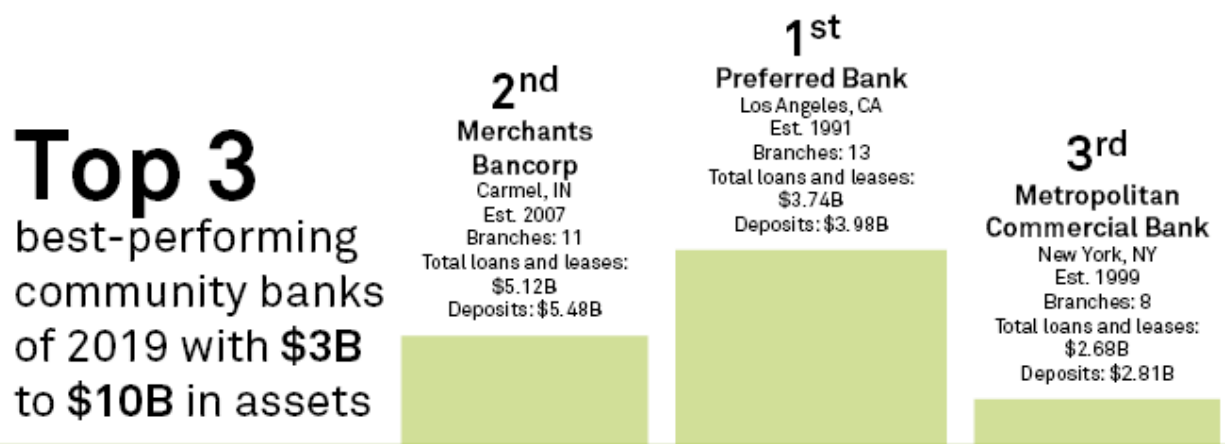


RESEARCH & ANALYSIS

LA-based Preferred Bank takes top spot in 2019 large US community bank ranking

Wednesday, March 25, 2020 5:14 AM PT

By Zain Tariq and Zuhaib Gull
Market Intelligence



Data compiled March 11, 2020.
Established date is shown for the top-tier entity appearing in the rankings.
Source: S&P Global Market Intelligence

Los Angeles-based Preferred Bank jumped 19 spots to dethrone Southfield, Mich.-based Sterling Bancorp Inc. as the best-performing large U.S. community bank in 2019.

About this analysis

To compile this ranking, S&P Global Market Intelligence calculated scores for each company based on six metrics: pretax return on average tangible common equity, net charge-offs as a percentage of average loans, efficiency ratio, adjusted Texas ratio, net interest margin and loan growth. Each company's standard deviation from the industry mean was calculated for every ranking metric, equally weighted, then added together to derive performance score. To help normalize the data and mitigate the impact of outliers, caps and floors were applied for each metric.

To be eligible for the ranking, a bank or thrift with total assets between \$3 billion and \$10 billion had to possess a loan-to-net asset ratio of at least 33.33% and no more than half of these loans could come from credit cards. Further, a company had to be well-capitalized according to current regulatory standards and no more than half of the institution's revenue could come from nontraditional banking activities. Banks with parent companies above \$10 billion in assets were excluded.

Based on the above criteria, 155 banks and thrifts were eligible for ranking.

Established in 1991 as a Chinese American bank, Preferred Bank operates 12 branches in California and one in New York. Although the bank has now expanded into mainstream markets, it continues to benefit from significant East Asian migration in California.

The company outperformed the industry median in all six of the ranking metrics analyzed. The bank had the lowest efficiency ratio among the top 50 at 32.69%, the second-

[Click here to see the top-performing community banks with less than \\$3 billion in assets for 2019.](#)

[Click here to see S&P Global Market Intelligence's 2019 credit union ranking.](#)

[To see the 2018 rankings, click here for the top-performing community banks with less than \\$3](#)

lowest adjusted Texas ratio and third-best return on average tangible common equity before tax.

billion in assets, and here for those with \$3 billion to \$10 billion in assets.

The bank received a Community Reinvestment Act rating of "needs to improve" in its most recent exam on Sept. 1, 2019.

