CPG WIRE
BI-MONTHLY NEWSLETTER

CAPITAL PERFORMANCE GROUP

VOLUME 14/ISSUE 2
MAY/JUNE 2015

CPG Ranks the Top Performing Midsize & Large Banks of 2014

AMERICAN BANKER

For the second straight month, CPG partnered with the American Banker to rank the top performing banks of 2014. This month, CPG analyzed the performance of two larger groups of institutions: Midsize Banks (defined as having assets of between $2 billion and $10 billion) and Large Banks ($10 billion to $50 billion).

Like the Community Bank group, high performing institutions in the Midsize and Large groups differentiated themselves from peers by achieving higher net interest incomes through impressive loan and deposit growth. Institutions that focused on niche commercial segments, like Signature Bank and Texas Capital, achieved impressive growth in loans and deposits. Some high performing banks, including Union Savings Bank, capitalized on other lending opportunities and grew 1-4 family loans. Growth in net interest income was necessary for attaining high performance as the industry struggled to capture noninterest income. Kevin Halsey's BANKTHINK article provides further insights from our analysis of the three groups.

A comprehensive ranking and analysis of the Midsize and Large Bank institutions will be available online on the American Banker's website. The top five performing Midsize Banks and Large Banks as ranked by three-year average return on average equity are shown below.

Rank	Institution Name	City, State	Total Assets ($000) 12/31/14	3-Year Avg ROAE (%) 2012-2014	ROAE (%) 2014YE	Efficiency Ratio (FTE) (%) 2014YE	Net Int Income/ Avg Assets (%) 2014YE	Noninterest Income/ Avg Assets (%) 2014YE	Noninterest Expense/Avg Assets (%) 2014YE	Net Loan Growth (%) 2013-2014	Core Dep Growth (%) 2013-2014
Midsize Banks[1]											
1	Fremont Bancorporation	Fremont, CA	2,721,714	24.64	10.82	77.68	3.67	2.28	4.62	16.68	8.71
2	Union Savings Bank	Cincinnati, OH	2,446,095	21.98	11.86	54.36	2.47	1.61	2.22	26.06	(0.29)
3	HomeStreet, Inc.	Seattle, WA	3,534,779	18.98	7.69	87.48	2.99	5.72	7.79	26.43	15.16
4	Wilshire Bancorp, Inc.	Los Angeles, CA	4,155,464	18.19	12.55	51.39	3.90	1.05	2.58	15.16	4.26
5	State Bankshares, Inc.	Fargo, ND	3,273,905	17.61	20.04	65.78	3.66	3.47	4.69	10.20	19.27
	Median: All Midsize Institutions[1]		**3,457,750**	**8.89**	**8.90**	**64.73**	**3.28**	**0.92**	**2.85**	**11.24**	**8.67**
	Change in Median (2013-2014): All Midsize Institutions[1]		**313,301**	**0.15**	**(0.02)**	**(0.63)**	**(0.01)**	**(0.07)**	**(0.07)**	**4.01**	**0.94**
Large Banks[2]											
1	FirstBank Holding Company	Lakewood, CO	14,542,268	15.69	15.35	54.19	3.31	0.76	2.31	10.53	10.78
2	Bank of Hawaii Corporation	Honolulu, HI	14,859,360	15.50	15.50	58.13	2.71	1.14	2.29	13.49	4.86
3	Western Alliance Bancorporation	Phoenix, AZ	10,600,498	13.30	15.35	48.24	3.89	0.30	2.16	23.68	12.74
4	Texas Capital Bancshares, Inc.	Dallas, TX	15,900,308	13.23	10.74	55.03	3.68	0.31	2.20	26.58	39.51
5	Signature Bank	New York, NY	27,318,640	13.00	13.56	35.73	3.27	0.11	1.21	32.14	36.45
	Median: All Large Institutions[2]		**18,793,855**	**8.17**	**7.91**	**59.78**	**3.04**	**0.95**	**2.55**	**11.86**	**12.74**
	Change in Median (2013-2014): All Large Institutions[2]		**1,885,222**	**(0.12)**	**(0.55)**	**(1.18)**	**(0.03)**	**(0.09)**	**(0.13)**	**5.59**	**6.26**

Source: Capital Performance Group analysis of data provided by SNL Financial, LC, 2015. Data is for the year-ended 12/31/14, unless otherwise indicated.

