



*Banking in the New World Order
How to Survive & Thrive*



Interactive Mock Board Session

2009 WIB Annual Director Conference

November 13, 2009

Presented by:

S. Scott MacDonald, Ph.D.

President and CEO, SW Graduate School of Banking Foundation

Director, Assemblies for Bank Directors

Adjunct Professor, Edwin L. Cox School of Business

Southern Methodist University



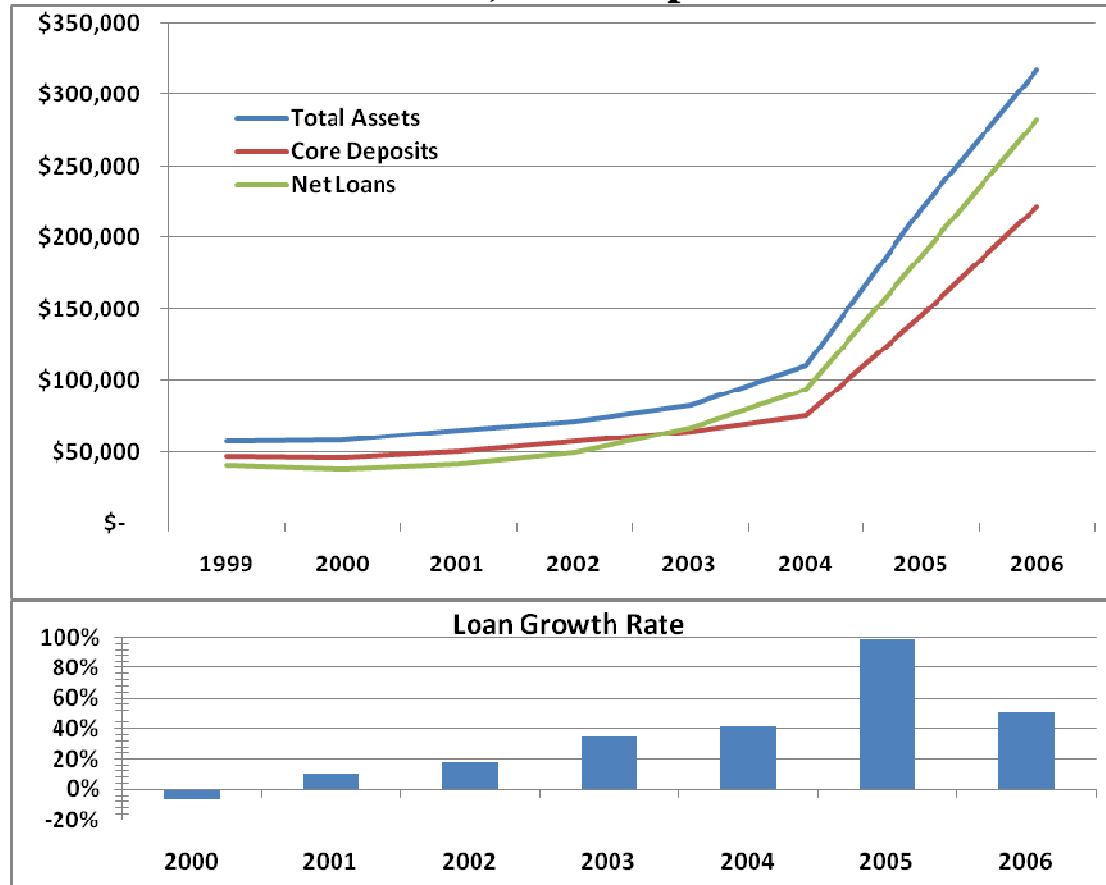
Clearwater National Bank

Case 1



Clearwater National Bank

Exhibit 1: Growth in Total Assets, Core Deposits and Net Loans: 1999-2006





Clearwater National Bank

Exhibit 2: Funding Sources

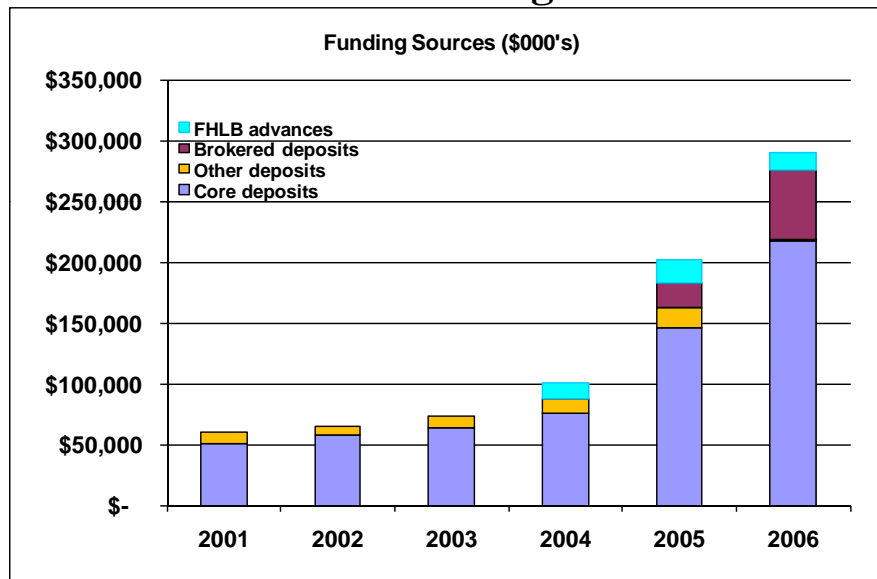


Exhibit 3: Loan Concentrations

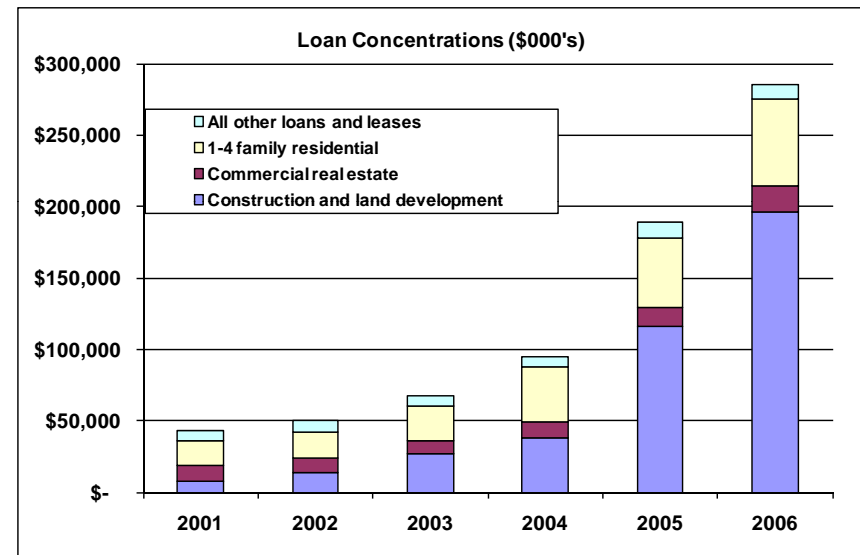




Exhibit 4: FNB's Financial Performance, 2004 – 2006

	12/31/2006			12/31/2005			12/31/2004			12/31/2003		12/31/2002	
AVERAGE ASSETS (\$000)	276,247			162,398			94,947			77,030		70,118	
NET INCOME (\$000)	4,381			2,679			2,131			1,351		768	
EARNINGS AND PROFITABILITY	BANK PG 3 PCT			BANK PG 6 PCT			BANK PG 6 PCT			BANKPG 10		BANKPG 10	
PERCENT OF AVERAGE ASSETS:													
INTEREST INCOME (TE)	7.07	6.63	72	6.12	5.95	60	5.54	5.35	63	5.62	5.59	5.91	6.26
- INTEREST EXPENSE	3.53	2.70	92	2.18	1.95	63	1.31	1.43	40	1.55	1.64	2.25	2.21
NET INTEREST INCOME (TE)	3.55	3.95	29	3.94	4.00	47	4.23	3.91	70	4.07	3.93	3.66	4.03
+ NONINTEREST INCOME	0.98	0.83	66	1.56	0.55	94	1.95	0.62	93	2.60	0.74	1.95	0.67
- NONINTEREST EXPENSE	2.58	2.84	38	2.84	2.60	65	3.66	2.71	88	3.87	3.17	3.87	3.15
- PROVISION: LOAN&LEASE LOSSES	0.31	0.15	85	0.65	0.19	94	0.24	0.20	66	0.35	0.21	0.00	0.25
= PRETAX OPERATING INCOME (TE)	1.64	1.82	40	2.01	1.83	59	2.28	1.67	80	2.45	1.36	1.74	1.31
+ REALIZED GAINS/LOSSES SEC	0.00	0.00	88	-0.18	0.00	0	0.00	0.01	68	0.21	0.02	0.00	0.03
= PRETAX NET OPERATING INC (TE)	1.64	1.81	40	1.83	1.83	51	2.28	1.68	79	2.66	1.40	1.74	1.35
NET OPERATING INCOME	1.59	1.26	76	1.65	1.34	73	2.24	1.20	91	1.75	1.03	1.10	1.00
ADJUSTED NET OPERATING INCOME	1.89	1.33	84	2.30	1.43	88	2.47	1.31	91	1.67	1.11	1.11	1.15
NET INCOME ADJUSTED SUB S	1.08	1.17	42	1.21	1.19	52	1.50	1.09	81		0.93		0.92
NET INCOME	1.59	1.26	76	1.65	1.34	73	2.24	1.21	91	1.75	1.03	1.10	1.00
