THE BEST
U.S. BANKS
2023

RANKING BANKING

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THE BEST U.S. BANKS

2023

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The Best Banks Played Defense

By Emily McCormick

Banks, along with the U.S. economy, came down off a sugar high in 2022. This wasn't just the result of pandemic-era stimulus leading to record growth in deposits, though that certainly played a role. It was also caused by years of zero-to-low interest rates, lulling consumers into accepting little in return for those funds — and leading some bank leaders to make incorrect assumptions about interest rate risk.

That began to change in late 2022. The Federal Reserve, in its fight against inflation, ushered in a steep increase in interest rates. Deposits started to slowly move out of banks. But worse, bank assets, including bonds and loans, went underwater as rates rose.

We've seen a similar story before, following Fed Chair Paul Volcker's rate hikes back in the 1970s and 80s. Unfortunately, some banks forgot the basics of asset/liability management.

"It's easy to manage interest rate risk," says Dory Wiley, CEO of Commerce Street Holdings, which offers investment banking services; Wiley also invests in bank stocks. He believes banks should have been more selective about accepting such high deposit volumes; hedging could have also helped them manage duration risk. If banks tell him they got hung to dry in the securities portfolio but they have plenty of capital, "that's a red flag to me, because asset/liability management's not a new thing," he says.

Each year, Bank Director's RankingBanking study examines the performance of the 300 largest publicly traded banks. Over time, it has recognized numerous banks that consistently perform well — companies that you'll find featured within the 2023 RankingBanking report, sponsored by Crowe LLP.

But some that performed well in past iterations of the annual scorecard didn't survive far into 2023; others are struggling. Those banks "have forgotten some of the basics, blocking and tackling," says Crowe Partner Rick Childs. "That is not to block yourself into incredibly long durations on your portfolios."

Bank Director leveraged a consistent set of metrics to determine the best banks, based on calendar year 2022 results: return on average equity and return on average assets, the tangible common equity ratio, nonperforming assets and total shareholder return. Those metrics measure profitability, capital adequacy, asset quality and investor returns. S&P Global Market Intelligence provided the data, which was analyzed by Piper Sandler & Co. Each of the five metrics were ranked; the scores were then summed up to determine a final score. The lower the score, the better the rank.

Several of the industry's more conservative stalwarts top this year's ranking.

West Virginia's City Holding Co., with $5.9 billion in assets at the end of 2022, ranked third of all banks in this year's study and has rated highly for several years running. Director of Research Laura Alix, in a profile that begins on pg. 22 of this report, ties the bank's success to its focus on retail customers, persevering in spite of slow growth markets.

Further south, ServisFirst Bancshares, based in Birmingham, Alabama, has thrived by operating a branch-light model serving commercial customers in the booming Southeast. You'll find the bank's story, penned by Bank Director Editor-in-Chief Naomi Snyder, on pg. 12. With $14.6 billion in assets at the end of 2022, ServisFirst ranked No. 17 of all the banks in the study. Over the past several years, it's outperformed many of its peers in the $5 billion to $50 billion asset class.

Some banks outshined others due to their inherent flexibility and strength.

Los Angeles-based Preferred Bank and Wilmington, Delaware-based The Bancorp leveraged strong balance sheet management practices to weather the changing interest rate environment. They came in at No. 10 and No. 16 overall this year, respectively. Preferred Bank tightened up on underwriting, as Chairman and CEO Li Yu explains to Kiah Lau Haslett, Bank Director's banking & fintech editor. "If you lose a loan, that's fine because we choose not to compete," he tells her. You'll find out more about both banks on pg. 28.

Recent turmoil in the industry wreaked havoc on bank stocks. This year's RankingBanking study finds total shareholder return muted in 2022, with a median -5.9% for all banks in the ranking and 6.5% for the 25 best banks. Bank stocks suffered even more in 2023, plummeting after the bank failures in March. The KBW Nasdaq Regional Banking Index was down 9% year-to-date through July 26.

"Stock price movement was a bit more reflective and

BEST TOTAL SHAREHOLDER RETURN

59.6%

GREENE COUNTY BANCORP

COMPARED TO RANKINGBANKING MEDIAN

-5.9%

MEDIAN TSR

HIGHEST TANGIBLE COMMON EQUITY RATIO

19.24%

BLUE FOUNDRY BANCORP

COMPARED TO RANKINGBANKING MEDIAN

7.62%

MEDIAN TCE RATIO

BEST RETURN ON AVERAGE EQUITY AND AVERAGE ASSETS

28.82% (ROAE) | **4.74%** (ROAA)

LENDINGCLUB CORP.

COMPARED TO RANKINGBANKING MEDIAN

12.34% (ROAE) | **1.20%** (ROAA)

TOP 25 BANKS

					Profitability				Capital Adequacy		Asset Quality		Total Shareholder Return		
Rank	Company Name	Ticker	State	Total Assets ($MM)	Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tang Common Equity/ Tang Assets (%)	TCE Rank	NPAs ex TDRs / Loans & OREO (%)	NPA Rank	Total Return (%)	TSR Rank	Final Score
1	Farmers & Merchants Bancorp	FMCB	CA	5,327	1.57	30	17.92	27	8.87	66	0.04	18	11.3	46	187
2	John Marshall Bancorp*	JMSB	VA	2,348	1.41	68	15.32	62	9.06	57	-	1	45.8	4	192
3	City Holding Co.	CHCO	WV	5,878	1.74	18	16.76	36	8.02	119	0.17	75	17.2	33	281
4	BCB Bancorp*	BCBP	NJ	3,546	1.66	21	18.81	19	7.48	159	0.17	76	20.6	24	299
5	First Business Financial Services*	FBIZ	WI	2,977	1.46	53	16.14	50	7.99	120	0.15	65	28.2	17	305
6	Bank First Corp.*	BFC	WI	3,660	1.50	44	13.50	113	9.23	51	0.21	102	30.0	13	323
6	Great Southern Bancorp	GSBC	MO	5,681	1.43	63	13.93	93	9.21	52	0.07	28	3.1	87	323
8	Enterprise Financial Services Corp	EFSC	MO	13,054	1.56	31	13.83	98	8.43	90	0.10	47	6.0	66	332
9	Hanmi Financial Corp.	HAFC	CA	7,378	1.44	59	14.85	72	8.48	89	0.16	70	8.4	55	345
10	Preferred Bank	PFBC	CA	6,425	2.08	5	21.31	3	9.80	37	0.54	238	6.5	63	346
11	Five Star Bancorp*	FSBC	CA	3,227	1.58	28	18.83	18	7.83	132	0.01	12	(7.2)	157	347
12	OP Bancorp*	OPBK	CA	2,094	1.74	17	19.57	12	8.43	91	0.12	58	(9.3)	172	350
13	Unity Bancorp*	UNTY	NJ	2,445	1.80	12	17.33	31	9.71	38	0.43	202	5.8	69	352
14	Northeast Bank*	NBN	ME	2,809	2.41	2	16.36	46	9.32	48	0.51	229	17.9	29	354
15	Wilson Bank Holding Co.	WBHC	TN	4,286	1.32	95	14.77	74	8.31	97	-	1	2.1	92	359
16	The Bancorp	TBBK	DE	7,903	1.85	11	20.08	8	8.76	71	0.52	231	12.1	42	363
17	ServisFirst Bancshares	SFBS	AL	14,596	1.75	15	21.25	4	8.80	68	0.11	52	(17.9)	228	367
18	Westamerica Bancorp.	WABC	CA	6,950	1.64	22	15.14	66	7.03	195	0.02	13	5.2	73	369
19	Commerce Bancshares	CBSH	MO	31,876	1.40	69	16.70	39	7.32	172	0.05	21	5.6	71	372
20	Norwood Financial Corp.*	NWFL	PA	2,047	1.43	62	16.14	51	6.82	208	0.10	46	34.1	7	374
21	Community Trust Bancorp	CTBI	KY	5,380	1.51	40	12.75	140	10.58	24	0.28	139	9.6	53	396
22	The First Bancorp*	FNLC	ME	2,739	1.51	41	16.87	35	7.31	173	0.09	39	(0.4)	110	398
23	HBT Financial*	HBT	IL	4,287	1.36	81	15.19	63	8.06	114	0.20	91	8.1	56	405
24	South Plains Financial*	SPFI	TX	3,944	1.46	54	15.67	59	8.50	85	0.21	104	0.7	105	407
25	East West Bancorp	EWBC	CA	64,112	1.80	13	19.51	14	8.67	75	0.21	98	(14.4)	208	408
				Median	1.56		16.36		8.48		0.15		6.5		
				Mean	1.62		16.74		8.48		0.18		9.2		

**Had not adopted CECL as of Dec. 31, 2022*

Source: **Piper Sandler & Co., using S&P Global Market Intelligence data**

RankingBanking uses five metrics to assess performance. Profitability is captured by return on equity and return on assets. Asset quality is represented by nonperforming assets as a percentage of loans and other real estate owned. Capital adequacy is based on a bank's tangible common equity ratio. Total shareholder return includes stock price appreciation and dividends. Banks are scored on each of the five metrics. The scores are then merged into an overall score, which determines the ranking — the lower the score, the higher the rank. Data is based on calendar year 2022 results.

aligned with individual performance in 2022," says Kara Baldwin, a partner at Crowe. "Stock prices were very erratic following the March failures and not particularly reflective of reality for a period of time." She adds that pricing remains low compared to the rest of the market.

Investors are viewing banks differently, with short selling activity impacting the market — an environment explored on pg. 6 of this report. Today, long-term bank investors prize capital, among other traits that can help a bank survive an economic downturn. Regional bank stocks have suffered, such as East West Bancorp's, the top bank above $50 billion in assets. But the Pasadena, California-based bank's leaders believe a long-term view on capital management could turn investor sentiment around.

Four banks that appear in this year's ranking met their end in spring 2023 due to depositor panic. "In the 30 years that I've been covering banks, I've never seen liquidity get constrained that quickly," says Mark Fitzgibbon, managing director and head of financial services research at Piper Sandler. "There was a perception during 2022 that the companies that had asset sensitive balance sheets ... would fare much better in a higher interest rate environment." That didn't prove to be the case due to long-duration, low interest assets. The Federal Reserve paused its rate hikes in June 2023, after raising them by an unprecedented 500 basis points since March 2022. The Fed resumed its rate increases in July 2023, ticking up rates another 25 basis points.

Three of those collapsed banks reported poor performance last year. SVB Financial Group, which failed in March, and First Republic Bank, which failed in May, ranked toward the bottom among peers above $50 billion in assets. The previous year, SVB came in at No. 19 among the large banks, and First Republic tied for No. 26. Silvergate Capital Corp. was the first domino to fall, filing for bankruptcy in March 2023. It ranked last among all banks in the ranking for its 2022 performance; for 2021, the crypto-focused bank ranked No. 82 among peers with between $5 billion and $50 billion in assets.

> "Stock prices were very erratic following the March failures and not particularly reflective of reality for a period of time."
>
> **Kara Baldwin** / Crowe LLP

Another bank serving the crypto sector, Signature Bank, actually performed better against many of its peers in 2022, tying for tenth with Capital One Financial Corp. and scoring well across all metrics. Signature ranked similarly well for its performance in 2021. Unfortunately, the bank's strong performance didn't prevent a run on the bank's deposits in March 2023.

SVB, Silvergate, First Republic and Signature operated fairly concentrated business models, notes Childs. The best banks — those posed to weather a potential storm ahead — do the opposite.

"When you look at institutions that do well, they have fairly diversified business models," Childs says. "They execute well, they have better than average rates on their asset side of the portfolio, and they've got good funding sources that are stable and at a relatively low cost."

Emily McCormick is vice president of editorial & research for Bank Director.

How Investors View the Best Banks

By Emily McCormick

It wasn't too long ago that investors and analysts thought East West Bancorp had too much capital, says Irene Oh, chief financial officer at the Pasadena, California-based bank. Why didn't East West use that money to buy back shares? While the bank executed some "modest" buybacks, management didn't want to dip capital to a level it deemed imprudent — that wouldn't serve shareholders' long-term interests. "A bank is a leveraged company. It's a leveraged, balance sheet business, and the actual capital that you have matters," she explains. "The bank management team needs to manage the bank, regardless of what … investors say."

With a tangible common equity ratio of 8.67% at the end of 2022, East West's capital levels don't look excessively high. But the bank, with $64 billion in assets at year end, had the highest TCE ratio among banks above $50 billion in assets in Bank Director's RankingBanking analysis. The median for this group of big banks was 5.85%, and 7.62% for all banks in the study, which ranks the performance of the 300 largest publicly traded banks by rating profitability, asset quality, total shareholder return and capital adequacy for 2022.

Lately, Wall Street hasn't treated banks well — including the industry's top performers. The top 25

RankingBanking banks overall, which include East West, reported a median return on average equity of 16.36%. Asset quality remained pristine. But these top performers had a total shareholder return for 2022 of just 6.5%, compared to 36.31% for 2021. Overall, the 300 examined banks had a median return of -5.9%. The biggest banks fared the worst, with a median TSR of -19.0%.

Rising rates pressured bank stocks last year. As of mid-2023, the market has been even harder for regional banks, including those that traditionally performed well in Bank Director's RankingBanking analysis — Western Alliance Bancorp. and East West. "Last year, bank stocks, as measured by the Nasdaq bank index, were down 18%," says Mark Fitzgibbon, managing director and head of financial services research at Piper Sandler & Co. "Five months into the year, we're down 33%." Investors have doubts about an industry characterized by three recent — and sizable — bank failures, along with an uncertain credit outlook as the Federal Reserve continues to fight inflation by raising interest rates.

The Bancorp, with $8 billion in assets, has been one of the exceptions to the recent carnage in bank stock prices. Year-to-date, its stock price increased 38% through July 26, 2023. The Wilmington, Delaware-based bank leverages a unique model focused on payments and a banking as a service platform. It ranked No. 16 overall in Bank Director's analysis.

Christopher Marinac, director of research at Janney Montgomery Scott, says investors like The Bancorp's above-average growth. "Banks are not necessarily growth vehicles, but when you have a company that is doing better than many other peers, there are investors who gravitate to that because of [the] growth rate," explains Marinac.

Frank Schiraldi, managing director and senior research analyst at Piper Sandler, adds that deposit outflows haven't been strong at The Bancorp, and its net interest margin expanded from 3.35% for 2021 to 3.55% for 2022; it reported a net interest margin of 4.67% for the first quarter 2023. Unlike banks such as SVB that saw long-term bonds go under water as rates rose, short-term, floating rate loans on The Bancorp's balance sheet have allowed it to adjust to changes in the interest rate environment. You'll find more about this strategy on pg. 28 of this report.

