost deals.

Hingham Institution for Savings, with $2.7 billion in assets, ranks 13th overall and was identified as the Most Efficient Bank; its efficiency ratio was a low 30.26% as of December 2019. The Hingham, Massachusetts-based bank generated a 1,966% TSR. And Auburn National, with its low net charge-offs, won the credit risk category. It ranks 20th overall and generated a 785% TSR.

Finally, 12th-ranked Stock Yards Bancorp, based in Louisville, Kentucky, generated a TSR of 901%; 14th-ranked Prosperity Bancshares had a 936% TSR. Catskill, New York-based Greene County Bancorp, ranks 15th and generated a 1,694% TSR; 17th-ranked First Capital had a 845% TSR; 18th-ranked The First Bancorp, based in Damariscotta, Maine, generated a 818% TSR; and Charleston, West Virginia-based City Holding Co. ranks 19th, with a TSR of 1,968%.

The banking industry has experienced rapid change due to the Covid-19 pandemic, and the next year promises more. There's a high degree of uncertainty, particularly around credit risk.

"I would love to see how these top banks are doing come December 2020 or March 2021 in terms of their levels of charge-offs," says Baldwin. "Does that historical discipline help them get through this pandemic?"

The performance powerhouses exhibit a long history of solid performance. What will the next few years bring?

RANKING BANKING®

BEST BANK FOR CREATING VALUE

First Financial Bankshares

WINNER: FIRST FINANCIAL BANKSHARES

Summary Analysis

Creating long-term value for shareholders doesn't result from a single successful moment. Rather, it's the culmination of years of decision-making, centered around strategic discipline.

"The strongest performing banks set a consistent strategy," says Crowe Partner Kara Baldwin. "They'll be nimble when they need to be, but they isolate into a few strategic imperatives, and they follow those consistently."

The institutions analyzed in the 2021 RankingBanking study reflect this long-term focus, and First Financial Bankshares does it better than anyone.

"Our long-term value comes from a long-term return on equity, and [we've been] consistent in growing earnings for the last 34 years," says Chairman and CEO Scott Dueser. "That's what creates the value of our stock."

To identify the best bank for creating shareholder value, Bank Director examined and ranked each institution based on its ability to consistently generate a high level of profitability, through average return on assets and return on equity from December 2014 to December 2019, as well as the standard deviation of both metrics. We also looked at growth in ROE, ROA and pre-tax pre-provision (PTPP) income over the same time frame. And we factored in dividend growth and average trade volume to understand the liquidity of each bank's stock. These factors were ranked to produce an overall score. The category rewards growth but places a greater emphasis on consistency.

First Financial rates highly for consistency, particularly in terms of average ROA (second at 1.79%) and ROE (fourth at 13.89%); its average trade volume exceeded 511,000 shares in September 2020.

"Our philosophy of how we do business is very important to us, and adds to the bottom line and the value of our stock."

Scott Dueser / First Financial Bankshares

"It's a different breed of bank than most players out there," says Hovde Group analyst Brett Rabatin, citing First Financial's culture, conservative lending strategy, fortress balance sheet and successful M&A track record. Another factor is its strategy to compete with a handful of banks in its small-town markets; the bank prefers to skirt around metropolitan areas. First Financial is also a true relationship lender, Rabatin adds. "A lot of banks like to say, 'we're relationship lenders,' [but] this is one of the few banks where it shows up. It shows up in their loan yield, it shows up in the profitability."

Ranking second, Southside Bancshares is another Texas bank that scores highly for consistent profitability, with an average ROA and ROE at 1.17% and 11.65%, respectively. Similar to First Financial, Southside is a dominant player in its markets with a conservative credit culture, says Rabatin. "Management's done a good job of keeping the ball on the fairway."

Glacier Bancorp ranks third, with an ROA averaging 1.42% and the second-highest level of trade volume, at more than 660,000 shares. Lakeland Financial Corp., at fourth, rates highly for its average ROA (1.44%) and ROE (13.71%).

Finally, Bank OZK sports the highest average ROA, at 2.05%, and trade volume, exceeding 970,000 shares.

With more than 40 years in banking — he's served as CEO of OZK since 1979 — George Gleason says it's easy to value long-term performance over short-term gains. "Many investors seem to be overly focused on short-term results, so it takes discipline," he says. "We have always focused preeminent attention on achieving longer-term objectives, and that has paid off tremendously well."

Banks that successfully grow shareholder value demonstrate an ability to execute on their mission and produce consistently strong earnings, says Crowe Partner Rick Childs. They manage their capital levels in ways that reward shareholders, through instruments like dividends, stock buybacks or acquisitions.

The year 2020 has been replete with unusual circumstances. The Covid-19 pandemic, sudden drop in interest rates to nearly zero — and for many of the banks in this study, the implementation of the current expected credit loss accounting model — have put heightened pressure on earnings. Banks with an eye to long-term performance will weather these shifts while remaining focused on the future.

"What's going to happen over the next few years?" says Baldwin. Successful banks "constantly re-envision their strategy, so they can hold to their strategic imperatives and still plan for the future — not just this year."

Dueser isn't afraid to evolve, as evidenced by the bank's recent work with Ritz-Carlton Founder Horst Schulze to further enhance the bank's culture. But he also sticks to the bank's overarching strategy: A strong culture, great service, conservative underwriting and an ability to compete as a "big fish in a little pond," as Dueser says. "Our philosophy of how we do business is very important to us, and adds to the bottom line and the value of our stock."

HIGHEST AVERAGE ROA

Bank OZK
2.05%

HIGHEST LEVEL ROE GROWTH

Eagle Bancorp Montana
76.49%

MOST SHARES TRADED, AVERAGE

Bank OZK
970,818

How They Ranked: Best Bank For Creating Value

CATEGORY WINNER

		SCORE	ROA (AVG.). YE 2014 - YE 2019	AVG. TRADE VOLUME SEPT. 2020
1	First Financial Bankshares	**7.92**	1.79%	511,782
2	Southside Bancshares	**8.00**	1.17%	123,885
3	Glacier Bancorp	**8.88**	1.42%	661,117
4	Lakeland Financial Corp.	**8.92**	1.44%	132,968
5	Bank OZK	**9.25**	2.05%	970,818
6	Meta Financial Group	**9.29**	1.08%	240,842
7	Independent Bank Corp.	**9.92**	1.17%	125,709
8	Stock Yards Bancorp	**10.08**	1.54%	88,751
9	The First Bancorp	**10.29**	1.17%	15,787
10	Prosperity Bancshares	**10.38**	1.34%	494,390
11	Community Bank System	**10.46**	1.37%	263,598
12	Auburn National Bancorp.	**10.63**	1.03%	10,584
13	City Holding Co.	**10.83**	1.53%	74,314
13	Southern Missouri Bancorp	**10.83**	0.96%	14,695
15	Greene County Bancorp	**11.42**	1.20%	3,900
16	Horizon Bancorp	**11.63**	1.05%	152,587
17	Eagle Bancorp Montana	**11.71**	0.87%	30,150
18	WSFS Financial Corp.	**11.92**	1.21%	270,004
19	Hingham Institution for Savings	**13.13**	1.33%	3,581
20	First Capital	**14.04**	1.07%	7,810

SOURCE: S&P Global Market Intelligence, Yahoo! Finance

RANKING BANKING®

BEST REVENUE STRATEGY

WINNER: META FINANCIAL GROUP

Meta Financial Group

Summary Analysis

Historically, banks have earned revenue off the spread between lending money and taking in deposits. However, the low-rate environment that began with the financial crisis, and dropped dramatically back to zero in early 2020, can hinder a bank's ability to generate revenue — making diverse fee income sources increasingly important to sustaining profitability.

Successful banks find a few key areas where they can outperform, and that's where they focus their energy and resources.

"A number of banks looking at where they can generate fee income and non-balance sheet income, they're looking at areas where they have some expertise," says Rick Childs, a partner at Crowe. "They then continue to build scale through additional regions that they enter into, additional teams that they pull together or through acquisitions."