MARGIN ANALYSIS:													
AVG EARNING ASSETS TO AVG ASSETS	96.72	94.04	88	95.53	94.92	56	95.90	94.63	66	94.16	93.36	92.64	93.69
AVG INT-BEARING FUNDS TO AVG AST	77.09	79.62	31	71.79	76.64	24	72.40	76.81	24	75.59	75.72	77.59	76.40
INT INC (TE) TO AVG EARN ASSETS	7.31	7.06	64	6.41	6.27	59	5.77	5.67	56	5.97	6.00	6.38	6.69
INT EXPENSE TO AVG EARN ASSETS	3.65	2.88	91	2.29	2.05	64	1.36	1.51	38	1.65	1.76	2.42	2.36
NET INT INC-TE TO AVG EARN ASSET	3.67	4.21	23	4.12	4.23	45	4.41	4.15	66	4.32	4.22	3.95	4.31
LOAN & LEASE ANALYSIS													
NET LOSS TO AVERAGE TOTAL LN&LS	0.01	0.11	25	0.00	0.12	30	0.02	0.14	38	0.57	0.21	-0.02	0.21
EARNINGS COVERAGE OF NET LOSS(X)	263.25	57.91	92	717.17	76.19	96	183.69	58.22	87	6.44	31.30	N/A	33.21
LN&LS ALLOWANCE TO NET LOSSES(X)	140.70	26.81	92	330.67	31.83	96	71.92	28.60	84	2.16	17.61	N/A	18.98
LN&LS ALLOW TO LN&LS NOT HFS	1.01	1.21	25	1.07	1.22	37	1.05	1.25	30	1.07	1.35	1.57	1.35
LN&LS ALLOWANCE TO TOTAL LN&LS	0.99	1.20	23	1.05	1.21	33	0.98	1.24	21	1.07	1.35	1.57	1.33
NON-CUR LN&LS TO GROSS LN&LS	0.27	0.55	34	0.08	0.49	31	0.27	0.56	43	0.16	0.71	0.99	0.72
LIQUIDITY													
NET NON CORE FUND DEPENDENCE	41.21	24.46	86	33.65	19.20	75	26.41	16.47	73	13.68	11.15	3.12	10.39
NET LOANS & LEASES TO ASSETS	89.10	70.72	97	84.97	69.04	85	85.54	69.61	88	81.21	64.02	69.42	64.12
CAPITALIZATION													
TIER ONE LEVERAGE CAPITAL	8.00	9.02	26	8.12	9.86	19	7.10	9.60	7	7.40	9.87	7.22	9.81
CASH DIVIDENDS TO NET INCOME	93.24	39.89	89	56.10	30.80	68	33.36	28.07	57	41.38	32.53	27.08	26.40
RETAIN EARNS TO AVG TOTAL EQUITY	1.35	7.38	14	9.70	8.09	62	21.19	7.86	96	13.88	5.41	11.19	5.63
RESTR+NONAC+RE ACQ TO EQCAP+ALLL	0.58	4.15	16	1.02	3.39	42	5.06	3.24	71	7.00	4.44	23.36	4.26
GROWTH RATES													
ASSETS	44.00	10.16	95	100.07	11.62	97	33.82	13.98	87	15.39	9.76	9.26	14.20
TIER ONE CAPITAL	47.88	11.66	95	129.32	12.68	99	23.42	14.47	78	15.02	8.48	11.86	9.80
NET LOANS & LEASES	50.99	12.37	95	98.75	12.96	97	40.95	17.22	90	34.99	10.15	18.37	14.67
SHORT TERM INVESTMENTS	-71.64	59.63	7	5,022.61	100.52	97	-81.79	47.92	8	-82.43	8.35	-3.63	43.13
SHORT TERM NON CORE FUNDING	56.75	37.05	74	108.70	36.62	86	123.11	30.55	91	58.70	7.78	-33.91	9.45