Ranking metrics

Among the 50 best-performing US community banks of 2019 with assets between \$3B and \$1B

Highest ROATCE before tax

Company name	ROATCE before tax (%)	Overall rank
1867 Western Financial Corp. (WFCL)	33.23	5
Southern BancShares (N.C.) Inc. (SBNC)	25.36	17
Preferred Bank (PFBC)	25.00	1
ServisFirst Bancshares Inc. (SFBS)	24.47	28
Nicolet Bankshares Inc. (NCBS)	24.27	4
Industry median*	16.25	

Highest loan growth rate

Company name (top-level ticker)	Loan growth rate (%)	Overall rank
Veritex Holdings Inc. (VBTX)	132.1	22
Merchants Bancorp (MBIN)	77.2	2
Metropolitan Commercial Bank (MCB)	43.2	3
First Financial Corp. (THFF)	35.9	31
Heritage Commerce Corp. (HTBK)	34.2	12
Industry median*	7.0	

Lowest efficiency ratio

Company name	Efficiency ratio (%)	Overall rank
Preferred Bank (PFBC)	32.69	1
ServisFirst Bancshares Inc. (SFBS)	32.71	28
Merchants Bancorp (MBIN)	36.71	2
Eagle Bancorp Inc. (EGBN)	39.96	16
Sterling Bancorp Inc. (SBT)	40.73	7
Industry median*	60.69	

Highest NIM

Company name	NIM (%)	Overall rank
Meta Financial Group Inc. (CASH)	4.98	45
Alpine Banks of Colorado (ALPI.B)	4.45	30
TriCo Bancshares (TCBK)	4.44	11
CBTX Inc. (CBTX)	4.41	20
HBT Financial Inc. (HBT)	4.32	14
Industry median*	3.53	

Lowest adjusted Texas ratio

Company name (top-level ticker)	Adjusted Texas ratio (%)	Overall rank
Inwood Bancshares Inc.	0.19	9
Preferred Bank (PFBC)	0.42	1
1867 Western Financial Corp. (WFCL)	0.70	5
TriState Capital Holdings Inc. (TSC)	0.78	39
Merchants Bancorp (MBIN)	1.31	2
Industry median*	4.90	

Lowest NCOs/average loans

Company name	NCOs/average loans (%)	Overall rank
Metropolitan Commercial Bank (MCB)	-0.13	3
Union Savings Bank	-0.06	23
W.T.B. Financial Corp. (WTBFB)	-0.06	18
TriState Capital Holdings Inc. (TSC)	-0.03	39
Inwood Bancshares Inc.	-0.01	9
Preferred Bank (PFBC)	-0.01	1
Stock Yards Bancorp Inc. (SYBT)	-0.01	13
Industry median*	0.08	

Data compiled March 11, 2020.

ROATCE = return on average tangible common equity

Adjusted Texas ratio = nonperforming assets plus loans 90 days or more

past due net of delinquent government-guaranteed loans and other real

estate owned covered by loss-sharing agreements with the FDIC, as a percentage of tangible equity and reserves

Analysis is based on the 50 best-performing U.S. community banks with assets between \$3 billion and \$10 billion as of Dec. 31, 2019.

For the purposes of the ranking, community banks were defined as top-tier U.S. banks and thrifts with gross loans greater than 33.33%

of assets, credit card loans less than 50% of the loan portfolio, and assets between \$3 billion and \$10 billion.

Based on regulatory filings.

* Represents median of 155 banks eligible for this analysis.