To identify the high-performing bank with the best revenue strategy, Bank Director examined whether each institution had a diversity of fee income sources to weather the prolonged low-rate environment, both by calculating average fee income as a percentage of net revenue, and by studying the bank's revenue streams and niche areas of focus. We also calculated growth in net revenue, fee income and pre-tax, pre-provision (PTPP) income from December 2014 to December 2019.

Meta Financial Group came out on top. A veritable growth machine, the company demonstrated the highest levels of growth in fee income (328%), PTPP income (689%) and overall revenue (455%).

Meta's definitely not a traditional bank — in fact, it sold off its community bank division in March 2020. It focuses on prepaid cards, tax services

"A number of banks looking at where they can generate fee income and non-balance sheet income, they're looking at areas where they have some expertise. They then continue to build scale through additional regions that they enter into, additional teams that they pull together or through acquisitions."

Rick Childs / Crowe LLP

and commercial lending, and also serves as a banking-as-a-service (BaaS) provider for fintech platforms such as MoneyLion.

"They're a unique animal," says Piper Sandler managing director Frank Schiraldi. "They're in a better position than most banks in terms of revenue growth, given the changing environment and a greater emphasis on a cashless economy." Over the summer, Meta issued 3.6 million prepaid cards on behalf of the Department of the Treasury to get $6.4 billion in CARES Act stimulus funds to taxpayers; that grew deposits and "will be a potential revenue stream down the road," he says.

At second, WSFS Financial Corp. also boasts a high level of revenue growth (208%), as well as growth in PTPP (162%) and fee (107%) income. The bank's business lines include mortgage, wealth management, private banking, trust and investment services, and a tax lien business. Similar to Meta, it also offers a BaaS platform to fintech companies such as cred.ai.

Fee generation supports the traditional banking model, explains WSFS Chairman and CEO Rodger Levenson. Formerly a thrift, bank leadership has steadily converted to a commercial bank model. "We have [a] unique position as the largest locally-headquartered bank in the region, and we have the full set of products and services that [our] customers want and need," he says.

WSFS' Cash Connect subsidiary provides a unique revenue source, funding more than 17,000 nonbank ATMs nationwide. In addition to growing the top line, Cash Connect also serves as an innovation center of sorts for WSFS. "The [Cash Connect] business is basically about keeping track of $20 bills in thousands and thousands of ATMs across the United States," says Levenson. "It's really a logistics record-keeping and tracking business that requires very sophisticated technology." This technology is also used by other banks to reconcile their own ATMs; WSFS receives fees for that use. "It's a very entrepreneurial, unique, niche business that really has been very innovative," he says.

MOST REVENUE GROWTH

Meta Financial Group
455%

BANKING-AS-A- SERVICE PIONEERS

Meta Financial Group

WSFS Financial Corp.

Eagle Bancorp Montana, which ranks third, also features notable growth, particularly in fee (180%) and PTPP (669%) income; total revenue grew 147%. Eagle has been expanding its mortgage banking team over the last couple of years; the bank generates a significant portion of its fee income by selling mortgages on the secondary market, according to Eagle's 2019 annual filing.

Horizon Bancorp CEO Craig Dwight believes revenue growth comes from opportunity and encourages his staff to take a proactive approach. "We put a lot of emphasis on [our] local market presidents on product knowledge, product roll out where we think we can get the best yields," he says. "It's locally driven; banking is still a people business, especially in the small business area." Ranking fourth, Horizon Bancorp exhibits a high level of growth in total revenue (155%) and PTPP income (211%). The bank generates fee income through investment and wealth management, trust, insurance, and mortgage loans.

Finally, Independent Bank Corp. ranks fifth, with revenue growth at 101%. It generates fee income through wealth and investment management, including financial planning and trust, as well as insurance and mortgage banking.

How They Ranked: Best Revenue Strategy

CATEGORY WINNER

		SCORE	REVENUE GROWTH DEC. 2014 - DEC. 2019	FEE INCOME/ NET REVENUE (AVG.) DEC. 2014 - DEC. 2019
1	Meta Financial Group	1.17	455.38%	117.74%
2	WSFS Financial Corp.	3.72	207.91%	51.94%
3	Eagle Bancorp Montana	5.50	146.74%	52.83%
4	Horizon Bancorp	5.78	155.29%	34.14%
5	Independent Bank Corp.	7.83	100.74%	31.93%
6	Southern Missouri Bancorp	8.11	58.96%	24.05%
7	Community Bank System	8.67	48.10%	56.55%
8	Southside Bancshares	8.94	89.07%	20.57%
9	Bank OZK	9.44	224.65%	18.83%
10	First Capital	10.17	74.64%	27.01%
11	Greene County Bancorp	10.72	101.77%	17.15%
12	First Financial Bankshares	10.78	48.74%	36.09%
13	Lakeland Financial Corp.	11.00	51.44%	27.69%
14	The First Bancorp	12.83	33.11%	24.34%
15	Stock Yards Bancorp	13.11	49.44%	44.47%
16	Glacier Bancorp	13.17	83.00%	27.58%
17	City Holding Co.	14.89	37.06%	46.94%
18	Prosperity Bancshares	17.11	4.32%	17.93%
19	Hingham Institution for Savings	17.94	44.63%	4.76%
20	Auburn National Bancorp.	18.44	20.15%	17.61%

SOURCE: S&P Global Market Intelligence, bank websites, filings and other public information

RANKING BANKING®

BEST RETAIL STRATEGY

Community Bank System

WINNER: COMMUNITY BANK SYSTEM

Summary Analysis

Community Bank System's super-low cost of funds — 0.19% — didn't happen by accident. It's the result of a strategy the bank adopted 15 years ago.

"One of the elements of that [strategy] was core deposit gathering — because everybody's out there lending, and the rates are all the same," says CEO Mark Tryniski. "Where you can really make a distinction and differentiation on the balance sheet is your funding."

Roughly 70% of Community Bank System's deposits come from low-cost, sticky checking and savings accounts, he says. "They last longer. So, you've got low-cost funds that are stable and also generate fee revenues. To me, it's a no-brainer" to pursue core deposits.

To identify the best retail strategy among the industry's high-performing banks, Bank Director examined core deposits as a percentage of total deposits, core deposit growth and cost of funds. We looked at mortgage and consumer lending, based on growth, portfolio health and their proportion to total loans. And we examined the breadth of each bank's retail offering, use of technology to deliver services, and reputation with customers in its markets. All of these factors were ranked and scored based on an algorithm specific to this category.

Given the importance of digital delivery, we also measured the comprehensiveness of the mobile channel, based on advertised features, and calculated an average of each bank's rating in Apple's app store and Google Play.

Community Bank System's approach to retail earned it the top place in the 2021 RankingBanking study's Best Retail Strategy category, based primarily on its low cost of funds, retail focus and recent upgrades to its

"Everybody's out there lending, and the rates are all the same. ... Where you can really make a distinction and differentiation on the balance sheet is your funding."

Mark Tryniski / Community Bank System digital platform.

Prior to the pandemic, Community Bank System enhanced its digital marketing capabilities and customer-facing platform. "It's a process that starts on the front end with digital marketing and advertising, and then on the back end with platforms that are consumer friendly and are robust and easy to use, and quick," Tryniski explains. The new mobile experience has earned positive feedback from customers, based on app store ratings and reviews.

Success in retail is predicated on getting digital delivery right and continuing to provide a strong customer experience, says Kara Baldwin, a partner at Crowe. "Otherwise, your strategy won't have long-term value."

Mortgage banking is another significant driver of Community Bank System's retail success, says Tryniski. "We have hundreds of mortgage lenders," he says. And decision-making is local: All branch managers have lending authority for mortgage, small business and consumer loans. "That's a little different about our model," he says. "The mortgage market has been pretty strong in a lot of markets [including ours]; there's been significant acceleration of demand."

Independent Bank Corp., which operates through Rockland Trust Co., scored second in the category. Like Community Bank System, it boasts a high level of core deposits. Mortgage loans have grown 96% from December 2014 to December 2019. Its mobile capabilities include integration with the Apple Watch.

Ranking third, First Capital, which operates through First Harrison Bank, outperforms Community Bank System when it comes to having a high level of core deposits, though it has a slightly higher cost of funds, at 0.23%. Its consumer loans have grown 86% in the five-year period examined by Bank Director.

