

# Some asset-sensitive banks evaluating, giving up their independence

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A handful of banks positioned to benefit from rising interest rates have decided not to wait any longer and sell to another institution, and others just might follow.

Some asset-sensitive banks announced plans to sell in recent weeks after Brexit virtually put the prospect of rate

hikes on hold for the remainder of the year. In a lower-for-longer environment, it seems clearer today that banks that have positioned their balance sheets for rising rates are unlikely to receive any benefit soon.

Preparing for higher interest rates seemed like a sound proposition with rates near historical lows. The banking industry as a whole stood in an asset-sensitive position at the end of the first quarter, as assets expected to reprice or mature within one year exceeded similarly rate-sensitive liabilities, with the difference amounting to 31.6% of total assets at the end of the first quarter.

Many banks increased asset sensitivity by building non-maturity deposits and shortening durations on earning as-

## 20 most asset-sensitive banks and thrifts between \$10B and \$50B in assets Financial data as of March 31, 2016

Company (top-level ticker)	City, state	Total assets (\$B)	1-year repricing gap/ total assets (%)	Rate-sensitive assets/ total assets		
				(%)	Change (pps) QOQ	YOY
Texas Capital Bancshares Inc. (TCBI)	Dallas, TX	20.21	87.09	93.84	0.46	0.22
East West Bancorp Inc. (EWBC)	Pasadena, CA	33.11	50.57	65.66	3.42	23.02
First Horizon National Corp. (FHN)	Memphis, TN	26.97	48.27	59.43	-0.55	1.39
Wintrust Financial Corp. (WTFC)	Rosemont, IL	23.49	45.70	60.51	-1.49	9.84
Synovus Financial Corp. (SNV)	Columbus, GA	29.17	44.18	58.92	1.39	1.97
Bank of the Ozarks Inc. (OZRK)	Little Rock, AR	11.43	41.42	60.85	0.85	13.95
First National of Nebraska Inc. (FINN)	Omaha, NE	18.51	38.29	48.93	2.74	4.40
BancorpSouth Inc. (BXS)	Tupelo, MS	13.93	35.01	45.93	1.64	3.20
Apple Financial Holdings Inc.	New York, NY	12.86	34.95	60.05	-3.44	3.11
Hilltop Holdings Inc. (HTH)	Dallas, TX	11.73	33.79	50.98	-0.81	30.33
First Midwest Bancorp Inc. (FMBI)	Itasca, IL	10.73	33.03	44.97	-4.60	-3.70
F.N.B. Corp. (FNB)	Pittsburgh, PA	20.32	30.41	46.19	-0.01	0.14
Fulton Financial Corp. (FULT)	Lancaster, PA	18.08	30.08	41.70	0.28	-1.49
First Citizens BancShares Inc. (FCNCA)	Raleigh, NC	32.20	27.53	37.01	3.22	-5.50
Commerce Bancshares Inc. (CBSH)	Kansas City, MO	24.52	26.55	38.34	1.64	-0.74
IBERIABANK Corp. (IBKC)	Lafayette, LA	20.09	26.35	35.88	1.90	-6.38
MB Financial Inc. (MBFI)	Chicago, IL	15.58	24.23	44.25	-0.06	0.45
Western Alliance Bancorp. (WAL)	Phoenix, AZ	15.25	24.17	35.05	3.63	11.86
Associated Banc-Corp (ASB)	Green Bay, WI	28.18	24.11	40.93	0.83	11.45
Arvest Bank Group Inc.	Bentonville, AR	16.43	24.05	30.40	6.84	6.81
<b>Group median</b>			<b>33.41</b>	<b>46.06</b>	<b>0.84</b>	<b>2.54</b>
<b>\$10 billion - \$50 billion industry median*</b>			<b>15.23</b>	<b>35.54</b>	<b>1.75</b>	<b>3.55</b>

Data compiled July 22, 2016.

Based on regulatory filings.

\* Analysis includes top-tier banks and thrifts between \$10 billion and \$50 billion in total assets and a loan-to-deposit ratio greater than 50% for the first quarter. Excludes merger targets, industrial banks and banks owned by broker/dealers, specialty lenders, insurance companies or foreign parents.

