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Wall Street

## America's Best And Worst Banks

Original story by Kurt Badenhausen

### Citizens Business Bank Named 6th Best Bank in America.

**CVB Financial Corp.** is the holding company for Citizens Business Bank, a \$7.0 billion financial services company based in Ontario, California. Citizens Business Bank serves 40 cities with 46 business financial centers and 5 commercial banking centers in the Inland Empire, Los Angeles County, Orange County and the Central Valley areas of California.

Shares of CVB Financial Corp. common stock are listed on the NASDAQ under the ticker symbol of "CVBF." For investor information on CVB Financial Corp., visit our Citizens Business Bank website at [www.cbbank.com](http://www.cbbank.com) and click on the CVB Investor tab.

With Bank of America and Citigroup buoying their balance sheets and repaying billions of dollars in taxpayer bailout funds, the casual observer might assume the banking crisis is just about over. The casual observer would be wrong.

Busted banks are still keeping the Federal Deposit Insurance Corp. busy. In the past two months, 41 went under, surpassing the total of 26 for all of 2008. What's more, by some measures bank balance sheets are in worse shape today than they were at the height of the financial crisis. Nonperforming loans represented 3.4% of loans outstanding among big banks in the most recent quarter, compared with 1.5% a year earlier. Nonperforming assets were 2.4% in the latest quarter compared to 1.2% a year earlier.

When IndyMac Bancorp went bust in July 2008 with \$32 billion of assets, it was the fourth-largest bank failure ever. It reported capital ratios of 9% (Tier 1) and 10.3% (risk-based) in its most recent quarter before its demise. Its non-performing loans (NPLs) as a percentage of loans was 9.2% while non-performing assets (NPAs) made up 6.5% of total assets. There are big banks today with worse ratios than this.

To drill a little deeper into the health of the 100 largest banks and thrifts, Forbes turned to researchers at SNL Financial. The Charlottesville, Va.-based firm looked at eight financial measures including return on average equity, net interest margin, NPLs as a percentage of loans, NPAs as percentage of assets, reserves as a percentage of NPLs, two capital ratios (Tier 1 and risk-based) and leverage ratio. The size of the banks SNL looked at range from Harleysville National, with assets of \$5.2 billion, to behemoth Bank of America, with \$2.3 trillion of assets.

We ranked the 100 banks on each metric and added up the individual ranks. Our top-ranked bank is Honolulu's Bank of Hawaii with assets of \$12.2 billion. "Boring is good," says its chief executive, Allan Landon.

