

2Q FEATURES: **The Crimes of Lee Price** | **2014 Risk Practices Survey** | **Why Diversity Matters**

# BankDirector®

GUIDED BY ONE PRINCIPLE: STRONG BOARDS BUILD STRONG BANKS

2nd Quarter 2014, Volume 24, Number 2

# 2014

Banking on Real Estate for Growth

# GROWTH LEADERS RANKING



PROFILE:  
**The Future is Now**  
**@EverBank Financial**

FYR:  
**The Industry Gets a Safer**  
**Credit Card**

**T**he banking industry's love affair with real estate lending grew steamier in 2013 as the broad market continued its strong recovery from a catastrophic downturn just five years ago. And to a large degree, the market's rebound—including both residential and commercial real estate—helped power the top placed finishers in *Bank Director* magazine's 2014 Growth Leaders Ranking, which was based on results for the first three quarters of 2013. Although the residential mortgage market did start to cool off in the fourth quarter as long-term interest rates began trending upward, real estate lending was still a good business to be in for most of the year.

Low interest rates and a healthier housing market in many areas of the country helped drive a surge in mortgage refinancing and new purchase loans through the first three quarters of last year. When most banks write a home mortgage, they end up selling the loan to third-party securitizers like Fannie Mae and Freddie Mac for a fee, and this boosts their noninterest income. However, in what could be an ill wind for 2014, mortgage refinancing activity cooled off significantly in the fourth quarter of 2013 and first quarter of this year. "That will be a challenge going forward," says Kevin Tweddle, president of Atlanta-based Bank Intelligence Solutions, a subsidiary of Fiserv Inc., which prepared the ranking with input from *Bank Director* magazine.

# BANKING ON REAL ESTATE FOR GROWTH

A STRONG REAL ESTATE  
MARKET FOR BOTH HOMES AND  
COMMERCIAL PROPERTIES  
HELPED A NUMBER OF U.S.  
BANKS PUT UP STRONG REVENUE  
GROWTH NUMBERS IN 2013.





by **JACK MILLIGAN**

## BANK DIRECTOR 2014 GROWTH LEADERS RANKING

Several of the top place finishers in this year's ranking also took advantage of a stronger commercial real estate market in 2013, which has been buoyed by a gradually improving U.S. economy, and banks industry-wide ramped up their lending to this sector through the first nine months. U.S. banks have sometimes overzealously catered to this volatile market, but it remains a staple asset class for many community and regional institutions. "The improvement in the commercial real estate sector certainly bodes well for community banks," says Tweddle. "The larger banks have focused on growing C&I and small business loans and have left this sector to the community and regional institutions. For those banks in the right markets with the right lending talent, they've been able to execute well to take advantage of this loan growth opportunity."

The Growth Leaders Ranking includes both publicly- and privately-owned depository institutions that had more than \$1 billion in assets in the third quarter of 2013, and relied on data from call reports that banks and thrifts are required to file with their regulator. There were 699 institutions in the data pool. Other selection criteria included a minimum of 20 percent loan volume, less than 25 percent loan mix in credit card loans and minimum core deposits of 20 percent.

The ranking has been organized around four metrics which capture most important aspects of an institution's financial growth—core revenue, core deposits, net loans and leases and core noninterest income. The percentage growth rates for the core revenue, deposit and core noninterest income categories were calculated in a year-over-year comparison. The net loans and leases ranking is different in that it compares the third quarter of 2013 with the fourth quarter of 2012, including growth from three linked quarters. Of the four categories, core revenue is the most important because it is inclusive of the loan and noninterest income metrics.

The winner of this year's core revenue ranking was also last year's top place finisher—Customers Bancorp in Wyomissing, Pennsylvania, followed in second place by Jacksonville, Florida-based EverBank Financial Corp., which largely does business over the Internet. (See story on

EverBank on page 45.) Both institutions are publicly traded.

Two privately-held institutions topped the core deposit ranking: Dallas-based NexBank Capital Inc., which has an especially broad business model for a \$1.1-billion asset bank, with operations in commercial, mortgage and investment banking, as well as an institutional services group. The bank saw an increase in its certificates of deposit (CDs) balances in amounts greater than \$100,000, and a significant jump in its money market and savings account balances. In second place is \$11.6-billion asset Apple Financial Holdings Inc. in New York, which is highly focused on the home mortgage business. The company saw strong growth in its checking account, money market and CD balances in the first three quarters of last year.