Clearwater National Bank

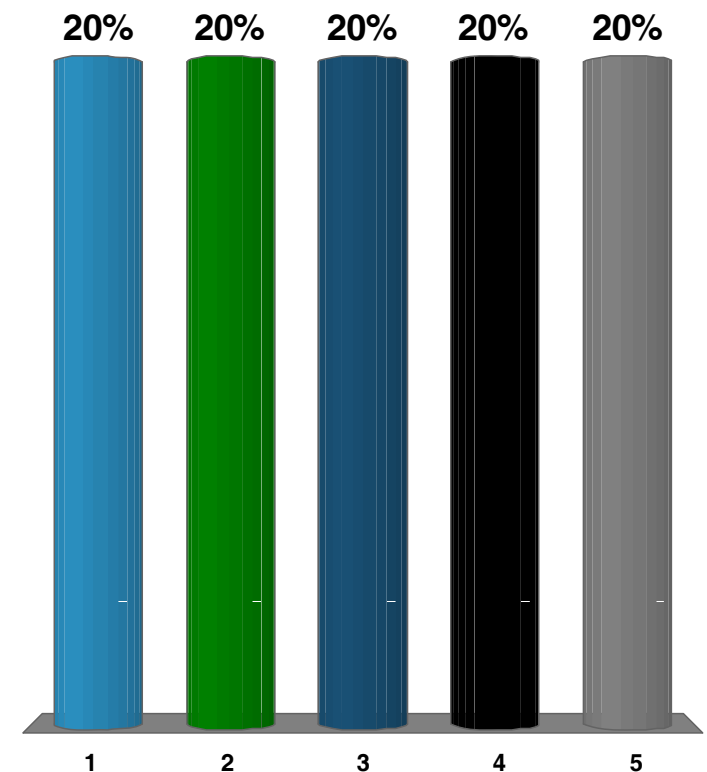
Date	Event
2/7/1986	Clearwater National Bank is established.
1/2/1997	ONB Financial Services, Inc., is established as a bank holding company. Clearwater National Bank is reorganized.
10/15/1997	Clearwater National Bank is downgraded to a CAMELS composite rating of 4 from 2 in its previous full-scope exam conducted in 1996. The bank is placed under a formal agreement because of its uncontrolled loan growth led by former management and its resultant subsequent losses.
9/3/1998	Clearwater National Bank is placed under a revised, more stringent formal agreement when OCC finds that the bank is noncompliant with 8 of the 9 substantive articles from the formal agreement in 1997. The bank's problems continue in the loan administration area.
9/15/1998	Clearwater National Bank is found to be in violation of 12 U.S.C. § 375 and 375b and 12 C.F.R. § 215.4, in which the majority owners had participated in preferential transactions involving the sale of bank-owned property. OCC's Southern District decides to assess civil money penalties (CMP).
5/18/1999	CMP of \$5,000 is assessed against the majority owner of Clearwater National Bank and CMPs of \$2,500 are assessed against each of the majority owner's two sons. The purpose of the CMPs is to penalize the owners for improper insider transactions and to deter future improper actions.
11/1/2001	OCC terminates the formal agreement against Clearwater National Bank based on OCC's determination that the bank is operating with competent management, its financial condition is stable, and proper systems and controls are in place.
11/2/2001	OCC conducts a full-scope examination on Clearwater National Bank and assigns a CAMELS composite rating of 2.
1/22/2004	The majority owner's son is named the President and Chief Executive Officer of Clearwater National Bank.
3/22/2004 to 4/9/2004	OCC conducts a full-scope examination on Clearwater National Bank and assigns a CAMELS composite rating of 2.
11/28/2005 to 12/8/2005	OCC conducts a full-scope examination on Clearwater National Bank. OCC finds that the bank's credit administration is weak as well as many instances of superficial loan underwriting. OCC also found that credit risk management is deficient for the size and complexity of the portfolio and planned future
9/7/2006 to 10/26/2006	OCC conducts a full-scope examination to evaluate the bank's overall condition and the board of directors and management's ability to effectively identify, measure, monitor, and control risk. The bank's CAMELS composite rating remains a 2.



Clearwater National Bank: Board Action

1. The examiners have just left the bank. The bank's overall CAMELS rating remained a 2, but there were several areas in need of attention on the most recent examination, including the development of a strategic plan, improvements in loan exceptions tracking and loan grading. Overall, what area of the strategic plan should the board focus most on?

1. Future loan growth
2. Improvements in underwriting practices
3. Funding sources
4. Improvements in bank policies and procedures
5. Board governance of the affairs of the bank

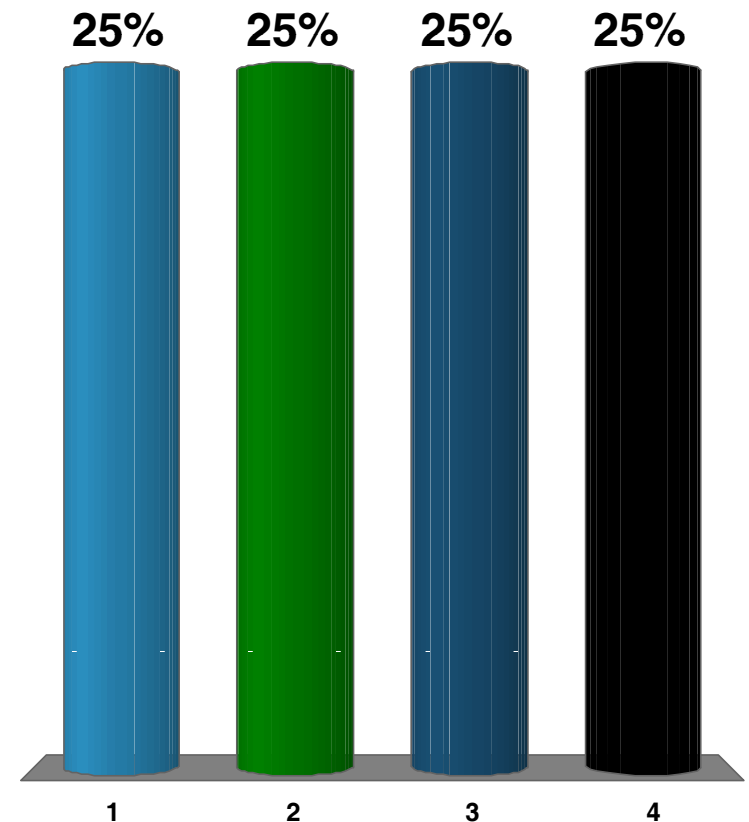




Clearwater National Bank: Board Action

2. Controlling growth has proven challenging for the bank as the low interest rates and strong loan demand means the bank will have to turn down loans on existing performing customers in order to have a significant effect on slowing loan growth. This could lead to the total loss of this business as they seek the loans from other sources. How would you suggest the bank proceed in slowing loan growth?

1. Accept no future business customers until loan growth slows significantly
2. Accept only the very best future business customers, while significantly curtailing lines for existing developers.
3. Do a thorough review of all existing developer loans and begin targeting those the bank will deny future loan requests.
4. Ask management for a plan on how to slow loan growth.

