

While M&A helps whittle bank branch counts, CUs keep building

By Ken McCarthy, Kelsey Bartlett and Zain Tariq

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Credit unions continued adding branches during the past four quarters while the number of community bank offices shrank further. One large factor in that discrepancy may be how the two industries view mergers.

Both the credit union and community bank spaces continue to see consolidation, but while branch closures are often a way banks look to save costs in M&A deals, fewer branches are closed as a result of mergers in the credit union space.

There were 21,255 active credit union branches at the end of the first quarter. That marked a net increase of 22 branches since a year earlier. By comparison, community banks shuttered a net 187 branches since the first quarter of 2017 with 38,403 branches remaining.

Winter Haven, Fla.-based CenterState Bank Corp. shuttered 11 branches in the first quarter, which represented the sec-

ond-highest number of branch closures among banks with less than \$10 billion in assets. In an interview, Executive Vice President and COO Stephen Young attributed the branch closings primarily to the acquisition of Sunshine Bancorp Inc. The \$192.9 million deal closed in January.

CenterState has completed 13 Southeast acquisitions since the beginning of 2010, and Young said the ability to consolidate branches is often a deciding factor when considering M&A targets. "We have tried to deepen market share in places we're in," Young said. "You don't need more brick and mortar to do that."

Since 2009, the bank's average branch size has grown from \$27 million to \$76 million. "When your branches are bigger, they have more deposits in them," he added. "And they're good deposits [such as] checking accounts. It allows you to not have to take so much risk on the loan side."

Most active community bank branch openers and closers in Q1'18

Company (top-level ticker)	City, state/territory	Active branches*	Net openings/closings				Total
			Q1'18	Q4'17	Q3'17	Q2'17	
Net increase							
JRMB II Inc.	Lawton, OK	124	3	-1	-1	0	1
Endeavor Bank^	San Diego, CA	2	2	0	0	0	2
First of Long Island Corp. (FLIC)	Glen Head, NY	51	2	1	1	0	4
Net decrease							
Woodforest Financial Group Inc.	The Woodlands, TX	729	-14	-2	-3	1	-18
CenterState Bank Corp. (CSFL)	Winter Haven, FL	130	-11	0	0	-7	-18
First Financial Bancorp. (FFBC)	Cincinnati, OH	182	-8	-7	-2	-2	-19
OFG Bancorp (OFG)	San Juan, PR	42	-8	0	-1	-1	-10
Dickinson Financial Corp. II	Kansas City, MO	115	-7	-3	-5	0	-15
Bridge Bancorp Inc. (BDGE)	Bridgehampton, NY	38	-6	0	1	2	-3
Skowhegan Savings Bank	Skowhegan, ME	12	-4	0	0	0	-4
Total U.S.		38,403	2	-21	-135	-33	-187

Data compiled April 5, 2018.

Ranking is based on net community bank branch openings/closings for the quarter ended March 31, 2018. Limited to community banks with at least two net openings or four net closings.

For the purpose of this analysis, community banks are defined as banks with less than \$10 billion in total assets as of Dec. 31, 2017. The middle-tier parent or ultimate parent also had less than \$10 billion in assets as of Dec. 31, 2017.

* Active branch data is based on the FDIC's June 30, 2017, Summary of Deposits filing and pro forma for announced and completed mergers and acquisitions and any branch openings or closings as of March 31, 2018.

^ Endeavor Bank was established as a nonmember commercial bank Jan. 22, 2018 with two branches.

Branch openings and closings are limited to cases where opening and closing dates are available.

Source: S&P Global Market Intelligence

One reason a greater percentage of branches have remained open on the credit union side is that closures do not automatically follow mergers. For example, one of the larger credit union mergers announced recently involved Bridgewater CU and Lawrence, Mass.-based Merrimack Valley FCU. The credit unions operate 10 branches combined and do not plan to close any locations or reduce staffing following the merger.

Aside the lower rate of closures, the institutions' branch-building appetite has increased lately, said Glenn Grau, senior vice president of sales at branching consultant PW-Campbell. Credit unions

were slower to come out of the crisis compared to the banks and are in some cases just starting to expand again, he said.

Building more branches will remain an option for Oshkosh, Wis.-based Verve a CU. Transactions conducted in the

branches have remained mostly flat and have even grown in some markets. Verve has 15 branches, and No. 16 will open later this year in Oshkosh. "Members are still wanting to have that relationship that they will call on when they have deeper questions," said Ryan Didreckson, vice president of operations.

Most active credit union branch openers and closers in Q1'18

Company	City, state	Active branches*	Net openings/closings				Total
			Q1'18	Q4'17	Q3'17	Q2'17	
Net increase							
American Heritage FCU	Philadelphia, PA	38	2	0	1	0	3
Barksdale FCU	Bossier City, LA	24	2	0	0	0	2
Net decrease							
CommunityAmerica CU	Lenexa, KS	32	-2	1	0	0	-1
Martinsville DuPont Employees CU Inc.	Martinsville, VA	9	-2	1	0	0	-1
Northwest Community CU	Eugene, OR	15	-2	0	0	0	-2
Total U.S.		21,255	13	28	-23	4	22

Data compiled April 5, 2018.

Ranking is based on net credit union openings/closings for the quarter ended March 31, 2018. Limited to credit unions with at least two net openings and net closings and to credit union branches that take deposits. Excludes ATMs, mortgage offices and loan production offices.

* Total active branches are pro forma for announced and completed mergers and acquisitions and any branch openings or closings as of March 31, 2018.

