RESEARCH & ANALYSIS

South Central region dominates 2023 US public bank performance ranking

Wednesday, March 20, 2024 12:01 PM ET

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Market Intelligence

Banks based in Texas, along with those in Arkansas and Oklahoma, captured most of the top positions in the US public bank performance ranking for 2023.

Six of the top eight banks in S&P Global Market Intelligence's analysis of 100 US banks with greater than $10 billion in total assets that trade on a major exchange are headquartered in the South Central region. Laredo, Texas-based International Bancshares Corp. topped the rankings, and Texas-based banks earned the No. 3 and No. 7 ranks, respectively. The Southeast region nabbed the other two spots in the top eight, while the No. 9 and No. 10 banks are in the Midwest. The Northeast and West regions were shut out of the top 10.

The banks at the top of the rankings successfully balanced growth and profitability with safety and soundness during a tumultuous year. The sector faced several headwinds in 2023, from liquidity panic to margin compression to deteriorating commercial real estate credit quality, particularly in the office segment. A slowdown in M&A activity limited growth opportunities and exit strategies. There were also many noncore or one-time items that impacted profitability, including gains from failed bank transactions, the divestiture of insurance businesses, realized losses on investment securities, cross-border exposure, goodwill impairment charges and the Federal Deposit Insurance Corp.'s special assessment.

Top of the list

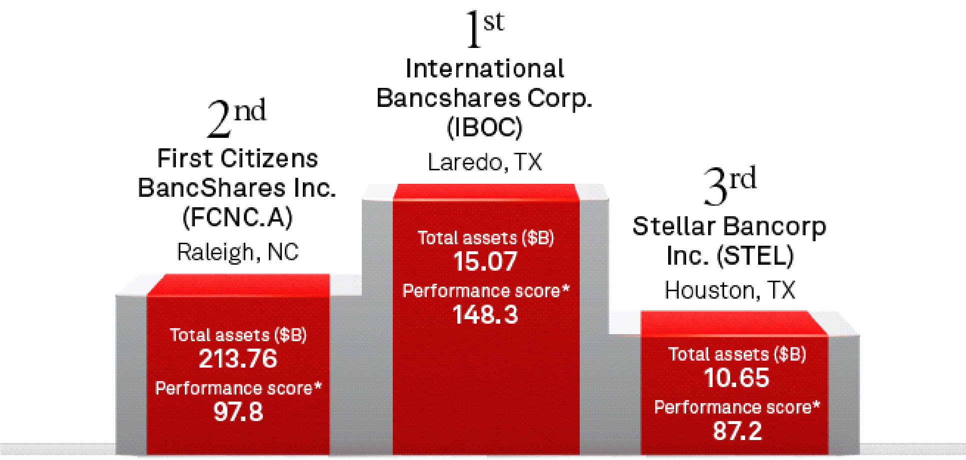
International Bancshares was an outlier in 2023 as its performance score of 148.3 was more than 50 percentage points higher than the runner-up, First Citizens BancShares Inc.

Among the 100 banks in the analysis, International Bancshares had the highest adjusted tangible capital ratio at 15.17%, the second-highest EPS growth at 38.5% and the second-highest return on average assets (ROAA) at 2.64%. It was the only bank with a top-five score in five different ranking metrics.

Even for the two metrics outside of the top five — operating revenue growth and net charge-off ratio — International Bancshares scored better than the group median. Additionally, the methodology applied in this analysis takes the bank down a notch. If those two metrics were limited to 2023 performance instead of a five-year average, International Bancshares' performance ranking would have jumped to 173.0.

Top 3 US public banks, 2023

Based on a financial performance ranking of the largest public companies in the sector



Data compiled March 9, 2024.

ROAA = return on average assets; HFI = held for investment; HTM = held to maturity; TCE = tangible common equity; NCOs = net charge-offs.

Analysis limited to US public banks with greater than $10 billion in total assets at Dec. 31, 2023, and trading on the Nasdaq, NYSE or NYSEAM. Excludes mutual holding companies as well as banks that failed to file a Form 10-K or Form 10-Q for the period ended Dec. 31, 2023.

* The performance score is on a scale from -200 to 200 and is based on seven weighted financial metrics: one-year EPS change (20%), five-year average operating revenue change (10%), ROAA (20%), cost of funds (15%), gross loans HFI + HTM securities/ total deposits (10%), adjusted TCE/ tangible assets (15%), and five-year average NCOs/ average loans (10%).