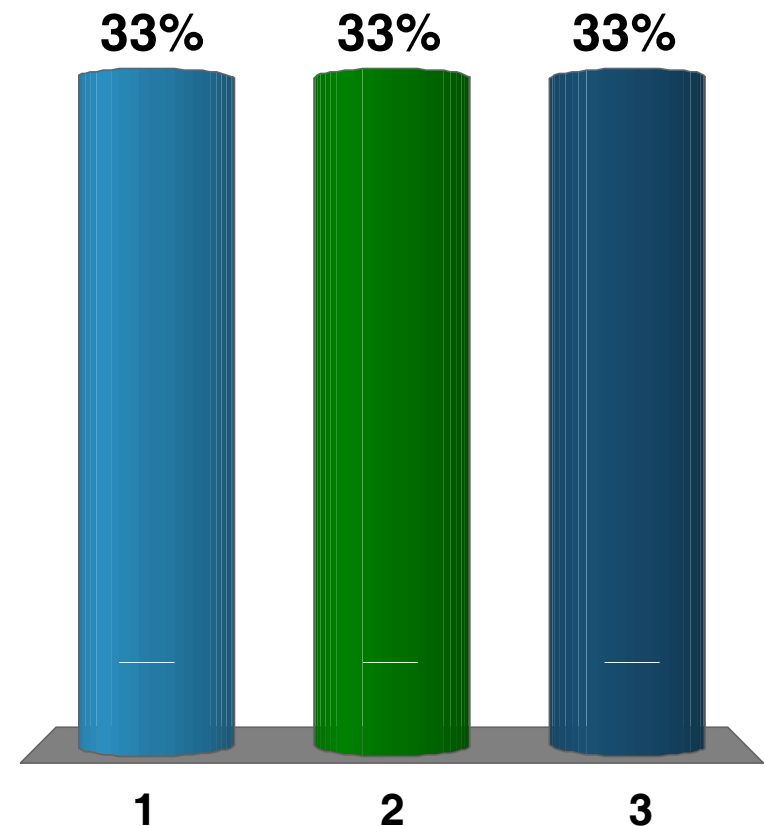




Clearwater National Bank: Board Action

3. As an outside board member and a minority shareholder, how concerned are you that a majority of the bank's shares are owned by a small group of board members? In particular, Dee Powell, the Chairman and his two sons, one of which is the president of the bank.

1. Very concerned and would not serve on this board.
2. Concerned, but feel confident that with a good working relationship with the family, the board can be effective.
3. Majority ownership by the family should not be a concern.

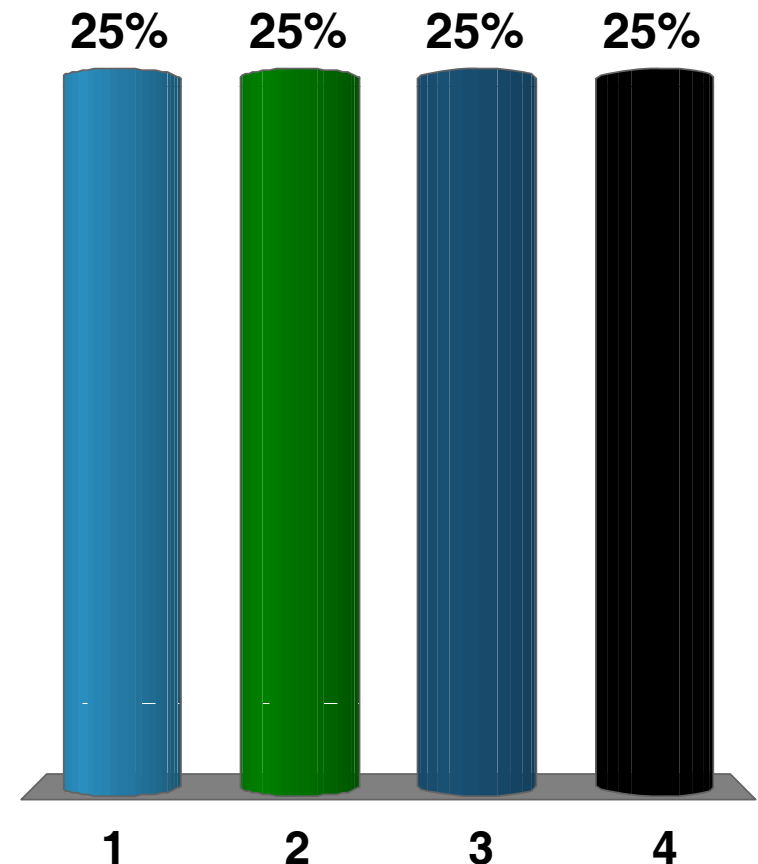




Clearwater National Bank: Board Action

4. What is your probability assessment of this bank's survival over the next 2 – 3 years?

1. Not concerned over the bank's survival
2. Due to a couple of factors, the bank stands a good 25% chance of failure
3. Due to a multitude of factors, the bank's survival is 50/50
4. This bank is toast!

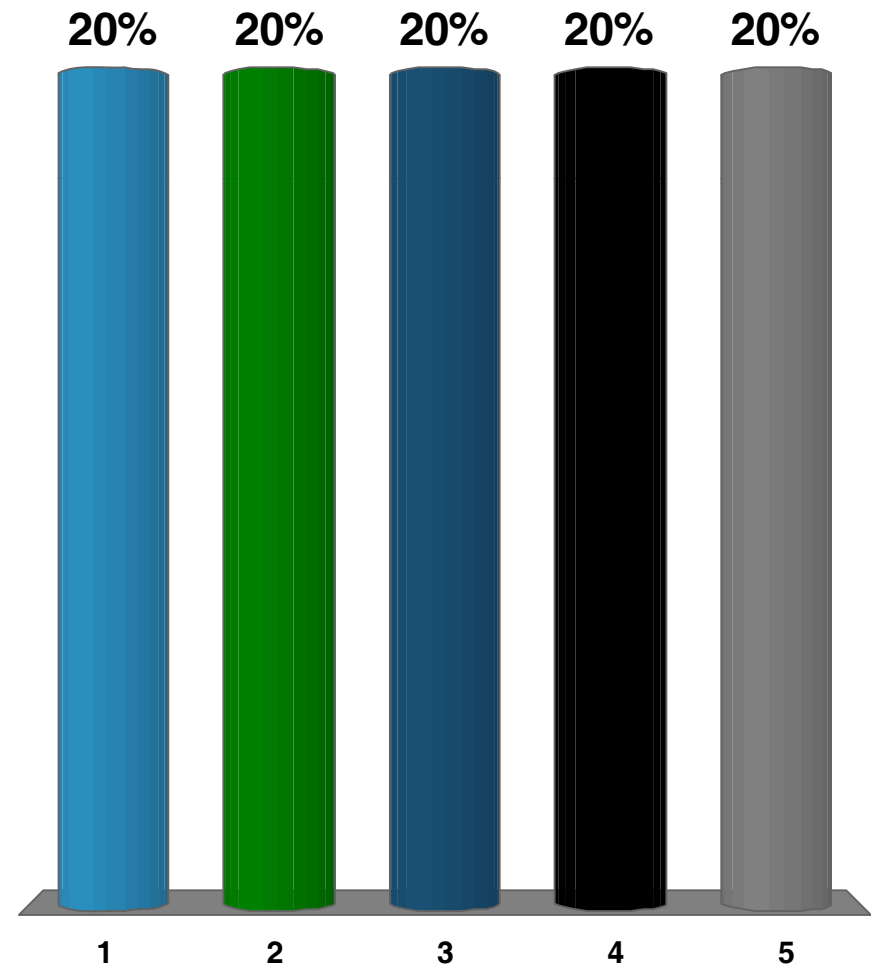




Clearwater National Bank: Board Action

5. If you think this bank might not survive, what is the single most important reason?

1. Loan growth/quality
2. Poor underwriting practices
3. Funding sources/liquidity
4. Ineffective policies and procedures
5. Poor board governance, markup, or oversight