Source: S&P Global Market Intelligence

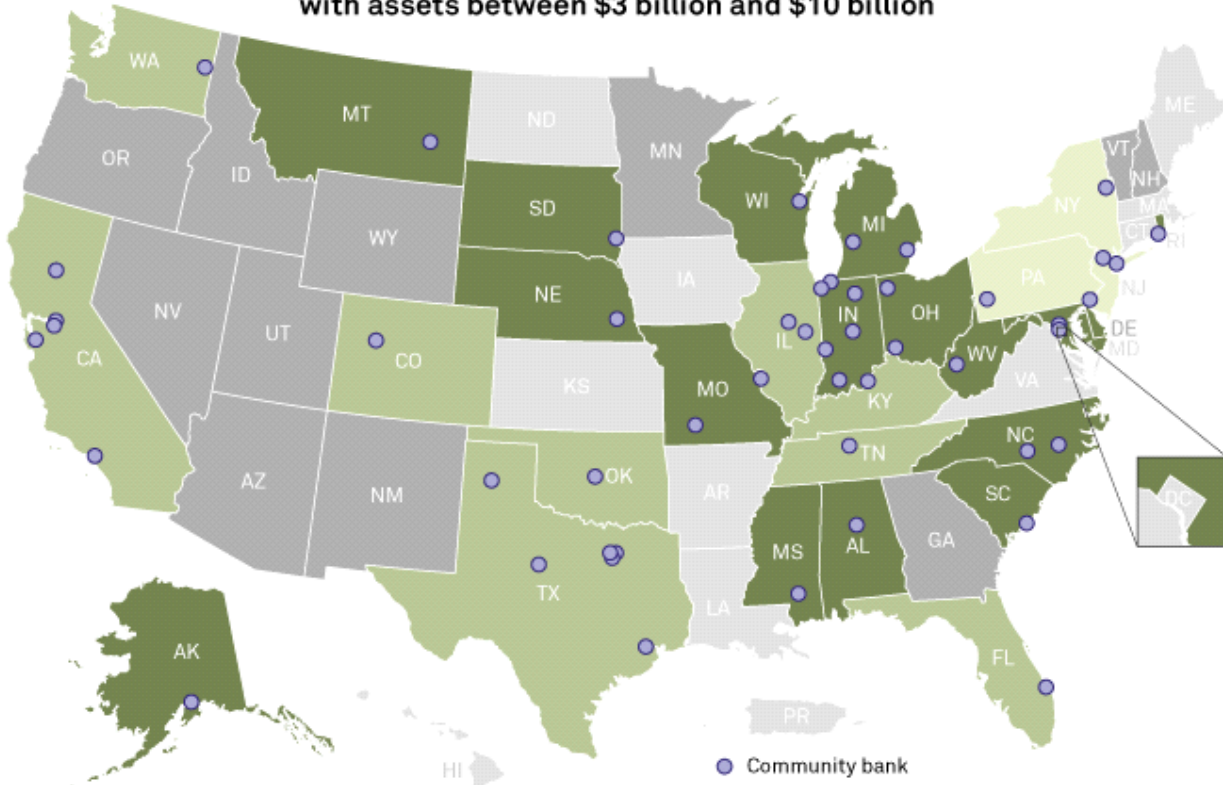
Carmel, Ind.-based Merchants Bancorp took the No. 2 spot in 2019, after last year's No. 2, Birmingham, Ala.-based National Commerce Corp., was acquired by Winter Haven, Fla.-based CenterState Bank Corp. on April 1, 2019. Merchants Bancorp reported 77.2% loan growth in 2019, the second-highest among the top 50. According to the company's fourth-quarter 2019 earnings release, lower interest rates drove loan growth, especially in the bank's warehouse mortgage business.

No. 3, New York-based Metropolitan Commercial Bank, crossed the \$3 billion mark in the third quarter of 2019 and was not ranked among the top 100 U.S. community banks with less than \$3 billion in assets in 2018.

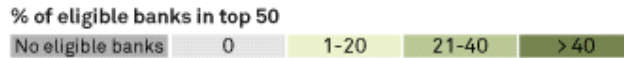
Two banks in the rankings, No. 38 ranked Nashville, Tenn.-based FB Financial Corp. and No. 41 ranked Olney, Md.-based Sandy Spring Bancorp Inc., are poised to cross \$10 billion in assets as a result of pending M&A.

Texas and Indiana both had six banks or thrifts in the top 50 in 2019, more than any other state, followed by California with five institutions.

**50 best-performing US community banks of 2019
with assets between \$3 billion and \$10 billion**



S&P Global
Market Intelligence



Data compiled March 11, 2020.
For the purposes of the ranking, community banks were defined as top-tier U.S. banks and thrifts with gross loans greater than 33.33% of assets, credit card loans less than 50% of the loan portfolio and assets between \$3 billion and \$10 billion.
Map credit: Ciaralou Agpalo Palicpic
Source: S&P Global Market Intelligence