The Bancorp has taken a unique approach to banking. But for most financial institutions, Fitzgibbon sees two characteristics that investors value today: historically good asset quality and high capital ratios. "Companies with tons and tons of excess capital," says Fitzgibbon, "even if they make a few mistakes, they're going to be OK, and they're going to have capital to take advantage of the more difficult environment. So, when other banks are pulling back, they'll be able to go and make loans at much wider spreads."

Raleigh, North Carolina-based First Citizens BancShares, which acquired Silicon Valley Bank from the Federal Deposit Insurance Corp., has proven to be another exception to the downturn in bank stocks in 2023. While it had a -8.4% TSR for 2022, its stock rose when it acquired SVB from the Federal Deposit Insurance Corp. on March 27, and was up 88% for the year, as of July 26. It ranked second for capital adequacy in its peer group of big banks in our analysis, with a TCE ratio of 7.62%. Overall, the now $215 billion bank ranked 23rd among the largest banks.

But for many banks, "investor sentiment's pretty tough right now," says Christopher McGratty, head of U.S. bank research at Keefe Bruyette & Woods. With its stock price down 5% for the year as of July 26, East West has performed slightly better than the KBW Nasdaq Regional Banking Index. In contrast, the S&P 500 was up 19% over the same period.

The bank's fundamentals appear sound. "They've got a great balance sheet. They've got very good earnings power, and the valuation is

> "A bank is a leveraged company. It's a leveraged, balance sheet business, and the actual capital that you have matters."
>
> **Irene Oh** / East West Bancorp

very reasonable," he says. McGratty cites East West's track record for risk-adjusted growth, along with its capital levels. "We still think [the stock is] pretty inexpensive."

East West's capital buffer should position it to grow in an adverse environment, even if it doesn't buy another bank. "Second to Wells Fargo [& Co.], we are now the largest bank [based] in California," says Oh. "There are going to be opportunities to grow organically in California." East West differentiates itself by serving Asian-American customers and businesses. Unlike Santa Clara, California-based SVB — which failed when its highly concentrated client base pulled billions in deposits out of the bank — East West's customers represent a broad base of deposit relationships, as well as commercial real estate, single family, and commercial and industrial (C&I) loans. Overall, East West ranked first among banks over $50 billion and rounded out the top 25 in the RankingBanking study.

For Dory Wiley, CEO of Commerce Street Holdings, capital is king. "I like 8% to 10% capital," he says. "If you're a conservative bank, play safe. Safe means capital." And it means a competitive opportunity in a downturn. A bank with lower capital levels can't be opportunistic — and could struggle if problems come its way.

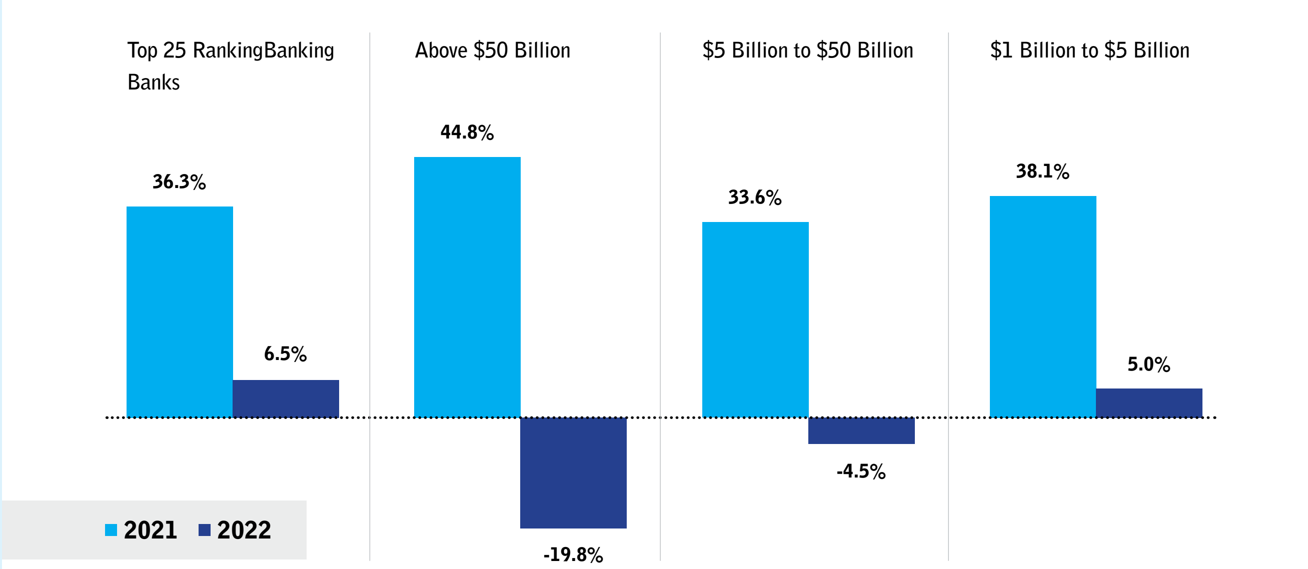
Wiley personally invested in SVB Financial Group, the holding company for Silicon Valley Bank, but sold his stake a couple of years ago, citing the risk management failures that brought about the bank run that resulted in SVB's demise. "I had no idea they were gonna fail, but they started to get too leveraged, too much liquidity [and were] putting bonds to work at really low prices. And they didn't have enough holding company capital." He also earlier exited his position in Signature Bank, another March failure. Wiley says he encouraged that bank to raise more capital, telling them, "'You guys are growing; you're doing terrific. But you need more capital in case something goes wrong, or these crypto deposits leave.'"

Fitzgibbon says investors now prefer what he calls "bunker banks," featuring a strong capital position, liquidity and credit quality. "They're investing in companies that can withstand a potentially large storm that's bearing down on the industry," he says. "[Investors] care about survivability."

In addition to capital, Wiley favors banks with a strong core deposit franchise. He also likes growing banks with solid credit underwriting and an appropriate level of loan loss reserves — that number will depend on the bank, but should be at least "north of 1%," he says. A track record for thriving through adverse economic cycles doesn't hurt. He's also looking at metrics that describe

Total Shareholder Return, 2021 vs. 2022

Source: **RankingBanking analysis using S&P Global Market Intelligence data**



the balance sheet, such as the loan-to-deposit ratio, and he wants to understand a bank's exposure to commercial real estate. He loves to talk to a bank's chief lending officer or chief credit officer to understand what's going on behind the metrics. "They don't play poker," says Wiley.

Investors have been closely watching statements made by bank CEOs in the wake of the failures of SVB, Signature and First Republic Bank.

"It is more important than ever to have a proactive communication stream," says Patrick Vernon, senior manager, advisory services at Crowe LLP. That requires an appropriate level of transparency on the part of banks. "Providing that level of comfort if a major event happens, why it's happening, what [you're] planning to do about it, and how everyone can be at ease — because if you don't take that proactive approach, that's when things spiral out of control, and you're on the defensive."

Crowe Partner Kara Baldwin adds that investor decks and earnings releases should be adapted to reflect what investors care about at that moment.

East West's management team is well known to investors — CEO and Chairman Dominic Ng has led the bank since 1991; Oh became CFO in 2010, six years after joining East West. She's seen an uptick in questions lately from investors and analysts, which she views as an opportunity. "Especially with this uncertainty about if and when there'll be a recession," she says, answering those questions "gives people comfort as well, to under-

$50 BILLION AND ABOVE

Rank	Company Name	Ticker	State	Total Assets ($MM)	Profitability: Core ROAA (%)	Profitability: ROA Rank	Profitability: Core ROAE (%)	Profitability: ROE Rank	Capital Adequacy: Tang Common Equity/ Tang Assets (%)	Capital Adequacy: TCE Rank	Asset Quality: NPAs ex TDRs / Loans & OREO (%)	Asset Quality: NPA Rank	Total Shareholder Return: Total Return (%)	Total Shareholder Return: TSR Rank	Final Score
1	East West Bancorp	EWBC	CA	64,112	1.80	1	19.51	2	8.67	1	0.21	8	(14.4)	13	25
2	Western Alliance Bancorp.	WAL	AZ	67,734	1.64	2	20.97	1	6.53	12	0.18	6	(43.7)	31	52
3	Regions Financial Corp.	RF	AL	155,220	1.50	4	14.50	9	5.57	21	0.53	24	2.3	3	61
4	Cullen/Frost Bankers	CFR	TX	52,892	1.13	16	16.44	5	4.47	29	0.23	10	8.6	2	62
4	Synovus Financial Corp.	SNV	GA	59,731	1.32	7	16.19	6	5.83	18	0.30	14	(18.9)	17	62
4	Webster Financial Corp.	WBS	CT	71,278	1.34	5	11.24	23	7.38	6	0.41	19	(12.5)	9	62
7	Wintrust Financial Corp.	WTFC	IL	52,950	1.06	21	11.51	22	7.09	9	0.19	7	(5.5)	6	65
8	First Horizon Corp.	FHN	TN	78,953	1.18	13	11.54	21	7.11	8	0.56	25	53.9	1	68
9	Huntington Bancshares	HBAN	OH	182,906	1.32	8	12.87	16	5.52	22	0.44	21	(4.3)	5	72
10	Capital One Financial Corp.	COF	VA	455,249	1.63	3	13.03	13	7.45	5	0.45	23	(34.6)	29	73
10	Signature Bank	SBNY	NY	110,364	1.15	14	16.48	4	6.62	11	0.25	11	(64.0)	33	73
12	Comerica	CMA	TX	85,406	1.32	6	17.89	3	4.89	26	0.45	22	(20.4)	21	78
13	Northern Trust Corp.	NTRS	IL	155,037	0.99	25	13.65	10	6.23	15	0.11	3	(23.8)	27	80
13	State Street Corp.	STT	MA	301,450	1.07	20	11.86	20	4.85	27	-	1	(13.7)	12	80
13	Valley National Bancorp	VLY	NY	57,463	1.20	11	10.47	25	7.49	4	0.58	26	(14.6)	14	80
16	M&T Bank Corp.	MTB	NY	200,730	1.14	15	9.16	30	7.61	3	1.85	34	(3.0)	4	86
17	JPMorgan Chase & Co.	JPM	NY	3,665,743	1.01	24	13.64	11	5.87	17	0.64	30	(12.6)	10	92
18	Fifth Third Bancorp	FITB	OH	207,452	1.20	12	13.01	14	5.00	25	0.43	20	(21.9)	23	94
18	Popular	BPOP	PR	67,638	1.23	10	14.90	8	4.84	28	1.64	33	(16.8)	15	94
20	U.S. Bancorp	USB	MN	674,805	1.11	18	12.88	15	4.28	33	0.26	12	(19.1)	18	96
21	Wells Fargo & Co.	WFC	CA	1,881,020	0.97	27	10.03	28	7.18	7	0.60	27	(11.9)	8	97
21	Zions Bancorp., N.A.	ZION	UT	89,545	1.02	23	15.52	7	3.83	34	0.27	13	(20.0)	20	97
23	First Citizens BancShares	FCNC.A	NC	109,298	0.86	31	9.08	31	7.62	2	0.95	31	(8.4)	7	102
24	Citizens Financial Group	CFG	RI	226,733	1.08	19	9.82	29	6.09	16	0.61	28	(13.4)	11	103
24	KeyCorp	KEY	OH	189,813	1.04	22	13.17	12	4.34	32	0.35	15	(21.7)	22	103
24	The PNC Financial Services Group	PNC	PA	557,263	1.12	17	12.73	18	5.24	23	0.62	29	(18.6)	16	103
27	First Republic Bank	FRC	CA	212,639	0.86	32	10.06	27	6.40	14	0.07	2	(40.6)	30	105
27	Truist Financial Corp.	TFC	NC	555,255	1.31	9	11.16	24	4.41	30	0.37	17	(23.5)	25	105
29	SVB Financial Group	SIVB	CA	211,793	0.92	28	12.09	19	5.61	20	0.18	5	(66.1)	34	106
30	New York Community Bancorp	NYCB	NY	90,144	0.91	29	8.30	33	6.41	13	0.22	9	(24.6)	28	112
31	Citigroup	C	NY	2,416,676	0.66	34	7.95	34	6.63	10	0.36	16	(22.1)	24	118
32	Bank of America Corp.	BAC	NC	3,051,375	0.89	30	10.30	26	5.83	19	0.40	18	(23.8)	26	119
32	The Bank of New York Mellon Corp.	BK	NY	405,783	0.83	33	8.66	32	4.36	31	0.16	4	(19.1)	19	119
34	Ally Financial	ALLY	MI	191,826	0.99	26	12.74	17	5.02	24	1.20	32	(46.9)	32	131
				Median	1.11		12.74		5.85		0.39		(19.0)		
				Mean	1.14		12.75		5.95		0.47		(18.8)		

*Had not adopted CECL as of Dec. 31, 2022

Source: **Piper Sandler & Co., using S&P Global Market Intelligence data**

RankingBanking uses five metrics to assess performance. Profitability is captured by return on equity and return on assets. Asset quality is represented by nonperforming assets as a percentage of loans and other real estate owned. Capital adequacy is based on a bank's tangible common equity ratio. Total shareholder return includes stock price appreciation and dividends. Banks are scored on each of the five metrics. The scores are then merged into an overall score, which determines the ranking — the lower the score, the higher the rank. Data is based on calendar year 2022 results.

stand what we're seeing in the portfolio, why we're comfortable and what are the actions that we're taking separate from what happened in March."

Executives should continue to get in front of investors through roadshows and conferences, says Schiraldi, but he cautions against too much communication. "Some of the banks that have been beaten up the most have had to respond on almost a weekly basis to the market. I don't think you want to be out there having to defend the story constantly."

But in some ways, the fundamentals of bank investing have changed. In May, The Wall Street Journal published an article equating bank stocks to so-called meme stocks like GameStop Corp., the video game retailer that saw its stock rise and fall based on social media buzz.

"I came to kill the banks," wrote one short seller, 30-year-old pub owner Daniel Betancourt, on the messaging platform Discord.

Tom Brown, the CEO of hedge fund Second Curve Capital, says there's been a significant increase in short selling activity in bank stocks. Many long-term investors appear to be missing in action.

"The stock price volatility has been so extreme," says Oh, noting the dip East West's stock took following SVB's failure. Oh takes a long-term view. "We need to make sure that we continue to have the financial performance, from an earnings perspective, from a capital generation perspective, from a credit quality perspective," she says. "And I am confident over time, [when] there's distance and more clarity about things, that stocks will come back, for us and for the sector."

Of course, banks are particularly vulnerable to economic cycles. "If you look at the long-term performance of banks, [they're] not outperforming the market, and it tends to be flat," says Marinac. "It's good for a little bit, then it's bad, then sometimes it's really bad. And then it's good again, and then it's really good, and then it's just OK."