Aubrey National Bank

Case 2



Aubrey National Bank

Exhibit 1: Funding Sources

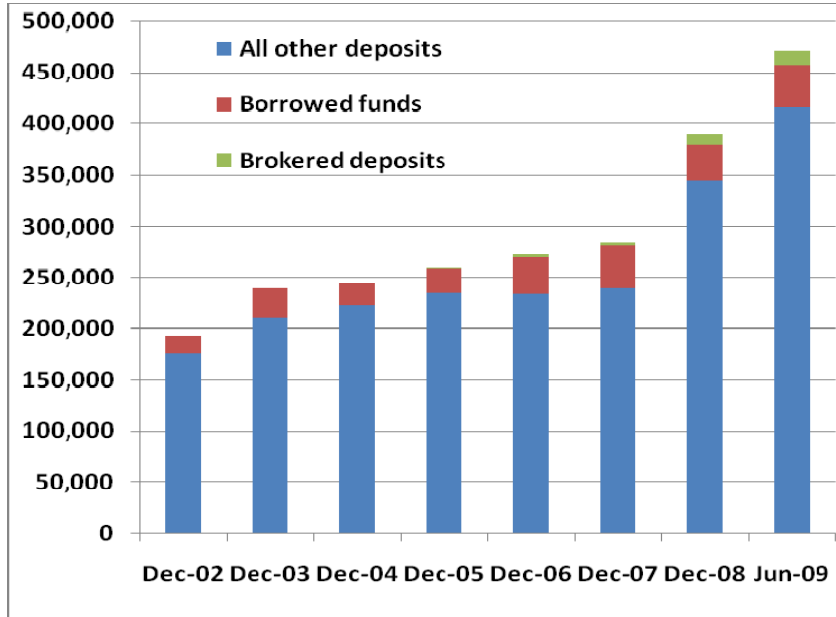


Exhibit 2: Loan Concentrations

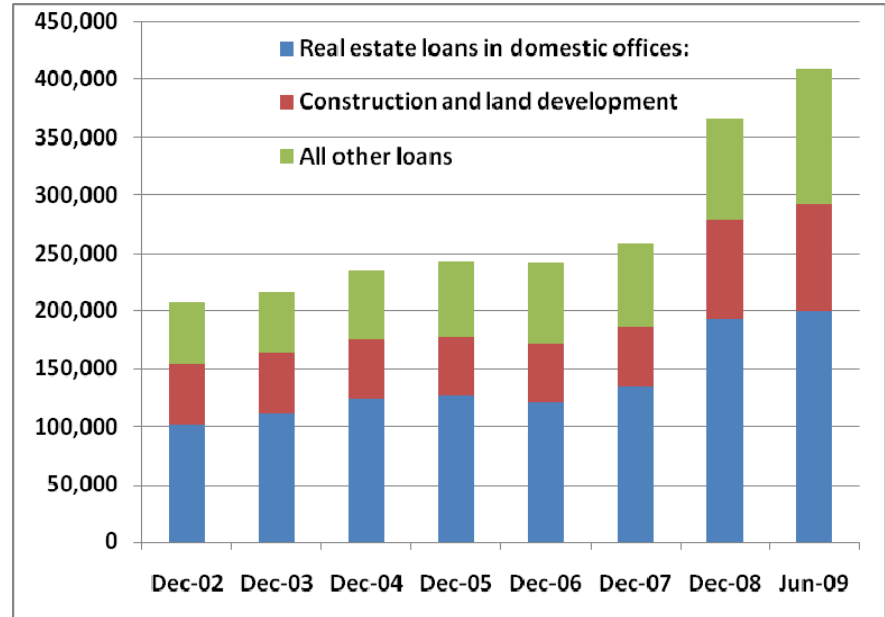




Exhibit 3: ANB's Financial Performance, 2005 – 2009

	6/30/2009			12/31/2008			12/31/2007			12/31/2006			12/31/2005		
AVERAGE ASSETS (\$000)	487,305			441,017			329,593			322,202			305,839		
NET INCOME (\$000)	3,291			6,283			5,212			4,954			4,708		
NUMBER OF BANKS IN PEER GROUP	1,202			1,191			1,172			1,147			1,075		
EARNINGS AND PROFITABILITY	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
PERCENT OF AVERAGE ASSETS:															
INTEREST INCOME (TE)	5.48	5.20	69	6.60	5.90	91	6.91	6.83	55	6.47	6.63		5.85	5.84	
- INTEREST EXPENSE	1.64	1.81	37	2.40	2.36	52	2.76	3.06	30	2.48	2.70		1.93	1.89	
NET INTEREST INCOME (TE)	3.84	3.39	74	4.20	3.55	85	4.14	3.77	72	3.99	3.95		3.91	3.96	
+ NONINTEREST INCOME	0.54	0.76	35	0.69	0.77	46	0.83	0.82	55	0.78	0.83		0.85	0.88	
- NONINTEREST EXPENSE	2.53	2.93	30	2.62	2.91	39	2.52	2.85	34	2.32	2.84		2.18	2.86	
- PROVISION; LOAN&LEASE LOSSES	0.05	0.77	4	0.15	0.62	18	0.05	0.21	18	0.25	0.15		0.15	0.17	
= PRETAX OPERATING INCOME (TE)	1.80	0.50	87	2.11	0.87	89	2.39	1.55	88	2.21	1.82		2.43	1.84	
+ REALIZED GAINS/LOSSES SEC	0.23	0.04	90	0.09	-0.04	93	0.00	0.00	82	0.00	0.00		-0.05	0.00	
= PRETAX NET OPERATING INC (TE)	2.03	0.53	91	2.21	0.75	92	2.39	1.55	88	2.21	1.81		2.38	1.85	
NET OPERATING INCOME	1.35	0.38	86	1.42	0.54	86	1.58	1.10	82	1.54	1.26		1.54	1.27	
ADJUSTED NET OPERATING INCOME	1.06	0.64	66	1.50	0.78	84	1.62	1.19	80	1.75	1.33		1.57	1.35	
NET INC ATTRIB TO MIN INTS	0.00	N/A	98	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	N/A	
NET INCOME ADJUSTED SUB S		0.33	N/A		0.48	N/A		1.01	N/A		1.17			1.19	
NET INCOME	1.35	0.38	86	1.42	0.54	86	1.58	1.10	82	1.54	1.26		1.54	1.27	
PERCENT OF AVERAGE BANK EQUITY:															
NET INCOME	10.53	3.91	74	10.86	5.59	71	10.70	11.64	45	11.27	13.74		11.82	13.87	
MARGIN ANALYSIS:															
AVG EARNING ASSETS TO AVG ASSETS	89.06	93.61	9	90.41	93.84	11	90.44	93.95	10	90.43	94.04		89.58	93.76	
AVG INT-BEARING FUNDS TO AVG AST	67.12	81.63	3	75.51	80.73	19	75.16	80.03	21	72.32	79.62		73.80	78.76	
INT INC (TE) TO AVG EARN ASSETS	6.15	5.57	85	7.30	6.30	94	7.64	7.28	70	7.15	7.06		6.53	6.24	
INT EXPENSE TO AVG EARN ASSETS	1.84	1.93	43	2.66	2.51	59	3.06	3.27	35	2.74	2.88		2.16	2.01	
NET INT INC-TE TO AVG EARN ASSET	4.31	3.64	81	4.64	3.79	88	4.58	4.03	78	4.41	4.21		4.37	4.24	
LOAN & LEASE ANALYSIS															
NET LOSS TO AVERAGE TOTAL LN&LS	0.60	0.70	59	0.11	0.51	22	0.03	0.18	22	0.05	0.11		0.18	0.13	
EARNINGS COVERAGE OF NET LOSS(X)	4.67	8.93	55	28.65	10.01	88	129.48	31.11	90	74.74	57.91		20.87	47.21	
LN&LS ALLOWANCE TO NET LOSSES(X)	3.17	5.83	51	18.84	5.97	90	75.68	15.59	92	42.85	26.81		9.83	21.02	
LN&LS ALLOW TO LN&LS NOT HFS	1.67	1.59	65	2.12	1.43	87	2.06	1.21	94	2.15	1.21		1.77	1.23	
LN&LS ALLOWANCE TO TOTAL LN&LS	1.67	1.58	66	2.12	1.42	87	2.06	1.21	94	2.15	1.20		1.77	1.22	
NON-CUR LN&LS TO GROSS LN&LS	1.25	2.79	30	1.99	2.06	61	0.45	1.03	34	0.57	0.55		0.39	0.49	
LIQUIDITY															
NET NON CORE FUND DEPENDENCE	32.77	27.63	64	33.99	30.37	60	33.81	25.68	72	33.52	24.46		30.13	22.29	
NET LOANS & LEASES TO ASSETS	57.86	70.04	16	60.01	71.44	18	59.66	71.62	17	58.03	70.72		62.69	69.42	
CAPITALIZATION															
TIER ONE LEVERAGE CAPITAL	9.35	8.76	67	9.78	8.76	76	14.46	9.06	96	13.87	9.02		13.01	8.88	
CASH DIVIDENDS TO NET INCOME	292.74	28.23	98	369.25	45.13	97	11.82	47.79	23	1.74	39.89		1.66	36.16	
RETAIN EARNS TO AVG TOTAL EQUITY	-20.29	0.30	8	-29.24	0.33	6	9.44	4.96	79	11.07	7.38		11.62	8.00	