Landon credits the bank's strong performance to its starchy

Overall Rank	Company	Total Assets (\$Bil.)	NPLs/Loans %	Reserves/NPLS %	Tier 1 Ratio %
1	Bank of Hawaii	12	1.2	209	13.4
2	UMB Financial	10	0.7	210	13.5
3	Commerce Bancshares	18	1.6	114	12.8
4	Prosperity Bancshares	9	0.3	537	11.9
5	SVB Financial	13	1.6	120	14.6
6	<b>CVB Financial</b>	7	1.6	150	15.3
7	Community Bank System	5	0.5	249	12.1
8	Central Banccompany	9	1.7	110	13.1
9	NBT Bancorp	5	1.1	165	11.2
10	International Bancshares	12	2.2	71	17.2
11	People's United Financial	19	1.4	82	12.8
12	First Citizens BancShares	19	1.4	92	13.3
13	Hudson City Bancorp	59	1.7	22	20.7
14	Hancock Holding	7	1	147	11.1
15	NewAlliance Bancshares	9	1	105	19.9
16	Northern Trust	78	1.1	99	13.3
17	Signature Bank	9	1.5	76	14.5
18	Old National Bancorp	8	1.9	91	14.1
19	Umpqua Holdings	9	2.1	80	16.4
20	FirstMerit	11	1.5	110	11.4
21	Capital One Financial	169	3.3	139	11.9
22	Capitol Federal Financial	8	0.5	21	23.2
23	Northwest Bancorp	7	2.2	58	12.7
24	BancorpSouth	13	1.1	137	11.4
25	Valley National Bancorp	14	1	106	10.8
26	East West Bancorp	12	2.5	112	13.1
27	United Bankshares	8	1.2	95	10.7
28	Trustmark	9	2.8	57	14.1
29	City National	18	3.4	63	12.3
30	Oriental Financial	6	7.9	22	15.8
31	National Penn Bancshares	10	1.9	106	12.5
32	Comerica	60	3.1	70	12.2
33	First Niagara Financial	14	0.9	124	10.9
34	F.N.B.	9	2.4	76	11.5
35	WesBanco	6	2.1	81	11
36	Investors Bancorp	8	1.8	46	15.7
37	Glacier Bancorp	6	4.7	66	14.4
38	Fifth Third Bancorp	111	5.4	85	13.2
39	Cullen/Frost Bankers	16	2.6	55	11.5
40	Provident Financial Svcs	7	1.8	71	12.3
41	Park National	7	4.6	52	11.9
42	Washington Federal	13	3.6	18	20.8
43	Santander BanCorp	7	4.7	74	10.1
44	First Financial Bancorp	7	5	23	16.2
45	BB&T	165	3.8	58	11.1
46	Fulton Financial	17	2.3	83	11.6
47	Bank of America	2,253	5.8	64	12.5
48	Boston Private Financial	6	2.3	73	17.7
49	Iberiabank	6	2.9	38	15.2
50	KeyCorp	97	4.5	88	12.6
51	Texas Capital Bancshares	5	1.9	71	11.2
52	PacWest Bancorp	5	4.3	59	14.3
53	New York Community Bancorp	33	2	23	11.6
54	Susquehanna Bancshares	14	2.7	64	11.1
55	State Street	163	2.3	20	15.3
56	BOK Financial	24	3.5	69	10.6
57	Citigroup	1,889	6.6	84	12.8
58	TFS Financial	11	2.5	30	17.3
59	Webster Financial	18	3.2	89	11.8
60	PNC Financial Services	271	6.5	45	10.9
61	First Citizens Bancorp	8	5.8	25	10.4
62	First Midwest Bancorp	8	5	51	12.9
63	Bank of New York Mellon	212	3.4	44	11.4
64	First National of Nebraska	15	4.7	89	9
65	First Horizon National	26	6.8	73	16.2

balance sheet and a focus on risk-adjusted performance. When the housing market heated up earlier this decade, Bank of Hawaii stayed very conservative in its underwriting strategy, which helped minimize its bad loans today. Non-performing loans were only 1.2% of total loans in the latest quarter, eighth best among the 100 largest banks. The bank scores third best in terms of reserves as a percentage of NPLs, with more than twice as many reserves as bad loans.

Bank of Hawaii also declined to take money from the federal government's TARP program. Many banks that received TARP money had to raise capital by issuing shares, but this has been dilutive to current shareholders in most cases. "Our governing objective is to maximize shareholder value," says Landon. That's a cliché coming from most chief executives, but one that a lot of bankers seemed to have forgotten of late. Landon says the bank devotes 90% of earnings to dividends and share buybacks, and has maintained its 45 cent quarterly dividend throughout the financial crisis. Wall Street recognizes the strength of Bank of Hawaii as the stock at a recent \$48 trades at 2.5 times its book value. It is the highest ratio of any of the 100 largest banks. "Long may it continue," says Landon.

Wall Street has caught on to many of the banks at the bottom of our list. At 1.1 times book value, Harleysville is the only bank in the bottom 10 that trades at more than half its book value. Seven of the 10 have seen their stock price decline at least 50% over the past 12 months.

One bank near the bottom that is looking to revive its fortunes is Lansing, Mich.-based Capitol Bancorp.. The bank has a presence in 17 states, but has been badly hurt by the severe economic problems of its home state. Its capital ratios of 8.4% (Tier 1) and 11.2% (risk-based) are both sixth worst among the 100 largest banks. The bank is divesting businesses in six states, including problem areas like California and Ohio to boost its capital ratios and improve its balance sheet.

Capitol Bancorp and other banks looking to rebound might want to give Landon a call. He says that down in Hawaii they sell "sunshine and a smile."