He believes the industry doesn't get enough credit from the market for bringing down expenses over the years. "Overhead continues to be, in my opinion, a missed point by investors," Marinac says. He also points to pre-provision net revenue as an important factor to monitor, helping an institution grow the reserves it needs to fight troubled assets. "The more cash flow a bank has, the more provisions it can expense, the more it can fight the fire," he says.

Both Wiley and Brown have been active bank investors for decades. They're familiar with the cyclicality of the industry and seek strong, undervalued performers that are more likely to improve over the long term.

An optimistic Brown believes banks are set to experience the next big bull market, pointing to two others he's experienced in his career. The first kicked off in 1989, when Warren Buffett's Berkshire Hathaway bought a stake in Wells Fargo. The other began on March 9, 2009, he says, following the financial crisis of 2007-08. "Both bull markets lasted nine years long, and we're getting set for the next one," says Brown. Why? Because many banks remain profitable, safe and sound companies. And the next downturn will bear that out.

"Margins are going to be under more pressure. The loan growth has slowed sharply; asset quality is going to deteriorate. … who would want to buy a bank's stock in the face of those things?" says Brown. "The valuation comes down until somebody says, 'OK, I've seen this before. They're gonna work their way through this.'"

And when the going gets tough, the best banks will prove just how strong they are.

Emily McCormick is vice president of editorial & research for Bank Director.

ServisFirst's "Humble and Hungry" Approach to Success

By Naomi Snyder

A young man in Birmingham, Alabama, went to a restaurant recently and struck up a conversation with another customer. The customer wanted to know what he did for a living. "I'm a banker," the man said. The response: "Well, you must work for ServisFirst, because you have on a tie."

While the rest of the world has moved on from white shirts and ties, ServisFirst's Birmingham-based commercial bankers — where the bank is headquartered — have steadfastly worn them five days per week. Although regional CEOs in markets outside Birmingham have autonomy to decide what to wear, the 68-year-old founder, chairman and CEO, Thomas Broughton III, is the standard bearer for all things ServisFirst. He isn't one to chase fads, whether in outfits or operations. He and Rodney Rushing, the executive vice president and chief operating officer, made that clear in a recent video interview, sitting around a polished wood boardroom table, with Tom in a red tie and Rodney in a yellow one. (Broughton once offered staff casual Fridays but grew discouraged by the wrinkled khakis and denim jeans.)

As attentive as the bank is to details such as business attire, it's also focused on providing a high level of service to small- and mid-sized businesses. The bank eschewed the construction of branches, preferring a low-cost business model that focuses on a sales mindset and serving the needs of owner-operators. "We're a growth company that sets high standards for performance," Broughton says. "We say we're a disciplined growth company."

For years, the numbers have proven him right at this banking company that had $14.6 billion in assets at the end of last year. ServisFirst Bancshares has nailed it as one of the top performing banks in the nation. It ranked No. 17 among the best 25 publicly traded U.S. banks in this year's RankingBanking study, based on its performance in 2022. In previous years, it has consistently outperformed peers for profitability, based on return on average assets and return on average equity. But ServisFirst has watched its deposit costs rise in the current environment and has hit the pause button on loan growth. Can it sustain its performance in the years ahead?

There's nothing secretive about the sauce that makes ServisFirst so profitable. Broughton, who has spent his entire career in Alabama, founded the banking company in 2005, shortly before the last financial crisis. It wasn't the first bank he'd founded. In fact, Broughton came from a family of bankers. He grew up in a small town in southern Alabama called Andalusia. His father, his grandfather and his uncle were all bankers. In elementary school, when asked what they wanted to be when they grew up, the other kids would say firefighter or policeman. He said banker. Indeed, Broughton started putting in hours in his family's bank when he was 11 years old, working after school and in the summers.

In 1985, he and a cousin founded First Commercial Bank. They sold it in 1992 to what's now the $62 billion Synovus Financial Corp. in Columbus, Georgia.

Broughton eventually became a regional chief executive officer for Synovus, overseeing Alabama, Tennessee, Florida and parts of Georgia. In those days, Synovus had a decentralized structure with separate banks and individual executives in charge of each one. One day, a colleague proposed doing a revenue contribution analysis of his region. Broughton thought it was a great idea. It turned out 90% of his bank's revenue came from 4% of its customers. "I couldn't believe it," he says. "I thought, 'There's a better way.'"

In 2005, Broughton founded ServisFirst in Birmingham. The mission: simplicity and a focus on the core business customer. "We don't try to be all things to all people," he says. The bank avoids acquisitions, even while its stock price has traded at a premium, preferring to grow organically and maintain its culture. The bank has very little fee-income businesses, which helps cut its cost structure. There's no trust division, no wealth management, not many mortgages. "Most banks do a terrible job with wealth management," Broughton says. "What do we bring to the table that [customers] can't get somewhere else?"

He set out to build very few branches. His busy clients, he theorized, didn't want to come into a branch. They wanted to handle their finances remotely, on their phones and their computers. Recently, the bank reported 64% of its deposits came in through remote deposit capture, according to Kevin Fitzsimmons, managing director and senior research analyst at D.A. Davidson Cos.

The low cost structure has translated into an incredibly low efficiency ratio — in banking, the lower the efficiency ratio, the better. It's a simple metric: for every dollar of revenue earned, the efficiency ratio is the percent spent on expenses. "A good bank is putting up a mid-50s to low-50s efficiency ratio," Fitzsimmons says. ServisFirst reported an efficiency ratio of 34.6% in the first quarter of 2023. That in turn has translated into superior profitability: For every dollar earned, more of that goes to the bottom line. "I think of them consistently as having the best efficiency ratio of peers and then being among the highest in terms of loan growth, typically," Fitzsimmons says.

Graham Dick, a vice president and analyst at Piper Sandler & Co., sees a direct connection between ServisFirst's simple business model and its profitability. "At the end of the day, if you're producing a 3.5% [net interest margin] and you're running a 30% efficiency ratio, you're going to be generating better profitability than pretty much all your peers," he says. The one exception to that simplicity is the correspondent division: ServisFirst is the credit card issuer and correspondent bank for a variety of community banks.

It hasn't hurt that ServisFirst is solidly located in the growing Southeast, but even among Southeast banks, ServisFirst is an outlier. "When you ask banks around the Southeast, 'Who do you want to be like?' One answer you'll hear, for the most part, is Pinnacle [Financial Partners] and ServisFirst," Dick says. "I think people envy the management style and how it's worked for shareholders over time."

The simplicity of its business model makes its performance even more noteworthy. Couldn't any bank do this well? "The business we run is pretty boring, honestly," says Bart McBride, one of the bank's long-term employees and an executive vice president. "We take deposits and make loans and make a spread [income]."

But what does distinguish the bank is its approach to culture. Early in his career, Broughton purchased a Huntsville, Alabama, area bank that made a lifelong impression on him. "We bought a handyman special," he says. It wasn't distressed, but it wasn't easy to change, either. "I learned it's easier to start a bank than it is to buy one and fix it," he says. ServisFirst has resisted the urge to acquire banks, making an exception for a small bank outside Atlanta in 2014. Instead, the bank focuses on acquiring talent from other banks or training bankers.

The bank doesn't decide to locate in a particular geography, Broughton says. Instead, it focuses on hiring the best bankers. "We never used a recruiter," he says. "We have direct relationships with people or somebody that knows somebody that knows somebody."

If those bankers happen to be in a low-growth market in a tiny town, so be it. That has helped ServisFirst avoid the competitive scramble in some of the top markets in the Southeast, helping it retain a business model that's been more profitable than most.

All three of Broughton's longtime executive vice presidents describe him as someone who empowers the best bankers to do well. Paul Schabacker, executive vice president in Birmingham, has worked for Broughton the longest, dating back to Broughton's first bank in 1991. "I've got a more entrepreneurial spirit than a typical banker," he says, explaining why he's still working for the same person decades later. "Broughton's a very hands-off manager. Most bankers are very controlling."

Broughton once got a call from the bank's regional CEO in southeast Alabama who wanted to recruit a team of agricultural bankers from another bank. Broughton didn't think it was a good idea. But he didn't say that. He let the regional CEO hire them, and they became some of the most profitable bankers in the company.

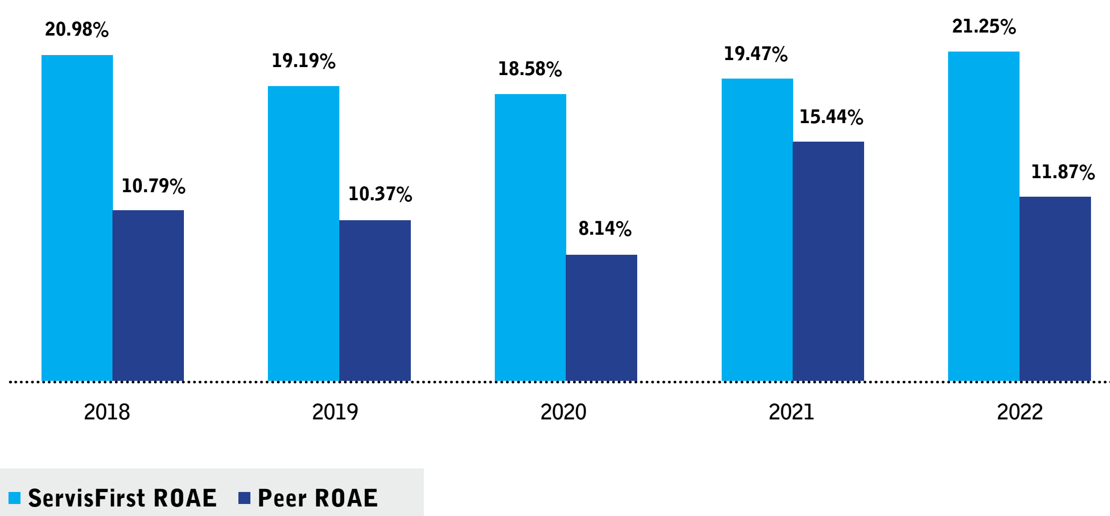
Instead of telling his bankers what to do, Broughton and his executive team prefer to set high goals and then let their commercial bankers reach them, all while ensuring they fit into the disciplined standards of good credit underwriting. Indeed, the bank had a ratio of nonperforming assets to loans and other real estate owned of 0.11% last year, one-third the median bank in its asset class, according to the RankingBanking analysis.

The bank calls the heads of each region "CEOs,"

ServisFirst Consistently Beats Peers On Profitability

Source: **Piper Sandler & Co., using S&P Global Market Intelligence data**

Core return on average equity vs. peers, $5 billion to $50 billion in assets, in RankingBanking analyses



and they're empowered to make credit decisions up to certain loan limits. "We have lending authority, not lending committees," Rushing says. When a customer applies for a loan, "it's sometimes hours, certainly not more than a few days at most, when we get back to [customers] about how we can structure the terms."

To meet that standard, bankers are expected to be available to customers throughout the week. A few years ago, Karen Grahn, the senior vice president who heads ServisFirst's credit card division, was attending an Auburn University football game on a Saturday. She got a call from the CEO of a correspondent bank customer, saying his daughter was traveling in Europe and her credit card wouldn't work. Grahn had her laptop with her and solved the problem in five minutes. The daughter had exceeded her credit limit and temporarily got a higher limit, thanks to dad.

Not everyone wants to work for a bank where they're supposed to respond to customers on a Saturday. "If you don't want to work hard, it's not a place for you," says Brad Milsaps, who until recently covered the stock as an analyst at Piper Sandler. But when asked about whether bankers needed to work hard, several ServisFirst executives clarified that dedication. Nic Balanis, executive vice president, says he spends time with his family. But he doesn't send automated out-of-office emails to go golfing on Friday afternoon. McBride says his phone rings seven days per week. "I've had several [deals] where we do work through Saturday and Sunday to get them done," he says. "But it's not a sweat lodge. To your point, we do it because we like it. We're doing deals and helping clients, and they don't forget that."

In return for high standards for service, good commercial lenders are rewarded. "We're not on the high end of salaries," says McBride. "We're on the high end of year-end incentive pay, based on what you did that year production-wise ... Producers get paid."

"I've had several [deals] where we do work through Saturday and Sunday to get them done ... But it's not a sweat lodge. To your point, we do it because we like it. We're doing deals and helping clients, and they don't forget that."

Bart McBride / ServisFirst Bancshares

Rushing says he doesn't know how pay scales compare to other banks, but the real reason bankers come to ServisFirst is to take care of customers. "This is the God's truth, if you've ever heard that phrase in the South," he says. Broughton recruited him more than a decade ago from Compass Bank, telling him if he was looking to leave Compass for the money, it wasn't going to work. "'But if you're looking to come over here to take care of your customers, this is the best place to be,'" Broughton said.

Getting rid of red tape and serving customers is the bank's unofficial motto. Broughton appears at the center of that culture and makes sales calls himself, encouraging staff to stay "humble and hungry," Balanis says. "We emulate him quite a bit. We think like him, and it permeates throughout the whole organization."

Several executives talk about the strong sales focus of the culture, which McBride describes as an "eat what you kill" environment. To reward top performers, the bank assigns them support staff as they grow, rather than taking away their customers and giving them to other bankers when their loan book gets too big.

Despite the advantages, not everyone fits the culture. The executive team regularly has meetings with potential hires, and only about 10% of them are hired, Broughton says.

Rushing explains it this way. "We've had a lot of interviews where very early in the interview, the question will be, 'Do I have to come into the office? How much can I work remote?' That usually shortens the interview."

Like a lot of businesses in the South, ServisFirst didn't allow for much remote work during the early days of the Covid-19 pandemic in 2020. Back-office staff rotated time in the office and at home, with only about one-third in the office at one time. That lasted about two months, Broughton estimates. "We all thought we were going to get Covid from a soup can and die," he says. Pretty soon, it became clear to him that wasn't going to happen. He admits the decision to bring people back into the office full-time was controversial. "People said, 'Tom Broughton was trying to kill me.'"

But for conservative bankers in conversative markets, the formula works.

Of course, another bank with a sales-driven culture and incentives got itself into a lot of trouble with regulators several years ago for fraudulently selling products to consumers — Wells Fargo & Co. ServisFirst, while regulated by the Consumer Financial Protection Bureau because it's more than $10 billion in assets, doesn't directly work with a lot of consumers. Consumer loans, for example, made up 0.62% of the bank's total loans as of March 31, 2023, according to its first quarter earnings report.

The bank's core customers are owner-operators of small- and mid-sized businesses. With such a simple business model, ServisFirst has always focused on loans and loan growth, and had a 100% loan-to-deposit ratio in the first quarter. Fees make up only about 5% of revenues, according to the analyst Graham Dick.