1. Midsize Banks are defined as top consolidated bank holding companies, banks, and thrifts with total assets of between $2 billion and $10 billion as of 12/31/14. Exlcuded were industrial banks, nondepository trusts, foreign-owned banks, and bankers' banks. Institutions with credit cards to total loans of more than 25%, loans to total assets of less than 20%, loans to total deposits of less than 20% , leverage ratio of less than 5%, Tier 1 risk-based capital ratio of less than 6%, or total risk-based capital ratio of less than 10% as of 12/31/14 were excluded. Also excludes institutions that did not report data for any year between 2012 and 2014, or institutions that received a tax benefit of greater than 10% of net income for any year between 2012 and 2014. Institutions with less than 5 depository branches and owned by a diversified financial company that is not primarily focused on commercial or retail banking were excluded.
2. Large Banks are defined as top consolidated bank holding companies, banks, and thrifts with total assets of between $10 billion and $50 billion as of 12/31/14. The same criteria for Midsize Banks were applied.

Innovation

Mary Beth Sullivan will present "Innovation: The Quest for Better Solutions and New Revenue Sources" at the 2015 St. Meyer & Hubbard Sales Execution Forum, July 28-29, in Chicago.

Mary Beth will focus on three aspects of innovation in banking today:

1. How innovative solutions are improving the value banks deliver to their clients.
2. How innovation is changing the business of banking and improving the sales and marketing of bank products and services.
3. How innovation is viewed as a line of business at many banks and driving new and meaningful revenue growth.

Interested in how innovation can be a driver of better results at your bank? Call Mary Beth to discuss at 202-337-7872 or email her at msullivan@capital-perform.com.

