

A hand in a dark suit jacket and white shirt cuff holds a large, ornate gold trophy. The trophy has a wide, shallow bowl and two curved handles. A circular gold medallion is attached to the top of the trophy. The background is a solid light blue.

Banking's Top Performers 2011

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Public Banks & Thrifts with Total Assets of \$3B+

2011 RANK	2010 RANK		Total Assets (\$000)	2010 ROAE (%)	2010 ROAA (%)	Non-Interest Income/Total Revenue (%)	Capital Ratio (%)	Efficiency Ratio (%)	Nonperforming Loans/Total Loans (%)
1	N/A	Bank of the Ozarks, Inc, Little Rock, AR	3,273,659	21.37	2.13	15.86	N/A	55.77	0.59
2	8	Bank of Hawaii Corp, Honolulu, HI	13,126,787	18.16	1.45	30.95	19.55	56.64	1.26
3	3	WestAmerica Bancorp, San Rafael, CA	4,931,524	18.11	1.95	22.71	15.50	47.16	3.71
4	9	Republic Bancorp, Inc, Louisville, KY	3,622,703	17.92	1.85	35.95	N/A	51.63	1.30
5	72	First National of Nebraska, Inc, Omaha, NE	14,970,124	16.99	1.35	44.73	13.34	52.18	2.66
6	N/A	SCBT Financial Corp, Columbia, SC	3,594,791	15.45	1.43	17.72	N/A	70.30	2.64
7	11	First Financial Bankshares, Inc, Abilene, TX	3,776,367	13.74	1.75	26.46	18.26	53.03	1.05
8	25	Dime Community Bancshares, New York, NY	4,040,295	13.15	1.01	7.34	11.95	42.48	1.18
9	10	Tompkins Financial Corp, Ithaca, NY	3,260,343	12.72	1.06	29.14	13.42	62.77	2.37
10	28	Signature Bank, New York, NY	11,673,089	11.61	0.99	8.12	15.21	43.82	0.65
11	35	First Citizens Bancshares, Inc, Raleigh, NC	20,806,659	11.54	0.93	22.89	16.95	70.22	2.92
12	13	Trustco Bank Corp, Glenville, NY	3,954,784	11.53	0.77	10.68	13.83	55.33	N/A
13	33	U S Bancorp, Minneapolis, MN	307,786,000	11.52	1.16	47.04	13.30	52.08	4.29
14	23	Commerce Bancshares, Inc, Kansas City, MO	18,502,339	11.15	1.22	38.61	15.75	58.93	1.76
15	70	Capital One Financial Corp, McLean, VA	197,503,000	11.00	1.37	23.37	16.83	48.37	2.92
16	17	NBT Bancorp, Inc, Norwich, NY	5,338,856	10.92	1.05	28.15	13.70	62.97	1.24
17	36	PNC Financial Services Group, Pittsburgh, PA	264,284,000	10.81	1.29	35.78	15.60	57.75	3.89
18	42	Community Bank System, Inc, Dewitt, NY	5,444,506	10.64	1.16	32.83	N/A	64.89	0.62
19	7	First Citizens Bancorp, Columbia, SC	8,418,985	10.41	0.80	34.45	N/A	60.42	N/A
20	31	Valley National Bancorp, Wayne, NJ	14,143,826	10.32	0.93	15.23	12.91	58.06	2.11
21	39	Flushing Financial Corp, Lake Success, NY	4,324,745	10.32	0.92	7.08	14.34	47.49	3.85
22	22	Cullen/Frost Bankers, Inc, San Antonio, TX	17,617,092	10.30	1.21	33.36	15.91	63.34	2.02
23	47	TCF Financial Corp, Wayzata, MN	18,465,025	10.29	0.81	41.13	12.98	63.17	6.13
24	45	J P Morgan Chase & Company, New York, NY	2,117,605,000	10.25	0.85	47.55	15.50	53.89	4.85
25	21	BOK Financial Corporation, Tulsa, OK	23,941,603	10.18	1.04	42.24	16.20	61.31	2.47

Source: Highline Financial, LLC, 2011

Additional data and rankings appear on www.ababj.com

The year 2010 was a transition year marked by continued challenges for the industry, albeit with glimmers of good news for some banking companies. On the negative side, more FDIC-insured institutions failed last year than in any other year since 1992. Changes to Regulation E significantly decreased deposit service charge income. Low interest rates—combined with low demand for credit—made it difficult to generate interest income.

On the positive side, these same low interest rates helped the majority of institutions to significantly lower their funding costs and prompted a wave of residential mortgage refinancing, helping mortgage servicing income to recover. Credit quality improved, allowing loan loss provisions to be reduced. Asset values rose, allowing institutions to realize gains (or at the very least, lower levels of losses) on the sales of securities, loans, and other assets on their books, while also contributing to an improvement in trust income that, in some cases, offset declines in fees elsewhere. And failed banks provided bargain acquisition opportuni-

ties for banks with capital to deploy.