But does ServisFirst's model make it particularly vulnerable in today's environment of high-cost deposits? Will the bank struggle with slower loan growth in the years ahead? That is what investors are asking, according to analysts.

As rates rise, the correspondent division passes those rate increases over to its bank customers, which is making ServisFirst's cost of funds higher. Only 39% of its deposits were in noninterest-bearing accounts as of June 30, 2023, according to its second quarter earnings report. In fact, the bank expects to have a higher cost of funds than peers because of its lack of a branch network, and focus on commercial customers and correspondent banking. The bank's strategy is to offset those costs with firm pricing on loan products and lower operating expenses.

And the bank had about $6.9 billion in uninsured deposits out of $11.6 billion as of March 31, although much of that is correspondent banking deposits and municipal deposits, which are collateralized.

D.A. Davidson noted on April 18 that the bank's loan growth train had slowed as of mid-2022, in part because of payoffs of fixed-rate loans. But the bank hoped to reaccelerate growth in the second half of 2023, taking advantage of in-market mergers and acquisitions to get new loans and growth in markets such as Asheville and Charlotte, in North Carolina, and the Florida towns of Panama City and Tallahassee.

The move to slow down loans has been purposeful. "We have not been as aggressive in our new loan growth," Rushing says. "But I would tell you we're getting better pricing today than we were a year ago, much better."

Meanwhile, the bank made a switch more than a year ago to incentivize bankers to grow deposits. In the second quarter 2023, the pullback in loans helped it reduce its loan-to-deposit ratio to 94.4%, and "management clearly feels more comfortable about both the current economic outlook and funding environment than earlier this year," Dick wrote in a note to investors.

Still, investors punished the stock in the early part of this year. The share price fell 13% year-to-date through July 26. Will ServisFirst's culture save its performance in the end?

That remains to be seen. The bank has grown earnings per share about 10% every year since 2010, Dick says. This is the first year Piper Sandler modeled an earnings decline for the bank since its IPO in 2014. But the bank has very little in the way of losses in its bond and securities portfolio.

Perhaps its conservative nature will help the bank in the end. And investors haven't entirely written this bank off their list. Piper expects it to produce a 1.40% return on assets this year and 14.53% return on tangible common equity.

Tough times could translate into market share growth for strong players that can acquire talented commercial lending teams. "The culture, to me, is what makes ServisFirst great," McBride says. "We have a simple balance sheet ... We view times like this, not as difficult, but as an opportunity."

Naomi Snyder is editor-in-chief of Bank Director.

BankDirector RANKINGBANKING THE BEST U.S. BANKS

$5 BILLION UP TO $50 BILLION

					Profitability				Capital Adequacy		Asset Quality		Total Shareholder Return		
Rank	Company Name	Ticker	State	Total Assets ($MM)	Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tang Common Equity/ Tang Assets (%)	TCE Rank	NPAs ex TDRs / Loans & OREO (%)	NPA Rank	Total Return (%)	TSR Rank	Final Score
1	Farmers & Merchants Bancorp	FMCB	CA	5,327	1.57	18	17.92	10	8.87	38	0.04	4	11.3	16	86
2	City Holding Co.	CHCO	WV	5,878	1.74	11	16.76	14	8.02	68	0.17	34	17.2	8	135
3	Great Southern Bancorp	GSBC	MO	5,681	1.43	38	13.93	36	9.21	28	0.07	11	3.1	45	158
4	Enterprise Financial Services Corp	EFSC	MO	13,054	1.56	19	13.83	39	8.43	53	0.10	21	6.0	31	163
5	Preferred Bank	PFBC	CA	6,425	2.08	3	21.31	2	9.80	18	0.54	118	6.5	28	169
6	Hanmi Financial Corp.	HAFC	CA	7,378	1.44	37	14.85	28	8.48	52	0.16	30	8.4	23	170
7	Westamerica Bancorp.	WABC	CA	6,950	1.64	14	15.14	24	7.03	100	0.02	2	5.2	35	175
8	Community Trust Bancorp	CTBI	KY	5,380	1.51	27	12.75	55	10.58	11	0.28	64	9.6	22	179
8	The Bancorp	TBBK	DE	7,903	1.85	7	20.08	4	8.76	43	0.52	112	12.1	13	179
10	Commerce Bancshares	CBSH	MO	31,876	1.40	41	16.70	15	7.32	90	0.05	7	5.6	34	187
11	ServisFirst Bancshares	SFBS	AL	14,596	1.75	9	21.25	3	8.80	40	0.11	23	(17.9)	115	190
12	Heritage Commerce Corp	HTBK	CA	5,158	1.27	64	11.31	84	9.10	31	0.02	3	13.6	11	193
13	International Bancshares Corp.	IBOC	TX	15,501	1.87	6	14.28	33	11.58	5	1.16	143	10.9	18	205
14	BancFirst Corp.	BANF	OK	12,388	1.57	17	16.25	20	8.61	45	0.68	128	27.1	4	214
14	Central Bancompany*	CBCY.B	MO	19,445	1.30	58	11.01	94	10.62	10	0.18	35	11.2	17	214
16	Cathay General Bancorp	CATY	CA	21,948	1.71	12	14.88	27	9.70	19	0.40	97	(2.1)	61	216
16	CVB Financial Corp.	CVBF	CA	16,477	1.43	39	11.66	77	7.40	87	0.05	8	24.0	5	216
16	S&T Bancorp	STBA	PA	9,111	1.49	29	11.56	78	9.23	27	0.31	70	12.6	12	216
19	OFG Bancorp	OFG	PR	9,819	1.71	13	16.57	18	9.59	22	1.53	144	6.6	27	224
20	Bank OZK	OZK	AR	27,657	2.14	2	12.09	66	13.66	2	0.27	60	(11.3)	97	227
21	Lakeland Financial Corp.	LKFN	IN	6,432	1.63	15	17.53	11	8.77	41	0.36	84	(7.0)	81	232
22	1st Source Corp.	SRCE	IN	8,339	1.48	32	12.82	54	9.45	24	0.45	105	9.8	21	236
22	Hancock Whitney Corp.	HWC	MS	35,184	1.53	24	15.71	22	7.09	96	0.18	36	(1.2)	58	236
24	NBT Bancorp	NBTB	NY	11,739	1.32	55	12.95	52	7.73	77	0.21	45	16.0	10	239
25	Alpine Banks of Colorado*	ALPI.B	CO	6,317	1.24	72	18.83	6	6.46	116	0.07	10	4.2	37	241
26	Stock Yards Bancorp	SYBT	KY	7,496	1.48	30	14.90	26	7.44	86	0.29	66	3.6	39	247
27	QCR Holdings	QCRH	IL	7,949	1.51	26	14.53	30	7.93	70	0.14	27	(11.0)	96	249
28	United Bankshares	UBSI	WV	29,489	1.31	56	8.29	132	9.46	23	0.16	31	16.0	9	251
29	Prosperity Bancshares	PB	TX	37,690	1.41	40	8.10	133	9.93	17	0.11	25	3.6	40	255
30	TrustCo Bank Corp NY	TRST	NY	6,000	1.22	76	12.56	57	9.99	16	0.41	100	17.6	7	256
31	Southside Bancshares	SBSI	TX	7,559	1.50	28	14.10	34	7.35	88	0.07	12	(10.8)	95	257
32	Ameris Bancorp	ABCB	GA	25,053	1.53	22	11.78	75	8.66	44	0.26	58	(3.8)	67	266
32	Peapack-Gladstone Financial Corp.	PGC	NJ	6,354	1.35	50	15.80	21	7.67	79	0.36	83	5.7	33	266
34	Park National Corp.	PRK	OH	9,855	1.48	31	13.77	40	9.33	25	1.13	142	6.2	30	268
35	LendingClub Corp.	LC	CA	7,980	4.74	1	28.82	1	12.65	3	0.57	122	(63.6)	142	269
36	Eagle Bancorp	EGBN	MD	11,151	1.32	54	12.15	63	10.18	15	0.09	17	(21.9)	123	272
37	TowneBank	TOWN	VA	15,845	1.22	75	10.55	103	8.94	36	0.06	9	0.7	51	274
38	TriCo Bancshares	TCBK	CA	9,931	1.38	46	12.84	53	7.55	82	0.38	88	21.6	6	275

					Profitability				Capital Adequacy		Asset Quality		Total Shareholder Return		
Rank	Company Name	Ticker	State	Total Assets ($MM)	Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tang Common Equity/ Tang Assets (%)	TCE Rank	NPAs ex TDRs / Loans & OREO (%)	NPA Rank	Total Return (%)	TSR Rank	Final Score
39	Merchants Bancorp	MBIN	IN	12,615	1.99	4	17.26	12	7.49	85	0.26	56	(22.1)	124	281
40	Washington Federal	WAFD	WA	21,654	1.30	59	11.94	71	8.04	65	0.22	48	3.4	42	285
41	Columbia Banking System	COLB	WA	31,849	1.20	82	14.39	31	7.75	76	0.12	26	(4.6)	73	288
42	Heritage Financial Corp.	HFWA	WA	6,980	1.14	98	10.28	110	8.17	60	0.11	24	29.3	2	294
43	Independent Bank Corp.	INDB	MA	19,294	1.39	43	9.47	119	10.26	14	0.39	94	6.2	29	299
44	Banner Corp.	BANR	WA	15,833	1.21	78	13.10	49	6.95	104	0.22	46	7.2	24	301
44	Brookline Bancorp	BRKL	MA	9,186	1.29	60	11.34	83	9.20	29	0.20	41	(9.4)	88	301
46	W.T.B. Financial Corp.*	WTBF.B	WA	10,423	1.06	116	13.45	43	8.32	54	0.05	5	(8.8)	86	304
47	Home Bancshares	HOMB	AR	22,884	1.51	25	10.22	113	9.66	21	0.36	82	(3.8)	66	307
48	Axos Financial	AX	NV	18,741	1.75	10	18.04	9	8.77	42	0.64	126	(31.6)	135	322
48	German American Bancorp	GABC	IN	6,156	1.44	35	15.40	23	6.18	127	0.34	77	(2.0)	60	322
50	First Financial Bankshares	FFIN	TX	12,974	1.76	8	16.65	16	7.51	84	0.38	86	(31.2)	134	328
51	First Financial Bancorp.	FFBC	OH	17,003	1.53	23	11.91	72	6.04	131	0.28	63	3.4	43	332
51	First National Bank Alaska*	FBAK	AK	5,338	1.04	118	13.04	51	7.64	80	0.26	57	6.9	26	332
53	Northfield Bancorp	NFBK	NJ	5,601	1.09	109	8.56	130	11.87	4	0.23	50	0.9	50	343
54	Columbia Financial	CLBK	NJ	10,408	0.95	130	8.72	128	9.04	34	0.09	15	3.6	38	345
55	First BanCorp.	FBP	PR	18,634	1.61	16	19.73	5	6.81	110	1.11	141	(4.7)	74	346
56	Old Second Bancorp	OSBC	IL	5,888	1.26	66	16.45	19	6.24	124	0.86	139	29.2	3	351
56	Pacific Premier Bancorp	PPBI	CA	21,688	1.36	49	10.52	105	8.88	37	0.21	44	(18.1)	116	351
56	Pinnacle Financial Partners	PNFP	TN	41,970	1.39	42	10.32	108	8.53	47	0.16	29	(22.3)	125	351
59	First Merchants Corp.	FRME	IN	17,938	1.37	48	11.97	69	7.34	89	0.41	99	1.1	48	353
60	F&M Bank of Long Beach*	FMBL	CA	12,055	0.92	133	8.54	131	10.89	9	0.05	6	(5.5)	76	355
60	Luther Burbank Corp.*	LBC	CA	7,975	1.09	110	12.13	65	8.52	48	0.09	18	(17.8)	114	355
62	Cambridge Bancorp	CATC	MA	5,560	1.06	114	11.98	68	8.12	62	0.16	33	(8.5)	85	362
62	WSFS Financial Corp.	WSFS	DE	19,915	1.39	44	11.83	73	6.34	121	0.20	40	(8.4)	84	362
64	Bank of Hawaii Corp.	BOH	HI	23,607	1.03	121	16.87	13	4.71	142	0.09	19	(4.1)	70	365
64	First Bancorp	FBNC	NC	10,625	1.44	36	13.87	38	6.42	118	0.44	102	(4.2)	71	365
66	First Commonwealth Financial Corp.	FCF	PA	9,806	1.38	47	12.36	60	7.79	75	0.39	93	(10.3)	92	367
66	United Community Banks	UCBI	GA	24,009	1.25	70	11.07	92	7.84	73	0.29	67	(3.5)	65	367
68	Banc of California	BANC	CA	9,197	1.38	45	13.04	50	9.23	26	0.78	135	(17.7)	112	368
69	Camden National Corp.	CAC	ME	5,672	1.14	99	13.37	45	6.37	120	0.07	13	(10.4)	93	370
70	Amalgamated Financial Corp.*	AMAL	NY	7,843	1.12	103	16.60	17	6.30	122	0.70	129	39.8	1	372
71	Dime Community Bancshares	DCOM	NY	13,190	1.23	73	13.14	48	6.84	109	0.32	71	(6.8)	79	380
72	Customers Bancorp	CUBI	PA	20,896	1.27	65	18.30	8	6.04	132	0.19	39	(56.6)	140	384
72	OceanFirst Financial Corp.	OCFC	NJ	13,104	1.17	91	9.43	120	8.02	67	0.23	51	(0.9)	55	384
74	Mechanics Bank*	MCHB	CA	18,136	1.29	62	10.86	97	7.07	98	0.33	74	(1.2)	57	388
75	Origin Bancorp	OBNK	LA	9,686	1.10	107	11.81	74	8.11	63	0.21	42	(13.3)	103	389
75	Peoples Bancorp	PEBO	OH	7,207	1.55	20	13.75	41	6.70	112	0.86	138	(6.6)	78	389

