

TriState bank raises \$22M, could raise its funding round

BY PATTY TASCARELLA

TriState Capital Bank raised \$22 million from investors in late July, confirmed President William Schenck, and could take the funding round higher.

“We’re satisfied with what we have, but have a few more existing shareholders that have indicated an interest, so we’re going to keep it open a while longer,” Schenck said.

He did not say how much more the Downtown-based bank could bring in.

Nor would Schenck identify the investors, except to say they’re a mix of prior backers and newcomers, some of whom are based in the Pittsburgh area. TriState investors have included private individuals and other banks.

This is the third time TriState, which launched in January 2007, has done a funding round. Initially, it raised \$104 million, the largest amount for a start-up bank in Pennsylvania history and the second-highest ever in the United States. A subsequent round brought in \$50 million, Schenck said.

“They needed to raise capital if they’re going to continue to grow,” said David Danielson, president of Bethesda, Md.-based Danielson Associates, which consults to banks across the country. TriState is not a client.

“The \$22 million they’ve raised now is a significant amount of money,” Danielson said. “They were getting a little too close to the well-capitalized minimum.”

Banks across the country are concerned about recently passed financial reform legislation where regulators are still filling in details and which may mean higher compliance costs, increased fees and assessments, and require them to maintain greater capitalization levels, Danielson said.

That’s spurred several local mutual savings associations to change their charters to stock-based structures so they can more easily raise capital via public stock offerings.

Privately held banks must turn to investors.

TriState’s original gameplan is to go public eventually, but not in the short-term, Schenck said.

“We’ve finished our third quarter of profitability, and we’re just three-and-a-half years old,” Schenck said. “That’s a significant accomplishment, to be profitable this rapidly.”

For the six months ended June 30, TriState had net income of \$4.2 million.

“Many of the banks that started at the same time have not yet reached profitability,” Danielson said. “Their asset quality appears good and their earnings are moving in the right direction.”

TriState’s total assets are \$1.5 billion. Its loan portfolio is \$1.2 billion. TriState took \$23 million through the TARP program (see related story on Page 20) so it could do more loans, Schenck said.

TriState is a business bank, not a retail operation. Its strategy is to open a single office in a major metro area to service midsize companies. In addition to its Downtown headquarters, it has offices in Philadelphia, Cleveland and Princeton. Schenck said it has no plans to add additional sites in 2010.

“What we’ve found is, there’s a lot of opportunity in these four offices. We still have room to grow with what we have before we open yet another office,” he said.

David Root Jr., CEO of Downtown-based investment firm D.B. Root & Co., is not an investor in TriState but some of his clients are. He said start-up banks can be particularly appealing in post-recession times.

“Especially where we are, with the yield curve and interest rates as low as they are, you’ve got an environment where costs can be contained reasonably well and there’s a low cost of capital,” Root said. “It’s fairly conducive for banks in general, so I could see the appeal of investing in a start-up that is structured the right way, appears to be fundamentally strong and has a good business plan.”