Best-performing US community banks of 2019 with \$3B to \$10B in assets

Based on financials for year ended Dec. 31, 2019

Rank	Company (top-level ticker)	City, state	Total assets (\$B)	Ranking metrics					
				ROATCE before tax (%)	Net interest margin (%)	Efficiency ratio (%)	NCOs/ average loans (%)	Adjusted Texas ratio (%) ¹	Loan growth rate (%)
1	Preferred Bank (PFBC)	Los Angeles, CA	4.63	25.00	3.91	32.69	-0.01	0.42	10.7
2	Merchants Bancorp (MBIN)	Carmel, IN	6.37	24.15	2.56	36.71	0.02	1.31	77.2
3	Metropolitan Commercial Bank (MCB)	New York, NY	3.36	15.36	3.52	52.78	-0.13	1.66	43.2
4	Nicolet Bankshares Inc. (NCBS)	Green Bay, WI	3.58	24.27	4.17	54.75	0.02	3.98	18.9
5	1867 Western Financial Corp. (WFCL)	Stockton, CA	3.38	33.23	4.01	48.12	0.11	0.70	0.5
6	Farmers & Merchants Bancorp (FMCB)	Lodi, CA	3.72	23.12	4.23	52.02	0.02	3.18	4.0
7	Sterling Bancorp Inc. (SBT)	Southfield, MI	3.24	22.54	3.79	40.73	0.00	3.48	-0.1
8	Carolina Financial Corp. (CARO)*	Charleston, SC	4.71	17.21	4.00	54.38	0.02	6.42	28.3
9	Inwood Bancshares Inc.	Dallas, TX	3.05	20.98	3.20	46.68	-0.01	0.19	6.1
10	First Financial Bankshares Inc. (FFIN)	Abilene, TX	8.26	20.20	3.94	49.29	0.04	2.33	6.2
11	TriCo Bancshares (TCBK)	Chico, CA	6.47	20.26	4.44	57.93	0.01	3.38	7.1
12	Heritage Commerce Corp. (HTBK)	San Jose, CA	4.11	18.69	4.27	58.11	0.27	2.37	34.2
13	Stock Yards Bancorp Inc. (SYBT)	Louisville, KY	3.73	20.05	3.80	56.62	-0.01	2.57	11.9
14	HBT Financial Inc. (HBT)	Bloomington, IL	3.25	23.59	4.32	53.80	0.07	7.46	7.9
15	Enterprise Financial Services Corp. (EFSC)	Clayton, MO	7.33	20.13	3.80	55.38	0.13	5.33	22.3
16	Eagle Bancorp Inc. (EGBN)	Bethesda, MD	8.99	18.53	3.76	39.96	0.13	4.33	8.4
17	Southern BancShares (N.C.) Inc. (SBNC)	Mount Olive, NC	3.02	25.36	3.73	64.99	0.01	3.03	7.8
18	W.T.B. Financial Corp. (WTBF.B)	Spokane, WA	7.16	16.28	3.97	63.32	-0.06	1.90	12.2
19	NexBank Capital Inc.	Dallas, TX	9.78	19.21	1.90	49.17	0.03	4.27	33.0
20	CBTX Inc. (CBTX)	Houston, TX	3.48	14.52	4.41	57.90	0.03	1.90	7.9
21	Lakeland Financial Corp. (LKFN)	Warsaw, IN	4.95	19.24	3.37	44.62	0.03	3.88	3.9
22	Veritex Holdings Inc. (VBTX)	Dallas, TX	7.95	16.49	4.01	52.38	0.19	8.10	132.1
23	Union Savings Bank	Cincinnati, OH	3.08	18.72	2.77	49.32	-0.06	5.32	16.2
24	Amarillo National Bancorp Inc.	Amarillo, TX	5.72	18.10	3.93	51.93	0.25	7.72	33.1
25	Horizon Bancorp Inc. (HBNC)	Michigan City, IN	5.24	18.11	3.65	58.11	0.06	4.98	20.8
26	First Bancorp (FBNC)	Southern Pines, NC	6.14	20.65	4.02	55.49	0.04	5.41	5.2
27	BancFirst Corp. (BANF)	Oklahoma City, OK	8.57	20.41	3.84	56.91	0.10	5.29	13.8
28	ServisFirst Bancshares Inc. (SFBS)	Birmingham, AL	8.95	24.47	3.45	32.71	0.32	4.90	11.2
29	First Defiance Financial Corp. (FDEF)	Defiance, OH	3.47	19.86	3.90	59.68	0.00	5.67	9.8
30	Alpine Banks of Colorado (ALPI.B)	Glenwood Springs, CO	3.87	23.26	4.45	64.70	0.10	7.14	10.1
31	First Financial Corp. (THFF)	Terre Haute, IN	4.02	13.74	4.30	60.69	0.24	3.77	35.9
32	Stockman Financial Corp.	Miles City, MT	4.00	18.97	3.97	53.43	0.02	4.98	1.4
33	Lakeland Bancorp Inc. (LBAI)	Oak Ridge, NJ	6.71	17.59	3.31	56.48	0.00	5.03	15.3
34	First Bancshares Inc. (FBMS)	Hattiesburg, MS	3.94	17.89	3.98	57.27	0.00	14.98	26.4
35	Great Southern Bancorp Inc. (GSBC)	Springfield, MO	5.02	16.04	3.96	53.86	0.10	2.69	4.3
36	German American Bancorp Inc. (GABC)	Jasper, IN	4.40	18.11	3.85	58.29	0.17	3.14	13.3
37	Mercantile Bank Corp. (MBWM)	Grand Rapids, MI	3.63	17.65	3.77	57.85	0.01	3.78	3.8
38	FB Financial Corp. (FBK)	Nashville, TN	6.12	20.06	4.31	66.50	0.11	8.34	18.4
39	TriState Capital Holdings Inc. (TSC)	Pittsburgh, PA	7.77	15.48	1.97	61.68	-0.03	0.78	28.1
40	First Bancshares Inc.	Merrillville, IN	4.70	20.98	3.53	55.89	0.06	5.30	5.1
41	Sandy Spring Bancorp Inc. (SASR)	Olney, MD	8.63	20.17	3.44	52.61	0.03	6.09	2.5
42	Seacoast Banking Corp. of Florida (SBCF)	Stuart, FL	7.11	18.32	3.92	51.89	0.17	6.33	7.9
43	City Holding Co. (CHCO)	Cross Lanes, WV	5.02	22.15	3.60	50.62	0.09	7.73	0.8
44	The Bancorp Inc. (TBBK)	Wilmington, DE	5.66	16.02	4.26	68.97	0.13	9.08	32.0
45	Meta Financial Group Inc. (CASH)	Sioux Falls, SD	6.18	23.43	4.98	65.35	1.12	6.01	14.6
46	Arrow Financial Corp. (AROW)	Glens Falls, NY	3.18	18.01	3.05	57.78	0.05	1.84	8.6
47	Farmers & Merchants Investment Inc.	Lincoln, NE	4.65	21.03	3.53	61.53	0.09	5.47	9.8
48	Washington Trust Bancorp Inc. (WASH)	Westerly, RI	5.29	21.49	2.74	54.57	0.04	4.04	5.9
49	First Ruess Corp. (RISE)	Champaign, IL	9.70	16.60	3.35	61.75	0.11	4.72	20.8

