KC’s five strongest large banks of 2018

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Simply being large and having a well-known brand doesn’t necessarily make a bank strong and resilient enough to stick with your business through economic cycles. So which of the Kansas City area’s large banks are the strongest?

To help our readers find the strongest banks, we studied the 2018 year-end numbers for all sizes of banks bank with a presence in the Kansas City area.

Because different size banks typically serve different types of clients, giving them different loan portfolios, we divided the institutions into three groups to allow for better comparisons:

- Small: less than $250 million in assets
- Midsize: $250 million to $1 billion in assets
- Large: more than $1 billion in assets

This story ranks the strongest banks in the large group. Past articles ranked the strongest small banks and strongest midsize banks. You can find details on the judging criteria at the end of this story.

Honorable mention

Because Kansas City is home to so many strong large banks, judging was difficult, so it’s important to identify a couple of honorable mentions:

Omaha-based Pinnacle Bank has only one branch in the Kansas City area, in Lee’s Summit, but this bank’s strength shouldn’t be overlooked. It has only 0.28 percent problem loans in a $3.78 billion portfolio. Its core-capital ratio is 10.07 percent, with equity capital of $580.1 million in equity and has a core-capital ratio of 12.19.

(Previous: No. 3 in 2017)

No. 4: Originally founded in 1865, only 12 years after Kansas City was incorporated, Commerce Bank has grown into the largest bank based in the area. With a sound reputation for strength and endurance, the bank has only 0.21 percent problem loans in a $14 billion portfolio. It carries a massive $2.59 billion in equity capital. Its core-capital ratio of 14.22 percent, with equity capital of $580.1 million in equity and has a core-capital ratio of 12.19.

(Previous: Unranked in 2017)

No. 3: Academy Bank is wholly owned subsidiary of Dickinson Financial Corp., a $2.5 billion bank holding company that also owns Armed Forces Bank. Academy has 20 branches in the metro area and has been aggressively growing the past few years. That growth is being done wisely. The bank has only 0.45 percent problem loans in a $1.08 billion portfolio. It has an incredibly strong core-capital ratio of 16.11 percent. It has equity capital of $222.4 million, which is strong but less than its peers on the ranking.

(Previous: Unranked in 2017)

No. 2: Security Bank of Kansas City is the result of the 2017 charter consolidation of Valley View Bancshares’ seven BancAbility brands, creating one of only nine banks based in the Kansas City area with more than $1 billion in assets. The consolidation put together several smaller banks that consistently were recognized on our strongest banks rankings. Security Bank has 0.29 percent problem loans in a $1.63 billion loan portfolio. It has a 14.57 percent core-capital ratio and $447.9 million in equity capital.

(Previous: Unranked in 2017)

No. 1: Based in Topeka and with 47 branches throughout Kansas and the Kansas City area, Capitol Federal Savings has built a stellar reputation for strength and resilience since its founding in 1893. The bank’s numbers were solid across the board. It had only 0.18 percent problem loans in a $7.53 billion portfolio. It has a core-capital ratio of 12.56 percent and equity capital of $1.22 billion, giving it plenty of room to grow.

(Previous: No. 1 in 2017)

Judging criteria

The rankings were determined using six categories, in the following order of significance:

Problem-loan ratio shows the percentage of loans in a bank’s portfolio that are 90 days past due or no longer are accruing interest at the stated rate. The more problem loans a bank accrues, the weaker it becomes. This is the category first used to sort all the banks in each size group for comparison.

Texas ratio measures the credit problems of a bank. It is determined by adding up the problem loans and dividing them by a bank’s equity capital and loan-loss reserves. The smaller the number, the better. If a bank has a Texas ratio that exceeds 100 percent, it’s in serious jeopardy of being shut down by regulators. We use the Texas ratio to separate banks with similar problem-loan ratios.

Core-capital ratio measures the amount of reserves a bank sets aside. Banks are required to hold a minimum of 6.5 percent core capital in reserve to be considered well capitalized by regulators. The more core capital a bank has, the better it can handle problems, so this is a category that carries hefty weight in the rankings.

Equity capital is capital set aside that is free of debt and available to be used in the interest of the business. Equity capital gives a bank versatility to continue making loans and seeking growth, so the more a bank has, the stronger it becomes.

Income is used to gauge a bank’s prospects for a strong future. A bank might have few problem loans and large capital reserves, yet still be losing money. So it isn’t going to be as strong in the long run as a bank that is profitable.

Total loans and leases were used to help separate banks with similar numbers, giving more emphasis to the banks with larger portfolios. The more loans a bank has, the more impressive a low problem-loan ratio becomes.