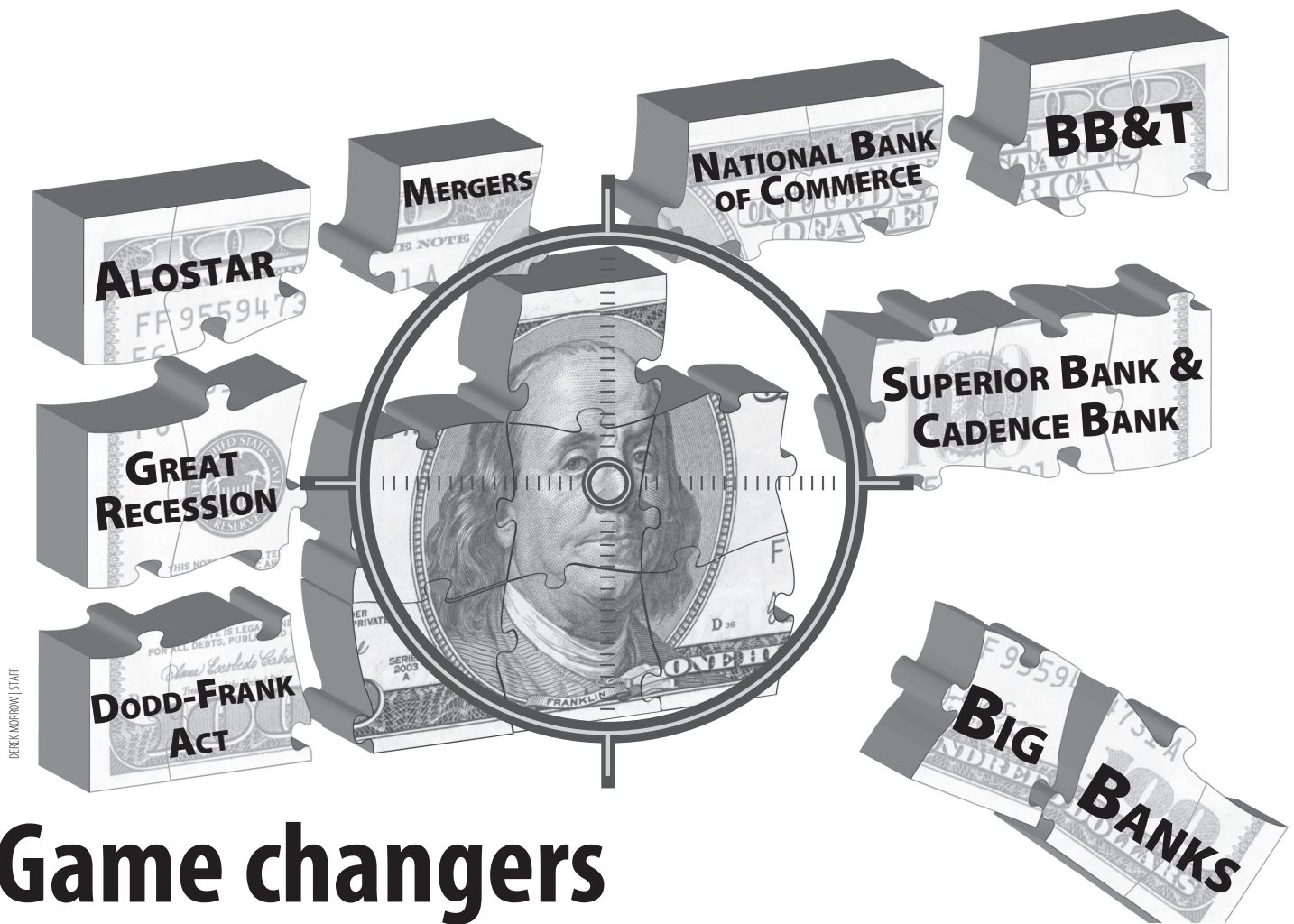


BANKING



Game changers

The Magic City isn't a banking center anymore, but it's drawing new players

BY NICOLE BRADFORD / CONTRIBUTOR

While not particularly bright, experts believe the future looks stable for the local banking market.