The top ranked bank for loan growth was Los Angeles-based SinoPac Bancorp, a \$1.3-billion asset U.S. subsidiary of SinoPac Holdings in Taiwan. Its Far East National Bank unit has nine branches in California and representative offices in Beijing and Ho Chi Minh City, Vietnam. SinoPac's loan growth last year was the result of a modest increase in real estate and commercial and industrial (C&I) credits, and a substantial increase in loans to other depository institutions and bankers acceptances used to finance foreign trade transactions as the institution took advantage of SinoPac Holdings' extensive business ties in China.

Finishing behind SinoPac was Hyde Park Bancorp, a \$1.3-billion asset mutual holding company located in Boston. Over the last two years, Hyde Park has undergone a significant change in corporate strategy as it has aggressively expanded its commercial real estate and commercial lending operations, made investments in its consumer banking platform and technology infrastructure and changed the name of its banking subsidiary to Blue Hills Bank. Its impressive 37.7 percent loan growth rate through the first nine months of 2013 was aided in part by the fact that it only started its commercial banking initiative in 2012 and was growing from a low base.

Hyde Park also took top honors in the core noninterest income category as it benefited from an increase in the sale of residential mortgages to third-party securitizers, and also from a new cash management program that targets

"The improvement in the commercial real estate sector certainly bodes well for community banks. The larger banks have focused on growing C&I and small business loans and have left this sector to the community and regional institutions."

KEVIN TWEDDLE, PRESIDENT OF BANK INTELLIGENCE SOLUTIONS

business customers. Again, the bank's impressive 115.63 percent year-over-year growth rate was aided by the fact that it was building off of a relatively low base.

Finishing second in the noninterest income ranking was Ontario, California-based CVB Financial Corp., whose 89.45 percent increase in a year-over-year comparison had more to do with a sharp reduction in the value of a loss-sharing asset than with an increase in fees from service charges or advisory activities. CVB, the parent company of Citizens Business Bank, acquired San Joaquin Bank in an assisted transaction with the Federal Deposit Insurance Corp. (FDIC) in 2009 that included a loss-sharing agreement with the agency. As CVB's credit loss experience with San Joaquin Bank's covered loan portfolio improved (in a typical loss-sharing agreement the FDIC will cover a portion of the losses from the acquired bank), the bank wrote down the value of the loss-share agreement by \$19.3 million through the third quarter of 2012. CVB also wrote down the value of the loss-sharing asset by a significantly smaller amount—\$10.7 million—through the third quarter of 2013, and this accounted for most of the year-over-year improvement in its noninterest income.

Customers Bancorp's strong core revenue growth through the first nine months of 2013 was driven in part by impressive growth in residential mortgages, multi-family housing and small business loans, which more than offset a gradual decline in mortgage warehouse lending, where it lends money on a short-term basis to other home mortgage originators.

Chairman and Chief Executive Officer Jay Sidhu attributes part of that growth to an experienced team of lenders that he recruited a couple of years ago—people that he had worked with previously and knew well—to develop loans to small and medium-sized businesses in New England and multi-family loans in New York. "We've had tremendous growth there starting from scratch," says Sidhu.

Customers also saw significant growth in its noninterest income through the sale of residential mortgage loans, for which it receives a fee. "[Customers] generated a lot of revenue from off-balance sheet activities, most of it from loan sales," says Tweddle.

The \$4.1-billion asset bank, which operates out of 16 branches in Pennsylvania, New Jersey and New York, and loan production offices in Providence, Rhode Island and

Boston, is still a relatively new company. Working with a group of investors, Sidhu—who previously was the CEO of Sovereign Bancorp—gained control of a small bank in Eastern Pennsylvania and in 2009, changed its name to Customers Bank. He has used that platform to expand throughout the region. (See "A Second Act for Jay Sidhu" in the second quarter 2013 issue of *Bank Director* magazine.) "When you get bigger, the percentage increases get tougher to achieve," says Sidhu.

The third place finisher on the core revenue ranking is McKinney, Texas-based Independent Bank Group Inc., which operates 29 banking offices in the Dallas/Fort Worth and Austin markets. Tweddle credits Independent with having a "really good management team—it's a very focused group." The bank saw significant growth in construction, commercial real estate and energy lending—the latter of which was a new initiative in 2013.