Credit union branch openings and closings are collected on a best-efforts basis through publicly available information. Source: S&P Global Market Intelligence

And even though community banks are reducing their overall branch count, a physical presence remains important to small business that need to deposit money or speak with a lender, CenterState's Young said. The bank still plans to open new branches from time to time. "You need a place and somebody to talk to at some level, even if you don't ever do it," he added. "The online things ... all is good until there's a crisis."

Most credit union branch openings/closings by state/territory in Q1'18

State (total active branches)	Q1'18	Q4'17	Q3'17	Q2'17
NET OPENINGS				
Florida (1,020)	5	3	1	-2
Georgia (489)	2	2	1	0
Louisiana (437)	2	0	-3	-1
Minnesota (409)	2	0	0	0
Utah (464)	2	1	5	0
Washington (566)	2	4	4	2
NET CLOSINGS				
Missouri (343)	-2	4	0	0
New Jersey (344)	-2	-1	-5	0
Puerto Rico (36)	-2	0	0	-1

Data compiled April 5, 2018.

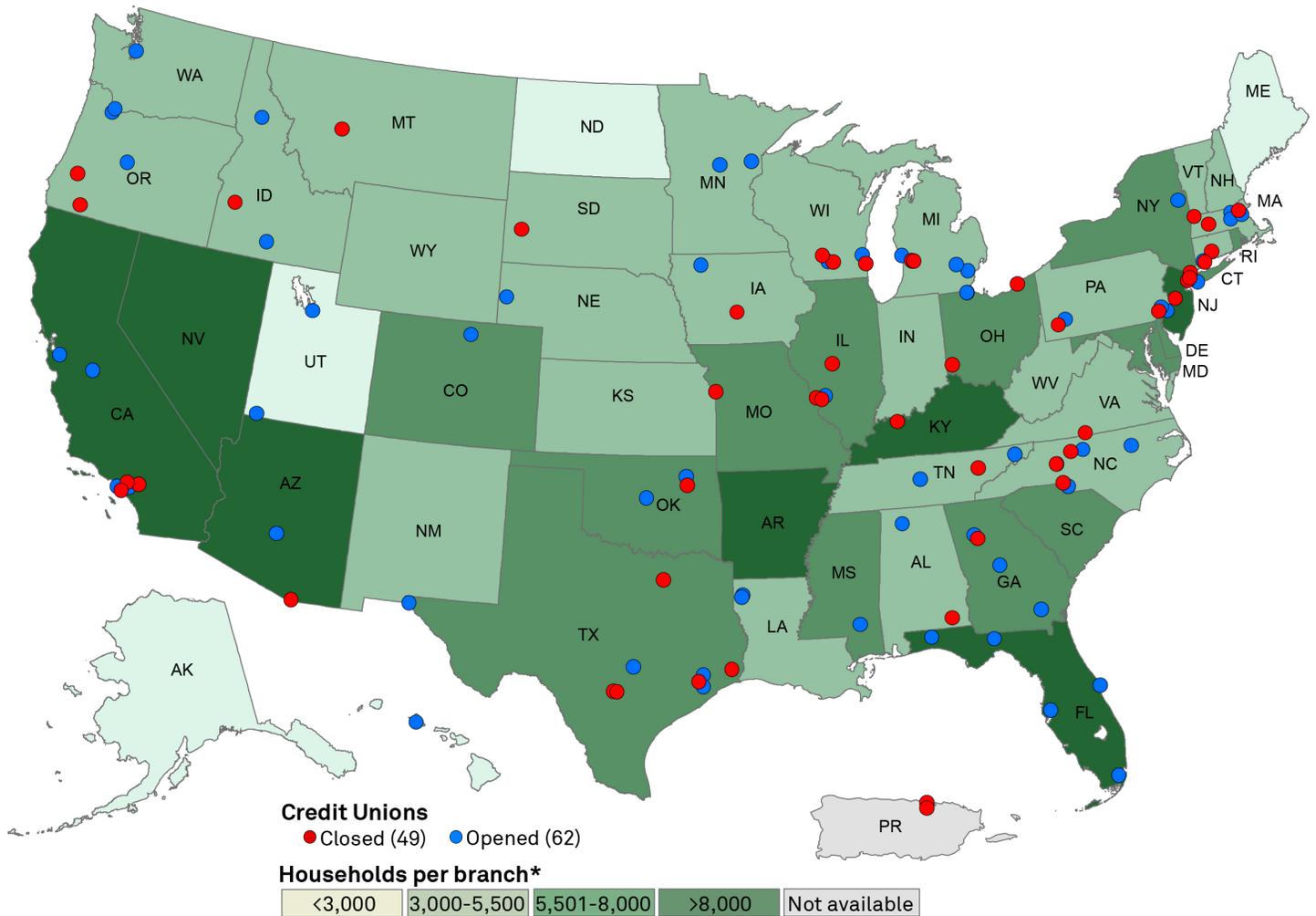
Ranking is based on credit union net branch openings/closings for the first quarter ended March 31, 2018. Limited to states with at least two net openings or net closings and to credit union branches that take deposits. Excludes ATMs, mortgage offices and loan production offices.

Total active branches are pro forma for announced and completed mergers and acquisitions and any branch openings or closings as of March 31, 2018.

Credit union branch openings and closings are collected on a best-efforts basis through publicly available information.

Source: S&P Global Market Intelligence

Credit union branch openings & closings in Q1'18



Data compiled April 5, 2018.

Limited to credit union branches that take deposits. Excludes ATMs, mortgage offices and loan production offices.

* Represents households per branch. Households data is based on 2018 data provided by Claritas.

Credit union branch openings and closings are collected on a best-efforts basis through publicly available information.

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

Map credit: VA Odevilas