$5 BILLION UP TO $50 BILLION

Rank	Company Name	Ticker	State	Total Assets ($MM)	Profitability: Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Capital Adequacy: Tang Common Equity/ Tang Assets (%)	TCE Rank	Asset Quality: NPAs ex TDRs / Loans & OREO (%)	NPA Rank	Total Shareholder Return: Total Return (%)	TSR Rank	Final Score
77	First National of Nebraska*	FINN	NE	28,351	1.20	86	11.30	86	9.04	35	0.59	124	(1.9)	59	390
78	Lakeland Bancorp	LBAI	NJ	10,784	1.13	102	10.62	102	7.88	72	0.22	47	(4.1)	68	391
78	Republic Bancorp	RBCA.A	KY	5,836	1.25	69	9.05	124	14.44	1	0.38	87	(16.9)	110	391
80	CNB Financial Corp.	CCNE	PA	5,475	1.19	88	13.88	37	7.90	71	0.52	114	(7.8)	82	392
81	Hope Bancorp	HOPE	CA	19,164	1.21	77	10.88	96	8.28	56	0.34	75	(9.5)	89	393
81	Triumph Financial	TFIN	TX	5,334	1.54	21	9.87	115	11.41	7	0.47	109	(59.0)	141	393
83	Provident Financial Services	PFS	NJ	13,783	1.33	53	11.20	88	8.54	46	0.59	125	(8.1)	83	395
84	First Busey Corp.	BUSE	IL	12,337	1.14	94	11.95	70	6.51	115	0.21	43	(5.4)	75	397
85	Seacoast Banking Corp. of Florida	SBCF	FL	12,146	1.25	71	9.70	117	9.11	30	0.38	89	(10.1)	91	398
86	ConnectOne Bancorp	CNOB	NJ	9,645	1.47	33	11.21	87	9.04	33	0.55	121	(24.4)	128	402
87	First Hawaiian	FHB	HI	24,577	1.06	115	11.44	80	5.40	138	0.09	14	(0.9)	56	403
88	CrossFirst Bankshares	CFB	KS	6,601	1.14	95	10.66	100	8.82	39	0.23	49	(20.5)	121	404
89	SouthState Corp.	SSB	FL	43,919	1.23	74	10.85	98	7.25	91	0.35	79	(2.4)	63	405
90	Byline Bancorp	BY	IL	7,363	1.34	52	12.14	64	8.31	55	0.70	130	(14.7)	105	406
90	Midland States Bancorp	MSBI	IL	7,856	1.21	80	13.25	46	6.06	130	0.80	136	12.0	14	406
90	Washington Trust Bancorp	WASH	RI	6,660	1.19	90	14.66	29	5.84	134	0.25	55	(12.5)	98	406
93	Glacier Bancorp	GBCI	MT	26,635	1.20	84	10.90	95	7.09	97	0.18	37	(10.4)	94	407
94	Stellar Bancorp	STEL	TX	10,900	1.26	67	11.16	89	7.24	93	0.55	119	3.4	41	409
94	UMB Financial Corp.	UMBF	MO	38,512	1.04	119	14.31	32	6.23	125	0.09	16	(20.0)	117	409
94	Veritex Holdings	VBTX	TX	12,154	1.46	34	11.30	85	8.48	51	0.46	106	(27.7)	133	409
97	Texas Capital Bancshares	TCBI	TX	28,415	0.54	142	5.66	141	9.69	20	0.25	54	0.1	53	410
98	Metropolitan Bank Holding Corp.*	MCB	NY	6,267	0.90	134	10.30	109	9.05	32	-	1	(44.9)	138	414
99	Pathward Financial	CASH	SD	6,659	1.96	5	18.59	7	5.14	140	0.71	131	(27.5)	132	415
100	Atlantic Union Bankshares Corp.	AUB	VA	20,461	1.20	81	9.74	116	6.43	117	0.19	38	(2.6)	64	416
100	F.N.B. Corp.	FNB	PA	43,725	1.17	92	8.97	125	7.24	92	0.39	92	11.7	15	416
100	National Bank Holdings Corp.	NBHC	CO	9,573	1.07	113	9.27	122	8.25	57	0.28	62	(2.2)	62	416
103	HarborOne Bancorp	HONE	MA	5,360	0.99	127	7.37	138	10.31	13	0.32	72	(4.1)	69	419
104	Capitol Federal Financial	CFFN	KS	9,930	0.68	139	6.92	139	10.52	12	0.11	22	(16.3)	108	420
104	WesBanco	WSBC	WV	16,932	1.19	87	8.01	134	7.22	94	0.37	85	9.9	20	420
106	MidWestOne Financial Group	MOFG	IA	6,578	1.08	111	13.41	44	6.17	128	0.40	98	1.1	49	430
107	Central Pacific Financial Corp.	CPF	HI	7,433	0.97	128	14.93	25	6.09	129	0.09	20	(24.8)	130	432
108	Sandy Spring Bancorp	SASR	MD	13,833	1.21	79	10.80	99	8.18	59	0.30	69	(24.2)	127	433
109	BOK Financial Corp.	BOKF	OK	47,791	1.13	101	11.07	91	7.63	81	0.53	116	0.6	52	441
110	Premier Financial Corp.	PFC	OH	8,455	1.35	51	11.43	81	6.78	111	0.52	113	(9.0)	87	443
111	Tompkins Financial Corp.	TMP	NY	7,671	1.12	105	13.60	42	6.89	108	0.54	117	(4.4)	72	444
112	TFS Financial Corp.	TFSL	OH	16,129	0.53	143	4.40	143	11.41	6	0.24	53	(12.9)	101	446
113	Berkshire Hills Bancorp	BHLB	MA	11,663	0.93	132	8.82	126	7.99	69	0.40	96	7.2	25	448
114	Univest Financial Corp.	UVSP	PA	7,222	1.17	93	10.55	104	8.49	50	0.53	115	(9.9)	90	452

					Profitability				Capital Adequacy		Asset Quality		Total Shareholder Return		
Rank	Company Name	Ticker	State	Total Assets ($MM)	Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tang Common Equity/ Tang Assets (%)	TCE Rank	NPAs ex TDRs / Loans & OREO (%)	NPA Rank	Total Return (%)	TSR Rank	Final Score
115	Business First Bancshares	BFST	LA	5,990	1.10	108	12.51	58	6.89	107	0.27	61	(20.2)	119	453
116	Community Bank System	CBU	NY	15,836	1.31	57	11.75	76	4.35	143	0.34	76	(13.2)	102	454
116	Horizon Bancorp	HBNC	IN	7,873	1.28	63	14.06	35	6.56	114	0.51	111	(25.3)	131	454
118	FB Financial Corp.	FBK	TN	12,848	1.12	104	10.25	112	8.50	49	0.36	81	(16.5)	109	455
119	Fulton Financial Corp.	FULT	PA	26,932	1.14	97	11.50	79	6.92	105	0.74	133	3.1	44	458
120	Cadence Bank	CADE	MS	48,653	1.20	83	12.48	59	5.41	137	0.35	78	(14.3)	104	461
121	Nicolet Bankshares	NIC	WI	8,764	1.29	61	11.40	82	6.69	113	0.65	127	(7.0)	80	463
122	PacWest Bancorp	PACW	CA	41,229	1.25	68	13.16	47	5.13	141	0.33	73	(47.6)	139	468
123	Hilltop Holdings	HTH	TX	16,259	0.67	140	5.23	142	11.00	8	0.35	80	(12.9)	100	470
124	First Mid Bancshares	FMBH	IL	6,744	1.20	85	12.27	62	7.05	99	0.42	101	(23.2)	126	473
125	Associated Banc-Corp	ASB	WI	39,406	1.01	123	9.31	121	6.97	103	0.44	103	6.0	32	482
125	First Foundation	FFWM	TX	13,014	1.02	122	10.64	101	7.13	95	0.15	28	(41.1)	136	482
127	Northwest Bancshares	NWBI	OH	14,113	0.99	126	9.26	123	8.03	66	0.75	134	4.6	36	485
128	Financial Institutions	FISI	NY	5,797	1.00	124	12.68	56	5.50	136	0.24	52	(20.0)	118	486
129	Eastern Bankshares	EBC	MA	22,647	0.95	131	7.61	136	8.24	58	0.28	65	(12.7)	99	489
130	Heartland Financial USA	HTLF	CO	20,244	1.14	100	12.05	67	5.21	139	0.47	108	(5.7)	77	491
131	Flushing Financial Corp.	FFIC	NY	8,423	1.00	125	12.32	61	7.82	74	0.73	132	(16.9)	111	503
132	Independent Bank Group	IBTX	TX	18,258	1.19	89	8.78	127	7.72	78	0.44	104	(14.9)	106	504
133	First Interstate BancSystem	FIBK	MT	32,288	1.05	117	10.25	111	5.95	133	0.40	95	(0.8)	54	510
134	Renasant Corp.	RNST	MS	16,988	1.03	120	7.88	135	7.00	101	0.50	110	1.7	47	513
135	Trustmark Corp.	TRMK	MS	18,015	0.87	135	9.51	118	6.27	123	0.55	120	10.7	19	515
136	The First Bancshares	FBMS	MS	6,462	1.11	106	11.09	90	6.91	106	0.46	107	(15.2)	107	516
137	Old National Bancorp	ONB	IN	46,763	1.14	96	10.17	114	6.21	126	0.80	137	2.5	46	519
138	BankUnited	BKU	FL	37,027	0.82	136	11.01	93	6.38	119	0.27	59	(17.7)	113	520
139	Amerant Bancorp	AMTB	FL	9,128	0.96	129	10.47	106	7.53	83	0.39	91	(21.4)	122	531
140	HomeStreet	HMST	WA	9,365	0.76	138	10.34	107	5.70	135	0.16	32	(44.9)	137	549
141	Live Oak Bancshares	LOB	NC	9,855	0.67	141	7.43	137	8.10	64	0.29	68	(65.3)	143	553
142	Simmons First National Corp.	SFNC	AR	27,461	1.07	112	8.70	129	7.00	102	0.38	90	(24.6)	129	562
143	Kearny Financial Corp.	KRNY	NJ	8,289	0.77	137	6.42	140	8.16	61	1.04	140	(20.4)	120	598
144	Silvergate Capital Corp.*	SI	CA	11,356	(0.50)	144	(5.48)	144	3.61	144	0.58	123	(88.3)	144	699
				Median	1.23		11.87		7.86		0.33		(4.5)		
				Mean	1.28		12.23		7.97		0.36		(7.0)		

**Had not adopted CECL as of Dec. 31, 2022*

Source: **Piper Sandler & Co., using S&P Global Market Intelligence data**

RankingBanking uses five metrics to assess performance. Profitability is captured by return on equity and return on assets. Asset quality is represented by nonperforming assets as a percentage of loans and other real estate owned. Capital adequacy is based on a bank's tangible common equity ratio. Total shareholder return includes stock price appreciation and dividends. Banks are scored on each of the five metrics. The scores are then merged into an overall score, which determines the ranking — the lower the score, the higher the rank. Data is based on calendar year 2022 results.

City Holding Co. Finds Strength in Community

By Laura Alix

Rich in resources and culture, traditionally rural Central Appalachia has historically lagged the rest of the nation in economic growth. The area is seldom in play when money center banks talk up branch expansion plans, but City Holding Co., based in Charleston, West Virginia, has stayed loyal, achieving superior profitability in a region often neglected by much larger institutions.

The holding company for City National Bank, with $5.9 billion in assets at the end of 2022, has achieved consistent growth over the years despite — or maybe because of — its location in slower growth markets. But a steady focus on retail banking and asset quality, coupled with the occasional strategic acquisition, has delivered strong performance for City, which placed third among the 300 public banks in this year's RankingBanking study. Contributing to its performance in 2022 were strong profitability metrics that were rewarded by the market — a return on average assets of 1.74% and a 16.76% return on average equity.

The bank's executives attribute its success to doubling down on their community, providing retail banking and other services. It doesn't spend much time pruning expenses, pursuing new niches or expanding into far-off metro areas.

"They're not really a high growth bank," says Catherine Mealor, managing director at Keefe, Bruyette and Woods. "Their strategy has been superior profitability with moderate, stable growth." She notes that City still pays a dividend and regularly buys back its own shares, thus making it a relative safe haven for bank investors.

City consistently performs well in Bank Director's annual ranking of the best banks. That consistency and predictability in its results, its focus on profitability and its basic banking business model are refreshing, particularly during a time when bank stocks have been experiencing a great deal of turmoil, analysts say. While the top 25 RankingBanking banks saw a median total shareholder return for 2022 of 6.5%, City Holding did better, with a 17.2% TSR. And through July 26, 2023, City's stock price has held up fairly well, outperforming the KBW Nasdaq Bank Index amid the tumult that bank stocks suffered more broadly.

In contrast to banks that focus heavily on commercial customers, CEO Charles "Skip" Hageboeck sees retail as the bank's bread and butter. "I think it's really, really hard to achieve great financial performance if you are mostly a commercial lender," he says. Relying on profit margins from commercial banking can be tough, he says, and retail banking, including businesses like mortgage lending and wealth management, provides some diversification that boosts profitability.

A low efficiency ratio is one contributor to City's outperformance. The metric, which is calculated by dividing a bank's noninterest expenses by its revenue, usually falls in the low 50% range. That figure stood at 44.6% in the second quarter of 2023. Hageboeck explains that City considers efficiency to be less a matter of tightly controlling expenses than it is of generating as much revenue as it can from its retail bank.

"The efficiency ratio is low because we're a large community bank which can achieve economies of scale, and because we have a lot of customers which feed a lot of revenue into the bank," Hageboeck says. "It's really not about cost cutting. It's about the depth of the retail franchise."

City's performance today is the result of a turnaround story that starts back in 2001, with Hageboeck and his predecessor as CEO, Gerald Francis.

At that time, City was struggling. Then around $2 billion in assets, the company had suffered losses stemming from a subprime lending business it entered in the 1990s. While those borrowers generally had high incomes, the loans were second and third mortgages that were high loan-to-value. Those loans underperformed in the first few years, and City had to write down their value and take losses on that book — though many of those borrowers eventually refinanced several years later when interest rates fell. The board was sued in a shareholder derivative lawsuit over those losses, Hageboeck says, and the company was also operating under a regulatory order at that time. A few acquisitions — two banks in California and some nonbank firms, including a printing company and an internet service provider — also dragged down performance.

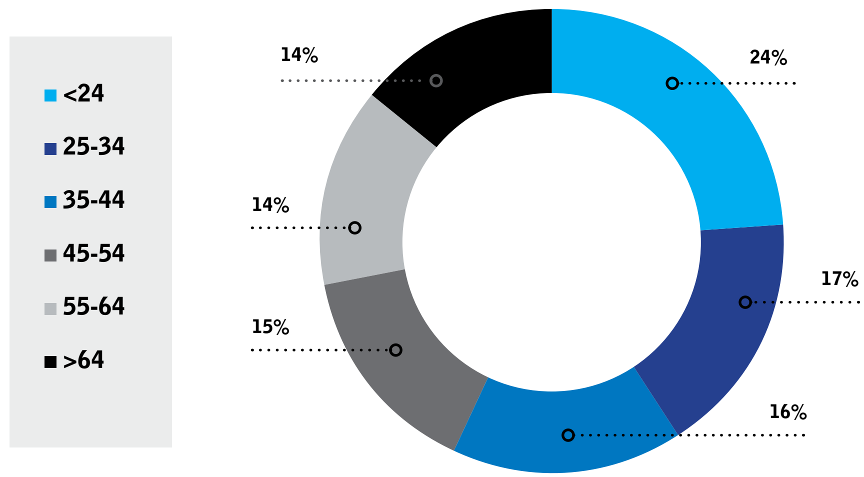
"City did a number of weird things in the late 90s," says Hageboeck, who served as chief financial officer during the turnaround phase. Board Chair Dallas Kayser, who has been with City since 1995, describes that period as "a very difficult time."