Credit: Augusto Justiniano Jr.

Source: S&P Global Market Intelligence.

As of June 30, 2023, more than 90% of International Bancshares' deposits were in Texas branches, with the remainder in Oklahoma. The bank held the leading deposit market share in several metropolitan statistical areas near the Mexican border, including Laredo, McAllen-Edinburg-Mission and Brownsville-Harlingen.

In its 2023 Form 10-K, the bank attributed some of its success to a diverse workforce that largely represents the customers it serves. In the fourth quarter of 2023, nearly three-fourths of its workforce self-identified as Latino or Hispanic, according to the filing.

At the end of 2023, more than 85% of International Bancshares' loans were in commercial real estate — including multifamily, farmland, and construction and land development — and commercial and industrial, and about 43% of its deposits were non-interest-bearing. High loan yields and low-cost funding translate to elite margins. Add an efficient cost structure and the result is consistently superior profitability. And with a loan-to-deposit ratio of just 68% and a negligible amount of held-to-maturity (HTM) securities, the bank maintains a highly liquid balance sheet.

Continuity could be another contributing factor to the bank's success. Dennis Nixon has been president of the company since 1979 and chairman since 1992. The bank noted in the Form 10-K that "As of December 31, 2023, approximately 68% of our approximately 300-person officer management team have been with us for more than 15 years, and approximately 70% of those have been with us for more than 20 years."

Runners-up

The second-ranked bank, First Citizens, hit a grand slam with the purchase of certain assets and the assumption of certain liabilities of Silicon Valley Bridge Bank NA in March 2023. In addition to acquiring valuable deposits and loans, the bank booked a $9.82 billion bargain purchase gain, net of taxes, more than doubling tangible book value per share.

That failed-bank deal on top of the merger of equals in 2022 with CIT Group Inc. drove growth and overall profitability to dizzying heights, leading to ROAA of 5.90%, EPS growth of 126.9% and operating revenue growth of 52.5% — placing the bank at No. 1 for those categories in the analysis.

Conversely, First Citizens' liquidity ratio, cost of funds and net charge-off (NCO) ratio scored worse than the group median. In contrast to International Bancshares, the bank benefited from the five-year average calculation methodology. Its NCOs to average loans was 0.48% in 2023 versus a five-year average of 0.16%. Limiting the analysis to one year across all metrics would have dropped the bank to sixth.

Houston-based Stellar Bancorp Inc., the smallest bank in the analysis with $10.65 billion in total assets at year-end 2023, placed third. It was one of just three banks, along with International Bancshares and No. 4 Oklahoma City-based BancFirst Corp., with a better-than-median score for each of the seven ranking metrics. Stellar's primary strength was in the growth categories, where it ranked fourth.

Stellar was created in 2022 through a merger of equals, and almost all of its branches are in southeastern Texas. As of June 30, 2023, the bank held the No. 9 deposit market share in the Houston-Pasadena-The Woodlands metropolitan statistical area and was the market leader in the Beaumont-Port Arthur area.

One of the notable aspects of Stellar's business model is a lack of fee income. Just 5.5% of its operating revenue consisted of non-interest income in 2023, the lowest ratio in the analysis. Fortunately for a bank so dependent on spread income, Stellar has a robust net interest margin, which was 4.51% in 2023.

About this analysis

S&P Global Market Intelligence ranked the 2023 financial performance of US public banks with total assets exceeding $10 billion as of Dec. 31, 2023, and trading on the Nasdaq, NYSE or NYSE American as of March 6. Mutual holding companies and banks that failed to file a Form 10-K or Form 10-Q as of March 6, 2024, for the period ended Dec. 31, 2023, were excluded. Industries were classified according to the Global Industry Classification Standard of S&P Global Market Intelligence. Companies were ranked based on three major categories, using calendar-year data as well as GAAP data unless otherwise noted: growth, weighted at 30%; profitability, weighted at 35%; and safety and soundness, weighted at 35%.

The two growth metrics were one-year EPS change, weighted at 20%, and five-year average operating revenue change, weighted at 10%. If available, normalized EPS was used for EPS change. For International Bancshares and Los Angeles-based Banc of California Inc., diluted EPS was used.

The two profitability metrics were 2023 ROAA, weighted at 20%, and 2023 cost of funds, weighted at 15%. GAAP data was used when available for cost of funds; otherwise, regulatory data was used.

