

N.J. banks increasingly looking out of state for acquisitions

BY BRETT JOHNSON

Valley National Bancorp raised more than a few eyebrows in May when it announced its acquisition of 1st United Bancorp Inc.

While United's network of 21 branches and combined \$1.7 billion in assets made it an ideal target, its location did not.

United Bancorp is in Florida.

The days of banks looking to the next town over — or even the next state over — when making an acquisition are not over. But now, New Jersey institutions are discovering it's just as easy to find partners outside the Northeast.

The Wayne-based Valley National Bancorp's CEO, **Gerald Lipkin**, said the impetus for the \$312 million acquisition was identifying Florida's booming population and economy.

"Florida is not as difficult to do today, despite its distance, as it was 13 years ago when we went into New York," Lipkin said, citing new technology that has made proximity irrelevant.

The development of remote deposit capture, for instance, has kept Valley National from having to send a messenger to every New York branch, every day.

"The distance is immaterial," Lipkin added. "We use video conferencing extensively in our bank already; that's how we handle all the loans in Long Island. Well, it doesn't matter if you're there or in West Palm Beach for video conferences."



Gerald Lipkin

Valley National may not be alone in looking for acquisitions away from home. As the number of New Jersey-based banking institutions declines, those large-capital banks fishing for acquisitions within the Garden State's borders may have trouble finding a catch.

Industry expert **Don Musso** is witnessing this firsthand. In his role as CEO of **FinPro Capital Advisors**, a Warren-based bank consulting firm, he's seen an interesting dynamic emerge.

"There's a lot of buyers, and fewer sellers," he said. "In the New Jersey market, most of the troubled institutions have already been weeded out. There are not a lot of weak players that are left here."

"When you have this many institutions with (a lot of) capital chasing each other, unless one or two get knocked off, we're going to see them in new geographies."

In responding to New Jersey's consolidation, though, it's been more typical for banks to expand in the New York region than to look as far as Florida, Musso said.

Investors Bank, a Valley National competitor, has stuck to expanding into the usual territories. The Millburn-based institution has set up 25 branch offices in New York to accompany its 100 New Jersey branches.

Besides expanding in New York City, Chief Operating Officer **Domenick Cama** said Investors is moving into suburbs of Philadelphia and trying to gain brand recognition there as well.

Provident Financial Services, the Woodbridge-based parent of **Provident Bank**, has also been looking across the Delaware River. The institution completed a \$120 million acquisition of a bank based in the Lehigh Valley earlier this year.

Musso said it's becoming more likely that New Jersey banks will acquire an out-of-state institution than it is for an out-of-state bank to reel in a Garden State bank.

"For the past couple years, it has been the capital in the New Jersey area causing all the activity," Musso said.

Prior to 2011, a majority of cross-state transactions in a given year were Garden State banks being purchased by other



COO Domenick Cama helped Investors be at the forefront of mergers. —COURTESY OF INVESTORS BANK

state's institutions, according to a compilation of M&A by New Jersey's Department of Banking & Insurance that stretches back to 1989.

Now it's the opposite.

"(That's because) we have enough banks with a ton of capital that will be leading the acquisition charge," Musso said. "It leaves little room for out-of-state banks to purchase New Jersey banks."

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