WSFS Financial Corp., at fourth, boasts strong growth in both mortgage and consumer loans, fueled in large part by its acquisition of Beneficial Bancorp, which closed in 2019. After the merger, it has maintained a strong reputation with customers: 68% of them rated the bank 5 out of 5 in a Gallup survey conducted in December 2019. And WSFS strives to provide all the digital bells and whistles customers could want, such as myWSFS, a mobile app that connects customers with a live banker. WSFS doubled its number of myWSFS bankers in March 2020 to better respond to customer needs during the Covid-19 pandemic.

Finally, First Financial Bankshares ranks fifth, featuring strong core deposit and consumer loan growth, and the lowest cost of funds, at 0.16%. It also has a highly regarded mobile app. But CEO Scott Dueser identifies culture as the true differentiator for his bank; Ritz Carlton co-founder Horst Schulze has been working with First Financial to take customer experience to the next level.

"We really have a very strong team of people that work together extremely well," says Dueser. The bank's customer-centric philosophy adds to the bottom line — which enhances its overall value.

Ultimately, high-performing banks that excel in retail exhibit a keen understanding of their markets and the people living in them. "You really have to understand what your customers want, what is important to them, and then be able to meet them in that space," says Crowe Partner Rick Childs.

LOWEST COST OF FUNDS

First Financial Bankshares
0.16%

BEST MOBILE APP RATING (AVG.) – *TIE*

Eagle Bancorp Montana
Greene County Bancorp
4.75

How They Ranked: Best Retail Strategy

CATEGORY WINNER

		SCORE	COST OF FUNDS (AVG.) DEC. 2014 - DEC. 2019	MOBILE RATING (AVG.) SEPT. 2020
1	Community Bank System	7.08	0.19%	4.40
2	Independent Bank Corp.	7.37	0.37%	4.35
3	First Capital	7.52	0.23%	3.70
4	WSFS Financial Corp.	8.40	0.55%	4.25
5	First Financial Bankshares	8.46	0.16%	4.65
6	Greene County Bancorp	8.58	0.41%	4.75
7	Horizon Bancorp	8.71	0.79%	4.10
8	City Holding Co.	8.96	0.53%	4.45
9	Bank OZK	9.23	0.71%	3.85
10	Stock Yards Bancorp	9.46	0.37%	4.55
11	Prosperity Bancshares	9.58	0.32%	4.35
12	Glacier Bancorp	9.60	0.32%	2.60
13	Eagle Bancorp Montana	10.25	0.44%	4.75
14	Southside Bancshares	11.63	0.94%	4.30
15	Hingham Institution for Savings	11.90	1.03%	4.70
16	Meta Financial Group	12.04	0.48%	4.30
17	Southern Missouri Bancorp	12.60	0.80%	4.65
18	Lakeland Financial Corp.	13.13	0.81%	3.25
19	Auburn National Bancorp.	13.48	0.47%	3.75
20	The First Bancorp	14.40	0.91%	3.65

SOURCE:S&P Global Market Intelligence, iTunes, Google Play, bank websites, filings and other public information

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BEST LENDING STRATEGY

Eagle Bancorp Montana

WINNER: EAGLE BANCORP MONTANA

Summary Analysis

Eagle Bancorp Montana's lenders started reaching out to commercial customers in early March 2020 to understand their needs during the pandemic-induced slowdown. Later, they focused on loan modifications and issuing Paycheck Protection Program loans.

"We've seen a lot of those come back to normal" in terms of repayment, Eagle CEO Peter Johnson told Bank Director in October. As of June 30, Eagle issued 742 PPP loans, totaling $44.9 million, through its subsidiary, Opportunity Bank of Montana.

Lending is fundamental to banking, and those institutions that excel at it balance growth with the prudence needed to produce long-term profitability and create lasting value through the entire economic cycle. In examining each high-performing bank's lending strategy, we examined loan growth, both overall and within the key components of most banks' loan portfolios: mortgage, commercial real estate (CRE) and commercial and industrial (C&I). Average net charge-offs and nonperforming loans, from December 2014 to December 2019, as well as average net interest margin (NIM) and growth in pre-tax pre-provision (PTPP) income, were incorporated into the algorithm used to rank the banks in this category.

To excel at lending, "you have to have a strong credit culture to be able to take risk-adjusted bets on various types of loans and niches," says Rick Childs, a partner at Crowe. "You need a high degree of talent and good lending teams, and you also have to have a culture that knows when to walk away from a loan."

To better understand the near-term impacts of Covid-19, Bank Director also analyzed loan deferral volume and the issuance of PPP loans as a per-

"If you only worry about dollars-and-cents growth, you can do that — but you'll be stretching beyond your capabilities and beyond a sound credit culture. If you want good growth, you have no choice but to then make sure it has the underpinnings of solid credit management."

Kara Baldwin / Crowe LLP

centage of the banks' total loans, both as of June 30, 2020.

A combination of growth, profitability and caution earned Eagle Bancorp Montana the top rank in the Best Lending Strategy category, based on its high level of growth in total loans (139%), particularly in CRE and C&I, over the five-year period we examined; it also averaged a 3.99% NIM. Its NCO and nonperforming loan ratios were also low, averaging 0.08% and 0.32%, respectively.

Loan growth and health are intertwined, says Crowe Partner Kara Baldwin. "If you only worry about dollars-and-cents growth, you can do that — but you'll be stretching beyond your capabilities and beyond a sound credit culture," she explains. "If you want good growth, you have no choice but to then make sure it has the underpinnings of solid credit management."

Eagle's mortgage loan volume has accelerated due to the drop in interest rates. Recent acquisitions — three over the past three years — have increased Eagle's concentration of agricultural loans, helping to diversify its portfolio. These banks were also rich in core deposits. "That's enabled us to keep our funding costs low and help with additional liquidity," Johnson says.

Ranking second, Meta Financial Group posted the highest level of loan growth, exceeding 500% over the five-year period we examined, and growth in PTPP income, at 689%. Meta sold its community bank division in March to focus on its more profitable core areas, including its national lending platform. This includes the C&I capabilities it acquired through its purchase of Crestmark Bancorp in 2018, as well as products like its tax advance loans.

Bank OZK's loan growth, at 242%, comes second only to Meta's. It scores third and boasts the highest average NIM, at 4.92%. OZK generates loans through its national real estate specialties group (RESG) and its Arkansas-based retail branch footprint.

Horizon Bancorp ranks fourth, reporting 163% total loan growth and a high level of growth in PTPP income (211%). It also reported a high level of mortgage loan growth over the five years we examined, at 158%.

Rounding out the top five, Glacier Bancorp demonstrates a high level of loan growth, at 111%, and the second highest NIM, at 4.24%.

Glacier funded 15,291 PPP loans, totaling $1.43 billion as of June 30 — the most issued by any of the banks in this ranking. Going forward, CEO Randall Chesler plans to build on the new relationships Glacier established by lending PPP funds to borrowers that were not customers of the bank. "[T]hat's one of the things we have on our to-do list for the next year, [is to] further deepen those relationships and pull over the good business that's sitting at another bank right now," he explained in the bank's July 24 earnings call. "And if you think about it, it's like a small acquisition for us. It's 3,000 new customers into the bank."

