

THE SLANT

A Different Take On Banking

BY **Bank**Director.

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A Buyer's Market for Banks

Texas Security Bankshares finds itself in a bit of a sweet spot these days.

The Dallas-based bank is capitalizing on the new customers and relationships it gained through the Paycheck Protection Program and is expanding its commercial real estate book of business following a recent key hire. But CFO Drew Keith tells me

he's also spending time reviewing deal pitchbooks and considering potential mergers and acquisitions. The only wrinkle?

Texas Security has never done a deal.

There is a first time for everything, and the time might be soon for the \$1 billion bank's first deal. Keith is busier than he's ever been, he tells me, because pockets of the Lone Star State have become a bit of a buyer's market, especially for community banks around \$1 billion in assets. There are a number of small bank boards and management teams that survived both the Great Recession and the coronavirus pandemic, and are finally ready to exit. But banks with between \$300 million and \$500 million in assets may find there are fewer interested buyers than they anticipated.

"The problem for a \$300, \$400, \$500 million bank is: If your loan portfolio is \$200 [million] to \$300 million, that doesn't move the needle for many banks," he says. "But for a Texas Security Bank that has \$1 billion, you're interesting to us."

Despite Texas Security's fortuitous market position, Keith isn't getting ahead of himself. Ideally, the bank finds a partner with a footprint that complements its existing Dallas, Fort Worth and Denton markets, "leapfrogs" its growth by two to three years and offers attractive cost-saving opportunities. It's also looking to structure a transaction with a high stock component, to align everyone's interests.

"We're very balanced, but we're open to making an acquisition," he says. "If we can get enough cost saves to make it accretive quickly, then we would do it. We're not going to do something just to prove we can do M&A."

Most banks don't engage in M&A on a yearly basis; 36% of respondents to **Bank Director's 2021 Bank M&A Survey** said they were likely to purchase a bank this year. That figure was down from 44% surveyed in 2019, before the pandemic. If Texas Security does announce its first-ever deal before the end of the year, it will join a small but growing list of buyers making big bets on their futures.

• *Kiah Lau Haslett, managing editor of Bank Director*
