

## In Regions' Wake, Plenty of Start-Ups

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Large mergers and acquisitions often spawn start-ups in the affected markets, but few deals have produced as many as quickly as Regions Financial Corp.'s purchase of AmSouth Bancorp.

Since the acquisition closed in November 2006, at least seven Regions executives have left to start banks in the Southeast, and most took teams of colleagues with them.

Some of the executives said they wanted to satisfy entrepreneurial aspirations. Others cited a need for a certain type of bank in their areas. The common theme they expressed was that Regions' culture had changed to one in which decisions were made at the Birmingham, Ala., headquarters, rather than by bankers in their local markets.

**Regions was the acquirer, but AmSouth turned out to be the "cultural acquirer," said Rod Taylor, the president of the Atlanta executive recruiting firm Taylor & Co. AmSouth's executive team won most of the top spots, including chief executive, which went to C. Dowd Ritter, who had been AmSouth's chairman, president, and chief executive.**

**Mr. Taylor, whose firm had been the main recruiter for Regions before the acquisition, said the changes at the top has affected promotions. "When there are two executives vying for the same position, without exception it has always been the AmSouth manager or employee that gets the job."**

A Regions spokesman would not discuss the matter.

It is not uncommon for banking executives to start their own banks after a merger or acquisition. After Wachovia Corp. bought SouthTrust Corp. of Birmingham in late 2004, a handful of SouthTrust executives started banks, said Lee Bradley, the managing director in charge of bank development for the Dallas investment bank and consulting firm Commerce Street Capital LLC.

The number of start-ups by former Regions executives is unusual, particularly given the credit climate, Mr. Bradley said. "It's a testament to the executives, because they've all raised a large amount of capital in a tough market fairly quickly." Observers said connections in their communities likely helped the ex-Regions bankers raise capital. **Mr. Taylor said Regions' old model had executives "running full-service, stand-alone community banks throughout their footprints." The executives who left are "old school community bankers that know how to run the whole show."**

Investors might also have been attracted to the business models; several of the new banks are focused on private banking and wealth management.

Curt Gabardi, the former market president for Regions Bank in Jackson, Miss., and Memphis, started Metropolitan BancGroup Inc. about three months ago to serve those markets. (Its headquarters is in Ridgeland, Miss.) Mr. Gabardi raised about \$40.5 million of capital, some of which went to buy Bancsouth Financial Corp. of Crystal Springs.

The AmSouth model changed how Regions worked, said Mr. Gabardi, who left the company in April of last year. It went from a

decentralized model to one with a "very strong chain of command." Once that happened, there was a "mass exodus of talent." He has hired about 20 former executives and associates from Regions.

The \$141 million-asset Metropolitan is focused on commercial and industrial lending for companies with \$10 million to \$500 million of annual sales, along with wealth management and private banking. Mr. Gabardi said it would follow Regions' old model on a much smaller scale, with decision-making authority residing in both its markets.

"We'll always be guided by that," he said. "We're not dealing with centralized underwriting programs. Our decisions are based on people."

Metropolitan has been focused on gaining customers, Mr. Gabardi said, and most of its initial ones came from Regions. "That's what has traditionally been the pattern — the current relationship does follow the banker — but not always. It's not as easy as it sounds."

Andrew W. Stein was Regions' regional president for Alabama and the Florida Panhandle. He joined the company in 1996, when it bought Florida First Bancorp Inc. for about \$40 million. Before that he had been the president and chief executive officer of Florida First.

He left Regions in April of last year, and a year later he opened Summit Financial Enterprises Inc. in Panama City.

The corporate culture changed after the AmSouth purchase, Mr. Stein said, but he was also getting "antsy ... to start a new operation" and return to his entrepreneurial roots.

Some start-ups have been unable to open because of difficulty in raising capital, he said. Summit raised \$23.7 million in 45 days.

"The market received us very well," he said, partly because its managers were "well known" and respected in the Panama City market, and many of Summit's bankers brought their own book of business.

The \$30 million-asset Summit has 11 employees who worked for Regions at one time or another. The start-up's focus is on private banking and wealth management, which Mr. Stein called a strong niche in Panama City, where a lot of wealthy individuals own businesses. Summit is set up so that each customer is assigned a banker to handle personal, business, cash management, and planning needs.

Now is a good time to open a bank, Mr. Bradley said, because the organizers will be starting with a clean slate.

"You're going to beat the heck out of the guy down the street who has loan problems and can't really do anything," he said. "He's boxed himself in, and you're going to be able to pick off his customers."

Scott B. Reed, a cofounder and the CEO of Oakworth Capital Bank in Birmingham, agreed with that assessment.

"We have none of the baggage of what's happening in the market," he said. "We don't have to be inwardly focused. We can be focused on the client."

Before the \$50 million-asset Oakworth opened its doors March 31, Mr. Reed held various positions at Regions, including group president for central Alabama. Oakworth raised \$36.4 million of capital to start and is focused on commercial and industrial lending, as well as private banking.

Samuel E. Upchurch, its chairman and another cofounder, had been one of the top executives at Regions before the AmSouth acquisition. At different times he had been the chief legal counsel, a regional CEO, and the head of the

general bank. Mr. Reed and other former Regions executives said that before the acquisition Mr. Upchurch was considered a

potential successor to Jackson W. Moore, then Regions' CEO.