Over the past year, the top-performing institutions were able to leverage one or more of the positive (though most likely temporary) trends listed above to generate above-average earnings. In Part One of the 19th annual *ABA Banking Journal* performance rankings, we will review the financial results and strategies of the nation's top-performing largest banks and thrifts. Part Two of our rankings, which will appear in June, will highlight the top-performing community banks and thrifts of 2010 (those with total assets below \$3 billion).

Basis of the rankings

Our study ranks the performance of domestic depository institutions with assets over \$3 billion as of Dec. 31, 2010. Two groups were included in our analysis: publicly held depository institutions (banks, thrifts, and bank or financial holding companies) and private or foreign-owned depositories (described in greater detail below). A total of 139 public banks, thrifts, and holding companies and 53 private institutions qualified under our selection criteria. They were ranked by return on average

total equity (ROAE) for 2010. In instances where the reported ROAE was identical for two or more institutions, 2010 return on average total assets (ROAA) was used as a secondary ranking criterion.

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. Data for the 2010 analysis was provided by Highline Financial, LLC (instead of SNL Financial, LC, as in years past). Highline defines companies that are thinly traded as private institutions whereas SNL defined these institutions as public. Some institutions that appeared on our public rankings list last year will therefore now appear on our private list. As a result, we have re-run last year's rankings using Highline's data to provide a comparable year-over-year analysis.

The Top Performers

The first significant difference between 2010 and 2009 is that large nationwide banks have regained top performer status. Four institutions with total assets of over \$100 billion—U.S. Bancorp (#13), Capital One Financial (#15), PNC Financial Services Group (#17), and JPMorgan Chase (#24)—appear on this year's list, compared to only one in 2009 (that single institution, Wells Fargo & Co. of San Francisco, Calif., ranked #26 this year). For the full rankings, please visit www.abaj.com.

The second (and probably more significant) difference is that, on many measures, the gap between the top performers and the rest narrowed slightly. The average ROAE among the top 25 was 12.82%, compared to an average ROAE among all analyzed institutions of -1.18%. That may not seem narrow, but the average ratios in 2009 ranged from

Private & Foreign-Owned Banks & Thrifts with Total Assets of \$3B+

2011 RANK	2010 RANK		Total Assets (\$000)	2010 ROAE (%)	2010 ROAA (%)
1	1	Woodforest Finl Grp, The Woodlands, TX	\$3,377,664	34.56	2.04
2	3	Beal Bank Nevada, Las Vegas, NV	\$6,204,064	26.34	9.53
3	4	Luther Burbank Savings, Santa Rosa, CA	\$3,454,464	22.59	2.30
4	15	Midfirst Bank, Oklahoma City, OK	\$10,788,420	20.47	1.49
5	N/A	OneWest Bank, FSB, Pasadena, CA	\$27,153,457	19.51	2.93
6	2	Firstbank Holding Co, Lakewood, CO	\$10,562,472	18.94	1.43
7	5	First Security Bancorp, Searcy, AR	\$3,621,387	18.08	2.16
8	N/A	BankUnited, Miami Lakes, FL	\$10,884,701	18.03	1.90
9	7	Pinnacle Bancorp, Central City, NE	\$6,040,393	16.00	1.67
10	20	USAA Federal Svgs Bk, San Antonio, TX	\$44,720,014	13.45	1.17

15.38% for the top performers to -5.47% for all institutions.

The qualities that separate top-performing institutions from the rest—and the strategies behind their performance—have not altered significantly from last year. Top-performing institutions remained more efficient than their peers and maintained lower levels of nonperforming loans. They maintained yields on assets despite the prevailing interest rate environment—often through investments rather than loan growth. The banks and thrifts that made it into the top 25 continue to be those institutions that made acquisitions via both FDIC-assisted and traditional M&A transactions, booked gains from the strategic exit of certain operations or investments, or focused on providing a diverse range of services to business customers.

Continued consolidation

FDIC-assisted acquisitions were less prevalent among the top performers in 2010. Only four of the top 25 institutions benefited from this activity in the past 12 months, compared to eight in 2009, but those transactions and other one-time events still had a material

impact on performance.

Bank of the Ozarks, Inc., of Little Rock, Ark., the top-performing institution of 2010, engaged in four separate FDIC-assisted transactions over the course of the year (and entered into a fifth on Jan. 14, 2011). Acquisitions also brought the bank up above the \$3 billion threshold for this year's rankings

These four transactions allowed Bank of the Ozarks to expand into Alabama, Florida, Georgia, North Carolina (where the bank had previously operated an LPO) and South Carolina. This contributed \$35 million of before-tax bargain purchase gains to the bank's net income. The bank also sold \$265 million of investment securities to free up capital for the acquisitions. The sale of these securities brought Bank of the Ozarks an additional one-time gain of \$5.4 million. Acquired earning assets helped to bring the bank's net interest margin up to 5.18%, an increase of 38 basis points compared to 2009 levels. Bank of the Ozarks realized increases in deposit service charges, mortgage lending, and trust income as a result of its growth. All of this activity resulted in a 48.5% year-over-year increase in net income, from \$43.1 million

in 2009 to \$64 million in 2010, which helped push its ROAE to 21.37%. The bank's challenge in 2011 will be to demonstrate its ability to efficiently manage its greatly expanded operations.