MOST TOTAL LOAN GROWTH

Meta Financial Group
547%

HIGHEST AVERAGE NIM

Bank OZK
4.92%

MOST GROWTH, MORTGAGE VOLUME

WSFS Financial Corp.
187%

How They Ranked: Best Lending Strategy

CATEGORY WINNER

		SCORE	TOTAL LOAN GROWTH DEC. 2014 - DEC. 2019	NIM (AVG.) DEC. 2014 - DEC. 2019
1	Eagle Bancorp Montana	6.23	139.32%	3.99%
2	Meta Financial Group	6.66	547.13%	3.62%
3	Bank OZK	7.07	241.90%	4.92%
4	Horizon Bancorp	7.33	162.94%	3.66%
5	Glacier Bancorp	8.25	111.30%	4.24%
6	Southside Bancshares	8.39	89.54%	3.77%
7	WSFS Financial Corp.	8.51	162.94%	3.99%
8	Prosperity Bancshares	9.36	103.86%	3.36%
9	Independent Bank Corp.	9.71	78.94%	3.67%
10	Stock Yards Bancorp	10.27	52.42%	3.70%
11	Greene County Bancorp	10.47	100.90%	3.07%
12	First Financial Bankshares	10.54	43.74%	4.12%
13	Hingham Institution for Savings	11.06	79.71%	3.03%
14	Community Bank System	11.17	62.61%	3.66%
15	Southern Missouri Bancorp	12.18	63.39%	3.29%
16	First Capital	12.53	54.93%	3.84%
17	Lakeland Financial Corp.	12.97	47.27%	3.33%
18	Auburn National Bancorp.	15.03	14.37%	3.28%
19	City Holding Co.	15.66	36.37%	3.65%
20	The First Bancorp	15.67	41.38%	3.20%

SOURCE:S&P Global Market Intelligence, bank websites, filings and other public information

RANKING BANKING®

BEST CREDIT RISK STRATEGY

WINNER: AUBURN NATIONAL BANCORP.

Auburn National Bancorp.

Summary Analysis

After more than a decade of continuous growth, the U.S. economy crashed into a crisis with the Covid-19 pandemic.

It's a stark reminder that bad loans are made in good times.

"The time to worry about credit risk was probably 36 to 48 months ago," says Patrick Gaughen, president and COO of Hingham Institution for Savings. With commercial real estate and some sectors of the economy remaining under pressure, we still don't know how things will pan out for the banking industry.

It's difficult to take a forward-looking view on credit risk, and the next few months will test many bank's loan portfolios. To understand, from a historical perspective, which banks in our ranking have been most effective at managing credit risk, we measured improvement in net charge-offs (NCOs) and nonperforming loans (NPLs) from December 2014 to December 2019, and during the early stages of the coronavirus crisis, from December 2019 to June 2020.

To award consistency, we calculated average NCOs and NPLs, and average leverage and loan-to-deposit ratios. And we pulled in the institution's Texas ratio, which divides nonperforming assets by tangible common equity and loan loss reserves, as of December 2019.

Finally, we further examined the effect of the Covid-19 downturn, based on exposure to impacted industries as well as deferral volume at June 30, 2020. When this report went to press, deferrals had been trending down from these levels.

Auburn National Bancorp. tops the ranking, with NCOs that declined 6 basis points to -0.03% over the initial Covid-19 period and declined 9 ba-

"Exceptional banks know how to adapt, and they have a strong culture around credit, so they don't wait for the problems to start — they get on top of them."

Rick Childs / Crowe LLP

sis points overall from December 2014 to December 2019. NCOs were already low, averaging 0.01% during that period, and NPLs averaged 0.52%. Its Texas ratio is super low, at 0.18%.

Stock Yards Bancorp, ranking second, saw its NCOs decline by 19 basis points over the five-year period we examined; NCOs averaged 0.09% and NPLs 0.36%. Less than 10% of its portfolio included industries impacted by the pandemic, notably restaurants, shopping centers and hotels. Deferrals at their highest levels totaled around 17% of the loan portfolio.

In third place, Bank OZK features the highest average leverage ratio, at 14.06%. An estimated 15% of the portfolio included pandemic-affected industries. Deferrals as of June 30, 2020, totaled $982 million, 5.6% of the portfolio.

Hingham Institution for Savings ranks fourth. It features the lowest average NCOs at 0% and NPLs at 0.24%, and a low Texas ratio at 2.65%. At June 30, 2020, Hingham had modified just 3% of the bank's total loan volume in response to Covid-19.

"The kinds of things that have been more challenged in this environment, particularly retail and hospitality, we stay away from," says Gaughen. Hingham focuses on residential and commercial real estate, mostly apartment buildings, and he sees opportunities in that space today due to the bank's countercyclical approach. "There are maybe fewer folks that are in the market to do things with strong borrowers, so that makes it an interesting time," he explains. "I don't think that now would be the time to get into the hotel lending business if you aren't familiar with it but for a lot of the multi-family assets that we lend on, I think there are some interesting opportunities."

Finally, Community Bank System ranks fifth. Almost 15% of its portfolio included industries impacted by the pandemic, particularly retail (around 5% of total loans) and hotels (around 4%). Around 10% of loans — totaling $704 million — were in forbearance as of June 30, 2020, but that number dropped to $150 million by July 24. NCOs improved 8 basis points during the early pandemic period.

"[The U.S. economy has seen] monetary and fiscal support of an unprecedented scale, so that's helped provide some buoyancy to the business community and has helped keep credit pretty stable so far," says Community Bank System CEO Mark Tryniski. But uncertainty looms. "I think heading into '21, we're going to see what credit really looks like" in the banking sector.

It's unknown how many banks stuck to their knitting on credit quality and how many eased their standards, says Crowe Partner Rick Childs. "When times are good, we tend to forget the institutional knowledge we should have learned," he adds. "Exceptional banks know how to adapt, and they have a strong culture around credit, so they don't wait for the problems to start — they get on top of them."

HIGHEST AVERAGE LEVERAGE RATIO

Bank OZK

14.06%

LOWEST TEXAS RATIO

Auburn National Bancorp.

0.18%

LOWEST AVERAGE NET CHARGE-OFF RATIO

Hingham Institution for Savings

0%

How They Ranked: Best Credit Risk Strategy

CATEGORY WINNER

		SCORE	NET CHARGE-OFFS (AVG.) DEC. 2014 - DEC. 2019	TEXAS RATIO DEC. 2019
1	Auburn National Bancorp.	7.38	0.01%	0.18%
2	Stock Yards Bancorp	7.88	0.09%	3.00%
3	Bank OZK	8.00	0.15%	1.20%
4	Hingham Institution for Savings	8.50	0.00%	2.65%
5	Community Bank System	8.58	0.18%	2.71%
6	First Financial Bankshares	8.78	0.11%	2.33%
7	Eagle Bancorp Montana	9.03	0.08%	4.91%
7	Prosperity Bancshares	9.03	0.11%	2.29%
9	Glacier Bancorp	9.25	0.09%	4.42%
10	Lakeland Financial Corp.	9.55	0.06%	3.88%
11	Southern Missouri Bancorp	10.05	0.39%	2.84%
12	Greene County Bancorp	11.25	0.11%	4.03%
13	Meta Financial Group	11.33	0.61%	12.51%
14	City Holding Co.	11.43	0.14%	8.38%
15	Horizon Bancorp	11.43	0.13%	5.02%
16	Independent Bank Corp.	11.60	0.05%	5.39%
17	First Capital	11.75	0.20%	3.22%
18	The First Bancorp	12.68	0.15%	16.02%
19	Southside Bancshares	13.80	0.05%	16.10%
19	WSFS Financial Corp.	13.80	0.24%	4.26%

SOURCE: S&P Global Market Intelligence, bank websites, filings and other public information

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BEST GROWTH STRATEGY

Southern Missouri Bancorp

Summary Analysis

What's the best recipe for fueling growth?

Banks approach growth several ways, with some treating M&A like a line of business and others sticking to slower but often safer organic growth.

"I believe that organic growth is imperative to the long-term performance of the company, [and] we have to be growing organically to be able to provide the returns to our shareholders that they deserve and for us to remain relevant within the industry," says Greg Steffens, CEO of Southern Missouri Bancorp.

Still, he adds, "we do like to look at M&A."

Any acquisition has to be "financially rewarding" for shareholders, Steffens says. When Bank Director spoke with him in October 2020, he indicated that for now, he prefers to stick to organic growth and deploy capital in other ways. "[We're] better off investing in repurchasing our stock," he says.

In developing an algorithm to understand which of our high performers has the best growth strategy, we awarded prudent profitability, based on growth in earnings per share, return on equity, return on assets and pre-tax pre-provision income, along with the average efficiency ratio over the five years examined, from December 2014 to December 2019. To understand potential earnings growth, we examined average fee income as a percentage of earnings as well as evidence of diverse revenue streams and niche business lines. We also analyzed the bank's value, based on average tangible book value and price-to-earnings, as well as growth of those metrics.

Finally, we examined M&A based on the number of deals closed, and acquired deposits and loans as a percentage of the buyer's assets. We also

"We have to be growing organically to be able to provide the returns to our shareholders that they deserve and for us to remain relevant within the industry."

