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Branch deals rise in 2021 despite crush of liquidity



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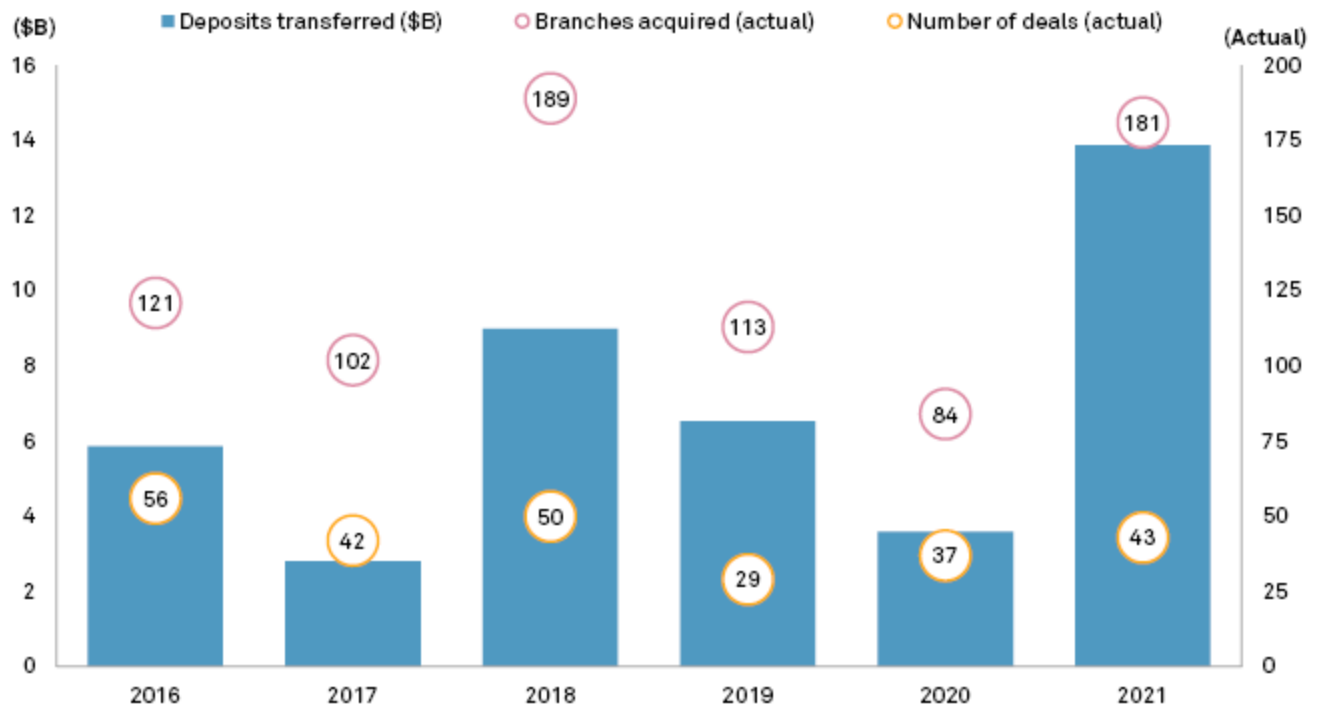
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Bank deals for branches rose in 2021 to a new recent high in deposits transferred, despite a crush of liquidity that depressed margins to the point that some banks looked to defray deposits.

Over the course of 2021, there were 43 deals for bank branches, up from 37 in 2020. The number of branches acquired came in at 181, up from 84 the previous year but below a recent high water mark of 189 branches transacted in 2018. However, deposits transferred in 2021 totaled \$13.87 billion, surpassing 2018's previous recent high of \$8.99 billion.



Yearly US bank branch deal statistics



Data compiled Jan. 14, 2022.

Includes U.S.-based branch deals announced between Jan. 1, 2016, and Dec. 31, 2021.

Excludes terminated deals.

