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Banking & Financial Services

The biggest winners of Philadelphia's M&A banking wave



Image: Philadelphia Business Journal

A WSFS Bank branch.

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The number of banks operating in the eight-county Philadelphia region has declined by 38% over the last 10 years due to a wave of mergers and acquisitions. At the same time,

the number of branches declined 21% while total deposits increased by 59%.

The movement has created opportunities and challenges for the remaining 74 banks, down from the 110 in the region a decade ago. While the size of the pie has increased, larger banks continue to dominate deposit gathering. And due to acquisitions, a higher percentage of local banks are classified as big, super regional or regional in nature.

Deposit gathering became more difficult after [several banks failures in spring 2023](#) caused a run on deposits. Combine that with higher inflation, banks have had more difficulty funding loans. Local deposits were at \$128 billion locally in 2014 and peaked at \$213 billion in 2021 before declining to \$204 billion this year, according to Federal Deposit Insurance Corp. data.

In all, 10 of the 25 largest deposit takers in 2014 have been acquired while another, HSBC, [sold its local operations](#). The sales include four of the 10 largest banks at the time – Beneficial Bank, Susquehanna Bank, First Niagara Bank and National Penn Bank.

There are currently 14 banks operating in the eight-county Philadelphia region with \$1 billion or more in local deposits that were also present in the market a decade ago. Each has grown deposits by at least 22% and eight have jumped by at least 100%, with deal-happy WSFS Bank seeing a massive 7,010% spike.

The only bank that had \$1 billion in deposits in 2014 still operating here that did not see an increase in deposits is Customers Bank, which fell from \$1.1 billion to \$496 million. That, though, was by design as the bank [moved away from retail branches](#) and focused on gathering business deposits across the country. Outside of the Philadelphia region, West Reading-based Customers has increased its deposits from \$2.7 billion to over \$17 billion in the past decade.

Which banks have benefitted?

Wilmington's WSFS Bank and Lancaster's Fulton Bank come to mind as getting a boost all of the consolidation, said Jeff Marsico, president of Bethlehem banking consulting firm Kafafian Group. That's largely because they have been major players in the M&A market.

WSFS had just over \$125 million in local deposits, or 0.1% market share, in 2014, ranking No. 66 out of 110 deposit takers at the time. It has since bought four banks in the Philadelphia region starting with [Broomall-based Alliance Bancorp in 2015](#) and [Wayne-based Penn Liberty Bank in 2016](#) to establish a retail presence in southeastern Pennsylvania. But it really put itself on the map with the [2019 deal to buy Philadelphia's Beneficial](#) and the [2021 addition of Bryn Mawr Bank Corp.](#) – two of the region's largest community banks.

The end result has made WSFS a bank with more than \$20 billion in assets and \$9.1 billion in local deposits, moving it to No. 6 on the list.

Similarly, Fulton bought two Philadelphia banks – [South Philadelphia's Prudential Bancorp in 2022](#) and an [FDIC-assisted transaction to add the failed Republic Bank](#) this past April. The latter deal sent Fulton from No. 12 on the local deposit rankings to No. 8 in one year.

Marsico said by the time Fulton acquired Republic, there were not many fresh targets to buy in the Philadelphia market, as banks like WSFS, Truist, M&T and KeyBank had gobbled up most of the sizable community banks up in preceding years.

“Who would have thought that WSFS would be the winner between them and Wilmington Trust [sold to M&T Bank under distress in 2011] in Delaware,?” Marsico said. “But here they are and they have done a nice job with multiple acquisitions in the area.”

The result, Marsico said, has been that instead of community banks duking it out among each other to pick up market share, they are now fighting with much larger institutions that have moved in on their territory such as KeyBank, M&T and Santander.

Established community banks such as Univest, Firsttrust and Parke Bank have done a good job at being relevant players in a concentrated market, he said.

Big banks such as Bank of America, JPMorgan Chase, Wells Fargo, PNC and TD are targeting concentrated deposits markets and Philadelphia is one of them. The remaining regional banks have carved out niches for themselves with local businesses.

“There's definitely a role for that,” Marsico said. “The closer you are to your customer, the more you could help customers through tough times. And that's where the rubber meets the road.”

As a general rule, Marsico said community banks have seen their share of retail business shrink due to the challenging competitive and compliance environment that have put downward pressure on revenue generated from consumer deposit gathering. In addition to big banks, community banks have seen more competition from credit unions, non-depository institutions such as Chime or specialized depository institutions such as Ally Bank and [Capital One](#).

New York's Chase, the nation's largest bank, [entered the Philadelphia retail market](#) as part of a broader expansion into new markets in 2019. With its vast resources, it has provided major competition to banks of all sizes. In the past five years, it has grown from \$122 million in local deposits spread over five branches to \$2.2 billion across 50, with plans to [reach 100 sites by 2027](#). Chase ranks No. 14 locally.

Chase will most likely continue climbing the rankings, Marsico said, but he wouldn't be surprised if over the next decade it decided to start pruning its newly found Philadelphia branch network.

“Closing branches and retaining 90% of the deposit base that you collected in those branches is a legitimate strategy, and they've actually pared back in more mature

markets where they're in," Marsico said.

He added: "If you look at who's closed the most branches across the country, it's been the very largest financial institutions. And it's part of this phenomenon that, if you go into Camden [County] and you think that to get to top three market share there you need 10 branches. You put up the 10 branches. You take a look back over a certain period of time and say, this one's underperforming, this one we'll consolidate."

Below are the 14 banks operating in the eight-county Philadelphia region with \$1 billion or more in deposits that were also present in the market a decade ago. Here is how each has grown their deposits since.



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