The three safety and soundness metrics were gross loans held for investment (HFI) and held-to-maturity (HTM) securities as a percentage of total deposits at Dec. 31, 2023, weighted at 10%; adjusted tangible common equity (TCE) as a percentage of tangible assets at Dec. 31, 2023, weighted at 15%; and five-year average NCOs-to-average loans, weighted at 10%. For the capital ratio, GAAP data for each component was used when available; otherwise, regulatory data was used. Adjusted TCE is standard TCE plus loss reserves plus unrealized HTM securities gains or losses, tax-adjusted at the 21% corporate rate, less nonperforming assets and loans at least 90 days delinquent but still accruing interest.

S&P Global Market Intelligence measured each company's standard deviation from the mean value for the seven financial metrics. Ceilings and floors were implemented for those standard deviations so that significant outliers would not skew the analysis. Then the capped standard deviations were weighted according to the above percentages and aggregated to determine a relative performance score on a scale from -200 to 200.

Methodology changes

There were several methodology changes for the 2023 analysis compared to 2022.

For one-year EPS change, normalized EPS (and diluted EPS for two companies) replaced pre-provision EPS. The weighting for the operating revenue change metric decreased to 10% from 15%. ROAA replaced return on average tangible common equity, and the weighting increased 5 percentage points. Cost of funds returned as a metric, and the weighting went up 5 percentage points. A common liquidity ratio, gross loans held for investment plus HTM securities as a percentage of total deposits, was added in place of the efficiency ratio and weighted at 10%. The adjusted TCE ratio replaced leverage ratio. The NCO ratio weighting declined to 10% from 15%.

Biggest ranking changes

With so many unusual income statement items, balance sheet restructurings, and the methodology updates in the analysis, it is unsurprising that some banks experienced a dramatic movement in their ranking.

Hilltop Holdings Inc. had the largest upward movement, vaulting 69 spots to No. 33. The Dallas-based bank improved on a relative basis in every category. In particular, its EPS change in 2023 was 5.6%, compared to negative 57.5% in 2022. The year-over-year comparison got easier following the mortgage banking boom in 2020 and 2021.

Hilltop also benefited from a change in the ranking calculation, emphasizing liquidity instead of efficiency. While Hilltop had the 16th-lowest ratio of gross loans held for investments and HTM securities to total deposits in 2023, its efficiency ratio of 85.47% was worse than all but two banks.

Other banks that jumped more than 60 rungs in the ranking were Stellar, which jumped 66 spots, and JPMorgan Chase & Co., which jumped 65 spots. M&T Bank Corp., Nashville, Tenn.-based FB Financial Corp. and Jackson, Miss.-based Trustmark Corp. all jumped more than 50 spots.

Red Bank, NJ-based OceanFirst Financial Corp. fell the most in the ranking to No. 78 from No. 12. Most of the decline was from the EPS change category as well as switching to liquidity from efficiency. The bank's liquidity ratio was 108.9%, the sixth highest in the analysis, whereas its efficiency ratio was closer to the median.

Another bank that freefell was Truist Financial Corp., dropping to No. 97 from No. 49. Truist booked a $6.08 billion goodwill impairment charge in the 2023 fourth quarter, which caused ROAA for the year to slide into the red. Additionally, changing to adjusted TCE ratio from leverage ratio negatively impacted Truist, as the fair value marks on its HTM securities are severe.

Other notable banks

The No. 1 bank from 2022, East West Bancorp Inc., fell to No. 19 in 2023. Its EPS growth, while still solid at 8.1% in 2023, was down from 46.2% in 2022. The Pasadena, Calif.-based bank's ranking also deteriorated from removing the efficiency ratio in the analysis. East West's ratio in 2023 was 36.23%, which would have maxed out the category score. Partially offsetting that adjustment was using the adjusted TCE ratio in place of the leverage ratio.

Just one metric prevented a top-three overall rank for Puerto Rico-based OFG Bancorp, which finished at No. 6. Its five-year average NCOs to average loans ratio was an analysis-worst 0.97%, compared to scores in the top 25 for all other categories. The NCO ratio also kept Puerto Rican peer First BanCorp. from a top 10 overall finish; instead, it closed out 2023 at No. 18.

JPMorgan was the top company in the Big Four group, with an overall rank of No. 36. Its three peers finished in the bottom half of the ranking. JPMorgan earned top 10 scores in EPS change and liquidity ratio. Nonrecurring items for the year included gains and losses associated with its failed-bank purchase of First Republic Bank and a $2.88 billion special assessment. The bank also realized $3.27 billion in securities losses, up more than $800 million from 2022.