Chairman and CEO David Brooks concedes that \$2.1-billion asset Independent benefits from being in Texas, which offers banks stronger growth prospects than many other states. "We're in the right spot on the map," he says. "We're in Texas, which is the best economy in the country right now." The bank's growth there has also been aided by its ability to recruit experienced lenders who bring both skill and strong client relationships. "One of our differentiators is that we've been able to hire really talented people," Brooks adds. "We've been able to hire teams away from our competitors."

Placing sixth on the core revenue ranking was Heritage Financial Group Inc., a \$1.4-billion asset bank in Albany, Georgia. Heritage is actually a one-time credit union that converted to a savings bank charter in 2004, and later became a state chartered commercial bank regulated by the State of Georgia and the FDIC. That long metamorphosis has been accompanied by a steady growth curve as the company built out its banking model. Heritage showed strong loan growth across most of its asset categories including construction, commercial real estate and C&I. The company has also expanded to 27 full-service branches in South Georgia, North Central Florida and Eastern Alabama, both through de novo expansion and a series of assisted acquisitions with the FDIC, although it has picked up branches rather than whole banks. The bank's expansion strategy has resulted in a larger platform for its organic growth efforts, and President and CEO Leonard Dorminey says the bank prefers college towns where the job markets tend to be more stable.

"Heritage has done an excellent job of integrating its FDIC-assisted purchases over the past few years as well as seizing opportunities in recovering markets throughout the Southeast, driving strong organic growth," says Tweddle. **[BD]**

Jack Milligan  
is editor of  
*Bank Director*.



## BANK DIRECTOR 2014 GROWTH LEADERS RANKING

## CORE REVENUE

Rank	Company Name	State	Form of Ownership	Total Assets (\$000s)	Q1-Q3 2012 (\$000s)	Q1-Q3 2013 (\$000s)	Period-Over-Period Growth Rate
1	Customers Bancorp Inc.	PA	Public	\$4,153,000	\$67,835	\$94,434	39.21%
2	EverBank Financial Corp.	FL	Public	\$17,640,000	\$615,256	\$837,892	36.19%
3	Independent Bank Group Inc.	TX	Public	\$2,163,000	\$47,524	\$62,487	31.49%
4	BOFI Holding Inc.	CA	Public	\$3,568,000	\$86,363	\$108,816	26.00%
5	Fremont Bancorp	CA	Private	\$2,507,000	\$142,365	\$177,758	24.86%
6	Heritage Financial Group Inc.	GA	Public	\$1,380,000	\$41,824	\$51,543	23.24%
7	NexBank Capital Inc.	TX	Private	\$1,113,000	\$32,060	\$39,012	21.68%
8	Watford City Bancshares Inc.	ND	Private	\$1,634,000	\$46,675	\$56,731	21.54%
9	Bridgeview Bancorp Inc.	IL	Private	\$1,008,000	\$46,021	\$55,527	20.66%
10	ServisFirst Bancshares Inc.	AL	Public	\$3,519,000	\$75,835	\$89,990	18.67%
BHCs > \$1 Billion Median Growth Rate							0.41%
All Commercial, Savings Banks and BHCs Median Growth Rate							-0.57%

**Source:** Bank Intelligence Solutions and regulatory reports

**Note:** Core revenue is defined as net interest income plus noninterest income, excluding available-for-sale gains and losses and other-real-estate-owned gains and losses.

## CORE DEPOSITS

Rank	Company Name	State	Form of Ownership	Total Assets (\$000s)	Q1-Q3 2012 (\$000s)	Q1-Q3 2013 (\$000s)	Period-Over-Period Growth Rate
1	NexBank Capital Inc.	TX	Private	\$1,113,000	\$238,494	\$456,094	91.24%
2	Apple Financial Holdings Inc.	NY	Private	\$11,647,000	\$4,506,959	\$6,250,135	38.68%
3	BOFI Holding Inc.	CA	Public	\$3,568,000	\$954,941	\$1,310,699	37.25%
4	HomeStreet Inc.	WA	Public	\$3,066,000	\$1,315,496	\$1,639,492	24.63%
5	Opus Bank	CA	Private	\$3,739,000	\$1,515,595	\$1,839,054	21.34%
6	First Connecticut Bancorp Inc.	CT	Public	\$1,417,000	\$1,007,959	\$1,197,330	18.79%
7	Meridian Financial Services	MA	Private	\$2,815,000	\$1,279,819	\$1,517,930	18.61%
8	Clifton MHC	NJ	Private	\$1,099,000	\$199,731	\$235,324	17.82%
9	Cardinal Financial Corp.	VA	Public	\$2,894,000	\$1,138,301	\$1,336,881	17.45%
10	Brand Group Holdings Inc.	GA	Private	\$1,692,000	\$596,796	\$695,677	16.57%
BHCs > \$1 Billion Median Growth Rate							2.24%
All Commercial, Savings Banks and BHCs Median Growth Rate							2.19%

