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Colorado's bank newcomers hope to bite into Wells Fargo's market share

PNC Bank's first Denver branch location at 1590 Lawrence St.
KATHLEEN LAVINE | DBJ

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By Jensen Werley – Reporter, Denver Business Journal
Jan 29, 2021, 9:27am EST

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It began with an office focused on business lending. Then a new market president was brought in. A lease was signed at a towering downtown high-rise. More niche divisions – a debt capital markets team and an asset management team – arrived. This year, a brick-and-mortar consumer retail branch is set to open.

Over four years, from 2017 to today, Pittsburgh-based PNC Financial Services Corp. (NYSE: PNC) has slowly and deliberately grown its Denver presence.

During those same years, several other newcomers have entered the robust Colorado banking market, including Charlotte, North Carolina-based Truist, Jefferson City, Missouri-based Central Bank and Laramie, Wyoming-based Western States Bank.

Some banks have entered the market with completely new outposts. Others have increased their footprints through acquisitions, such as Tulsa-based BOK Financial Corp. (Nasdaq: BOKF), which had locations in Colorado but in 2018 acquired Denver-based CoBiz Financial, which was the third-largest bank holding company in the Denver metro area at the time.

As these banks grow, the breakdown of market share – a key metric in how banks measure success – gradually begins to change. Banks at the top, like No. 1 Wells Fargo & Co. (NYSE: WFC) are facing increased competition from aggressive latecomers to the Colorado market.

The state's current market share makeup – along with data on how the balance of power has shifted over 10 years – offers clues as to into changing trends in Colorado and the industry.

Market-share snapshot

Banking market share reports issued by the Federal Deposit Insurance Corp. on June 30, 2011, and June 30, 2020, (the most recent report) might look similar at first glance.

In both years, the largest bank by market share in Colorado was San Francisco-based Wells Fargo. While Wells' local deposits have grown from \$24.2 billion to \$36 billion, market share

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shows a different picture.

In 2011, the bank held 25.11% of the Colorado market. By 2015, the bank's market share had dropped to 24.8%, and in 2020, Wells Fargo claimed 20.9% of the market.

Competitors are nibbling away at Wells Fargo's dominance. Privately held, Lakewood-based FirstBank went from holding 10.01% of the market share in 2011 to 11.08% in 2020. JPMorgan Chase (NYSE: JPM) grew from 9.22% to 11.54%. Bank of America (NYSE: BOA) was just 1.36% of the market in 2011; it grew to 2.36% in 2020. Even the smaller community banks show growth: Glenwood Springs-headquartered Alpina Bank went from 2.01% of Colorado's market share to 2.4% in that time period.

The Wells Fargo dynasty

Wells Fargo declined to grant an interview to Denver Business Journal. But [Chris Hughen](#), associate professor at the Reiman School of Finance at University of Denver's Daniels College of Business, told DBJ that what is happening with Wells Fargo is important to the Colorado banking market at large.



Chris Hughen, associate professor of finance at the Reiman School of Finance, Daniels College of Business, University of Denver.

PROVIDED BY CHRIS HUGHEN

The national bank's current CEO [Charlie Scharf](#) was installed to build the bank and its reputation in 2019 after a series of headline-grabbing scandals. In 2016, it was revealed that [as many as 2 million](#) deposit and credit accounts were opened without customer authorization. In 2018, the bank was [accused of harming victims of fraud](#) by closing their accounts and dropping the customers instead of investigating the causes. Then the bank was accused of [charging fees on closed accounts](#). Even as recently as 2020, the bank has [struggled with distributing loans](#) through the Paycheck Protection Program.

"Wells Fargo has struggled in recent years," Hughen said. "In 2019, the CEO resigned and it took them a very lengthy search to find someone new, as they struggled to get the right person to lead Wells Fargo. Then there have been several scandals at Wells Fargo, even back to 2018 where the Federal Reserve put out a cease-and-desist order to force Wells Fargo to cap its assets on its balance sheet."

The Fed modified that cap last year to make it easier for Wells Fargo to lend to small businesses, [CNBC reported in April 2020](#).

