

The Changing Face

of Local Banking

First Security Bank continues to grow and expand its presence in the local community banking market

BY VICTORIA GRABNER • PHOTOS BY JERRY BUTTS



Dusk hits First Security Bank's Downtown Evansville location, above, at the corner of Locust and Third streets. President M. Lynn Cooper, opposite page, stands near the entrance of the Downtown location.

After

six months of looking for your dream home, you realize you've finally found the perfect place for you and your family. Now, you're ready to make an offer. Yet there are two problems. First, the house has another serious prospective buyer who's itching to sign the deal. Second, it's a Sunday, and you can't reach your banker.

First Security Bank, a fast-growing community bank based in Owensboro, Ky., and expanding into Evansville has found a way around that dilemma. In a brand-new feature, it's now offering Banker On Call, a private banking catering service geared to allow clients to reach a banker any day and at all hours.

"It's designed for our more engaged clients who cannot leave work to come into the bank, who use multiple services, and who want answers quickly," says bank president M. Lynn Cooper. "It's a very new concept."

It's also a good example of how community banks like First Security Bank emphasize relationship banking versus the transactional banking model used by larger banks with more assets.

"The bigger banks tend to look at a customer's business as transaction oriented," Cooper says. "We look at clients on a relationship basis, more focused on their long-term value to us and our long-term value to them."

That's a philosophy that's seeing area success. First Security Bank, for instance, opened for business in 1997. Sixteen years later, it now has roughly \$430 million in assets and 11 office locations, including two in Evansville and one in Newburgh, Ind. Its Kentucky markets include Owensboro (the headquarters and one branch), Lexington (one branch), Bowling Green (four branches), and Franklin (one branch). By 2010, First Security had grown to be the 33rd largest bank headquartered in Kentucky. Yet, Cooper says, it's still able to remain focused on personal relationships.

WHAT IS A COMMUNITY BANK?

The term is fluid, but according to a December 2012 report by the FDIC, community banks obtain most of their core deposits locally. Many of their loans are to local businesses, too. Community banks tend to have specialized knowledge of their local community and their customers. They also tend to "base credit decisions on local knowledge and nonstandard data obtained through long-term relationships and are less likely to rely on the models-based underwriting used by larger banks," the report says.

Additionally, community banks are more likely than larger banks to be privately owned and locally controlled. Even if they do have public shares, they usually aren't traded on the major exchanges, the FDIC says.





The main entrance of First Security Bank, top, and a hallway of the bank, below. This is the second Evansville location for the bank that is based in Owensboro, Ky. The bank has 11 locations total.

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Security’s continued growth is its willingness to grant loans based on the realities of the local – and not national – economy.

When the recession first began, “some of the bigger banks basically cut off lending ... even to their existing customers,” Cooper says. “Some of the community banks such as First Security continued to loan money. I told our lenders that anyone who comes into the bank needing a loan, has the collateral and the capacity to repay it, take care of them.”

That had an immediate impact. Customers of First Security who received those loans took notice, and they brought their friends who had banked at bigger banks to First Security. “We grew phenomenally,” Cooper says. “Our bank took off, and we just kept it going. We outgrew our facility (in Owensboro). We opened two new facilities in the Evansville market.”

In all, the bank employs 150 people and has generated 25 new jobs since it came into the Evansville area market. Cooper was hired in 2007 to lead the bank’s new expansion strategy, which included the purchase of Warrick Loan and Savings Association. In June 2008, First Security opened a new, full-service office in Evansville on Green River Road. That first Evansville branch was profitable in less than 12 months, and its deposits and loans grew to roughly \$37 million in that first year. By the fourth quarter of 2012, the Evansville office had almost \$100 million in assets. In late July 2010, First Security purchased five Integra Bank branches in Bowling Green and Franklin, Ky. In July 2012, the bank opened a new corporate headquarters in downtown Owensboro at 313 Frederica St.

The Downtown Evansville Banking Center, located at 21 SE Third St., is in the former Integra Bank headquarters. First Security opened the office in March after Integra Bank closed in 2011. (Old National Bancorp. later acquired Integra Bank.) Branch manager Michael Dickerson says First Security owns enough of the building to have naming rights. It owns four floors of the business condominium

structure totaling around 70,000 square feet of space. This includes the basement, floors 1, 2, and 3, the parking lot, and the drive-in facility across the street at the corner of Third and Locust streets, a press release states. Additionally, First Security intends to grow even more in both existing and new markets.

It will do that with Cooper leading the charge. Described as a seasoned banker with both community bank and large bank experience, the 62-year-old Cooper was the CEO of his first bank at age 28. To give some perspective, that was before the advent of computerized checks. Since he started banking, Cooper has seen the installation of ATM machines, remote deposit capture, and the introduction of interest rates paid on accounts other than savings accounts.

Cooper says Evansville is unique in that it does not have what he calls super large national banks in the market except Fifth Third Bank and Regions Financial Corp. “The big banks don’t come into the (Evansville) market, but the community banks do,” he adds.

“Earlier, the bigger banks had success in growing within the Evansville market and basically controlled the market,” Cooper says. “As those banks grew, they also chose to expand outside of the Evansville market. Later, one of the local large banks was purchased by Fifth Third and in turn it, along with the other big banks, focused less on the local market. Over time, the big banks paid less attention to the local market, which opened up opportunities for community banks like First Security and others.”

“So community banks moved into the market,” Cooper says, adding that bigger national banks held off because Old National, Integra, and Citizens were doing so well in Evansville. At the same time, smaller community banks weren’t a concern for larger local banks, either.

“When we first came into the market, we were un-noticed by the big banks,” Cooper says. “Now that

there are five or six new banks that have entered the Evansville market in the last few years, we are providing increased competition to the marketplace and making a positive impact for residents of the area.”

He adds that he wants banks of all sizes to do well because that is a good sign that the economy is in good shape in those markets.

“We want them to have success,” Cooper says. “It generates more revenue for all the banks, and plus we generate new jobs.”

Meanwhile, Cooper knows the perspectives of bigger banks. He spent most of his banking career at Citizens Bank, helping grow it from \$8 million to \$8 billion in assets before it was sold to Fifth Third. “We grew it through a community bank philosophy,” he says. “That’s the real reason you don’t have a real definition of community banks. It’s more a philosophy than it is a size.”

At the same time, the bigger a bank becomes, the more challenging it is to deliver personal service to clients. Cooper knows this.

“Right now we are delivering the products that the customers seek for the right price, and as long as we continue to provide the service and the products the customer desires, we will continue to grow and be successful,” he says. ■

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