RESTR+NONAC+RE ACQ TO EQCAP+ALLL	8.40	26.58	25	10.47	18.70	43	2.56	8.06	28	3.16	4.15		2.21	3.73	
GROWTH RATES															
ASSETS	12.29	7.17	75	34.36	8.74	93	4.87	8.24	39	6.29	10.16		6.76	11.93	
TIER ONE CAPITAL	7.47	6.07	60	-7.61	5.20	11	8.99	7.94	62	12.29	11.66		13.23	13.04	
NET LOANS & LEASES	7.41	4.60	63	35.17	9.13	94	7.80	10.33	44	-1.61	12.37		4.30	13.36	
SHORT TERM INVESTMENTS	3,092.07	218.66	95	1,030.77	34.88	96	-82.71	10.51	7	-81.86	59.63		36.49	103.86	
SHORT TERM NON CORE FUNDING	0.82	12.18	40	42.71	21.64	74	6.90	17.47	39	17.38	37.05		21.95	29.92	
##ONE OR MORE MERGERS, CONSOLIDATIONS OR PURCHASES HAVE OCCURRED DURING THE PERIOD.															
12/31/2008 6/30/2009															



Exhibit 4: ANB's Loan Concentrations, 2005 – 2009

CERT # 111111
CHARTER # 0

COUNTY:

AUBREY NATIONAL BANK
ANALYSIS OF CONCENTRATIONS OF CREDIT

AUBREY, TX

PAGE 07B

	6/30/2009			12/31/2008			12/31/2007			12/31/2006		12/31/2005	
	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	BANK	PG 3
LOAN & LSE % TOTAL CAPITAL													
CONSTRUCTION & DEVELOPMENT	185.75	98.02	83	179.69	111.29	77	102.04	123.67	49	107.20	117.38	116.66	103.52
1-4 FAMILY CONSTRUCTION	14.98	22.01	44	14.51	29.40	36	6.37	34.24	20	N/A	N/A	N/A	N/A
OTHER CONST & LAND DEVEL	170.77	71.42	89	165.17	78.00	85	95.67	75.91	63	N/A	N/A	N/A	N/A
1 - 4 FAMILY RESIDENTIAL	112.74	175.02	29	108.97	174.47	28	76.47	162.11	21	85.45	164.11	104.63	166.65
HOME EQUITY LOANS	2.29	26.35	16	2.25	26.19	15	1.86	23.37	14	1.96	23.97	2.08	26.67
OTHER REAL ESTATE LOANS	104.42	279.96	5	106.67	279.02	6	82.72	259.55	4	64.14	257.34	80.02	256.67
FARMLAND	47.79	18.11	82	45.94	17.80	82	43.34	15.43	83	44.14	13.33	50.78	11.76
MULTIFAMILY	10.16	19.44	36	9.96	17.69	38	5.76	15.88	27	0.19	15.01	0.22	14.86
NON-FARM NON-RESIDENTIAL	46.47	229.35	3	50.77	229.97	4	33.63	215.56	2	19.81	216.34	29.02	217.72
OWNER OCCUPIED NFARM NRESID	3.46	114.10	3	3.69	112.61	4	7.53	95.16	12	N/A	N/A	N/A	N/A
OTHER NONFARM NONRESIDENTIAL	43.01	110.58	16	47.08	112.29	19	26.10	99.74	12	N/A	N/A	N/A	N/A
TOTAL REAL ESTATE	402.91	574.46	18	395.33	590.75	14	261.23	574.02	5	256.79	566.93	301.31	555.01
FINANCIAL INSTITUTION LOANS	0.00	0.00	94	0.00	N/A	95	0.00	N/A	95	0.00	N/A	0.00	N/A
AGRICULTURAL LOANS	104.98	9.96	94	60.86	9.99	91	49.37	8.95	90	53.71	8.12	61.06	7.65
COMMERCIAL & INDUSTRIAL LOANS	76.87	99.25	40	68.28	103.99	32	59.81	101.97	27	56.47	99.88	52.11	102.25
LOANS TO INDIVIDUALS	51.49	25.69	83	47.20	27.22	79	29.03	28.69	61	37.57	31.12	43.11	34.77
CREDIT CARD LOANS	3.48	0.48	92	3.66	0.48	92	2.88	0.60	87	3.10	0.64	3.57	0.72
MUNICIPAL LOANS	1.95	3.32	59	1.12	3.24	54	1.49	3.02	56	0.54	2.97	0.83	3.12
FOREIGN OFFICE LOANS & LEASES	0.00	N/A	99	0.00	N/A	99	0.00	N/A	99	0.00	N/A	0.00	N/A
ALL OTHER LOANS	0.00	2.16	13	0.00	2.30	13	0.00	2.30	12	0.00	2.15	0.00	2.11
LEASE FINANCING RECEIVABLES	0.00	0.40	79	0.00	0.44	79	0.00	0.49	78	0.00	0.53	0.00	0.57
SUPPLEMENTAL:													
LOANS TO FOREIGN GOVERNMENTS	0.00	N/A	99	0.00	N/A	99	0.00	N/A	99	0.00	N/A	0.00	N/A
LOANS TO FINANCE COMM REAL EST	0.00	1.12	69	0.00	1.04	71	0.00	0.98	72	4.34	0.87	0.00	0.72
NONOWNER OCC COMML RE % TOT CAP	238.92	242.91	53	236.73	259.77	47	133.89	263.34	21	N/A	N/A	N/A	N/A
TOTAL COMML REAL ESTATE % TOT CAP	242.38	363.48	25	240.42	379.76	22	141.42	377.30	8	131.54	371.28	145.91	357.83
CONSTRUCTION & DEVEL % TOT LNS	29.10	13.08	91	31.37	14.46	89	25.45	16.49	76	26.46	15.83	25.45	13.85
NONOWNER OCC COMML RE % TOT LNS	37.44	32.53	62	41.33	33.70	67	33.40	35.23	48	N/A	N/A	N/A	N/A
TOTAL COMML REAL ESTATE % TOT LNS	37.98	48.98	27	41.97	49.52	35	35.27	50.56	22	32.47	50.36	31.83	48.54