Meanwhile, Wells has begun selling off assets that are not central to its core commercial banking enterprise. For example, on Jan. 14, Reuters reported that the bank was [close to selling its asset management business](#) to a private equity consortium.



Wells Fargo's downtown Denver branch on Broadway.

KOURTNEY DEERS, DENVER BUSINESS JOURNAL

All of this turbulence has a silver lining for other banks.

"Their competitors see an opportunity here," Hughen said. "There's the opportunity to expand in a state and region that offers tremendous opportunities."

He cited several reasons banks see Colorado as a growth market.

2011 COLORADO BANK MARKET SHARE

As of June 30, 2011, there were 160 FDIC-Insured banking institutions splitting Colorado's market share. Wells Fargo Bank led the pack with 25.11% at the time.



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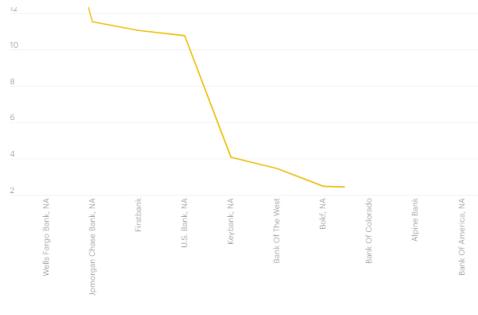
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2020 COLORADO BANK MARKET SHARE

As of June 30, 2020, (the most recent report) there were 129 FDIC-insured banking institutions splitting Colorado's market share. Wells Fargo Bank continued to lead the pack, but with a smaller share of 20.9%.



SOURCE: Federal Deposit Insurance Corp.

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At the top of the list is the region's booming population growth, paired with relatively high per-capita income.

"Like the old hockey analogy that says to 'skate to where the puck is going to be,' banks are opening branches where they believe there will be an increase in population, household income, and relatively few branches relative to population and income," he said. "Many of the banks that have performed well in the last year have had a focus on serving educated, high-income households. These consumers have been less impacted by the pandemic. Colorado is a particularly attractive region for banks as it wins the trifecta: high population growth, high household income, and a well-educated population. Only the District of Columbia compares with Colorado on these measures."

These factors also lead to new business starts and expansion of existing firms; banks want to go where they can service businesses through commercial loans.

Hughen added that to be a competitive new player in consumer banking, banks need to make a significant investment in opening branches. Individuals place a high value on location and convenience. When first entering a new market, banks will often focus on commercial banking, which can be done with a limited number of locations.

PNC is one example of a bank taking advantage of that strategy.

Competition among banks is a good thing for business owners and consumers, Hughen said, as it leads to more convenience and better loan pricing.

Enter new players

There have been several new entrants into the Colorado market.

Truist Bank, formed through the merger of major regional banks BB&T and SunTrust, [announced in 2019](#) plans to open a branch in Denver. The bank confirmed to Denver Business Journal it has two offices in the city, one on 17th Street and one at 7887 East Belleview Ave. Those offices contain their wealth management division as well as two Truist subsidiaries: Grandbridge Real Estate Capital and McGriff Insurance.



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Truist Center in Charlotte
MELISSA KEY/CBJ

Another newcomer, Bridge Bank, a division of Western Alliance, also [opened a Denver office](#) in 2019. Matt Wysong and Chase Little – two leaders in technology banking – were asked to helm the Denver office. That move was intentional. Bridge Bank CEO Matt Myers said at the time of the announcement that the bank wanted to put its technology hub in Denver, given the city's emergence as one of the best places for tech.

Other relative newcomers include Live Oak Bank, of Wilmington, North Carolina. It's Colorado's [fifth-largest Small Business Administration lender](#) by number of 7(a) loans, but tops Colorado's No. 1 SBA lender Wells Fargo in total dollar volume of the loans.

Cleveland-based KeyBank has been in the market for more than 10 years but has seen the importance of the Colorado market become more significant within the organization. In February 2020, Denver was its [top-performing market](#).

Pittsburgh's PNC Bank, which has been steadily growing its presence in the Denver area, was in 12 of the top 30 metro markets in the U.S. in 2017 and has added 11 more markets since then.

In the first quarter of 2021, PNC plans to open its first brick-and-mortar location in Denver at 1590 Lawrence St. The new 4,800-square-foot location is what PNC calls a "solution center."