Francis's team downsized City's national businesses and sharpened its focus on growing deposits in its core markets. After spending four years turning around the bank, Francis stepped down in 2005, and Hageboeck became CEO. Since that time, City weathered the 2007-08 financial crisis with minimal losses and without accepting funds from the Troubled Asset Relief Program. The bank also made it through the pandemic with earnings

City Attracts Young Customers

Source: **City Holding Co.**

New customers in 2022, by age group



and credit quality intact. And it's steadily grown to a little over $6 billion in assets through a combination of organic growth and a handful of acquisitions.

"Consistent, stable stories in the banking industry are the ones that do the best over a long period of time in and out of various cycles," Mealor says. "That's really what you get with City, and why it's outperformed over the past couple of years with Covid, and now with the banking failures and the focus around deposits."

City's aim, first and foremost, is to win households' core checking account business, says Tim Quinlan, executive vice president of retail banking. It does so by offering a suite of basic consumer banking products and services, including home mortgage lending, an array of checking account options and some wealth management. It's maintained its branch network while at the same time investing in mobile banking options to appeal to younger customers.

"Usually, if somebody has their main checking account with you, that's who they think of as their bank," Quinlan says. The bank made the choice, for example, to offer consumers seven different checking account options, even after it was advised to pare that back to two or three. "So if we're their core bank and their core service provider," he says, "that gives us that opportunity" to grow the customer relationship with other products and services.

The branch has been critical to City's retail strategy. Bank leaders understand the local, geographic nuances to the market that larger banks headquartered out of state may miss. Closing a branch because there's another a few miles away could put an extra hurdle in a customer's journey to that other branch.

"One thing I've learned in my banking career, at least in our markets, is if you close down a branch on one side of the river, [customers] won't cross the river to do business on the other side," Quinlan says. "Geographical barriers are a reality in our markets, and I think the big banks miss that."

Successfully banking older and younger generations of consumers means investing in both the branch network and digital banking channels.

"The big banks can't do great relationships, and the small banks can't do great technology. So banks like us — those in the middle, and there just aren't a lot of us — have the best opportunity to be high performing retail banks," Hageboeck says.

City has 99 branches and serves around 200,000 households, for an average of about 2,000 households per branch, making it more efficient than competitors, he adds.

"We don't spend a ton of time and energy cutting expenses here," Hageboeck says. "Revenues are high because we have a lot of branch-related fee income." City's branch network brings in deposits. More accounts results in more fee income, he explains. Debit card revenue makes up more than a third of noninterest income for the bank, totaling $27.3 million in 2022.

In addition to its branch network, City has invested in its mobile banking app to help win over younger consumers. That means making sure the app is available to customers around the clock, with minimal downtime for maintenance, and offering dark mode, a user interface display setting often preferred by Gen Z, according to Quinlan. "The app [has] those little fundamental features that matter," he says.

City adopted Zelle in 2020. It also issues tap-to-pay debit cards, another feature that appeals to younger consumers, he says.

And a long track record of taking care of customers has paid off. Almost a quarter of its new customers in 2022 were under the age of 24, according to the bank, and 41% of all new customers were under the age of 34. Quinlan says most of those young customers come to the bank because their parents refer them.

"They come in and open their accounts, often in high school, and then they're able to carry that on through college," Quinlan says. "And then hopefully they become a long-term customer."

Staying loyal to customers in its slow growth,

> "We have a great franchise. We don't see the need to grow into a bigger bank, unless it is a better bank."
>
> **Charles "Skip" Hageboeck** / City Holding Co.

Appalachian markets has worked to City's benefit. When other banks have exited the region or merged out of existence, City has hung on, doubling down on marketing efforts so it stays at the forefront of potential customers' minds. Quinlan says the bank has achieved a lot of brand recognition by being engaged in the community, sponsoring local school events and youth sports teams. Branch staff regularly report that new customers end up banking with City because they've decided to go with a bank that supports their hometown, he adds.

"You never know when a customer's going to

> "Consistent, stable stories in the banking industry are the ones that do the best over a long period of time in and out of various cycles … That's really what you get with City."
>
> **Catherine Mealor** / Keefe, Bruyette & Woods

get mad at their existing institution and start looking for something else," he says. "Being active in our communities helps City to be top of mind as the customer looks for a new bank."

As of June 30, 2022, City had the third-highest deposit market share in Charleston, West Virginia, with 15.21% of total deposits in that metro area, according to the Federal Deposit Insurance Corp. With 7.75% of all deposits across West Virginia, City had the fourth-highest deposit share in the state, behind Truist Financial Corp., United Bankshares, also in Charleston, and Wesbanco, based in Wheeling.

Retail lending, primarily residential mortgages, made up around half of the bank's loan portfolio as of the second quarter of 2023. City has made the choice to keep all the mortgage loans it makes on its books, and keep servicing in its branches and call centers, rather than sell those loans on the secondary market. Quinlan says that's ultimately proven to be a competitive advantage with customers and gives the bank some extra word-of-mouth marketing.

The relatively low housing prices in its markets — around $175,000 to $200,000 — work in City's favor. Consumers are generally taking out modest mortgages well within their means, says Chief Financial Officer David Bumgarner. "We will do some mortgage loans exceeding half a million dollars, but our bread and butter is more at that lower level," he says.

Being one of the main players in its markets also means a lower employee turnover rate. Quinlan pegs the average employee tenure around 11 years across the organization. While there's somewhat higher turnover among branch staff, it's also not unheard of to celebrate workers with decades of experience at City.

"It's not unusual for staff members to have 30, 35 years of experience in these markets," Hageboeck says. "It makes running the bank a lot easier when you have that kind of tenure. And that kind of tenure also gets you strong employee engagement."

Quinlan attributes that high level of engagement to Hageboeck, who attends new employee orientations either in person or virtually. Frontline and retail employees regularly interact with branch, district and regional managers, he adds.

City has completed seven acquisitions under Hageboeck's leadership, most recently closing on Citizens Commerce Bancshares in Versailles, Kentucky, in March 2023. That deal added around $336 million in assets and $302 million in deposits to its balance sheet, and strengthened City's presence in the Lexington, Kentucky market.

Despite being an experienced acquirer, Hageboeck says the bank would generally rather buy back its stock, thereby raising value for its shareholders, than engage in dealmaking for its own sake.

"We do not believe that we have to accomplish the next acquisition to be successful," Hageboeck says, adding that City has never overpaid for a deal during his tenure at the bank. He looks for targets with strong retail distribution and meaningful market share, either in legacy or adjacent markets where City has some name recognition.

Analysts say investors like the bank's low-cost retail deposit base, with a high proportion of insured deposits and low loan-to-deposit ratio, which stood at 78.2% in the second quarter 2023. Its rural markets have been key to building a sticky deposit base, and City does not have a lot of competition for those funds. It also has a conservative credit profile and little exposure to riskier asset classes. The bank sticks to what it knows, and does not dabble in new lines of business or exotic financing. Its underwriting fundamentals haven't really changed under Hageboeck's leadership. Like many banks in the RankingBanking study, its credit quality remains solid. Nonperforming assets totaled 0.17% of total assets and other real estate owned for 2022, and as of the end of the second quarter of 2023.

"This bank is everything that an investor would want from a safety perspective in the current environment," says Russell Gunther, a managing director at Stephens, who covers the company. "They are built for the environment that we've been in."

City's commercial underwriting standards tend to be fairly conservative, Bumgarner says. For example, while appraised value is important when making a deal, the bank places an even higher value on its clients' debt service coverage ratio or the borrower's ability to repay.

"The fact that we are such a strong retail franchise means we don't have to go out and push the envelope on credit. We are able to be a little bit more conservative and still generate enough net interest income," he says. "How we run our bank works in good times and in bad times."

Still, one strategic challenge may be the $10 billion asset threshold, if City should ever cross that mark at some point. Passing $10 billion would mean scrutiny by the Consumer Financial Protection Bureau, particularly over deposit account fees, as well as a loss of interchange revenue under the Durbin Amendment. That would reduce debit interchange income by almost half, according to Gunther.

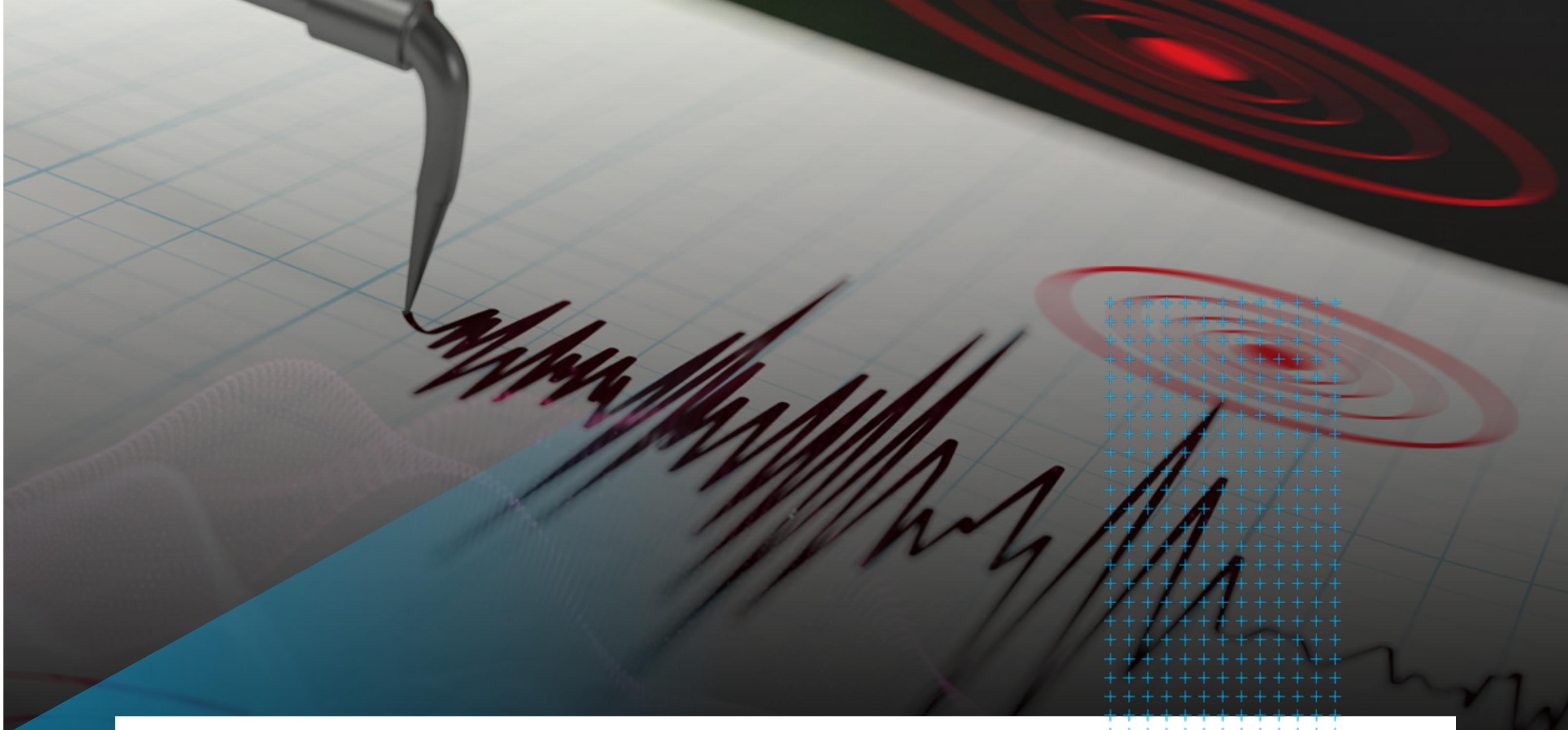
"Because we're a very strong debit card bank, it would be a very big tax on us to go over that number," Hageboeck says.

But that threshold could still be a ways off for City Holding Co. Casey Whitman, managing director and senior research analyst at Piper Sandler & Co., believes City would most likely cross $10 billion as a result of M&A. In that case, "cost saves would offset the revenue loss," he says.

While City will likely continue to make acquisitions in the future, Hageboeck emphasizes that it doesn't need to engage in M&A to continue to be a top performing bank.

"Most banks believe that you have to be bigger and bigger and bigger, and we just view that very differently," Hageboeck says. "We have a great franchise. We don't see the need to grow into a bigger bank, unless it is a better bank."

Laura Alix is director of research at Bank Director.



How the Best Banks Manage the Balance Sheet

By Kiah Lau Haslett

Throughout most of 2021, Federal Reserve Chair Jerome Powell asserted that inflationary pressures in the economy were "transitory." Pandemic-induced shifts in consumption and supply chain snarls, he said, were responsible for pushing prices up — with the consumer price index up 7.0% year-over-year in December 2021.

In Los Angeles, executives at Preferred Bank weren't so sure. They saw how inflation impacted the bank's Main Street customers throughout 2020 and 2021, and they suspected it was here to stay. And, they believed, the response to bring it down would be dramatic.

"We never know the magnitude of the rate increase," says Li Yu, chairman and CEO of the traditional commercial bank, which had $6.4 billion in assets at the end of 2022. "But we believe that [staying] asset sensitive going forward is the best protection against the higher rate environment."

The bank avoided making fixed, lower-rate loans, which meant spending more time working with current and prospective borrowers to put together deals, passing on credits and scrutinizing underwriting. Loan officers saw their loans refinance out of the bank.

"If you lose a loan, that's fine because we choose not to compete; that is also on me, not only on you [the loan officer]," Yu says. "The philosophy is we're one team — [lenders] don't feel they're penalized for losing that loan."

Yu says that the discipline to not compete for certain loans in this environment came from employees' previous experience in the 2008 credit crisis or even earlier, going back to lessons from the savings and loan crisis in the 1980s. Throughout the bank, he says, employees understood and agreed that this approach would protect Preferred from a substantial rate and duration mismatch between liabilities and assets once rates began to rise in 2022.

This discipline paid off. Net income for 2022 hit $128.8 million, compared to $95.2 million in 2021. The bank's return on average assets for 2022 was 2.08%, and its return on average equity was 21.31%. Loans still grew 14.7% over the year. Yu adds that about 85% of Preferred's loan portfolio was floating rate at the end of the first quarter of 2023, a percentage he believes makes them one of the most asset sensitive banks in the industry.

