

RANKING BANKING®

BEST REGIONAL BANKS

(\$50 BILLION - \$150 BILLION)

Summary Analysis



Change — accomplished through large, strategic mergers — may be the constant that defined many of the institutions in the regional banking space in 2020-21.

Just one of the 10 best regional banks, defined as those between \$50 billion and \$150 billion in assets in the 2022 RankingBanking study, closed a significant acquisition in 2020, the period examined by Bank Director.

The environment rapidly shifted in 2021. Huntington Bancshares, based in Columbus, Ohio, closed its acquisition of TCF Financial Corp. in June, creating a \$174 billion institution. SVB Financial Group, in

Santa Clara, California, purchased Boston Private Financial Holdings in July, resulting in a \$191 billion company. (Banks were examined within their respective asset categories based on first quarter 2021 data.)

SVB boasted a high level of profitability in 2020, and the Boston Private acquisition significantly beefs up its ability to serve the “innovation economy” — offering a suite of financial services to technology, life science and health care companies, as well as private equity and venture capital firms. “There was so much wealth being created in the innovation economy, and growing by adding one or two people here or there was just too slow,” says CEO Greg Becker. “[I]t was important not just to bring in a wealth platform. It was the full suite of private bank and wealth capabilities.”

SVB topped Bank Director’s ranking of the best regional banks, posting the strongest profitability metrics among its peers, with a 1.51% return on average assets (ROAA) and 17.09% return on average equity (ROAE) at year-end 2020. It also had the strongest five-year total shareholder return (TSR) of the group, at 226.18%.



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Rick Childs / partner, Crowe LLP

“[SVB is] in a real sweet spot” due to the low-rate environment and the acceleration of growth in the technology space, says Timothy Coffey, director, banks and thrifts at the investment firm Janney Montgomery Scott. With the Boston Private deal, “what you have now is a highly functioning business bank overlaid with strong tailwinds, and more processes and capabilities on the wealth management side, which is designed to keep all of those clients in house.”

Two announced deals were still pending when this report went to press: Raleigh, North Carolina-based First Citizens BancShares’s acquisition of CIT Group, and Hicksville, New York-based New York Community Bancorp’s combination with Flagstar Bancorp.

“Many of these institutions feel, from a growth standpoint, that they need to do a combination, a significant strategic merger, to continue their growth ... so they can compete with these larger banks and challenger institutions,” says Rick Childs, a partner at Crowe LLP.

First Horizon Corp., which merged with IBERIABANK Corp. in 2020, ranked second in its peer group, with the highest growth in pre-provision net revenue (PPNR), at 46.03%. It also boasted robust profitability metrics, at 1.33% ROAA and 12.97% ROAE, and bested its peers in the growth category, ranking fifth overall. First Citizens placed third, ranking first among its peers and third overall for the strength of its leadership team; it had the second highest TSR of the group, at 126.62%.

Bank Director selected the top 10 banks in each peer group based on metrics provided by S&P Global Market Intelligence as of year-end 2020. Profitability received a double weight, and was calculated based on ROAA and ROAE. A growth score examined year-over-year growth in PPNR from 2019 to 2020; PPNR was also ranked to provide a balance against growth from a low base. Five-year total shareholder return, from 2015 to 2020, was ranked as a nod to building long-term value. Credit quality was also examined, based on net charge offs and non-performing loans as a percentage of total loans.

Once the top 10 were selected, Bank Director studied each

HIGHEST FIVE-YEAR TSR

SVB Financial Group

226%

LOWEST EFFICIENCY RATIO, YE 2020

Synchrony Financial

32.99%

bank further for its performance across four subcategories: leadership, board, innovation and growth. (The methodologies about each specific subcategory can be found later in this report.) Each institution’s within-peer rank for these categories was factored into the final scoring, with growth receiving a double weight due to its contribution to future earnings.

SVB ranked eighth overall and third within its asset class for its growth strategy, and fifth overall within the leadership category. “[Becker is] exceptionally bright,” says Coffey. “Greg has created a moat that surrounds [SVB] and makes them the dominant bank in the valley.”

Driving Signature Bank’s fourth place finish was its growth strategy, where the New York-based bank rated sixth overall and second among its peers in part due to a digital assets initiative that added \$7.32 billion in deposits to its balance sheet in 2020. Janney Montgomery Scott noted the bank’s “early mover advantage” in an August 2021 report. “We expect this to continue through 2022 in the form of industry-leading deposit growth metrics,” wrote Jake Civello, director of banks and thrifts. It demonstrated strong PPNR growth compared to peers, at 16.68%

At fifth, Pasadena, California-based East West Bancorp rated well for profitability; it also topped all 50 banks in the study for the strength of its board.

How They Ranked: Best Regional Banks



		TICKER	SCORE	ROAA, YE 2020	TSR, 2015-2020
1	SVB Financial Group	SIVB	3.00	1.51%	226.18%
2	First Horizon Corp.	FHN	3.14	1.33%	3.34%
3	First Citizens BancShares	FCNC.A	4.71	1.07%	126.62%
4	Signature Bank	SBNY	5.00	0.87%	-7.30%
5	East West Bancorp	EWBC	5.29	1.16%	35.10%
6	Zions Bancorp.	ZION	5.86	0.71%	76.66%
7	Popular	BPOP	6.14	0.85%	126.38%
8	Huntington Bancshares	HBAN	7.00	0.70%	37.80%
9	Synchrony Financial	SYF	7.14	1.42%	27.80%
10	New York Community Bancorp	NYCB	7.71	0.94%	-13.90%

SOURCE: S&P Global Market Intelligence and other public information

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