Rate-sensitive assets = assets expected to reprice or mature within one year

One-year repricing gap/ total assets = the cumulative amount of assets scheduled to reprice or mature within one year less the amount of liabilities scheduled to reprice or mature within one year, as a percentage of total assets

QOQ = quarter over quarter; YOY = year over year; pps = percentage points

Source: SNL Financial, an offering of S&P Global Market Intelligence

## 20 most asset-sensitive banks and thrifts between \$1B and \$10B in assets

Financial data as of March 31, 2016

Company (top-level ticker)	City, state	Total assets (\$B)	1-year repricing gap/ total assets (%)	Rate-sensitive assets/ total assets		
				(%)	Change (pps)	
				QOQ	YOY	
Capital City Bank Group Inc. (CCBG)	Tallahassee, FL	2.78	64.71	72.64	0.82	4.35
New York Pvt. Bank & Trust Corp.	New York, NY	6.67	64.47	66.07	-2.31	-1.36
Merchants Bancorp	Carmel, IN	2.47	59.55	76.26	2.26	-3.62
TriState Capital Holdings Inc. (TSC)	Pittsburgh, PA	3.40	54.87	80.55	0.42	3.06
Commerce Bancshares Corp.	Worcester, MA	2.18	47.45	55.30	4.40	8.08
Three Shores Bancorp. Inc.	Orlando, FL	1.37	46.80	56.96	-1.42	-3.15
ServisFirst Bancshares Inc. (SFBS)	Birmingham, AL	5.38	44.57	59.42	2.57	0.05
BancFirst Corp. (BANF)	Oklahoma City, OK	6.74	44.11	50.80	1.46	2.68
CU Bancorp (CUNB)	Los Angeles, CA	2.74	44.11	46.89	1.07	1.87
State Bank Financial Corp. (STBZ)	Atlanta, GA	3.53	42.28	50.36	-0.54	-2.85
Cadence Bancorp LLC	Houston, TX	9.00	41.88	56.95	-4.08	-7.21
CapStar Financial Holdings Inc.	Nashville, TN	1.22	41.40	50.63	NA	NA
Atlantic Capital Bancshares Inc. (ACBI)	Atlanta, GA	2.73	40.62	49.02	7.07	-26.80
United National Corp.	Sioux Falls, SD	2.83	39.74	43.19	9.16	2.73
Bank of Commerce	Ammon, ID	1.03	39.69	52.72	-1.00	-0.35
Midland Bancshares Inc.	Midland, TX	1.08	39.42	49.58	1.06	1.72
National Commerce Corp. (NCOM)	Birmingham, AL	1.74	38.26	48.77	-1.18	0.20
First Business Financial Services Inc. (FBIZ)	Madison, WI	1.79	38.00	48.30	-0.58	6.54
Preferred Bank (PFBC)	Los Angeles, CA	2.68	37.86	61.10	-2.59	10.59
Columbia Banking System Inc. (COLB)	Tacoma, WA	9.04	37.83	42.26	0.29	17.56
<b>Group median</b>			<b>42.08</b>	<b>51.76</b>	<b>0.42</b>	<b>1.72</b>
<b>\$1 billion-\$10 billion industry median*</b>			<b>7.24</b>	<b>26.19</b>	<b>-0.04</b>	<b>0.77</b>

Data compiled July 22, 2016.

Based on regulatory filings.

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QOQ = quarter over quarter; YOY = year over year; pps = percentage points; NA = not available

Source: SNL Financial, an offering of S&P Global Market Intelligence

sets while often avoiding higher-yielding assets with fixed rates. Those moves would cause earnings to expand when rates move higher, but as rates have remained low, many institutions have given up some earnings in the near term waiting for higher rates to come to pass.

A few asset-sensitive banks seem to have become tired of the waiting for the true value of their balance sheet positioning to be realized. PrivateBancorp Inc., for instance, recently surprised a number of members of the investment community, unveiling plans to sell to Canadian Imperial Bank of Commerce for roughly \$3.8 billion. The

deal price represented a one-day premium of 30.8% and effectively brought forward the value of higher interest rates, analysts said.

Some analysts made a similar observation when City National Corp., an asset-sensitive bank at the time, agreed to sell to Royal Bank of Canada early in 2015.

"I think what this tells us is City National did it, now they're doing it, two really asset-sensitive banks are saying, 'I'd rather take a dollar today than risk it.' I think it's the right move," Keefe Bruyette & Woods analyst Christopher McGratty said in an interview the day the PrivateBancorp deal was announced in late June.

BMO Capital Markets analyst Lana Chan said in a report reviewing the PrivateBancorp deal that the lower-for-longer rate scenario could force other banks to make a “tough choice between slogging through low rates or selling.”