Aubrey National Bank: Board Action

- **At the Board of Director's most recent meeting, they were faced with several factors that require them to revisit their long term strategy:**
 - The poor economic conditions,
 - Rising loan losses from participations as well as the potential for additional losses,
 - Potential losses from their consumer and agriculture portfolio (although these losses have not materialized at this time they have given the directors pause.)
 - The most recent acquisition of the bank in Little Elm has lower the bank's principle capital ratio to 9.35 percent. Additional acquisition might require the bank asking shareholders for additional capital.
 - The transition to Ronnie Wells is not a concern for the board as they have great confidence in him, but it does encourage them to carefully think through their "opportunistic growth" strategy.



Aubrey National Bank: Board Action

- **There are great opportunities for the bank to continue to expand as the market in north central Texas is still strong.**
- **Several community banks are struggling and this might present opportunities for the bank and its relative strengths.**
- **As the board began to prepare for its upcoming strategic planning meeting, the board was contemplating several key questions which should be addressed.**

– In particular...

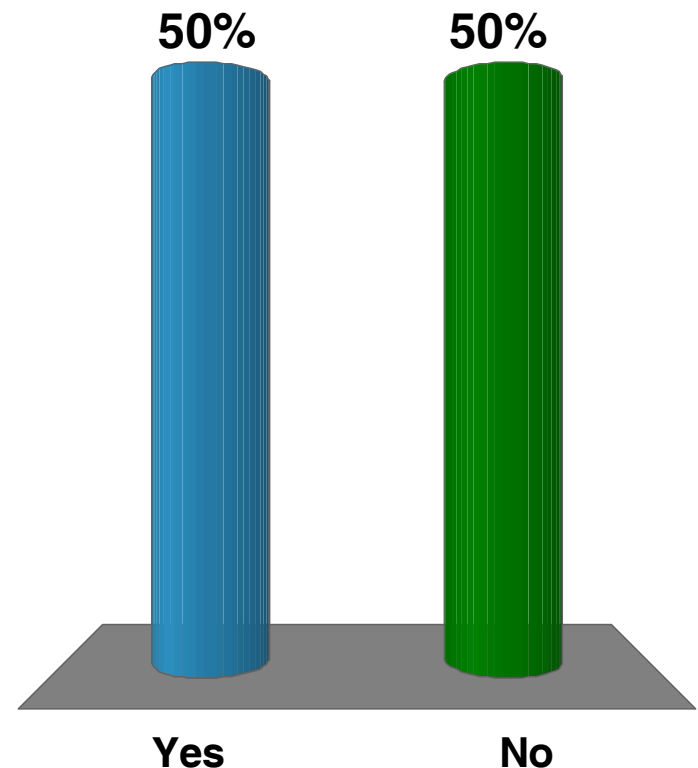


Aubrey National Bank: Board Action

1. Does the bank need to change, or seriously consider a change in their fundamental strategy: *consistent organic growth in loans and deposits in the bank's primary market niche as well as opportunistic acquisition of institutions in the North Texas market?*

That is, does the bank need to slow its growth?

