Top performing big banks

By Kevin Halsey and Claire Whitesell, Capital Performance Group LLC

Best banks over $10 billion
shrug off refis and move on to
C&I and other green pastures
quiet, uneventful years of steady but modest profits are a distant memory
in banking. With greater challenges, however, at least there are usually
greater opportunities, and the top
performers among the industry’s big
banks—with total assets of $10 billion
or more—took full advantage of the upside. Among the
challenges of 2013 were margin contraction and the end
of the mortgage refinancing boom. Despite these speed
bumps, several large banks developed and pursued strategies
that enabled them to maintain or improve profitability and
attain top-performer status. These included commercial loan
growth, wealth management, rethinking branches, and, yes,
residential mortgage lending.

Selection criteria explained
The report ranks the performance of federally insured,
domestic depository institutions with assets over $10 billion
as of Dec. 31, 2013. These were then divided 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 66 public banks and holding companies and 16 private
institutions qualified under the selection criteria. They were
ranked by return on average total equity (ROAE) for 2013.
In instances where the reported ROAE was identical for
two or more institutions, 2013 return on average total assets
(ROAA) was used as a secondary ranking criterion.

In addition, any institution with an industrial loan or
nondepository trust charter, or deposits equaling less than
10% of total liabilities, or credit card loans exceeding 70% of
total loans at year-end 2013 was excluded.

Securities and Exchange Commission filings were the
source for public company data, and regulatory filings were
the data source for private and foreign-owned institutions.
Thomson Reuters, LLC, provided data for the analysis.

Top-performer threshold changes
For purposes of this article, “top performers” refers to those
ranking among the top ten public banks or top five private
banks. This year, it required an ROAE of at least 11.99%
to place among the top ten public banks. To their credit,
there were many repeat performers. Eight of 2012’s top-
performing large banks managed to meet or exceed the
threshold again. These banks retained top-performing status
by revamping last year’s strategies, focusing on cross-sell
efforts, diversifying revenue streams, and focusing resources
on attractive core markets. Only one top performer, Puerto
Rico-based Popular, Inc. (No. 2), benefited significantly from
one-time gains.

The average ROAE among the top performers decreased
by 28 basis points to 13.15%, while the average among all
banks increased by 48 bps to reach 8.18%. The slight decline
in profitability among the top performers was largely due to
decreases in net interest income—as a result of lower asset
yields—and declines in noninterest income—as a result of
reduced mortgage banking revenues. Large banks were able
to control expenses and continued to benefit from reduced
provisions and lower cost of funds. (To see the full rankings,
visit http://tinyurl.com/2014TopBig-BJrankings)

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management support to the financial services industry.

Public banks and thrifts with total assets of $10B+

<table>
<thead>
<tr>
<th>2014 Rank</th>
<th>2013 Rank</th>
<th>Total assets ($000)</th>
<th>2013 ROAE (%)</th>
<th>2013 ROA (%)</th>
<th>Noninterest income/total revenue (%)</th>
<th>Capital ratio (%)</th>
<th>Efficiency ratio (%)</th>
<th>Nonperforming loans/total loans (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>Bank of Hawaii Corp., Honolulu, Hawaii</td>
<td>$14,084,280</td>
<td>14.78</td>
<td>1.10</td>
<td>34.16</td>
<td>16.81</td>
<td>60.71</td>
</tr>
<tr>
<td>2</td>
<td>43</td>
<td>Popular, Inc., Hato Rey, PR</td>
<td>$7,015,000</td>
<td>14.14</td>
<td>1.60</td>
<td>35.78</td>
<td>20.69</td>
<td>57.83</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>U.S. Bancorp, Minneapolis, Minn.</td>
<td>$744,021,000</td>
<td>14.14</td>
<td>1.60</td>
<td>45.23</td>
<td>13.20</td>
<td>53.04</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>Wells Fargo &amp; Co., San Francisco, Calif.</td>
<td>$1,527,015,000</td>
<td>13.26</td>
<td>1.51</td>
<td>47.19</td>
<td>15.44</td>
<td>59.32</td>
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<tr>
<td>5</td>
<td>7</td>
<td>Signature Bank, New York City, N.Y.</td>
<td>$92,376,669</td>
<td>13.26</td>
<td>1.16</td>
<td>4.68</td>
<td>15.10</td>
<td>64.34</td>
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<tr>
<td>6</td>
<td>11</td>
<td>Fifth Third Bancorp, Cincinnati, Ohio</td>
<td>$230,443,000</td>
<td>12.80</td>
<td>1.48</td>
<td>47.23</td>
<td>14.08</td>
<td>58.42</td>
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<td>7</td>
<td>8</td>
<td>East West Bancorp, Pasadena, Calif.</td>
<td>$74,703,068</td>
<td>12.59</td>
<td>1.25</td>
<td>12.11</td>
<td>13.50</td>
<td>48.79</td>
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<td>4</td>
<td>First Republic Bank, San Francisco, Calif.</td>
<td>$241,112,763</td>
<td>12.20</td>
<td>1.20</td>
<td>16.64</td>
<td>13.89</td>
<td>52.30</td>
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<td>9</td>
<td>1</td>
<td>Texas Capital Bancshares, Dallas, Tex.</td>
<td>$11,714,69</td>
<td>12.09</td>
<td>1.17</td>
<td>9.50</td>
<td>10.73</td>
<td>55.58</td>
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<td>10</td>
<td>10</td>
<td>Commerce Bancshares, Kansas City, Mo.</td>
<td>$23,072,036</td>
<td>11.99</td>
<td>1.19</td>
<td>40.49</td>
<td>15.28</td>
<td>60.55</td>
</tr>
</tbody>
</table>

Source: Thomson Reuters, LLC, 2014

Full rankings at http://tinyurl.com/2014TopBig-BJrankings