Greg Steffens /
Southern Missouri Bancorp

examined deal costs as a percentage of the purchase price, calculating an average ratio for the deals completed by the institution. If a bank didn't complete an acquisition in the more than five years we examined — 2015 through June 2020 — they simply weren't scored for this element.

When it comes to growth, banks have to diligently follow their strategy, says Kara Baldwin, a partner at Crowe. "If you're going to acquire, you need to be certain that it's additive to your strategy versus something that causes distraction." Many banks prefer to focus primarily or even exclusively on organic growth, but whatever their approach, successful banks "aren't trying to be what they're not. They're not shooting at the hip and buying everything that comes across their desk. They're making sure [that decisions] are in line with their strategy."

Southern Missouri comes out on top in this category. An active acquirer — completing four deals in the period of time we examined — it boasts the lowest average deal costs at 1.14%. It also exhibited strong growth in EPS (138%), PTPP income (199%), ROA (95%) and ROE (34%).

Growth-oriented Southern Missouri focuses on growth-oriented companies, says Piper Sandler managing director of equity research Andrew Liesch. "The markets and the clients that they target help them put in the loan growth that they have been [attaining]," he says.

Steffens explains that for several years, the bank aimed to grow deposits and loans between 8% and 10% annually; it backed that target down to 6% to 8% in 2019, and then to 4% for 2020 in response to the economic cycle — a prescient decision in light of the pandemic.

Lakeland Financial Corp. ranks second, scoring well for revenue diversification as well as a high level of ROA growth (33%) and EPS growth (94%). Greene County Bancorp comes in third, boasting strong tangible book value growth (81%) and EPS growth (166%). Neither bank made an acquisition in the time period we analyzed.

Independent Bank Corp., which operates through Rockland Trust Co., exhibits a high average price-to-earnings ratio (19.09x) and strong ROA growth (60%). It completed five acquisitions in the time period we examined.

Finally, Bank OZK ranks fifth. It completed four acquisitions — gaining more than $6 billion in deposits — with a low average deal cost at 2.94%. It boasts the highest tangible book value growth, at 168%; growth in EPS and PTPP income were also high, at 115% and 195% respectively.

"The management teams at these [high-performing] banks have done a good job at evaluating what is possible; they're [also] very disciplined," says Crowe Partner Rick Childs. Some will opt for an organic growth strategy; others may need to consider M&A. "It's a classic make-or-buy decision. You can be successful at making — it oftentimes is the better alternative to buying — but if you're in markets that are flat, then buying is maybe your only alternative, and you have to be good at how you do that."

LOWEST AVERAGE DEAL COSTS

Southern Missouri Bancorp
1.14%

MOST ACTIVE ACQUIRER

Glacier Bancorp
9 Banks Acquired

GREATEST EPS GROWTH

Eagle Bancorp Montana
283%

How They Ranked: Best Growth Strategy

CATEGORY WINNER

		SCORE	NO. OF DEALS CLOSED JAN. 2015 - JUNE 2020	PRICE TO EARNINGS (AVG.) DEC. 2014 - DEC. 2019
1	Southern Missouri Bancorp	**6.65**	4	18.51
2	Lakeland Financial Corp.	**7.61**	n/a	17.62
3	Greene County Bancorp	**8.11**	n/a	17.44
4	Independent Bank Corp.	**8.17**	5	19.09
5	Bank OZK	**8.70**	4	16.63
6	First Financial Bankshares	**8.71**	3	24.87
7	Eagle Bancorp Montana	**8.96**	3	15.79
8	Meta Financial Group	**9.26**	1	15.16
9	Glacier Bancorp	**9.39**	9	20.38
10	Southside Bancshares	**9.41**	1	12.95
11	Prosperity Bancshares	**9.45**	2	15.00
12	Horizon Bancorp	**9.47**	7	15.88
13	WSFS Financial Corp.	**9.80**	3	17.95
14	Community Bank System	**10.20**	4	19.96
15	Stock Yards Bancorp	**10.43**	1	17.65
16	First Capital	**11.24**	1	16.20
17	Hingham Institution for Savings	**11.28**	n/a	13.87
18	City Holding Co.	**11.89**	2	15.98
19	The First Bancorp	**12.00**	n/a	14.46
20	Auburn National Bancorp.	**12.36**	n/a	14.99

SOURCE: S&P Global Market Intelligence, bank websites, filings and other public information

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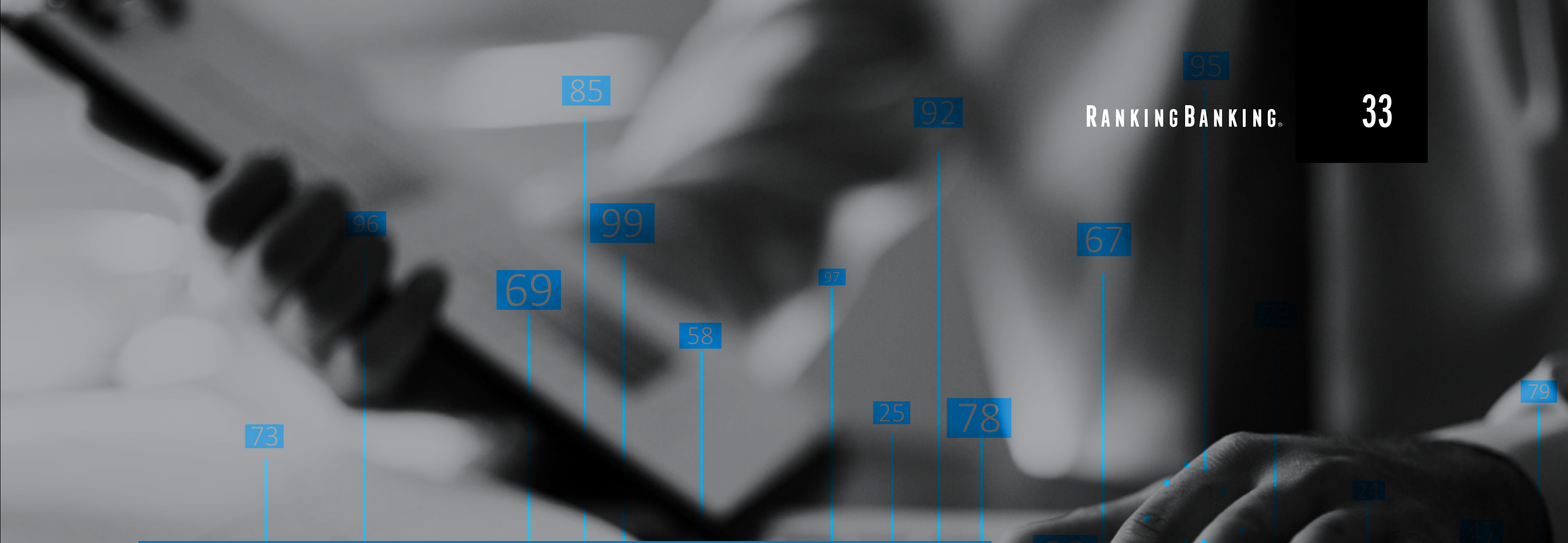
MOST EFFICIENT BANK

Hingham Institution for Savings

WINNER: HINGHAM INSTITUTION FOR SAVINGS



Summary Analysis

There's more than one way to run an efficient bank.

The efficiency ratio is a simple calculation: noninterest expense divided by net income. To drive that metric down, a bank can grow net income, it can slash expenses — or better yet, it can do both.

Some banks are just plain cheap: For them, it's all about cutting costs. But the most efficient banks "think about it more than just from a cost savings standpoint," says Crowe Partner Rick Childs. They focus on achieving a strong return on their investments, particularly when it comes to rising technology costs. These banks "think about it in terms of the dollar spend versus the return they get out of that; that kind of attention to detail tends to filter into the income statement and therefore into their efficiency."

To understand which bank in our ranking is most efficient, Bank Director constructed an algorithm that looks at the efficiency ratio and overhead ratio — noninterest expense over assets — in a few ways. The average of these ratios over a five-year period, from December 2014 through December 2019, was calculated to award consistency. We also examined improvement in these ratios over the same time span and factored in their status as of December 2019.