Source: S&P Global Market Intelligence

HSBC Holdings PLC's decision to exit the U.S. mass market retail banking business drove the sharp increase in deposits transferred, as the bank offloaded 90 branches in sale agreements with Citizens Financial Group Inc. and Cathay General Bancorp.

The deal between Citizens and HSBC was the largest branch transaction by branches transferred since 2016, at 80 branches with \$9.00 billion in deposits, easily surpassing the previous high of 52 branches transferred for \$2.30 billion of deposits in a 2018 deal between Flagstar Bancorp Inc. and Wells Fargo & Co. HSBC's agreement with Cathay General for 10 branches and \$1.00 billion in deposits also was among the 10 largest branch deals by branches transferred.

Branch deals might have been even more prominent last year if not for the crush of excess deposits, said Michael Bell, co-leader of the financial institutions practice group at Honigman LLP. The COVID-19 pandemic triggered trillions of dollars in government support, driving excess savings at a time when many consumers stayed at home to slow the virus' spread.

"It's largely about liquidity and deposit acquisition, and that's changed," Bell said in an interview.

"No one is hungry for deposits right now."

As banks shrink their branch footprints, companies looking to offload a set of branches might need to seek multiple buyers. In the 2021 fourth quarter, Arvest Bank inked a deal with five different banks across four states to sell 15 branches and an ATM location.



Bell said branch deals — similar to whole-bank M&A — are driven by sellers, not buyers.

Southern Missouri Bancorp Inc. executives said that was the case in its deal with Oldham, S.D.-based First National Bank for a branch in Cairo, Ill.

"Our facility was in need of some significant rehabilitation, and they actually approached us," President and CEO Greg Steffens said in an Oct. 26, 2021 earnings call, according to a transcript. "And they have a bigger location that would more fit a consolidated operation ... We felt like that there's some efficiencies that can be gained by combining the two operations into one."

Largest US bank branch deals since 2016

Ranked by the number of branches acquired and then by deposits transferred

Buyer (ticker)	Seller	Total Branches branches acquired, by acquired state	Announce- ment date	Deposits transferred (\$B)
Citizens Financial Group Inc. (CFG) ¹	HSBC USA Inc.	80 DC (1), FL (5), MD (4), NJ (3), NY (63), PA (1), VA (3)	05/26/21	9.00
Flagstar Bancorp Inc. (FBC)	Wells Fargo & Co.	52 IN (33), MI (14), OH (1), WI (4)	06/05/18	2.30
Associated Banc-Corp (ASB)	Huntington Bancshares Inc.	32 WI (32)	12/11/18	0.85
First Horizon National Corp. (FHN)	Truist Financial Corp.	30 GA (2), NC (20), VA (8)	11/08/19	2.44
Northwest Bancshares Inc. (NWBI)	KeyCorp	18 NY (18)	04/28/16	1.80
FB Financial Corp. (FBK) ²	Atlantic Capital Bancshares Inc.	17 GA (5), TN (12)	11/14/18	0.60
Horizon Bancorp Inc. (HBNC)	Huntington Bancshares Inc.	14 MI (14)	05/25/21	0.98
First Commonwealth Financial Corp. (FCF)	Banco Santander SA	14 PA (14)	04/22/19	0.53
First Commonwealth Financial Corp. (FCF)	FirstMerit Corp.	13 OH (13)	07/27/16	0.74
Cathay General Bancorp (CATY) ³	HSBC USA Inc.	10 CA (10)	05/26/21	1.00
Industry total		790		41.63

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Excludes terminated deals.

Company titles and tickers for buyers are shown as of the deal announcement.

¹ Deal includes the acquisition of HSBC's online deposit business.

² Branches acquired reflect three additional offices identified by the Federal Deposit Insurance Corp. as being part of the deal.

³ Deal includes acquisition of additional loans and deposits associated with HSBC's West Coast banking business.

Source: S&P Global Market Intelligence