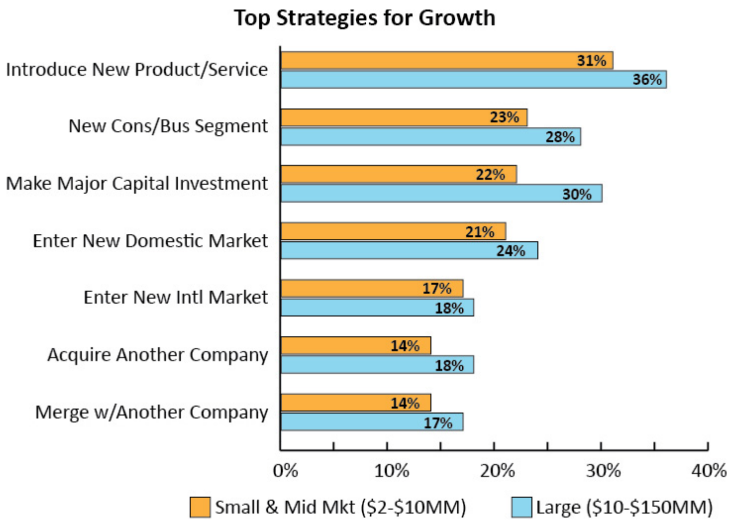
St. Meyer & Hubbard

Small Business Concerns

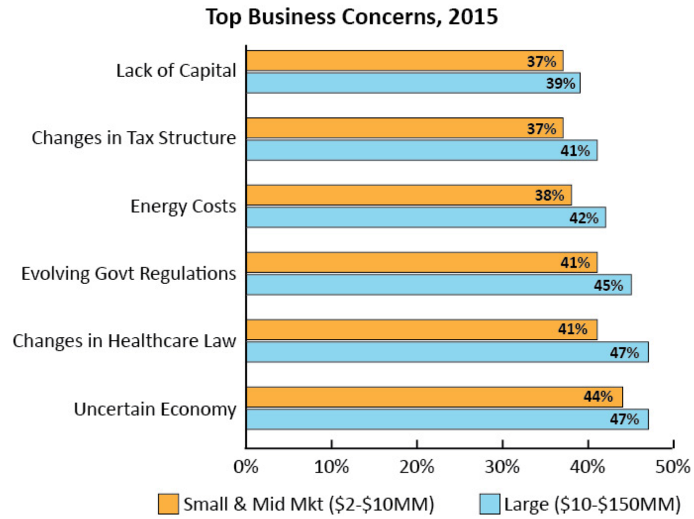
According to an NFIB article published in January 2015, the top issues facing small businesses in 2015 are healthcare costs, the tax burden, increasing levels of regulation, and the slow pace of economic recovery.

Small business optimism is down through the first quarter of 2015, in part due to the negative impact of rough winter weather on shopping and construction. Continued uncertainty about the macroeconomic and regulatory environments has kept capital expenditures low. Multiple studies reviewed found that businesses tend to be more optimistic about the outlook for their local economies than the national or global economy.

A survey of businesses published by SunTrust in March 2015 found that these concerns are shared by larger businesses. In addition, this Business Pulse survey found that the top strategy for growth over the next twelve months for businesses of all sizes is to introduce new products and/or services.



Source: SunTrust's Annual 2015 Business Pulse Survey, 2015.



Source: SunTrust's Annual 2015 Business Pulse Survey, 2015.

CFPB Priorities for 2015

Consumer bankers should be aware of the CFPB's areas of focus in 2015. The Bureau's actions will have immediate implications for compliance risk and profitability in various areas of consumer banking services.

Credit Card Market

In March 2015, the CFPB announced that it is seeking a public comment on a second study of the credit card market. This study includes two more topics: debt collection practices and ability-to-repay standards. For debt collection, the CFPB is focusing on debt sales, third-party management, the ways collectors are minimizing losses from delinquent borrowers before the debt is charged off, and the methods collectors are using to secure recoveries after the debt is charged off. Ability-to-repay refers to the ways card issuers decide whether to increase credit lines, how those decisions affect consumer access to credit, and the resulting outcome for consumer access to certain card products.

Arbitration Rules

The CFPB released the results of a March 2015 study on arbitration clauses, which they believe cause harm to consumers. The study criticizes provisions that cause consumers to agree to seek help from their financial institution only through out-of-court arbitration, giving up their ability to sue. More than 75% of consumers surveyed were not aware of arbitration clauses in product agreements and less than 7% of those covered by the clause knew that it restricted them from suing.

Overdraft Programs

In March 2015, CFPB Director Richard Cordray stated that the Bureau will soon be releasing a proposal about overdraft programs. The CFPB is looking at the size, frequency, and occasions for fees, and the ordering of transactions in overdrafts but is not looking to ban the overdraft product.

Disclosure Rules for Mortgage Lenders

Mortgage lenders are worried about new closing disclosure rules that will go into effect October 1. The new rule puts more responsibility on lenders for the timing and accuracy of the statement, which must be given to the borrower three days before the deal closes. Some complications of the new rules include a new format of the closing disclosure, the introduction of fees under certain categories that the industry does not have standard definitions for, and the difficulty of getting lenders and title companies to have compatible systems. The rules are expected to be finalized by October 1, 2015 (pushed back from August 1, 2015).

Payday Loans

Observers predict the CFPB will restrict the number of times a consumer can draw credit within a timeframe on payday loans. Prepared remarks by Richard Cordray in March 2015 stated that the Bureau has outlined a framework that would place federal rules for short-term and longer-term credit products and has divided it into two approaches: debt trap prevention and debt trap protection.

Link to full list on CPG's website.