Hingham Institution for Savings comes out on top, earning the best score across all metrics. Its efficiency ratio as of December 2019 was 30.26%. It has averaged a 32.67% efficiency ratio over the five-year period we examined and lowered it by almost 19%.

Hingham President and COO Patrick Gaughen says the bank's high level of efficiency is the product of a deliberate, long-term strategy.

"We talk about efficiency as being the product of structural choices and

> "The business that we're in is very, very simple. ... We like to do a handful of things well."
>
> **Patrick Gaughen** / Hingham Institution for Savings

LOWEST EFFICIENCY RATIO, DECEMBER 2019

Hingham Institution for Savings
30.26%

MOST IMPROVED EFFICIENCY RATIO

Eagle Bancorp Montana
86.01% (2014)
66.72% (2019)

operational choices," says Gaughen, "and when we talk about structural choices, what we mean is, the business that we're in is very, very simple."

If you open up the bank's investor presentation, you'll find a slide dedicated to the types of businesses that Hingham *won't* pursue. The bank focuses strictly on commercial and residential real estate, and of course, taking in deposits. "That is all we do," Gaughen says. "We don't have any C&I lending; we don't do any small business lending that's not secured by real estate; we don't do floor plan, we don't do asset-based lending, we don't do any consumer — so if it moves, we don't lend on it."

Hingham also stays out of higher-cost fee-based business lines like insurance and wealth management, and benefits from operating a few branches in affluent areas, with larger loan and deposit balances per customer than is typically found in a community bank, he adds.

"We like to do a handful of things well," says Gaughen. That laser focus yields some real payoffs when it comes to building an efficient operation. As he points out, every business line adds its own layer of complexity, from managing the business, to regulatory compliance and risk, to financial reporting. "We take all that complexity out by staying simple," he adds.

Coming in second, Greene County Bancorp had a 46.55% efficiency ratio as of December 2019, averaging 50.79% over the five-year period. It has the second-lowest overhead ratio, at 1.55%.

At third, Bank OZK boasts the second-lowest average efficiency ratio, at 36.28%. Bank OZK's efficiency performance is largely a function of revenue growth, while the bank makes further investments in its technology and risk infrastructure.

"We've really never managed [efficiency] from the expense side," said Tim Hicks, OZK's chief administrative officer, at a March 2020 conference. "If you looked at our expense balances each year, they increase. We really try to generate [a] favorable efficiency ratio [through] great returns and great revenue in each of our business units."

OZK's efficiency ratio actually crept back up from a low of 31.95% in December 2016, which the bank is working to address. "If we can begin to moderate that rate of expense growth in 2021, and we can get more in line with our historical growth rates in 2021 and 2022, then I think we can begin to see that efficiency ratio get better," said CEO and Chairman George Gleason in a January 2020 earnings call.

Lakeland Financial Corp., which ranks fourth, also relies on revenue growth to drive efficiency improvement as the bank continues to invest in its operations, according to its second quarter 2020 investor presentation. Lakeland had the third-lowest efficiency ratio (44.45%) as of December 2019.

Rounding out the top five is The First Bancorp, with an average efficiency ratio of 51.46%; its ratio improved by almost 10% over the period we examined. Compensating the employees who fuel the bank's growth was the biggest contributor to increasing noninterest expense, per the bank's annual report.

How They Ranked: Most Efficient Bank

CATEGORY WINNER

		SCORE	EFFICIENCY RATIO DEC. 2019	EFFICIENCY RATIO (AVG.) DEC. 2014 - DEC. 2019
1	Hingham Institution for Savings	1.25	30.26%	32.67%
2	Greene County Bancorp	4.25	46.55%	50.79%
3	Bank OZK	4.75	39.10%	36.28%
4	Lakeland Financial Corp.	5.25	44.45%	46.62%
5	The First Bancorp	6.00	49.88%	51.46%
6	Prosperity Bancshares	6.50	47.31%	42.03%
7	Southern Missouri Bancorp	7.38	52.30%	56.34%
8	First Financial Bankshares	9.13	48.46%	48.86%
8	City Holding Co.	9.13	50.51%	52.91%
10	Southside Bancshares	9.88	52.46%	56.05%
11	Independent Bank Corp.	11.63	54.58%	60.43%
12	Horizon Bancorp	12.00	55.47%	63.92%
13	Auburn National Bancorp.	12.75	61.18%	58.06%
14	Stock Yards Bancorp	12.88	55.26%	57.68%
15	Glacier Bancorp	13.50	57.69%	55.31%
16	First Capital	15.63	62.45%	63.79%
17	Community Bank System	16.00	60.35%	60.44%
18	Eagle Bancorp Montana	16.63	66.72%	74.98%
19	WSFS Financial Corp.	17.38	66.32%	63.21%
20	Meta Financial Group	17.88	64.45%	68.59%

SOURCE: S&P Global Market Intelligence

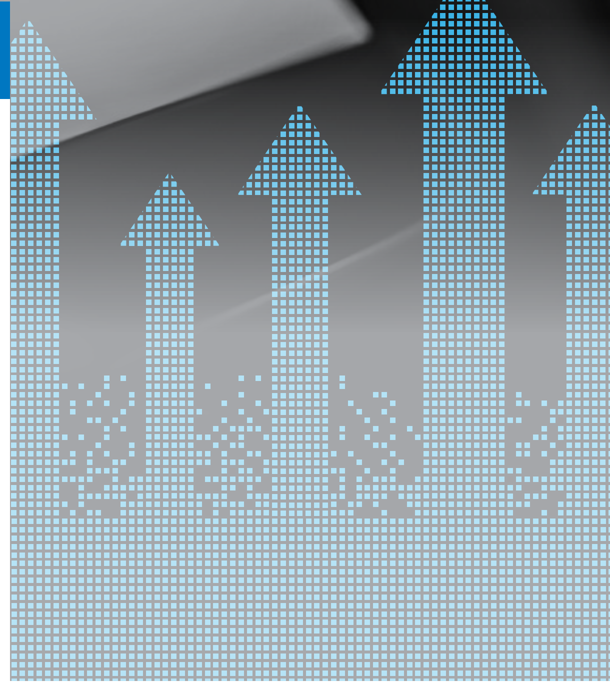
RANKING BANKING®

BEST TECHNOLOGY STRATEGY

WSFS Financial Corp.

WINNER: WSFS FINANCIAL CORP.

Summary Analysis



Follow the customer. That's the driving sentiment behind WSFS Financial Corp.'s digital transformation initiative.

"We want to have a digital product offering that allows us to be very flexible, [so] when new products and services come along that our customers want, we can move quickly," says WSFS Chairman and CEO Rodger Levenson. "We're marrying it with the traditional community bank model of access to decision-making [and] local market knowledge."

With the evolution of digital banking, technology now plays a preeminent role in serving the customer and creating a more efficient organization. This ranking seeks to understand which of our high-performing banks go beyond the basics. We looked at employee and board-level expertise, including the use of innovation labs and similar initiatives. We also explored how each bank deploys tech-forward solutions and works with innovative providers. Since the ranking derives from publicly available information, it tacitly awards banks that are more transparent about their technology initiatives.

Covid-19 accelerated the need for technology — both to serve customers and shift operations when the pandemic forced employees to work from home — making these banks' proactive approach appear prescient and positioning them to handle a rapidly changing environment.

Hiring the right people for the right job is critical to these banks' success, says Rick Childs, a partner at Crowe. And it's the result of an iterative approach. "You have to think about technology in bite-sized chunks," he says.

With its focus on digital transformation, WSFS ranks first. Its multi-year digital strategy focuses on enterprise-wide customer relationship manage-

"The banks that are going to survive and thrive are going to be banks that differentiate themselves in a positive way in regard to technology."

George Gleason / Bank OZK

ment, advanced analytics, digital account opening and infrastructure upgrades. For customers, this has resulted in myWSFS, a mobile app that connects customers to a live banker, and WSFS IQ, which delivers interactive financial education, among other offerings.

