

DATA DISPATCH

De novo organizers following the crowds

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By Kelsey Bartlett and Zain Tariq

Following years of sluggish activity, de novo banks are cropping up across the nation at a more rapid pace.

Eleven banks have received application approvals since 2010. Applications are pending for another 18 institutions, with the majority filed in 2017 and 2018. Most are located in highly populated areas — a trend industry experts expect to continue.

Donald Musso, president and founder of consulting firm FinPro Inc., said for the most part, de novo organizers are gravitating toward "high-growth, low-tax, red state" markets. He expects the "explosion" of new banks to be in growing metro areas, like Charlotte, N.C.; Charleston, S.C.; and Nashville.

S&P Global
Market Intelligence

MSAs with new banks since 2010

MSA name	Since 2010 (#)		Operating banks (actual) ¹		Deposits ^{1,2}	
	De novos	Banks in organization	<\$1B in assets	All banks	2017 (\$B)	YOY change (%)
Austin-Round Rock, TX	1	1	38	75	36.76	4.2
Birmingham-Hoover, AL	0	1	29	51	24.88	3.4
Charleston- North Charleston, SC	1	0	13	34	13.20	8.6
Charlotte-Concord-Gastonia, NC-SC	0	1	16	44	37.79	5.9
Columbus, OH	0	1	30	58	38.59	7.2
Detroit-Warren-Dearborn, MI	0	1	24	52	87.70	4.3
Lake Charles, LA	1	0	8	18	3.88	4.0
Lancaster, PA	1	0	5	25	11.07	4.9
Las Vegas-Henderson-Paradise, NV	0	2	16	53	37.78	8.3
Los Angeles-Long Beach-Anaheim, CA	2	0	75	150	402.13	7.2
Manchester-Nashua, NH	1	0	11	27	9.10	6.8
Miami-Fort Lauderdale-West Palm Beach, FL	0	1	50	109	193.78	4.1
Nashville-Davidson-Murfreesboro-Franklin, TN	1	1	36	65	45.04	6.6
New Haven-Milford, CT	1	0	5	26	21.73	5.5
New York-Newark-Jersey City, NY-NJ-PA	0	1	117	236	753.05	4.4
North Port-Sarasota-Bradenton, FL	0	1	5	41	20.48	6.0
Oklahoma City, OK	0	1	52	74	27.27	4.7
Orlando-Kissimmee-Sanford, FL	1	0	22	59	40.07	7.2
Phoenix-Mesa-Scottsdale, AZ	0	1	23	79	72.98	9.9
Punta Gorda, FL	0	1	2	19	3.60	7.0
Salt Lake City, UT	0	1	33	68	35.88	2.7
San Diego-Carlsbad, CA	1	0	20	69	71.97	6.8
Springfield, MA	0	1	6	23	15.06	9.2
Washington-Arlington-Alexandria, DC-VA-MD-WV	0	1	29	88	157.82	5.4
Winston-Salem, NC	0	1	3	20	12.11	-1.9
Group median			22	53	36.76	5.9

Data compiled May 16, 2018.

Analysis includes MSAs that have at least one bank in organization or de novo established since 2010.

¹ Based on operating subsidiary-level institutions. Financial data as of the most recent quarter available.

² Deposits are based on the FDIC's Summary of Deposits data as of June 30, 2017, and readjusted for announced and completed mergers and acquisitions that have occurred up to May 16, 2018.

Deposits are capped at \$1 billion per branch.