The other category winners were No. 25 Ontario, Calif.-based CVB Financial Corp., which has the lowest NCO ratio at 0.01%; No. 27 San Antonio-based Cullen/Frost Bankers Inc., which had the best liquidity ratio at 53.5%; and No. 41 DeWitt, NY-based Community Bank System Inc., which boasted the lowest cost of funds at 0.77%.

2023 ranking of US public banks by financial performance

Limited to major exchange-traded banks with greater than $10 billion in total assets (only the top 50 banks are shown)

			Ranking metrics (%)						
	Financial performance rank[1]	Company (ticker)	1-year EPS change[2]	5-year avg. operating revenue change	ROAA – 2023	Cost of funds – 2023[3]	Gross loans HFI + HTM securities/ total deposits – Dec. 31, 2023[4]	Adj. TCE/ tangible assets – Dec. 31, 2023[3,5]	5-year avg. NCOs/ avg. loans
	1	International Bancshares Corp. (IBOC)	38.5	8.1	2.64	1.08	68.2	15.17	0.12
●●	2	First Citizens BancShares Inc. (FCNC.A)	126.9	52.5	5.90	2.26	98.2	9.03	0.16
●	3	Stellar Bancorp Inc. (STEL)	34.9	28.5	1.21	1.67	89.3	9.56	0.11
	4	BancFirst Corp. (BANF)	9.9	9.7	1.75	1.87	71.6	10.43	0.13
	5	Bank OZK (OZK)	30.9	9.8	2.25	2.72	96.5	12.96	0.10
	6	OFG Bancorp (OFG)	10.9	12.5	1.79	0.99	82.8	9.85	0.97
	7	First Financial Bankshares Inc. (FFIN)	-15.2	6.4	1.55	1.26	64.2	9.68	0.03
	8	Home BancShares Inc. (HOMB)	2.1	9.0	1.77	1.89	92.8	11.55	0.09
	9	Commerce Bancshares Inc. (CBSH)	-0.7	3.6	1.52	1.33	67.8	9.28	0.20
	10	Merchants Bancorp (MBIN)	26.2	36.3	1.85	4.75	81.1	6.93	0.02
	11	WSFS Financial Corp. (WSFS)	7.1	23.7	1.33	1.47	83.9	7.80	0.22
	12	Axos Financial Inc. (AX)	23.9	20.8	2.01	3.28	101.7	9.41	0.12
	13	Enterprise Financial Services Corp. (EFSC)	-3.5	22.5	1.41	1.68	95.6	9.26	0.14
●	14	SouthState Corp. (SSB)	-3.4	24.1	1.11	1.30	94.1	8.10	0.03
●	15	Eastern Bankshares Inc. (EBC)	-16.3	3.1	1.07	1.32	81.8	12.01	0.06
	16	Independent Bank Corp. (INDB)	-6.6	15.1	1.24	1.18	106.6	10.14	0.07
	17	Banner Corp. (BANR)	3.3	4.5	1.18	0.91	91.1	8.32	0.03
	18	First BanCorp. (FBP)	7.5	9.0	1.62	1.32	75.7	8.20	0.55
	19	East West Bancorp Inc. (EWBC)	8.1	11.3	1.71	2.35	98.3	9.61	0.12
	20	United Bankshares Inc. (UBSI)	-3.2	9.3	1.25	1.98	93.6	10.99	0.07
	21	First Commonwealth Financial Corp. (FCF)	23.2	7.9	1.42	1.49	102.1	8.50	0.20
	22	First Financial Bancorp. (FFBC)	17.4	9.0	1.51	1.93	82.4	7.70	0.22
	23	M&T Bank Corp. (MTB)	26.9	10.5	1.33	1.78	91.3	7.75	0.22
	24	Cathay General Bancorp (CATY)	3.6	6.1	1.56	2.53	101.1	10.65	0.05
	25	CVB Financial Corp. (CVBF)	-7.1	7.3	1.35	0.83	99.4	6.96	0.01
●	26	Old National Bancorp (ONB)	4.6	25.5	1.21	1.68	96.7	6.20	0.05
	27	Cullen/Frost Bankers Inc. (CFR)	10.4	9.2	1.21	1.45	53.5	5.91	0.23
	28	Ameris Bancorp (ABCB)	-15.8	21.2	1.06	2.05	98.6	10.58	0.15
●	29	Webster Financial Corp. (WBS)	7.3	22.9	1.18	2.02	95.1	7.42	0.16
	30	FB Financial Corp. (FBK)	3.4	10.2	0.95	2.46	89.2	10.43	0.08
	31	TowneBank (TOWN)	-17.6	5.3	0.93	1.73	85.0	9.96	0.02
	32	First Busey Corp. (BUSE)	-4.7	6.5	1.00	1.47	82.8	7.45	0.06
	33	Hilltop Holdings Inc. (HTH)	5.6	0.9	0.71	2.64	80.4	11.25	0.07
	34	Seacoast Banking Corp. of Florida (SBCF)	-13.7	17.1	0.71	1.61	91.2	9.16	0.12
	35	Regions Financial Corp. (RF)	-5.5	5.7	1.36	1.20	77.6	7.10	0.39
●	36	JPMorgan Chase & Co. (JPM)	34.2	8.0	1.30	2.50	70.4	6.17	0.43
	37	Wintrust Financial Corp. (WTFC)	19.5	11.5	1.16	2.25	101.3	7.18	0.11
	38	BOK Financial Corp. (BOKF)	4.4	5.4	1.10	2.55	76.9	8.29	0.17
	39	F.N.B. Corp. (FNB)	12.1	6.5	1.09	1.73	104.4	7.86	0.14
	40	Trustmark Corp. (TRMK)	16.7	5.0	0.89	1.97	92.3	6.79	0.02
	41	Community Bank System Inc. (CBU)	-6.4	4.4	0.87	0.77	84.1	5.26	0.07
●	42	Cadence Bank (CADE)	-25.2	15.5	1.11	2.21	84.4	8.01	0.08
	43	Northwest Bancshares Inc. (NWBI)	1.5	5.1	0.95	1.22	102.0	7.85	0.17
	44	Pinnacle Financial Partners Inc. (PNFP)	-2.5	11.8	1.23	2.75	92.6	8.73	0.14
●	45	First Horizon Corp. (FHN)	-14.9	14.3	1.12	2.22	95.2	8.67	0.15
	46	Renasant Corp. (RNST)	5.0	4.6	0.84	1.88	96.4	8.12	0.07
	47	Fifth Third Bancorp (FITB)	4.4	5.9	1.13	2.14	69.4	6.50	0.28
	48	First Merchants Corp. (FRME)	-7.4	9.9	1.23	2.20	99.0	7.82	0.09
	49	Live Oak Bancshares Inc. (LOB)	21.2	18.4	0.69	3.52	84.0	8.53	0.17
	50	Atlantic Union Bankshares Corp. (AUB)	1.0	7.5	0.98	1.95	97.9	7.44	0.07
		Median for all banks in the ranking	**-6.8**	**7.9**	**1.01**	**2.01**	**92.4**	**7.81**	**0.14**