1. Yes
2. No

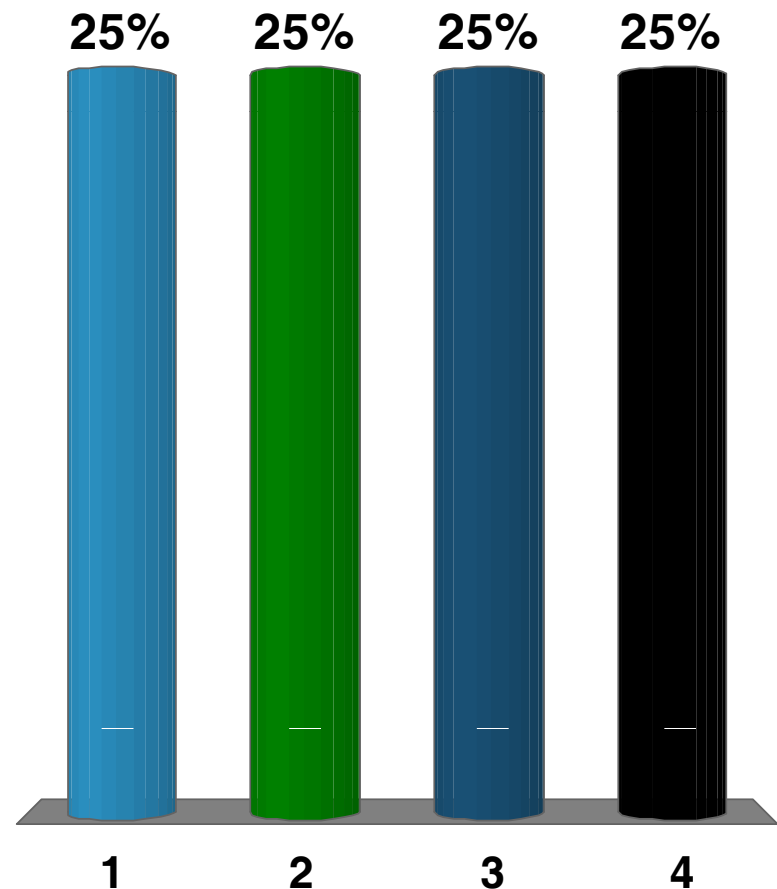




Aubrey National Bank: Board Action

2. What is the best use of capital today?

1. Hoard it
2. Opportunistic acquisitions
3. Retire the bank's stock or buy out retiring shareholder
4. Pay dividends

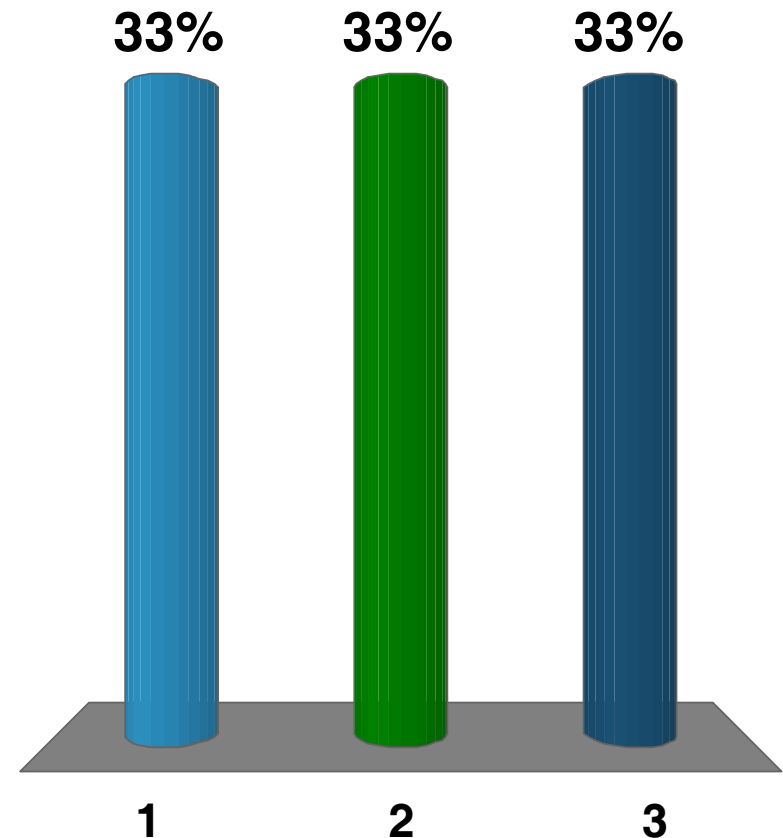




Aubrey National Bank: Board Action

3. What about management succession? Should a new CEO change the board's reporting requirements?

1. The board should request addition detailed information from the CEO
2. The board should follow a “wait and see” attitude about the new CEO
3. No change should be expected from the board with regards to the new CEO

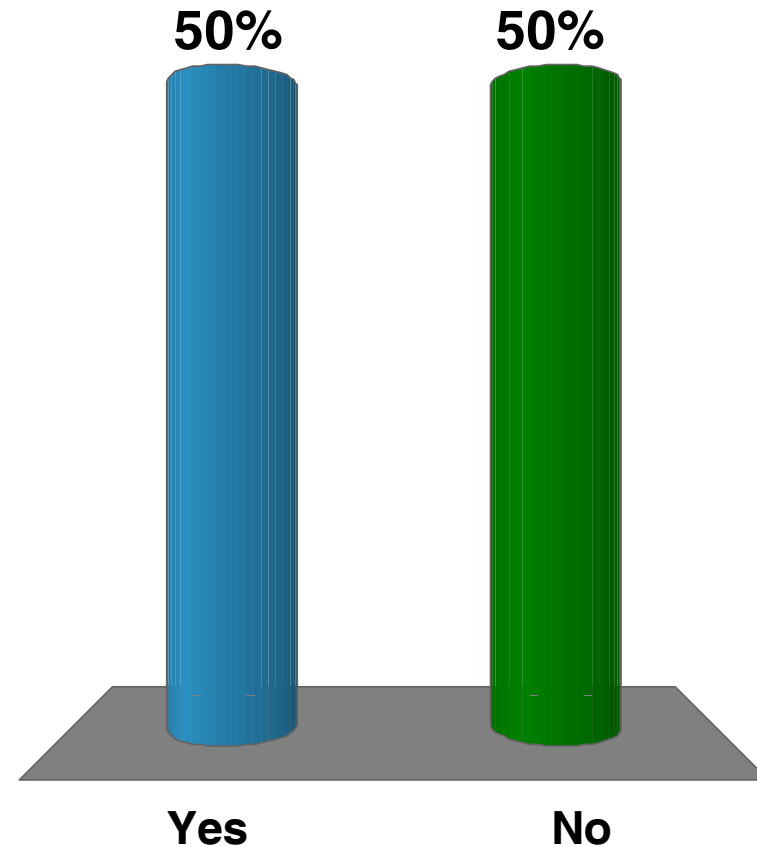




Aubrey National Bank: Board Action

4. Should the board slow growth and acquisition activity pending the new CEO's seasoning?

1. Yes
2. No

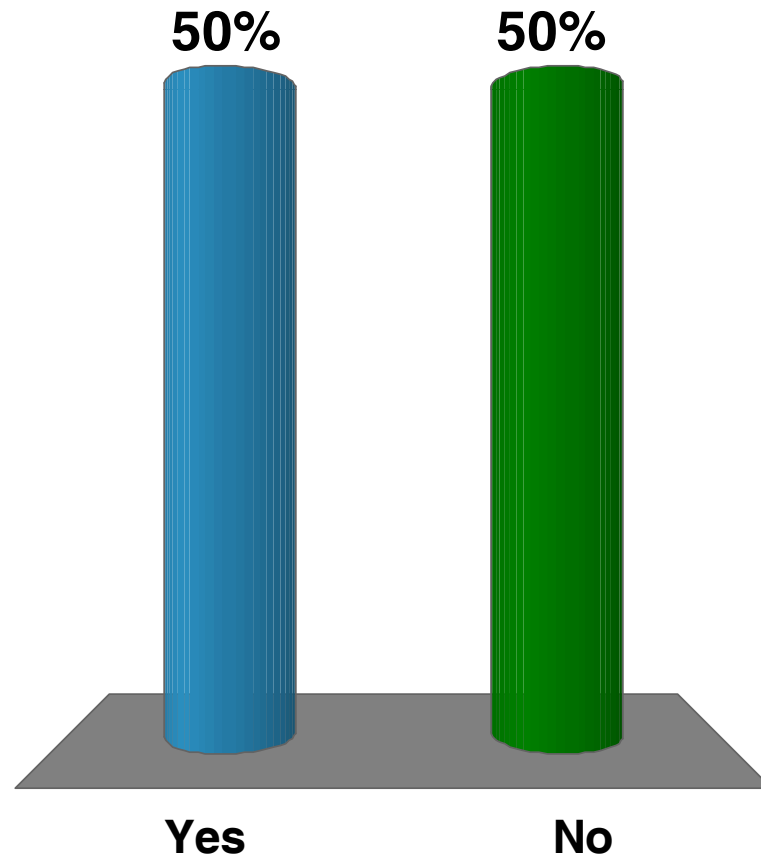




Aubrey National Bank: Board Action

5. Should the bank get out of the participation market completely?

1. Yes
2. No





Questions?

S. Scott MacDonald, Ph.D.

President and CEO, SW Graduate School of Banking Foundation

Director, Assemblies for Bank Directors

Adjunct Professor, Edwin L. Cox School of Business

Southern Methodist University

Dallas, Texas 75275

214-768-2995 | FAX 214-768-2992

smacdona@mail.cox.smu.edu

www.swgsb.org



*Banking in the New World Order
How to Survive & Thrive*

Thank you for attending!