Outside of retail banking, its WSFS Institutional Services division announced in January 2020 that it would use Speedboat, a cloud-based product offered by SDA Solutions, to streamline its tax lien business. A month later, it announced that the division would deploy blockchain technology developed by Intain to automate transactions.

WSFS boasts in-house expertise in digital banking and customer experience, and its recruiting efforts and internship program focus on bringing in developers, analysts and data scientists. In addition, six board members have a technology background.

"When we got started on this [journey], we had almost nobody focused on this in the company," says Levenson. WSFS would bring in third parties for specific projects, but found over time that this was becoming less efficient as the bank had to essentially reinvent the wheel for each new initiative. "We realized for us to be as effective as we felt we needed to be, we needed to have some teams that were fully involved in this as a day-to-day job," he adds. Strategic hires in the bank's technology and operations group help support WSFS' digital evolution.

Coming in a close second, Bank OZK's internal expertise focuses on data and digital banking, and the board features two directors with a technology background.

OZK Labs serves as another source of expertise, with the unit's leadership focused on customer experience, agile risk management, product delivery and software engineering. It built a custom application for the bank's Paycheck Protection Program loans, and several technology applications have been developed or are in the works to address customer and employee needs.

"Technology may be on a par with asset quality as far as having [the] core ingredients to build for a successful future," says Chairman and CEO George Gleason. OZK deploys a "buy and build strategy," with a focus on differentiating through a strong customer experience.

"I think we're going to see another massive consolidation [of banks] over the next 10 to 15 years," predicts Gleason. "The banks that are going to survive and thrive are going to be banks that differentiate themselves in a positive way in regard to technology."

In third place, Independent Bank Corp. has data scientists and analysts on staff; it has also used an artificial intelligence tool developed by Mediastruction to tailor online marketing campaigns. Its "Rockland Connects" online community allows customers to provide feedback, helping it identify where to invest in technology.

Meta Financial Group's focus on payments requires an eye to innovation, powering it to a fourth-place finish. Its internal expertise focuses on payments, product delivery and data; the board includes a director with a technology background. Its venture capital arm, Meta Ventures, is headed by Jeremy Kuiper, who also oversees the innovation process at the bank. Meta launched a faster payments platform in 2019.

Finally, Horizon Bancorp has staff focused on data and digital lending, as well as a director with technology expertise. It launched online chat capabilities in 2020.

HIGHEST % OF TECH EXPERTISE ON THE BOARD

WSFS Financial Corp.

67%

INNOVATION LAB

Bank OZK

OZK Labs

How They Ranked: Best Technology Strategy

CATEGORY WINNER

		SCORE	NO. OF DIRECTORS W/TECH BACKGROUND	RETURN ON ASSETS DEC. 2019
1	WSFS Financial Corp.	1.25	6	1.30%
2	Bank OZK	1.75	2	1.87%
3	Independent Bank Corp.	3.00	-	1.52%
4	Meta Financial Group	3.25	1	1.63%
5	Horizon Bancorp	4.50	1	1.35%
6	Hingham Institution for Savings	7.50	2	1.55%
7	Lakeland Financial Corp.	7.75	1	1.76%
8	Stock Yards Bancorp	8.50	-	1.90%
9	Glacier Bancorp	9.00	-	1.64%
10	First Capital	10.00	1	1.20%
11	Community Bank System	10.67	-	1.53%
12	Eagle Bancorp Montana	11.00	1	1.38%
13	Southern Missouri Bancorp	11.33	-	1.17%
14	First Financial Bankshares	12.67	1	2.09%
15	Auburn National Bancorp.	13.00	-	1.16%
16	Southside Bancshares	13.33	1	1.36%
17	Prosperity Bancshares	15.67	-	1.38%
18	City Holding Co.	17.33	-	1.81%
19	The First Bancorp	17.67	1	1.32%
20	Greene County Bancorp	19.33	-	1.36%

SOURCE: S&P Global Market Intelligence, bank websites, filings and other public information

Independent

Ranking Banking®

BEST EMPLOYER

Independent Bank Corp.

WINNER: INDEPENDENT BANK CORP.

Summary Analysis

Independent Bank Corp. CEO Christopher Oddleifson devoted a significant portion of the bank's 2019 shareholder letter to culture, specifically the "cycle of engagement," a virtuous cycle in which engaged employees provide a higher level of service, leading to more engaged customers and stronger financial performance. This allows the company to invest those gains back into employees and customers, completing the cycle.

"That cycle doesn't just happen, nor does it operate in a vacuum. It is formed, nurtured, cultivated and fed by our healthy culture," wrote Oddleifson. He's spent countless hours reading books, and listening to podcasts and speakers, focused on culture and engagement. "All my research has reinforced my belief that leadership with a purpose, focused on employees, builds long-term profitability," he explained. "It is extremely dangerous to ignore the important role that employees and culture play in success."

Yet, culture and engagement are concepts that can be hard to quantify. To analyze each bank's reputation as an employer, Bank Director examined benefits and perks, and the depth and availability of training initiatives. We looked into culture, measured through engagement efforts, volunteerism and similar factors, and commitment to diversity and inclusion. We included employee ratings shared on Glassdoor and Indeed, two popular resources for job seekers. Finally, we considered how each bank supported employees during the Covid-19 pandemic.

In addition to developing a strong culture, and offering competitive compensation and benefits, successful banks position themselves to attract talent in their markets; in relying on publicly available information, this category

"Think about working for a company where you enjoy being around the people that you work with, you enjoy the work that you do, you buy into the mission of the company — you're going to be much more productive than if you don't have those things."

Robert Cozzone / Independent Bank Corp.

implicitly awards how each bank sells itself as an employer.

"The banks that have done well here have gone beyond creating a good environment — they want to be an attractive employer to top talent in the market," says Crowe Partner Kara Baldwin.

Independent Bank Corp. ranks first, due in large part to its commitment to culture, including diversity and inclusion. The company's training initiatives include diversity awareness; the bank has been recognized for LGBTQ workplace equality by the Human Rights Campaign since 2016. Training also includes professional development opportunities, leadership training and tuition reimbursement.

During the height of the pandemic, 86% of the bank's nonretail staff worked remotely, and the company maintained compensation for full-time employees whose hours were reduced. It even managed to add staff by hiring virtually.

With banks forced to remote work, engagement proves even more vital.

"Think about working for a company where you enjoy being around the people that you work with, you enjoy the work that you do, you buy into the mission of the company — you're going to be much more productive than if you don't have those things," says Independent's COO, Robert Cozzone. That builds engagement, along with a culture that promotes inclusion, respect, teamwork and empathy, he adds. The pandemic and other pressures generate a tremendous amount of stress. "It's all that more important to show [employees] care and empathy and understanding," Cozzone says.

Bank OZK, at second, supported 900 remote employees and instituted a new paid leave policy during the pandemic. Its range of benefits include paid parental, military and bereavement leave. Community involvement is actively encouraged, with employees logging over 4,000 volunteer hours in 2019.

OZK launched an employee engagement survey, along with an exit survey, in 2019, to uncover how to improve the employee experience.

Community Bank System, at third, scored highly for diversity and inclusion. The bank requires employees to receive bias awareness and anti-discrimination training, in addition to other professional development. During the pandemic, Community Bank System instituted work from home, and expanded paid time off and health benefits.

Ranking fourth, Southside Bancshares gives employees paid time off — 20 hours annually — to volunteer in the community, giving more than 5,000 hours of time in 2019. Its extensive training initiatives include tuition assistance, leadership development and mentorship, and the bank was recognized by the Texas Bankers Association for its retail banking internship program.

Glacier Bancorp, at fifth, features a broad range of benefits and perks, including a financial wellness program, pregnancy support and profit sharing.

Glacier also scored well for supporting employees during the pandemic, by eliminating copays and coinsurance for Covid-19 testing, expanding its wellness program, offering flexible scheduling and extending employee leave.

"Banks that did well in this category prioritized their employees' safety," says Rick Childs, a partner at Crowe. It has been a challenging year, but a commitment by leaders to create a great place to work will serve well for the long-term performance of the bank — building its reputation with prospective employees, customers and the community.