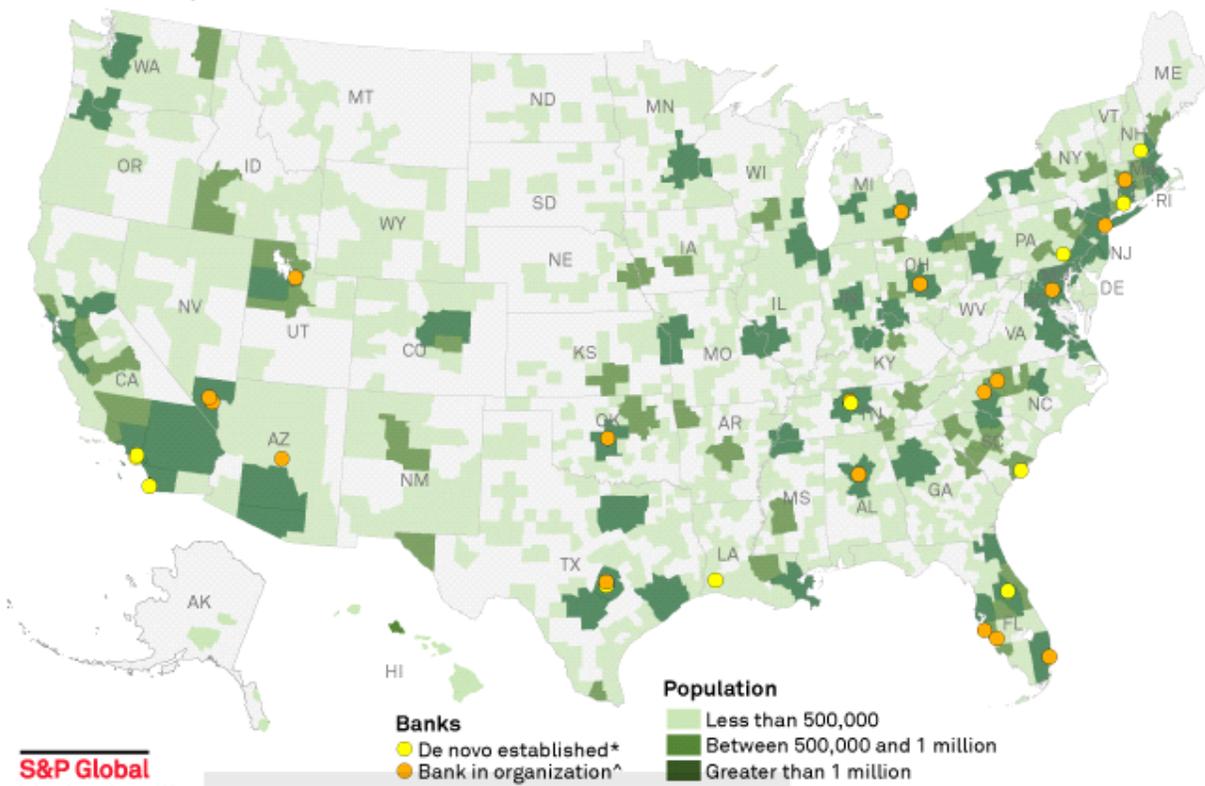
MSA = metropolitan statistical area

Source: S&P Global Market Intelligence

While Musso does not expect the number of de novos to return to pre-crisis levels — when there were upwards of 100 new banks a year — he anticipates up to two dozen new banks could open annually in the U.S.

"I think it's all going to be concentrated in the urban areas, where the millennials and where the empty-nesters are fleeing," Musso said.

Population by MSA as of 2018



S&P Global

Market Intelligence

Data compiled May 16, 2018.

* De novos established since 2010.

^ Pending de novo applications since 2010.

Excludes holding company sponsored applications except where the holding company was formed to establish the bank.

Sources: S&P Global market Intelligence; Claritas Pop-Facts 2017

Map credit: Ver Anthony Odevilas

Jeffrey Sullivan, the proposed CEO of Springfield, Mass.-based New Valley Bank & Trust, said consolidation, coupled with rising rates and an improving regulatory environment, made 2018 the right time to open a bank.

New Valley Bank & Trust, which would be the only bank headquartered in Springfield, hopes to have a regional identity, and its economic existence will depend on the Connecticut River Valley.

"If you look a little more broadly across Massachusetts, there's definitely a scarcity of small lenders," Sullivan said in an interview. "The lid came off on M&A activity a few years ago, and several of those small banks disappeared."

There have been 60 bank and thrift deals in Massachusetts since 2008, according to S&P Global Market Intelligence data. Six of the sellers were located in the Springfield metro area.

Demographics for MSAs with new banks since 2010

MSA name	Population		2018 median household income (\$)	2018 average deposit products per household (\$)*	2018 16+ unemployment rate (%)
	2018 (actual)	2018-2023 projected CAGR (%)			
Austin-Round Rock, TX	2,130,664	1.8	74,256	69,303	4.8
Birmingham-Hoover, AL	1,151,899	0.3	55,312	61,485	7.0
Charleston- North Charleston, SC	785,518	1.6	62,795	64,176	5.7
Charlotte-Concord-Gastonia, NC-SC	2,537,416	1.4	60,380	60,951	7.4
Columbus, OH	2,075,642	0.8	63,009	53,493	5.7
Detroit-Warren-Dearborn, MI	4,298,293	0.1	60,060	56,485	8.3
Lake Charles, LA	209,968	0.7	52,034	69,834	6.7
Lancaster, PA	542,543	0.4	64,827	59,291	5.0
Las Vegas-Henderson-Paradise, NV	2,217,031	1.4	56,010	59,685	8.7
Los Angeles-Long Beach-Anaheim, CA	13,436,808	0.7	69,330	123,816	7.5
Manchester-Nashua, NH	408,868	0.3	80,246	76,561	4.9
Miami-Fort Lauderdale-West Palm Beach, FL	6,190,793	1.3	55,037	103,214	7.7
Nashville-Davidson-Murfreesboro-Franklin, TN	1,917,017	1.3	64,215	59,281	5.2
New Haven-Milford, CT	854,178	-0.1	67,942	79,888	7.6
New York-Newark-Jersey City, NY-NJ-PA	20,251,724	0.4	74,466	103,616	7.0
North Port-Sarasota-Bradenton, FL	808,091	1.5	59,526	71,264	6.7
Oklahoma City, OK	1,400,480	1.1	58,264	71,677	4.8
Orlando-Kissimmee-Sanford, FL	2,518,915	1.6	56,059	76,703	7.0
Phoenix-Mesa-Scottsdale, AZ	4,789,980	1.4	60,641	56,668	6.4
Punta Gorda, FL	182,677	1.4	48,812	68,547	9.3
Salt Lake City, UT	1,210,384	1.3	72,469	77,102	4.2
San Diego-Carlsbad, CA	3,355,793	0.9	73,550	84,621	7.3
Springfield, MA	631,238	0.3	59,132	63,663	7.6
Washington-Arlington-Alexandria, DC-VA-MD-WV	6,224,774	1.0	99,400	93,301	5.5
Winston-Salem, NC	667,458	0.7	49,443	63,843	7.9
U.S. aggregate	326,533,070	0.7	61,045	75,194	6.8