Rank	Company Name	Location	ROATCE	Adjusted Texas Ratio	Adjusted OREO	Adjusted Leverage Ratio	Adjusted Common Equity Tier 1 Ratio	Adjusted Total Risk-Based Capital Ratio	Adjusted Pushdown Accounting
50	First National Bank Alaska (FBAK)	Anchorage, AK	3.81	13.92	3.71	53.61	0.01	4.86	2.7
Top 50 median			19.55	3.85	55.07	0.04	4.53	10.4	
Industry median[^]			16.25	3.53	60.69	0.08	4.90	7.0	

Data compiled March 11, 2020.

ROATCE = return on average tangible common equity

S&P Global Market Intelligence used six metrics to identify top-performing U.S. community banks between \$3 billion to \$10 billion in asset size by applying equal weights to each metric. The mean for each metric was identified across the data set, and standard deviations from these means were calculated for each metric for each institution and aggregated to determine a relative performance score. Scores for each metric were also capped to help normalize the data.

For the purposes of this ranking, S&P Global Market Intelligence defined community banks as currently operating top-tier banks and thrifts. Excluded from this analysis are companies that meet at least one of the following criteria: parents that have more than \$10 billion in total assets; bankers' bank; cooperative or industrial bank charter; gross loans-to-assets less than 33.33%; credit card loans-to-total loans greater than 50%; significant other noninterest income from nontraditional banking activities; Tier 1 leverage ratio less than 5%; common equity Tier 1 risk-based capital ratio less than 6.5%; Tier 1 risk-based capital ratio less than 8%; total risk-based capital ratio less than 10%; applied pushdown accounting during 2019.

¹ Adjusted Texas ratio = nonperforming assets plus loans 90 days or more past due, net of delinquent government-guaranteed loans and OREO covered by loss-sharing agreements with the FDIC, as a percentage of tangible equity and reserves

Rankings are based on 2019 regulatory filings. All ranking metrics must have been reported by the company to be included.

* Merger target.

[^] Represents median of 155 banks eligible for this analysis.

Source: S&P Global Market Intelligence

Click here to access a template containing the data used to compile the 2019 large U.S. community bank ranking.

This article was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global.