**Source:** Bank Intelligence Solutions and regulatory reports

**Note:** Core deposits are defined as non-interest bearing DDA accounts + NOW accounts + savings/money market accounts.



## BANK DIRECTOR 2014 GROWTH LEADERS RANKING

## CORE NONINTEREST INCOME

Rank	Company Name	State	Form of Ownership	Total Assets (\$000s)	Q1-Q3 2012 (\$000s)	Q1-Q3 2013 (\$000s)	Period-Over-Period Growth Rate
1	Hyde Park Bancorp	MA	Private	\$1,323,000	\$1,638	\$3,532	115.63%
2	CVB Financial Corp.	CA	Public	\$6,665,000	\$6,520	\$12,352	89.45%
3	First Republic Bank	CA	Public	\$42,113,000	\$84,898	\$154,513	82.00%
4	Central Bancorp Inc.	TX	Private	\$1,424,000	\$7,960	\$13,844	73.92%
5	EverBank Financial Corp.	FL	Public	\$17,640,000	\$243,928	\$413,999	69.72%
6	First Connecticut Bancorp Inc.	CT	Public	\$1,417,000	\$4,479	\$7,501	67.47%
7	Yadkin Financial Corp.	NC	Public	\$1,806,000	\$10,603	\$17,626	66.24%
8	Green Bancorp Inc.	TX	Private	\$1,704,000	\$1,710	\$2,841	66.14%
9	Community Trust Financial Corp.	LA	Private	\$3,224,000	\$19,870	\$31,407	58.06%
10	HF Financial Corp.	SD	Public	\$1,217,000	\$7,041	\$10,930	55.23%
BHCs > \$1 Billion Median Growth Rate							3.01%
All Commercial, Savings Banks and BHCs Median Growth Rate							0.49%

**Source:** Bank Intelligence Solutions and regulatory reports

**Note:** Core noninterest income is defined as noninterest income minus gains/losses from investment and asset sales including other real estate owned (OREO).

## NET LOANS &amp; LEASES

Rank	Company Name	State	Form of Ownership	Total Assets (\$000s)	Q4 2012 (\$000s)	Q3 2013 (\$000s)	Q4 2012 to Q3 2013 Growth Rate
1	SinoPac Bancorp	CA	Private	\$1,323,000	\$621,693	\$914,692	47.13%
2	Hyde Park Bancorp	MA	Private	\$1,314,000	\$488,673	\$672,901	37.70%
3	NexBank Capital Inc.	TX	Private	\$1,113,000	\$566,173	\$775,524	36.98%
4	Apple Financial Holdings Inc.	NY	Private	\$11,647,000	\$5,806,206	\$7,568,992	30.36%
5	Suffolk Bancorp	NY	Public	\$1,700,000	\$763,929	\$982,345	28.59%
6	SignatureBank	NY	Public	\$22,377,000	\$10,044,562	\$12,514,241	24.59%
7	First of Long Island Corp.	NY	Public	\$2,400,000	\$1,128,760	\$1,396,984	23.76%
8	Clifton MHC	NJ	Private	\$1,099,000	\$448,591	\$554,450	23.60%
9	ConnectOne Bancorp Inc.	NJ	Public	\$1,243,000	\$836,001	\$1,016,404	21.58%
10	Peapack-Gladstone Financial	NJ	Public	\$1,967,000	\$1,140,059	\$1,383,617	21.36%
BHCs > \$1 Billion Median Growth Rate							3.17%
All Commercial, Savings Banks and BHCs Median Growth Rate							1.70%

**Source:** Bank Intelligence Solutions and regulatory reports

**Note:** Net loans/leases is defined as total loans and leases, net of unearned income. The loan ranking tables calculates the percentage growth rate over three linked quarters ending in September 30, 2013.





2515 McKinney Avenue, Suite 1100

Dallas, TX 75201

800.827.4818

972.934.4700

[www.NexBank.com](http://www.NexBank.com)