Data compiled May 16, 2018.

Analysis includes MSAs that have at least one bank in organization or de novo established since 2010.

* Average balance or value per household for deposit products.

CAGR = compound annual growth rate

MSA = metropolitan statistical area

Sources: S&P Global Market Intelligence; Claritas Pop-Facts 2017

Michael Jamesson, head of consulting firm Jamesson Associates, said de novos may be forming in or near heavily populated areas because investors want a profitable exit strategy in years to come.

"That seems to be the place that if there are independent, smaller institutions, the big banks tend to want to buy into those markets and pay higher premiums," Jamesson said.

Musso that warned organizers should be careful to avoid potentially overheated markets, referencing Atlanta in the early 2000s, when scores of new banks opened their doors and failed.

"The question is: What's the right number for the market?" Musso said. "Is it one? Is it two? I seriously doubt it's three. So the other thing for de novo groups to start to think about is: First-in wins."

Jamesson said regardless of an uptick in de novos, he still expects there to be fewer banks in five years.

Pending de novo applications and de novos established since 2010

Company	City, state/territory	Date filed ¹	Max. capital to be raised (\$M) ²
Pending applications			
Scottsdale Community Bank ³	Scottsdale, AZ	NA	NA
Watermark Bank	Oklahoma City, OK	05/15/18	NA
Community Bank of the Carolinas	Winston-Salem, NC	05/14/18	NA
Ohio State Bank	Bexley, OH	05/07/18	NA
New Valley Bank & Trust	Springfield, MA	04/27/18	NA
Gulfside Bank	Sarasota, FL	03/19/18	20.0
Tarpon Coast Bank	Port Charlotte, FL	03/16/18	NA
MiCommunity Bank	Bloomfield Township, MI	03/15/18	30.0
Spirit Community Bank	Statesville, NC	03/05/18	22.0
Coastal Community Bank N.A.	Hollywood, FL	02/12/18	NA
Marathon International Bank	Washington, DC	01/19/18	25.0
Sterling Bank	Las Vegas, NV	01/09/18	20.0
CommerceOne Bank	Birmingham, AL	11/30/17	50.0
New York Venture Bank NA	New York, NY	10/11/17	100.0
Studio Bank	Nashville, TN	08/24/17	NA
Varo Bank N.A.	Salt Lake City, UT	07/21/17	NA
Charles Schwab Trust Bank	Henderson, NV	06/21/17	NA
Royal United Savings & Loan Association	Austin, TX	06/02/14	NA

De novos established		Date established	Total assets (\$M) ⁴
Infinity Bank	Santa Ana, CA	02/01/18	34.1
Endeavor Bank	San Diego, CA	01/22/18	30.2
Beacon Community Bank	Charleston, SC	01/08/18	36.5
Tennessee Bank & Trust	Nashville, TN	10/01/17	251.6
Winter Park National Bank	Winter Park, FL	08/01/17	142.9
Bank of Austin	Austin, TX	07/10/17	84.2
Blue Gate Bank	Costa Mesa, CA	01/23/17	129.9
Primary Bank	Bedford, NH	07/28/15	161.8
Bank of Bird-in-Hand	Bird in Hand, PA	12/02/13	272.1
Start Community Bank	New Haven, CT	12/20/10	132.5
Lakeside Bank	Lake Charles, LA	07/26/10	173.3

Data compiled May 16, 2018.

¹ The date the company submitted its de novo application to a regulatory agency.

² The maximum capital to be raised in the initial offering.

³ The bank has not yet filed a de novo application with the FDIC. In organization status has been approved by the Arizona Department of Financial Institutions.

⁴ Total assets based on the company's most recent regulatory filings.

Excludes holding company-sponsored applications except where the holding company was formed to establish the bank.

NA = not available

Source: S&P Global Market Intelligence

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