Other analysts agreed, with Piper Jaffray’s Matthew Clark noting that PrivateBancorp’s highly asset-sensitive balance sheet and lowered outlook for rates served as the “nail in the coffin” for the Chicago-based company and its ultimate decision to sell.

A few weeks later, Yadkin Financial Corp., another asset-sensitive institution, agreed to sell to F.N.B. Corp. for \$1.4 billion. While the Street had believed Yadkin could pursue a partnership before eclipsing the \$10 billion asset mark, the

target screens as an asset-sensitive name among banks with assets between \$1 billion and \$10 billion. Yadkin’s rate-sensitive assets equated to 34.9% of total assets at the end of the first quarter, compared to the median among banks in that asset group of 26.2%.

Even more recently, EverBank Financial Corp, another asset-sensitive institution, confirmed that it is in advanced talks with a financial services firm over its potential sale. Some analysts said EverBank’s decision to pursue deal discussions might suggest that the company’s earnings outlook was challenged.

EverBank had reportedly considered selling after receiving an unsolicited offer. In most cases, banks usually

## 20 most asset-sensitive banks and thrifts under \$1B in assets

Financial data as of March 31, 2016

Company (top-level ticker)	City, state	Total assets (\$M)	1-year repricing gap/ total assets (%)	Rate-sensitive assets/ total assets		
				(%)	Change (pps) QOQ	YOY
Banamex USA (C)	Los Angeles, CA	297.2	88.90	89.56	0.07	34.77
Applied Bank	Wilmington, DE	202.8	88.16	88.41	4.62	4.05
Monitor Bank	Big Prairie, OH	42.0	84.02	90.25	1.01	1.12
Seacoast Commerce Bank (SCBH)	San Diego, CA	526.4	82.41	84.16	0.58	1.74
Alpine Capital Bank	New York, NY	288.3	79.58	90.01	3.80	0.48
Independence Bank	East Greenwich, RI	39.2	79.47	88.27	1.35	12.47
1st Financial Bank USA	Dakota Dunes, SD	688.2	75.02	90.91	0.24	0.90
Stanley Bank	Overland Park, KS	100.8	73.87	83.87	0.50	0.56
Summit Bank (SMAL)	Oakland, CA	237.7	72.72	82.70	-2.00	22.12
Twin River National Bank	Clarkston, WA	99.3	69.02	79.09	2.40	3.88
University Bank (UNIB)	Ann Arbor, MI	194.9	68.87	69.74	3.44	10.77
Dysart State Bank	Dysart, IA	16.1	66.43	84.79	1.83	0.60
1st Bank	Broadus, MT	50.4	66.00	77.65	-2.41	17.85
Grant County State Bank	Carson, ND	36.6	65.65	84.02	-0.80	2.44
First Bank of Owasso	Owasso, OK	276.4	64.69	66.61	3.67	5.30
Bank 7	Oklahoma City, OK	575.5	63.42	87.37	1.04	26.71
Spring Bank	Bronx, NY	139.9	62.07	77.19	-0.77	6.47
Idaho Trust Bank	Boise, ID	85.8	61.84	73.03	-4.59	-4.90
Rolling Hills Bank & Trust	Atlantic, IA	243.8	61.73	71.05	0.85	5.53
Fidelity Bank	Edina, MN	487.1	59.77	60.70	-0.68	-7.10
<b>Group median</b>			<b>68.95</b>	<b>83.95</b>	<b>0.71</b>	<b>3.97</b>
<b>Under \$1 billion industry median*</b>			<b>9.56</b>	<b>29.18</b>	<b>0.59</b>	<b>0.75</b>

Data compiled July 22, 2016.

Based on regulatory filings.

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Source: SNL Financial, an offering of S&P Global Market Intelligence

control their own destiny and decide to pursue a sale on their own after considering many factors unique to the institution in question. And a number of asset-sensitive institutions have given no indication that they would be interested in selling, and some continue to pursue acquisitions of other banks.

Still, bank boards will certainly take into consideration the future earnings power of their respective companies when putting together strategic plans, and the outlook is not as rosy as it was just a few months ago.

The Street painted bank stocks with a broad negative brush after the news of Brexit hit, and asset-sensitive institutions have underperformed the rest of the group since the prospect of higher rates have been kicked further down the road. The sell-side community believes that the prospect of rate increases will hang over the bank group for some time and likely will drive trading activity in the future. If that holds true, the fortunes of asset-sensitive banks hang in the balance.