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Deposits keep showing strength in local community banks

BY CATHERINE LACKNER

As was the case last spring, deposits continue to be robust in the area's community banks, observers say.

"In the state of Florida, deposits to all banks have grown by 9% year over year," said Javier Holtz, chairman and CEO of Marquis Bank. Total deposits were slightly more than \$500 billion in 2014-15 but rose to \$540 billion in 2015-16 (from June to June).



Javier Holtz

In Miami-Dade County, deposits increased from \$115 billion in 2014-15 to \$122 billion as of June 2016, he said.

"In Broward, the pace of growth is higher but the deposit level is lower than in Miami-Dade," he said. Deposits were \$48 billion in 2014-15 and \$52 billion in 2015-16; in Palm Beach County, deposits rose from \$45 billion in 2014-15 to \$49 billion

in 2015-16. The three counties' total deposits – \$223 billion – represent nearly half of all deposits in the state.

"The interesting thing is that in 2015 there were 5,414 bank branches," Mr. Holtz said. "As you moved into 2016, there were 136 fewer branches, but deposits are growing."

Deposits at community banks "would have grown at a faster pace, but we have a smaller share of the market" than do the larger national banks, he said. "Big banks still dominate the state, not because they offer more services, but because there are a lot more of them."

At Marquis Bank, a boutique establishment that caters to professionals, investors and business owners, "We've grown 30% over the past year," he said. And, while deposits are up 30%, loans have grown by 32%, he said. "You'll see a similar picture throughout our industry," Mr. Holtz added.

The driving factors? "It's the sheer number of folks moving to our state every

year, and we've had job growth occurring, especially in the financial services, healthcare and real estate sectors."

A healthy deposit scenario is good for the economy and for consumers, he said. "Robust deposits allow banks to lower loan rates, which is a benefit for businesses and for consumers borrowing money to finance a home or a child's education."

"There is always pressure to have a significant deposit base, and always competition for deposits," said Hal Lewis, a partner in the Pathman Lewis law firm who concentrates on banking. "I have not heard on the street of any decline. Deposits generally are strong and there's been no change to that in past two months."

There was very little lending during the financial crisis that began in 2008, he said,

so the cycle seems to be swinging back. "There's a big push on the lending side, and it's hard to keep up on the deposit side when you have the aggressive lending that's taking place."

There hasn't been any noticeable campaign to increase rates on certificates of deposit, possibly because the industry expects the Federal Reserve Bank to increase the prime rate within the coming months, he said. "Clearly, you don't want to get stuck in a situation with a lower interest rate," which might create an unprofitable spread if the Fed's rate hike is more than the banking community anticipates.

"Community banks appear to be healthy," Mr. Lewis said. "I have not heard of any shortage of funds."

If that were the case, "the surest sign you would see is an uptick in CD rates over the competition. If they are advertising, 'We need your money and will pay you more for it than the competition,' then you know that bank is looking for deposit funds."



Hal Lewis