MOST EMPLOYEES (RANKED BANKS)

Prosperity Bancshares

3,901

FEWEST EMPLOYEES (RANKED BANKS)

Hingham Institution for Savings

86

How They Ranked: Best Employer

CATEGORY WINNER

		SCORE	GLASSDOOR/ INDEED SCORE (AVG.) SEPT. 2020	NO. OF FULL-TIME EMPLOYEES YE 2019
1	Independent Bank Corp.	**4.75**	3.95	1,348
2	Bank OZK	**5.38**	3.45	2,774
3	Community Bank System	**5.63**	3.35	3,038
4	Southside Bancshares	**8.00**	3.70	845
4	Glacier Bancorp	**8.00**	3.80	2,801
6	Lakeland Financial Corp.	**8.13**	4.30	568
7	Horizon Bancorp	**8.38**	3.50	839
8	WSFS Financial Corp.	**8.75**	3.15	1,782
9	First Financial Bankshares	**9.38**	3.35	1,345
10	First Capital	**10.38**	4.25	182
11	Prosperity Bancshares	**10.63**	3.20	3,901
12	The First Bancorp	**11.25**	3.20	240
13	Meta Financial Group	**11.38**	3.00	1,086
14	Stock Yards Bancorp	**11.50**	3.45	615
15	Greene County Bancorp	**12.63**	4.15	161
16	Hingham Institution for Savings	**13.25**	3.55	86
17	Eagle Bancorp Montana	**14.00**	4.10	298
18	City Holding Co.	**14.88**	3.40	918
19	Auburn National Bancorp.	**16.13**	3.25	163
20	Southern Missouri Bancorp	**20.00**	2.30	470

SOURCE: Glassdoor, Indeed, bank websites, filings and other public information

WSFS

Ranking Banking®

BEST BOARD

WINNER: WSFS FINANCIAL CORP.

WSFS Financial Corp.

Summary Analysis

When asked what drives strategy at WSFS Financial Corp., Chairman and CEO Rodger Levenson credits the board's commitment to sustainable, long-term performance.

He points to the bank's acquisition of Beneficial Bancorp, which closed in 2019, as an example.

"The board had a robust dialogue around the trade-offs that were involved in that," Levenson explains. Directors knew WSFS needed to expand into larger markets like Philadelphia, and further invest in technology to meet the digital shift in customer behavior; acquiring Beneficial helped it meet these objectives.

"This is a great opportunity to invest in the long-term, [even if we] take the short-term knock on performance," says Levenson. "If you want to provide the best long-term value for your shareholders, you have to not get tied up in quarter-to-quarter or year-to-year performance. You have to look at it over longer horizons and make decisions that support that."

It's tough to measure the effectiveness of a board, but Levenson illustrates how they demonstrate their value: making decisions that guide the long-term direction of the institution. Over the years, Bank Director has identified the building blocks of effective governance — and we dug into these variables to determine the best board.

"You've got to have strong governance," says Kara Baldwin, a partner at Crowe. "If everything's going to be a rubber stamp, that's not what you want to get out of your board." Do directors bring new ideas? Are they challenging the status quo?

"If you want to provide the best long-term value for your shareholders, you have to not get tied up in quarter-to-quarter or year-to-year performance. You have to look at it over longer horizons and make decisions that support that."

Rodger Levenson / WSFS Financial Corp.

We examined diversity, calculating the percentage of women on the board and awarding additional points to boards that include directors exhibiting ethnic or racial diversity. Each board was also ranked based on the percentage of directors with expertise in technology, legal, audit, and compliance and risk. Experience as a high-level executive at a different bank can also provide valuable input; points were awarded for including these views. To gauge pay and performance, we examined median compensation and the bank's return on equity as of December 2019.

Our assessment also includes a qualitative analysis of each bank's governance practices — whether these banks conduct an annual assessment, participate in director education or use refreshment mechanisms like mandatory retirement. Much of this information was gleaned from proxy statements; we also considered participation in Bank Director's training programs, but the scoring wasn't weighted to favor those banks. Ratings from Institutional Shareholder Services (ISS) were also factored into the analysis.

Topping the ranking, WSFS Financial Corp. features a diverse board. More than a quarter are women, including former bank CEO Anat Bird, Comcast Corp. executive Karen Dougherty Buchholz and University of Virginia COO Jennifer Wagner Davis. The board exhibits high levels of expertise in risk and compliance, technology and audit. Three directors, including Bird, have an independent banking background.

The board conducts an annual self-evaluation to assess collective and individual performance, in line with the bank's culture and strategy; WSFS engages an outside consultant to conduct the evaluation every three years. This practice helps the board avoid instituting a mandatory retirement age, a mechanism often criticized as ageist.

"People who are in their forties today look at the world very differently than people who are in their seventies," says Levenson. "We have both on our board."

New directors participate in an orientation program, and tenured directors are encouraged to participate in continuing education.

HIGHEST PERCENTAGE OF WOMEN

First Capital
45%

HIGHEST PAID BOARD

Meta Financial Group
$207K (median)

Horizon Bancorp ranks second. Twenty-seven percent of its board members are women, and it features a high level of audit, risk and compliance expertise. It also performs annual self-evaluations, and a mandatory retirement age (75) helps facilitate board refreshment. The bank's proxy indicates active participation by the board in continuing education.

At third, Southside Bancshares conducts a self-assessment that considers individual and board performance. Like Horizon, it also has a mandatory retirement age (75) and demonstrates a commitment to director training.

Eagle Bancorp Montana, coming in at fourth, has a board that's 40% female. Its nominating and governance committee annually reviews board composition, and the board demonstrates a commitment to director training.

Bank OZK, at fifth, also rates highly for diversity. Women comprise roughly a quarter of the board's membership, including Paula Cholmondeley and Beverly Cole, who are also Black. OZK conducts annual board and committee self-assessments, along with an annual review of director skill sets and experience.

"It's when you're tested — in times like we're in now — that you find out how strong your governance is," says Crowe Partner Rick Childs. "You should be willing to find people who disagree with you, [but] when the board makes a decision, everyone sings off the same hymnbook page."

How They Ranked: Best Board

CATEGORY WINNER

		SCORE	MEDIAN COMPENSATION PER DIRECTOR	NO. OF INDEPENDENT DIRECTORS
1	WSFS Financial Corp.	5.42	$108,083	9
2	Horizon Bancorp	5.93	$62,000	10
3	Southside Bancshares	6.92	$92,875	14
4	Eagle Bancorp Montana	7.48	$19,700	7
5	Bank OZK	7.53	$152,405	14
6	Glacier Bancorp	8.28	$99,453	8
7	First Financial Bankshares	8.62	$116,700	10
8	Independent Bank Corp.	9.58	$109,923	11
9	First Capital	9.73	$43,210	10
10	Stock Yards Bancorp	9.76	$82,205	9
11	Auburn National Bancorp.	10.00	$24,650	8
12	Meta Financial Group	10.14	$207,094	7
13	The First Bancorp	10.62	$32,100	7
14	Lakeland Financial Corp.	10.65	$97,636	12
15	Community Bank System	10.70	$105,970	11
16	Hingham Institution for Savings	11.10	$39,195	13
17	City Holding Co.	13.33	$74,215	12
18	Prosperity Bancshares	13.58	$98,674	11
19	Greene County Bancorp	14.40	$102,870	6
20	Southern Missouri Bancorp	14.56	$27,854	8

SOURCE: S&P Global Market Intelligence, Yahoo! Finance, bank websites, proxy statements and other public information

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Data used in the 2021 RankingBanking analysis was collected through S&P Global Market Intelligence and the Federal Deposit Insurance Corp. Additional information was collected using publicly available information obtained via bank websites, filings and other outlets.

Bank Director would like to thank the experts who contributed their opinions about these banks and the industry.

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Crowe LLP (www.crowe.com/fs) is a public accounting, consulting and technology firm with offices around the world. Crowe uses its deep industry expertise to provide audit services to public and private entities. The firm and its subsidiaries also help clients make smart decisions that lead to lasting value with its tax, advisory, risk and consulting services. Crowe is recognized by many organizations as one of the best places to work in the U.S. As an independent member of Crowe Global, one of the largest global accounting networks in the world, Crowe serves clients worldwide. The network consists of more than 200 independent accounting and advisory services firms in more than 130 countries around the world.

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