● Completed a failed bank purchase in 2023 ● Completed a merger of equals in 2022 ● Completed a merger of equals in 2020
● Completed a mutual-to-stock conversion in 2020 ● Completed a merger of equals in 2021

Data compiled March 9, 2024.
ROAA = return on average assets; HFI = held for investment; HTM = held to maturity; TCE = tangible common equity; NCOs = net charge-offs.
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[1] Companies ranked based on seven weighted financial metrics: one-year EPS change (20%), five-year average operating revenue change (10%), ROAA (20%), cost of funds (15%), gross loans HFI + HTM securities/ total deposits (10%), adjusted TCE/ tangible assets (15%), and five-year average NCOs/ average loans (10%).

[2] Normalized EPS was used if available. Otherwise, diluted EPS after extraordinary was used. Normalized EPS = EPS adjusted for pre- and after-tax unusual gains or losses according to the consensus analyst methodology, as reported by S&P Global Market Intelligence.

[3] Regulatory data used when GAAP data was unavailable.

[4] HTM securities were valued on a cost basis.

[5] Adjusted TCE/ tangible assets = (tangible common equity + [unrealized gain / loss on HTM securities, tax-adjusted at the 21% corporate rate] + loss reserve - nonperforming assets - loans 90 or more days delinquent but still accruing interest) / tangible assets.

Source: S&P Global Market Intelligence.

Download a refreshable template containing the underlying data used in the rankings and the list of the top 100.

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