The return of the one-time item

FDIC-assisted transactions were not the only one-time event to impact earnings at this year's top performers. On average, noninterest income represented 1.64% of average assets at top-performing banks and thrifts, a 16 basis-point increase over 2009, and higher than the 1.38% average ratio across all institutions.

Many institutions realized gains on sales designed to wholly exit either a type of investment or line of business. For example, **Valley National Bancorp** of Wayne, N.J. (#20), turned a profit on the sale of its mortgage-backed securities portfolio. The bank sold these securities because it believed that the current interest rate environment increased the prepayment risk on this type of asset. Also, **Commerce Bancshares** of Kansas City, Mo. (#14) decided to exit the student loan business in 2010 and, in turn, benefited from a pre-tax gain on the sale of its student loan portfolio of \$9.8 million.

Focus on businesses

The real driver behind Commerce Bancshares' strong earnings, however, was a different source of noninterest income—fees from the company's corporate card services. Like many institutions, Commerce renewed its focus on business customers during 2010, using fees charged for services like payments, merchant services, and treasury management to replace reductions in fees generated through retail lines of business. Over the past year, Commerce has worked to expand



its corporate card services nationally via a strategy that targets medical professionals. The bank has benefited from both the acquisition of new customers and increased transaction volume among existing customers and is currently the ninth largest issuer of commercial cards in the country, according to *The Nilson Report*. These efforts during 2010 resulted in a \$26.4 million increase in revenues from this line of business, contributing significantly to

2.2% year-over-year growth in non-interest income at the bank.

Businesses also served as a source of loan growth, which was a challenge for all institutions in 2010. The median top performer saw net loans increase by only 1.23%, compared to a median decrease in net loans of 0.46% among all institutions.

Signature Bank of New York, N.Y. (#10) experienced one of the highest rates of organic loan growth among institutions in 2010 at 20%. This growth was driven by increases in commercial real estate and multi-family loan balances. Signature was established in 2000 to serve privately-owned businesses, their owners and executives. It grows its business in part by acquiring experienced teams of lenders and their support staff from larger competitors.

Private and foreign-owned institutions

The top-performing private or foreign-owned banks fared better on average than their public counterparts in 2010. The average ROAE among the top ten was 20.80%, compared to 15.92% for the top ten public institutions. Drivers of performance among private institutions were more varied than in years past—some institutions boosted earnings via loan growth, others through improved credit quality and decreased provision expenses, and still others through FDIC-assisted acquisitions. *(Continued on p. 36)*

Summary Statistics	Top 25			All Banks		
	2010	2009	Percent Change	2010	2009	Percent Change
Average ROAE	12.82%	15.38%	(2.56)%	(1.18)%	(5.47)%	4.29%
Average ROAA	1.22	1.44	(0.22)	0.14	(0.37)	0.51
Avg Nonint Inc/Tot Rev	27.97	25.85	2.13	27.17	28.47	(1.31)
Average Capital Ratio	15.05	15.46	(0.41)	15.70	14.52	1.17
Average Efficiency Ratio	56.56	56.68	(0.12)	66.09	67.43	(1.34)
Avg Nonper Lns/Tot Lns	2.46	2.96	(0.51)	4.18	4.84	(0.66)

Source: Highline Financial, LLC, 2011

The universe of institutions used for this analysis includes non-publicly traded banks, thrifts, and holding companies, as well as wholly owned financial institution subsidiaries of both privately-held and publicly-traded foreign financial services companies, where the company is not listed on a major U.S. exchange and the U. S. subsidiary's results are available. Like the public list, the private and foreign-owned rankings consider only institutions with more than \$3 billion in total assets.

Wholly owned financial institution subsidiaries of non-bank companies (e.g. BMW) were excluded from these rankings, as these institutions are not truly comparable. In addition, any institutions with an industrial loan or nondepository trust charter, deposits equaling less than 10% of total liabilities, or credit card loans exceeding 70% of total loans at

year end 2010 were excluded.

This year's group of top-ranked private or foreign-owned institutions contains four new entrants. However, **Woodforest Financial Group**, of The Woodlands, Tex., retained its top rank from last year. While the bank's earnings decreased relative to 2009, Woodforest still posted ROAE that, at 34.56%, was 822 basis points above that of its closest peer.

Among the rest of 2010's top ten, **USAA Federal Savings Bank** of San Antonio, Tex., showed one of the strongest improvements year-over-year, moving up to 10th this year with an ROAE of 13.45%.

USAA remains focused on providing banking and insurance services to its core constituency of armed service members and their families. Total loans at the bank increased from \$29.6 billion in

2009 to \$35.7 billion at yearend 2010. This growth was driven by a strong increase in consumer lending, specifically in auto and credit card loans, as USAA stepped into the void created by weakened competitors. During 2010, auto loans increased by \$2.1 billion at the bank and credit card loans increased by \$4.7 billion. This growth resulted in a 25.5% increase in interest income which, when coupled with a \$195.6 million decrease in the bank's provision and relatively flat interest expense, drove a 148% improvement in net income. ■

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