Home to powerhouses such as Regions Financial Corp. and BBVA Compass, Birmingham has fared better than other markets during the financial shake up of the last few years, but it doesn't exist in a vacuum. The local financial landscape is markedly changed, dotted with bank

failures, mergers and the resulting new entries into the marketplace by acquiring banks.

Brighter spots on the horizon appear to be stronger banks appearing on the scene, such as Lafayette, La.-based IberiaBank and Winston-Salem, N.C.-based BB&T Corp., as well as Alostar Bank and new Superior Bank

"After the 2008 financial crisis, we were seeing a lot of banks who were not able to make it," said Jenny McCain,

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partner at Birmingham-based law firm Maynard Cooper & Gale PC. "That created an opportunity for banks that had capabilities and were looking for new opportunities in a city typically good for the financial industry. It's good for the Birmingham community in that it has created a lot of options for consumers."

Among the new players in town is the

BANKING: Mergers will remain a key player in the Magic City's evolving bank environment

resurrection of an old one – National Bank of Commerce. The name, which had been part of the local scene for more than 40 years, disappeared after a merger in 2005. It re-emerged, however, when the old bank's management team took control of Red Mountain Bank in 2010. Aside from reclaiming the former bank's handle, its strategy included expanding into surrounding healthy markets, said Richard Murray, president of National Bank of Commerce.

"Part of what we did is open offices on the Alabama Gulf Coast, Lee County and in Madison County – which are probably the most dynamic and vibrant economies," Murray said, "much more so than the U.S. or Alabama in general."

Huntsville – with a NASA-induced plethora of high-tech, highly educated and paid professionals and job growth – is a particularly bright spot on the horizon, he said.

Not that there aren't bleak spots, Murray said. Government regulation and fierce competition will likely squeeze more banks out of business.

"I don't think we are going to see the end of community banks," he said. "There will be fewer of them, but there will be fewer regional banks, as well."

The belief mergers and acquisitions will continue to claim more individual, and especially smaller, banks appears to be generally held.

According to Maynard Cooper's McCain, "That's the industry perception

both locally and nationally. I don't think everyone has to be a certain size to succeed. I do think you have to take a hard look at the opportunities and what it will take to serve your customers. There has been a game change, but it doesn't mean that if you are small, you can't make it."

However, she added, "For a lot of banks with the business plan they have, there may need to be some mergers."

Increased regulation will play a role in the disappearance of many banks.

Paul Compton Jr., partner at law firm Bradley Arant Boult Cummings LLP, said regulations will ultimately produce a more socialized marketplace with far fewer competitors.

"I do think the overall number of banks will decline," he said. "And that's really a function of the underlying economics and where government policy is driving us."

Compton, who has handled numerous bank acquisitions and today specializes in development projects, said Alabama is through the worst of the banking crisis, but added government isn't helping matters.

"Every time someone in Washington says, 'We are encouraging more lending,' but adds, 'Banks should have more capital,' they are contradicting themselves. It reminds me of my favorite line in the movie, 'Charlie Wilson's War.' Someone asked him why politicians say one thing and do another, and he answered, 'Tradition, mostly.'"

But times could definitely be worse, said Compton, who calls today's "tough patch for Birmingham" a period that is not nearly as problematic as what banks went through with the decline of the iron and steel industry, for example.

"Will Birmingham be the banking center it was seven years ago? I doubt it," he said. "Is there lots of banking talent in Birmingham compared to most cities our size? Yes. I see potential for bright spots from some of the new banks here. IberiaBank and AloStar Bank will be aggressive, I think. All is not bad – it's just mediocre."

Compton expects the next three years to bring more bank consolidation, with smaller, community banks sitting in the crosshairs. Their bread and butter, he said, was real estate loans, a niche that has all but dried up in the wake of the real estate collapse and resulting regulatory whiplash.

"It's harder now for community banks to find a broadly profitable niche to be involved in," he said.

He recalled a colleague's remark he said aptly describes the future of U.S. banks.

"A friend of mine told me, 'We are becoming a lot like France, except the vacations are not as long and the food is not as good.' We are becoming much more socialized in our approach to a lot of things," he said. "The historic banking landscape for the U.S. is different from other countries. The tradition of having lots of banks is unique to us."