The word "unprecedented" has been thrown around a lot in the last three years, but 2022 saw a truly unprecedented event in banking history: a more than 400 basis point increase in interest rates. It generated record net interest income for banks, but came with rising risk, costs and uncertainty. It also caused a mountain of unrealized losses in banks' securities portfolios or other low-yielding assets, and it has pressured funding costs.

"If you'd asked any banker a couple of years ago, 'Would we be better off in a higher rate environment?', the answer would be unequivocally, 'Yes,'" says Mark Fitzgibbon, managing director and head of financial services research at Piper Sandler & Co. "The problem is [that] getting from a low rate environment to a higher rate environment is painful for almost everybody, and that's the period that we're working through right now."

But some banks have managed to weather this transition well and avoid the pain, and they have done so through fastidious balance sheet management. Two banks on the RankingBanking top 25 list — Los Angeles-based Preferred Bank and Wilmington, Delaware-based The Bancorp — are perennial top performers that have been profiled by Bank Director in the recent past. Both make floating rate loans with price floors, making them extremely asset sensitive as interest rates rise. They can reward depositors, producing a slightly higher cost of funds, without pressuring the margin too much. They have relatively small securities portfolios. And in a year where all banks made money, they made even more.

"When you look at institutions that do well, they have fairly diversified business models. They execute well, they have better than average rates on their asset side of the portfolio, and they've got good funding sources that are stable and at a relatively low cost," says Rick Childs, a partner at Crowe LLP, speaking about banks broadly.

As rates rose in 2022, so did loan demand. Total loans and lease balances at banks increased by 8.7%, or $979.9 billion, from 2021 to 2022, according to the Federal Deposit Insurance Corp.'s fourth quarter 2022 banking profile.

"The real question [of 2021 and early 2022] was, 'How do we get yield, and where do we find it?'" says Patrick Vernon, senior manager, advisory services at Crowe. "As we started to shift and see rates rise, it became a game of, 'How can we redeploy our balance sheet and operationalize the capital we have to find those avenues of yield?'"

The loans banks made in 2022 were at higher rates relative to the last three years. As a result, bank net interest margins grew 82 basis points year-over-year, to 3.37%, according to the FDIC — the largest reported increase in the history of the agency's quarterly update.

Banks making floating or variable-rate loans in

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>
> **Rick Childs** / Crowe LLP

2022 "have fared better and have seen [better] yields," Vernon says.

Balance sheet management is also crucial to The Bancorp, which had $7.9 billion in assets at the end of 2022. The Bancorp is a specialty bank that focuses on supporting financial technology companies, including facilitating payments or providing depository services for neobanks. Its business model works best under $10 billion, when the Durbin Amendment cuts into debit interchange income. Revenue growth doesn't come from growing its asset size or adding new loans unless other loans run off; it must also consider how securities could grow its overall size.

Executives spent several years positioning the balance sheet for a rising rate environment, deploying deposits from its fintech partners into short-duration, floating-rate loans. About 70% of its loan book is variable rate, says CEO Damian Kozlowski.

The bank looks for credit niches that are dominated by funds and nonbanks to maximize its pricing power, Kozlowski says. Real estate bridge lending, which made up 36% of loans at the end of March 2023, is short duration and variable rate; banks have historically avoided these loans because they often pay off before the term ends.

The Bancorp takes "virtually no interest rate risk [nor] duration risk," Kozlowski says. Net income for 2022 hit $130.2 million, compared to $110.7 million in 2021. Its return on average assets for 2022 was 1.85%, and its return on average equity was 20.08%.

The NIM expansion that banks enjoyed in 2022 is unlikely to continue into 2023 for most institutions. In the second half of the year, high interest rates began to noticeably impact bank funding. By the end of 2022, overall bank funding costs increased to 1.17%, according to the FDIC. Higher interest on bank deposits drove about 76% of the increase in average funding costs between the third quarter of 2022 and the fourth, the agency wrote.

"Funding costs went up at a faster rate than the asset repricing, because you got a lot of assets that take time to reprice and not all of your loans reprice," Fitzgibbon says. "I think banks' funding bases fundamentally are different; they're much more rate sensitive than they ever have been."

By the end of the year, the industry lost almost $500 billion in deposits.

Preferred Bank defends its deposit base by taking care of its depositors, which can generate a higher-than-peer cost of funds. But, executives argue, the bank can afford to reward relationship deposits with an attractive interest rate because of its higher asset yields. The bank's total deposit costs for 2022 averaged 0.78%; it was 1.66% for the fourth quarter, but NIM in the same period was 4.75%.

"If you want to keep your clients happy, you don't want to shortchange them on a long-term basis," Yu says. "We think we are paying a little bit above average in our deposits rate, so [clients] feel their money is not being wasted and not being shortchanged."

Maintaining adequate liquidity in 2021 and 2022 has allowed Preferred and Los Angeles-based Hanmi Financial Corp., another bank in the RankingBanking top 25, to be "on the front foot" when it comes to serving customers and meeting their credit needs, says Timothy Coffey, associate director of depository research at Janney Montgomery Scott, who covers both banks.

"That's one of the things I think about for these two banks: the way they focus on serving their clients, they have liquidity available to do it," he says.

At The Bancorp, the deposits that come from the fintech partnerships and prepaid cards funded more than 130 million insured small dollar accounts at the end of March 2023. Kozlowski says the bank passes on 42% of each federal funds rate increase to the fintech partner and keeps the rest for itself, creating a predictable and immediate rate of change. It keeps 100% of the rate change on its repriced assets, which lowers the overall beta. The average rate of the bank's $6.3 billion in deposits at the end of 2022 was 82 basis points; it was 1.68% in the fourth quarter. NIM was 4.21% in the fourth quarter and 3.55% for 2022.

"That stable funding has no deposit beta; once [the fed funds change], it changes that month, but we get a loan repricing over the next three months," he says. "That's why our NIM explodes."

But the biggest change for bank balance sheets in 2022 arguably wasn't on the loan or deposit sides. It was in the securities portfolio, which is normally a reliable source of yield or liquidity. In 2022, it was neither.

As rates rose, low-yielding U.S. Treasuries that banks purchased with excess pandemic stimulus lost resale — or market — value, given the difference between the rate they paid compared to similar but newer bonds with higher interest rates. These unrealized losses totaled $620.4 billion at year-end 2022, according to the FDIC. Of that, $279.5 billion in unrealized losses on securities marked "available for sale," or AFS, showed up as accumulated other comprehensive income, or AOCI, in bank call report data and were deducted from tangible common equity capital levels.

Executives at both Preferred and The Bancorp say their bank has minimal securities portfolios and manageable unrealized losses. Preferred's investment securities averaged $432.8 million for 2022; its AOCI recorded a loss of $28.6 million. Taxable investment securities at The Bancorp were $855.6 million at the end of the year; its AOCI had a loss of $30 million.

Fitzgibbon says the AOCI line item was the "biggest single change to bank balance sheets in 2022." Even with those mounting losses throughout 2022, most banks could hold these bonds without needing to sell them at their lower values for additional liquidity. But the loss of bond values contributed directly to the liquidation of La Jolla, California-based Silvergate Bank and the failure of Santa Clara, California-based Silicon Valley Bank in March 2023. The deposit runs and instability caused by Silicon Valley Bank's failure led to two more sizable bank failures, Signature Bank in New York and San Francisco-based First Republic Bank.

It is now nearly impossible to divorce the impact of high interest rates on bank balance sheets in

2022 with what has happened in 2023. As of July 26, the federal funds rate had already increased by roughly 100 basis points — creating more pressure on banks, not less. The interest rate environment has caused near-tectonic shifts, and the environment has yet to stabilize.

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>
> **Li Yu** / Preferred Bank

Interest income, it seems, has peaked, but for many banks, interest expense is on the rise. In addition to liquidity and interest rate risk, the emergent concern in 2023 is now credit risk: How will high rates impact borrowers' ability to repay their loans?

Kara Baldwin, an audit partner at Crowe, says elevated loan demand in 2022 was a "mixed bag" for the industry that could make growing loans in the future harder. There's also the issue of loan structure: Banks may have made fixed rate, long duration loans in the first half of 2022 that lost their value by the end of the year as rates continued their relentless climb. The outlook for the yield of those loans in the future may be close to or below the terminal rate of the bank's funding cost, which could still be rising. On top of that, any loan that needs to be refinanced can expect to face a higher new rate — a dynamic that continued in 2023 and could crystalize into credit risk.

"It had various, strange impacts through the year which aren't necessarily fully understood," Baldwin says. "There were times when lenders came to me and said, 'We don't even understand how another bank made this deal or why it was structured in this way.'"

In order to survive, boards and executives will need to actively manage both sides of the balance sheet, avoid getting burned on mistimed rate bets, and stay attended to the fundamental and emerging risks they face. Most banks can hope to endure this economic cycle without taking fatal losses. But some will thrive, cresting the economic waves rather than being buffeted by them.

"Banks that stick to their processes, and management teams and the board holding their bankers accountable, really shows up when you get into these periods that we just haven't seen before," says Coffey. "A bank that has been doing what the crowd has been doing, they're going to move with the crowd in a downturn, right? It's that iconic, classic approach to banking, where you do what you do best, that really stands out when we hit these periods."

Kiah Lau Haslett is the banking & fintech editor at Bank Director.

$1 BILLION UP TO $5 BILLION

					Profitability				Capital Adequacy		Asset Quality		Total Shareholder Return		
Rank	Company Name	Ticker	State	Total Assets ($MM)	Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tang Common Equity/ Tang Assets (%)	TCE Rank	NPAs ex TDRs / Loans & OREO (%)	NPA Rank	Total Return (%)	TSR Rank	Final Score
1	John Marshall Bancorp*	JMSB	VA	2,348	1.41	24	15.32	32	9.06	26	-	1	45.8	3	86
2	First Business Financial Services*	FBIZ	WI	2,977	1.46	15	16.14	24	7.99	51	0.15	35	28.2	13	138
3	BCB Bancorp*	BCBP	NJ	3,546	1.66	7	18.81	11	7.48	70	0.17	38	20.6	17	143
4	OP Bancorp*	OPBK	CA	2,094	1.74	6	19.57	6	8.43	37	0.12	29	(9.3)	78	156
5	Bank First Corp.*	BFC	WI	3,660	1.50	12	13.50	60	9.23	24	0.21	50	30.0	11	157
5	Five Star Bancorp*	FSBC	CA	3,227	1.58	9	18.83	10	7.83	58	0.01	10	(7.2)	70	157
5	Wilson Bank Holding Co.	WBHC	TN	4,286	1.32	34	14.77	38	8.31	41	-	1	2.1	43	157
8	Unity Bancorp*	UNTY	NJ	2,445	1.80	5	17.33	17	9.71	20	0.43	81	5.8	35	158
9	Northeast Bank*	NBN	ME	2,809	2.41	1	16.36	22	9.32	23	0.51	95	17.9	22	163
10	Norwood Financial Corp.*	NWFL	PA	2,047	1.43	21	16.14	25	6.82	90	0.10	24	34.1	5	165
11	Oak Valley Bancorp*	OVLY	CA	1,968	1.19	55	18.41	13	6.26	102	-	1	32.4	7	178
12	The First Bancorp*	FNLC	ME	2,739	1.51	11	16.87	19	7.31	77	0.09	22	(0.4)	54	183
13	South Plains Financial*	SPFI	TX	3,944	1.46	16	15.67	31	8.50	35	0.21	51	0.7	51	184
14	HBT Financial*	HBT	IL	4,287	1.36	28	15.19	33	8.06	49	0.20	45	8.1	31	186
14	Southern States Bancshares*	SSBK	AL	2,045	1.35	29	14.68	39	8.07	48	0.33	68	50.2	2	186
16	Macatawa Bank Corp.*	MCBC	MI	2,907	1.21	51	14.18	46	8.50	36	0.21	47	29.3	12	192
17	ACNB Corp.*	ACNB	PA	2,526	1.37	27	14.80	37	7.71	64	0.23	56	31.1	9	193
17	Parke Bancorp*	PKBK	NJ	1,985	2.09	2	16.73	20	13.38	5	1.02	114	0.4	52	193
19	Burke & Herbert Financial Svcs Corp.*	BHRB	VA	3,563	1.32	32	15.86	27	7.68	66	0.29	65	33.5	6	196
19	Capital Bancorp*	CBNK	MD	2,124	2.01	3	19.69	4	10.55	14	0.56	98	(9.3)	77	196
21	Bridgewater Bancshares*	BWB	MN	4,346	1.38	25	13.93	49	7.48	71	0.02	11	0.3	53	209
22	Hingham Institution for Savings*	HIFS	MA	4,194	1.43	20	14.60	40	9.20	25	0.03	12	(33.5)	118	215
23	Independent Bank Corp.	IBCP	MI	5,000	1.31	36	18.40	14	6.37	98	0.12	30	4.3	39	217
24	MetroCity Bankshares*	MCBS	GA	3,427	1.96	4	19.56	7	10.01	17	0.47	88	(19.2)	104	220
25	Greene County Bancorp*	GCBC	NY	2,616	1.25	47	19.62	5	6.43	96	0.39	74	59.6	1	223
26	River Financial Corp.*	RVRF	AL	2,833	1.18	60	21.42	1	3.71	121	0.11	27	23.4	16	225
26	Southern Missouri Bancorp	SMBC	MO	3,451	1.41	23	14.29	44	8.92	28	0.21	49	(10.7)	81	225
28	Red River Bancshares*	RRBI	LA	3,083	1.20	54	14.19	45	8.57	33	0.12	31	(4.0)	63	226
29	First Bank*	FRBA	NJ	2,733	1.43	22	13.28	65	9.96	18	0.27	60	(3.6)	62	227
30	River City Bank*	RCBC	CA	4,041	1.17	63	13.68	53	8.74	30	-	1	(11.3)	83	230
31	Coastal Financial Corp.*	CCB	WA	3,144	1.38	26	18.30	15	7.74	63	0.27	61	(6.1)	68	233
32	Hills Bancorp.	HBIA	IA	3,980	1.19	59	11.42	84	10.70	11	0.22	52	6.6	33	239
33	California BanCorp*	CALB	CA	2,042	1.08	81	13.14	68	8.09	46	0.08	17	12.0	29	241
34	Mercantile Bank Corp.*	MBWM	MI	4,873	1.22	50	14.18	47	8.12	45	0.20	44	(0.9)	56	242
35	West Bancorporation*	WTBA	IA	3,613	1.32	33	20.69	3	5.84	110	0.01	9	(14.4)	91	246
36	Southern California Bancorp*	BCAL	CA	2,284	1.02	89	9.37	103	9.84	19	0.00	8	12.3	28	247
37	C&F Financial Corp.*	CFFI	VA	2,332	1.15	70	13.48	61	7.32	74	0.09	23	17.5	23	251
38	American Business Bank*	AMBZ	CA	3,841	1.27	41	19.51	8	6.62	93	0.28	63	0.8	50	255
39	Central Valley Community Bancorp*	CVCY	CA	2,423	1.16	67	15.15	35	5.10	116	-	1	4.6	37	256
40	First Financial Corp.	THFF	IN	4,989	1.33	30	13.54	58	7.79	61	0.40	76	4.4	38	263
40	Mid Penn Bancorp*	MPB	PA	4,498	1.28	39	11.49	81	8.93	27	0.23	57	(2.9)	59	263
42	Cashmere Valley Bank*	CSHX	WA	2,088	1.47	13	19.03	9	7.08	86	0.16	37	(35.4)	119	264