"It's a great mix of digital capabilities, brick-and-mortar presence and great people," [Ryan Beiser](#), regional president and head of corporate banking for PNC in Denver, told DBJ.



Ryan Beiser is PNC Regional President and Head of Corporate Banking for Denver.
PROVIDED BY PNC BANK

In the third quarter of 2020, 75% of its customers used non-teller channels for the majority of their transactions, Beiser said. That was impacted by Covid-19, of course, but the bank had already seen the digital momentum. The bank's new brick-and-mortar locations, including the new Denver solution center, are therefore highly tech-enabled, with kiosks for banking, screen mirroring for customers and employee work being done in a mobile fashion via tablets.

PNC knows it's entering a market with competition.

"I'll start by saying almost every one of the top 30 metro markets have the same phenomenon. They have a lot of banks: most of the national banks on top of local banks and regional banks," Beiser said.

But he said that PNC believes its strategy will help it thrive even amidst the competition.

"We put ourselves in a position for disruption, put ourselves in position for bringing ideas when someone else may not. If we focus on what we do best and focus on our clients, the rest takes care of itself over time."



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And while Beiser said it was too soon to discuss specifics, PNC has the opportunity for a major springboard in Colorado. The bank announced it was acquiring BBVA's U.S. operations in an **\$11.6 billion deal** in November 2020. As of June 30, 2020, BBVA held nearly \$2.8 billion in local deposits and 1.62% of the market in Colorado.

Homegrown fixture

Newcomers aren't the only banks reaching for more market share. Lakewood-based FirstBank has grown its local deposits from \$9.6 billion in 2011 to \$19.1 billion as of June 30, 2020.

And although that is impressive growth, FirstBank CEO Jim Reuter said the company is not stopping there.

"Our strategic goal is to take market share," he said.

Reuter said that Colorado has seen new entrants enter the market, either by planting a flag or acquiring another bank, for a reason.



Jim Reuter, CEO of FirstBank
KATHLEEN LAVINE, DENVER BUSINESS JOURNAL

"It's a real compliment to the citizens and business leaders in Colorado that over the last 10 to 20 years Colorado has become a tier 1 place," he said. "It's not by accident that a lot of other banks are eyeing Colorado as a place they want to go."

Reuter said he's not concerned about the competition.

"We already compete with banks nationally," he said. "When you consider how banks have shifted, just because they don't have physical locations in a place doesn't mean they're not advertising there. We're already competing today, so more competitors don't scare us."

When it comes to measuring success, quality of service, return on investment to shareholders (including employees, who are shareholders), philanthropy and advanced technology are all metrics. But so is growth.

"Every year, we strive to take market share when deposit results come out," he said. "Since we're sitting at \$24 billion in assets to-date, we'd love to see \$30 billion in assets. We had a goal of \$20 billion by the end of 2020 and we hit \$23 billion in deposits by the end of 2020. So \$30 billion is our next goal."

In fact, Reuter said that FirstBank specifically has its eyes on becoming No. 1 in the market.

"For market share, we think we're at the 12-13% range; we'd love to get to 15%. Wells Fargo is in the low 20% range. Our goal is to catch them and 15% is a number we'd have to go through to get that. It's a number we're working for."

1 2 3 4 5 6 7

2020 Colorado Banks and Savings Associations

Ranked by Dollar volume of deposits in Colorado as of June 30, 2020

Rank	Business Name	Dollar Volume Of Deposits In Colorado As Of June 30, 2020
1	Wells Fargo Bank NA	\$36.00 billion
2	JPMorgan Chase Bank NA	\$19.89 billion
3	FirstBank	\$19.09 billion

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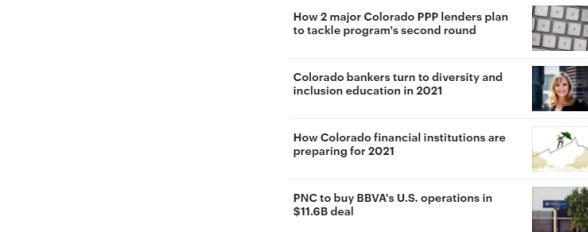
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