

## performing BIGS

For banks over \$10 billion, refis and strategic "acquisitions" of key people paid off

By Vanessa Mambrino, with Richard Colligan and Kevin Halsey, Capital Performance Group LLC f 2011 was the year that banks were once again able to focus on how to grow core businesses, 2012 was the year that many banks demonstrated it was entirely possible to generate solid earnings performance in a low-rate, low-growth environment. Banks that were well-positioned to exploit mortgage refinancing and commercial and industrial lending by the end of 2011 did so in 2012. Investments in new products, new markets, and new personnel were common among this year's crop of top performers. This will likely continue to be a key theme contributing to high performance in 2013 and beyond.

## Selection criteria explained

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Our analysis ranks the performance of federally insured, domestic depository institutions with assets over \$10 billion as of Dec. 31, 2012. In turn, we divided these into two sub-groups: publicly held depository institutions (banks and bank or financial holding companies) and private or foreign-owned depositories (described in greater detail later). A total of 64 public banks and holding companies and 15 private institutions qualified under the selection criteria. They were ranked by return on average total equity (ROAE) for 2012. In instances where the reported ROAE was identical for two or more institutions, 2012 return on average total assets (ROAA) was used as a secondary ranking criterion. Top performers are those who rank among the top ten public banks and top five private banks based on ROAE. (Rankings: of all 64 public banks and 15 private institutions appear at http://tinyurl.com/TopBig-ababj)Securities and Exchange Commission filings were the source for public company data, and regulatory filings were the source for private and foreign-owned institutions. Thomson Reuters, LLC, provided the analysis data.

## Payments and trust drive NII

At Commerce Bancshares of Kansas City, Mo. (No. 10), noninterest income has always been a significant contributor to earnings. Noninterest income accounted for 38.3% of total 2012 revenue—well above the 25.5% average for the top ten banks and the 30.7% average for all banks. The most significant contributor to fee revenues in 2012 was the bank's trust company, boasting 7.2% growth in trust revenues due to expansion of the sales force and marketing, and investments in new product development. Commerce Bancshares' investments in product development was not, however, limited to its trust subsidiary. To augment its merchant services, the bank introduced ROAMpay, a pay-as-you-go mobile payments processing service (similar to Square) in 2012. It also introduced a suite of products for healthcare companies. The cornerstone of this suite, PatientConnect, allows providers to immediately calculate a patient's portion of a bill and take payment at the office or institute a payment plan using the patient's card. Finally, Commerce Bank redesigned its consumer deposit product suite to replace free accounts with fee-based products. Many of the fees were minor from a consumer perspective (e.g., \$1 per month for paper statements), yet collectively they made a significant contribution to earnings. This helped the bank maintain fee revenues during 2012.

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| Public banks and thrifts   |      |  |                                |                  |                  |  |                   |                         |  |
|--|------|--|--------------------------------|------------------|------------------|--|-------------------|-------------------------|--|
| wit  | h to | otal assets of \$10B                       | Total assets<br>(\$000)        | 2012<br>ROAE (%) | 2012<br>ROAA (%) | Non-<br>interest<br>income/<br>total<br>revenue<br>(%) | Capital ratio (%) | Efficiency<br>ratio (%) | Nonper-<br>forming<br>loans/<br>total<br>loans (%) |
| 1  | N/A  | Texas Capital Bancshares, Dallas, Texas    | \$10,540,844                   | 16.92            | 1.35             | 10.25  | 12.12             | 51.40                   | 1.03   |
| 2  | 1    | Bank of Hawaii Corp., Honolulu, Hawaii     | \$13,728,372                   | 16.23            | 1.22             | 34.69  | 17.39             | 57.68                   | 1.29   |
| 3  | 2    | U.S. Bancorp, Minneapolis, Minn.           | \$353,855,000                  | 14.58            | 1.65             | 46.52  | 13.10             | 52.07                   | 4.02   |
| 4  | 3    | First Republic Bank, San Francisco, Calif. | \$34,387,677                   | 13.17            | 1.29             | 12.58  | 13.86             | 52.01                   | 0.22   |
| 5  | 8    | Wells Fargo & Co., San Francisco, Calif.   | \$1,422,968,000                | 12.50            | 1.41             | 48.21  | 14.63             | 59.02                   | 4.97   |
| 6  | N/A  | BankUnited, Miami Lakes, Fla.              | \$12,375,953                   | 12.45            | 1.71             | 13.84  | 34.88             | 46.18                   | 0.75   |
| 7  | 4    | Signature Bank, New York, N.Y.             | \$17,456,057                   | 12.18            | 1.17             | 5.53   | 16.35             | 37.48                   | 0.28   |
| 8  | 10   | East West Bancorp, Pasadena, Calif.        | \$22,536,110                   | 12.14            | 1.29             | -0.69  | 16.10             | 46.30                   | 0.73   |
| 9  | 11   | BOK Financial Corp., Tulsa, Okla.          | \$28,148,631                   | 12.09            | 1.34             | 46.00  | 15.13             | 63.65                   | 1.51   |
| 10   | 6    | Commerce Bancshares, Kansas City, Mo.      | \$22 <b>,</b> 159 <b>,</b> 589 | 12.00            | 1.30             | 38.27  | 14.93             | 58.95                   | 1.35   |
| Source: Thomson Reuters, LLC, 2013. Full rankings at http://tinyurl.com/TopBig-ababj |      |  |                                |                  |                  |  |                   |                         |  |