$1 BILLION UP TO $5 BILLION

					Profitability				Capital Adequacy		Asset Quality		Total Shareholder Return		
Rank	Company Name	Ticker	State	Total Assets ($MM)	Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tang Common Equity/ Tang Assets (%)	TCE Rank	NPAs ex TDRs / Loans & OREO (%)	NPA Rank	Total Return (%)	TSR Rank	Final Score
42	The Community Financial Corp.	TCFC	MD	2,410	1.25	45	15.18	34	7.32	76	0.34	69	3.4	40	264
44	FVCBankcorp	FVCB	VA	2,344	1.19	56	12.49	71	8.33	40	0.17	39	(3.1)	60	266
45	Citizens Financial Services*	CZFS	PA	2,333	1.31	37	13.21	66	7.32	75	0.43	82	31.2	8	268
45	First Community Bankshares	FCBC	VA	3,136	1.46	18	11.07	90	9.60	22	0.66	102	5.2	36	268
45	PCB Bancorp*	PCB	CA	2,420	1.54	10	11.43	82	10.99	10	0.36	71	(17.0)	95	268
45	Summit Financial Group	SMMF	WV	3,917	1.46	17	16.30	23	7.20	81	0.42	78	(6.7)	69	268
49	Arrow Financial Corp.	AROW	NY	3,970	1.20	53	13.52	59	8.38	39	0.38	73	1.6	46	270
49	FS Bancorp	FSBW	WA	2,633	1.25	44	12.01	76	8.60	32	0.41	77	2.4	41	270
49	The First of Long Island Corp.	FLIC	NY	4,282	1.11	77	12.14	74	8.51	34	-	1	(12.0)	84	270
52	USCB Financial Holdings*	USCB	FL	2,086	1.11	78	11.72	78	8.75	29	-	1	(12.9)	87	273
53	RBB Bancorp	RBB	CA	3,919	1.63	8	13.68	52	10.60	13	0.69	105	(18.5)	100	278
54	Peoples Financial Services Corp.*	PFIS	PA	3,554	1.17	64	12.59	70	7.22	80	0.08	18	1.4	47	279
55	Dacotah Banks*	DBIN	SD	3,607	1.15	72	11.43	83	9.66	21	0.18	42	(5.2)	65	283
56	Canandaigua National Corp.*	CNND	NY	4,748	1.08	83	15.68	30	6.40	97	0.30	66	23.7	15	291
57	Bankwell Financial Group*	BWFG	CT	3,252	1.44	19	16.73	21	7.26	79	0.62	101	(8.2)	73	293
57	ChoiceOne Financial Services*	COFS	MI	2,386	1.08	80	14.53	42	4.57	120	0.11	25	14.4	26	293
59	American National Bankshares*	AMNB	VA	3,066	1.10	79	10.66	94	7.82	59	0.06	14	1.1	48	294
59	Carter Bankshares	CARE	VA	4,205	1.18	62	13.92	50	7.82	60	0.48	90	7.8	32	294
59	Merchants Financial Group*	MFGI	MN	2,580	1.15	69	13.47	62	8.05	50	0.47	89	17.3	24	294
62	Northrim BanCorp	NRIM	AK	2,674	1.14	74	13.37	63	7.55	69	0.42	79	30.7	10	295
63	Alerus Financial Corp.*	ALRS	ND	3,780	1.32	35	13.29	64	7.74	62	0.16	36	(17.9)	99	296
64	Fidelity D & D Bancorp*	FDBC	PA	2,378	1.26	42	17.53	16	6.01	107	0.17	40	(17.5)	97	302
65	Bank of Marin Bancorp	BMRC	CA	4,147	1.13	76	11.62	80	8.21	44	0.14	33	(9.1)	76	309
65	Bar Harbor Bankshares	BHB	ME	3,910	1.19	58	11.14	87	7.09	85	0.23	54	14.7	25	309
67	Guaranty Bancshares	GNTY	TX	3,351	1.23	48	13.65	55	7.87	56	0.46	86	(5.5)	67	312
68	Capital City Bank Group	CCBG	FL	4,526	0.97	94	10.82	92	6.79	91	0.11	26	25.8	14	317
68	CapStar Financial Holdings*	CSTR	TN	3,117	1.30	38	11.24	86	10.03	16	0.45	85	(14.5)	92	317
70	Orange County Bancorp*	OBT	NY	2,287	1.06	84	15.75	28	5.76	111	0.39	75	18.3	20	318
71	Western New England Bancorp*	WNEB	MA	2,553	0.95	100	11.08	89	8.41	38	0.29	64	11.0	30	321
72	Peoples Bancorp*	PPBB	WA	2,579	0.82	109	9.01	105	10.04	15	0.09	21	(9.1)	75	325
73	Civista Bancshares*	CIVB	OH	3,538	1.33	31	13.62	56	5.91	108	0.26	59	(7.5)	72	326
73	Penns Woods Bancorp*	PWOD	PA	2,000	0.96	98	11.13	88	7.61	68	0.23	53	18.7	19	326
75	BayCom Corp*	BCML	CA	2,513	1.13	75	9.37	102	11.06	9	0.67	103	2.2	42	331
75	Shore Bancshares*	SHBI	MD	3,477	1.00	90	9.69	100	8.67	31	0.08	20	(14.4)	90	331
77	Isabella Bank Corp.*	ISBA	MI	2,030	1.08	82	11.38	85	6.96	89	0.07	15	(3.5)	61	332
77	Territorial Bancorp*	TBNK	HI	2,170	0.71	113	5.95	116	11.82	7	0.18	41	(0.5)	55	332
79	Chemung Financial Corp.*	CHMG	NY	2,646	1.16	65	16.08	26	5.51	112	0.46	87	1.6	44	334
80	Farmers & Merchants Bancorp*	FMAO	OH	3,015	1.27	40	12.29	73	6.97	88	0.20	46	(15.0)	93	340
81	Somerset Trust Holding Co.*	SOME	PA	2,017	1.18	61	20.99	2	5.10	117	0.45	83	(10.2)	79	342
82	Equity Bancshares	EQBK	KS	4,982	1.21	52	13.74	51	7.02	87	0.55	97	(2.6)	58	345
83	Orrstown Financial Services*	ORRF	PA	2,922	1.25	46	14.55	41	7.14	83	0.95	112	(5.3)	66	348
84	Codorus Valley Bancorp*	CVLY	PA	2,195	0.98	93	12.47	72	7.97	53	0.70	107	13.7	27	352

					Profitability				Capital Adequacy		Asset Quality		Total Shareholder Return		
Rank	Company Name	Ticker	State	Total Assets ($MM)	Core ROAA (%)	ROA Rank	Core ROAE (%)	ROE Rank	Tang Common Equity/ Tang Assets (%)	TCE Rank	NPAs ex TDRs / Loans & OREO (%)	NPA Rank	Total Return (%)	TSR Rank	Final Score
84	SmartFinancial*	SMBK	TN	4,637	0.97	96	10.73	93	7.13	84	0.14	34	1.6	45	352
86	Farmers National Banc Corp.	FMNB	OH	4,082	1.46	14	17.24	18	4.79	119	0.59	99	(20.6)	106	356
87	Avidbank Holdings*	AVBH	CA	2,133	1.22	49	18.66	12	6.45	95	0.92	111	(17.5)	96	363
88	Home Bancorp	HBCP	LA	3,228	1.16	68	10.99	91	7.71	65	0.45	84	(1.3)	57	365
89	HomeTrust Bancshares	HTBI	NC	3,647	0.98	92	8.79	107	10.62	12	0.21	48	(20.9)	107	366
90	First Citizens Bancshares*	FIZN	TN	2,404	1.15	71	15.09	36	5.49	113	0.32	67	(11.0)	82	369
91	Investar Holding Corp.*	ISTR	LA	2,754	1.05	87	11.95	77	6.37	99	0.51	94	19.0	18	375
91	Waterstone Financial	WSBF	WI	2,032	0.95	99	4.81	118	18.21	2	0.27	62	(15.7)	94	375
93	Southern First Bancshares	SFST	SC	3,692	0.91	103	10.31	95	7.98	52	0.08	19	(26.8)	113	382
94	First Guaranty Bancshares*	FGBI	LA	3,151	0.99	91	12.93	69	5.89	109	0.50	93	18.2	21	383
95	NASB Financial*	NASB	MO	2,520	1.16	66	7.23	114	14.63	3	0.67	104	(17.8)	98	385
96	Exchange Bank*	EXSR	CA	3,334	1.06	85	15.71	29	6.06	106	0.23	55	(24.6)	112	387
97	Enterprise Bancorp	EBTC	MA	4,438	0.96	97	14.45	43	6.24	103	0.19	43	(19.5)	105	391
98	1867 Western Financial Corp.*	WFCL	CA	4,623	1.26	43	9.17	104	13.59	4	1.36	121	(37.9)	120	392
99	Meridian Corp.*	MRBK	PA	2,062	1.19	57	13.96	48	7.14	82	1.30	118	(13.3)	88	393
100	First Internet Bancorp*	INBK	IN	4,543	0.89	104	9.98	98	7.87	55	0.08	16	(48.0)	122	395
101	FineMark Holdings*	FNBT	FL	3,554	0.62	116	8.14	112	7.32	73	0.03	13	(13.8)	89	403
102	Southern BancShares (N.C.)*	SBNC	NC	4,727	0.88	105	13.19	67	5.44	114	0.13	32	(12.3)	86	404
102	Sterling Bancorp*	SBT	MI	2,445	(0.53)	121	(4.06)	121	12.79	6	2.14	122	5.9	34	404
104	Citizens & Northern Corp.*	CZNC	PA	2,454	1.14	73	10.19	96	8.08	47	1.34	120	(8.4)	74	410
105	First Northwest Bancorp*	FNWB	WA	2,042	0.73	111	8.39	110	7.86	57	0.12	28	(22.7)	110	416
106	Blue Foundry Bancorp*	BLFY	NJ	2,043	0.12	120	0.57	120	19.24	1	0.50	92	(12.2)	85	418
107	Evans Bancorp*	EVBN	NY	2,179	1.04	88	13.67	54	6.47	94	1.33	119	(4.2)	64	419
108	BankFirst Capital Corp.*	BFCC	MS	2,458	1.05	86	8.40	109	3.65	122	0.81	109	39.7	4	430
109	First Western Financial*	MYFW	CO	2,867	0.87	106	9.84	99	7.36	72	0.50	91	(7.3)	71	439
110	Ponce Financial Group*	PDLB	NY	2,312	(1.33)	122	(6.42)	122	11.58	8	0.90	110	(10.3)	80	442
111	Ames National Corp.*	ATLO	IA	2,135	0.92	102	11.64	79	6.35	100	1.19	116	1.0	49	446
112	Blue Ridge Bankshares*	BRBS	VA	3,141	0.97	95	10.16	97	7.27	78	0.42	80	(27.9)	116	466
113	Third Coast Bancshares*	TCBX	TX	3,773	0.56	117	5.55	117	7.90	54	0.35	70	(29.1)	117	475
114	Finward Bancorp*	FNWD	IN	2,070	0.95	101	13.54	57	5.34	115	1.26	117	(18.5)	101	491
114	Sierra Bancorp	BSRR	CA	3,609	0.86	108	9.46	101	7.65	67	0.95	113	(18.6)	102	491
116	MVB Financial Corp.*	MVBF	WV	3,069	0.51	119	6.03	115	8.30	42	0.52	96	(45.8)	121	493
117	Eagle Bancorp Montana*	EBMT	MT	1,948	0.77	110	8.72	108	6.10	104	0.24	58	(27.8)	115	495
118	Primis Financial Corp.	FRST	VA	3,572	0.53	118	4.30	119	8.27	43	1.06	115	(18.9)	103	498
119	Tri City Bankshares Corp.*	TRCY	WI	2,038	0.86	107	12.04	75	6.31	101	0.69	106	(27.4)	114	503
120	Colony Bankcorp*	CBAN	GA	2,937	0.72	112	8.34	111	6.10	105	0.36	72	(23.5)	111	511
121	First Savings Financial Group*	FSFG	IN	2,197	0.69	114	8.09	113	6.77	92	0.71	108	(22.5)	109	536
122	Marquette National Corp.*	MNAT	IL	2,083	0.65	115	8.88	106	5.06	118	0.61	100	(22.2)	108	547
				Median	1.18		13.48		7.77		0.27		(3.5)		
				Mean	1.15		12.90		8.05		0.38		(1.5)		

**Had not adopted CECL as of Dec. 31, 2022*

Source: **Piper Sandler & Co., using S&P Global Market Intelligence data**

RankingBanking uses five metrics to assess performance. Profitability is captured by return on equity and return on assets. Asset quality is represented by nonperforming assets as a percentage of loans and other real estate owned. Capital adequacy is based on a bank's tangible common equity ratio. Total shareholder return includes stock price appreciation and dividends. Banks are scored on each of the five metrics. The scores are then merged into an overall score, which determines the ranking — the lower the score, the higher the rank. Data is based on calendar year 2022 results.

Acknowledgments

Data used in the 2023 RankingBanking analysis was collected through S&P Global Market Intelligence and analyzed by Piper Sandler & Co., using calendar year 2022 results. Five metrics were used to assess performance: profitability, captured by return on equity and return on assets; asset quality, represented by nonperforming assets; capital adequacy, a function of a bank's tangible common equity ratio; and total shareholder return, measured by stock price appreciation and dividends. Banks were scored on each of the five metrics. These scores were then added to generate an overall score, which determines the ranking — the lower the overall score, the higher the rank.

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Contact

Bank Director
201 Summit View Dr.
Suite 250
Brentwood, TN 37027
Tel: 615.777.8450
Fax: 615.777.8449
www.BankDirector.com

Inquiries about our research: Emily McCormick, vice president of editorial & research, emccormick@bankdirector.com

Inquiries about reprints: Andrew Pate, circulation associate, apate@bankdirector.com