

Banking on Texas

Why two Baton Rouge banks see opportunity in the Lone Star State

By Dillon Lowe



Two Baton Rouge community banks are making big moves westward—namely, in Texas.

First there's b1Bank, which has been steadily growing its Texas footprint for years. What started in 2017 with a single Dallas loan production office has since grown into a network of 18 Texas branches, or nearly one-third of the bank's total branches. B1Bank's 2022 acquisition of Texas Citizens Bank in Houston and its 2024 acquisition of Oakwood Bank in Dallas gave it a solid foothold in the state's two largest metro areas.

Then there's Investar Bank, which has followed a similar path of expansion through acquisition. The bank first entered Texas in 2019 with its acquisition of Mainland Bank in

Texas City, south of Houston, and that move was followed by a larger one this year: a proposed \$83.6 million acquisition of First National Bank in Wichita Falls, north of Dallas. The deal, which is expected to close late this year or early next, will give Investar seven new branches in Texas and bring its Texas assets to roughly \$1.7 billion, or 36% of its total assets.

But what exactly is it about Texas that's drawing Louisiana banks across the border, and what comes next for b1Bank and Investar in the Lone Star State?

WHY TEXAS?

For b1Bank President and CEO Jude Melville, growing his bank's Texas footprint has always been more about building strong relationships than about growth for growth's sake. The bank wouldn't have entered Texas at all, he says, had it not identified "good banks and good bankers" to partner with.

"We've been fortunate in Texas, just as we have been in Louisiana, to partner with a lot of really good people," Melville says. "That's really driven the expansion as much as anything else."

Market conditions in Texas, of course, also played a role.

"Texas has done a lot of things right," Melville says. "It's experiencing a lot of growth, and it's good, healthy, diversified growth. There's growth in the business community but there's also just growth in the population. As more and more people move there, that creates a healthy economic environment that we feel we're capable of contributing to and participating in."

Melville is careful to note that the bank's growth in Texas doesn't detract in any way from its commitment to Louisiana. Rather, he views the expansion as a way to balance risk across two distinct but complementary economies.

"It's a good diversifier of our risk," Melville says. "The economy in Texas is related to the economy in Louisiana but it's different enough that we feel like it presents opportunities to make our whole stronger. ... It's a complementary strategy versus a substitute strategy."

Investar President and CEO John D'Angelo, meanwhile, says the sheer scale of Texas' economy is easily its biggest draw.

“Everything is bigger in Texas,” D’Angelo puts it plainly.

D’Angelo says establishing a sizable Texas presence has long been a goal of Investar’s and that the bank’s recent agreement to acquire First National represents a major step in the right direction.

Culture fit played a key role in Investar’s decision to partner with First National, D’Angelo says. The transaction has its financial benefits, but he sees the Texas bank as a particularly attractive target for acquisition because of how well its values—“family and God”—align with his own bank’s. First National’s operational efficiencies only serve to sweeten the deal.

“Our meetings with [First National] management have proven that our cultures mesh well,” D’Angelo says. “Additionally, they’re doing things from a process and technology perspective that we can utilize at Investar.”

Texas economist Ray Perryman echoes much of what Melville and D’Angelo have to say about Texas’ value proposition. Perryman, the president and CEO of economic consulting firm The Perryman Group, has studied the state’s economy for more than four decades and has advised major corporations, influential public policy institutions and even governments on economic and financial matters.

“Banks in Louisiana have several motivations for expanding their presence in Texas,” Perryman says, “but the primary motivation is strong economic and population growth. Texas has long led the way in pace of expansion and has dominated other areas in attracting major new corporate offices across a spectrum of industries. ... A strong economy provides not only sources of customers for banks, but also diversification for those based in Louisiana.”

Another likely motivation, Perryman says, is the industrial backbone the two states have in common.

“Because some of the core industries, such as oil and gas, refining, and shipping, are similar across the two states, there may well be opportunities to exploit synergies and expertise,” Perryman says.

As Perryman notes, Texas isn’t just attracting community banks like b1Bank and Investar. It’s also luring financial juggernauts like Goldman Sachs and JPMorgan. At the center of

it all is “Y’all Street,” or the burgeoning financial hub that is Dallas-Fort Worth. The region has seen a sharp rise in financial sector employment in recent years, and Texas now leads the nation in overall financial sector employment. The momentum is so strong that downtown Dallas will soon be home to a new national stock exchange called the Texas Stock Exchange, or TXSE.

“Texas continues to emerge in finance and banking more broadly,” Perryman says. “Major financial firms have been expanding their presence in the state, supporting the related ecosystem of talent and services firms to the benefit of banks of all types. The Texas Stock Exchange will only add to the momentum.”

WHAT COMES NEXT

For b1Bank, the immediate focus is on strengthening its presence in Louisiana and Texas rather than rapidly expanding into new markets. In Louisiana, it’s currently in the process of acquiring Progressive Bank in Monroe, and in Texas, it’ll soon open a new branch in Westlake, west of Dallas. Still, Melville envisions a future in which the bank expands its footprint across the entire Southeast.

“We’re still a relatively young bank in the grand scheme of things, and I do think that over time the Southeast will offer a lot of opportunities and I think we’ll be well positioned to take advantage of them, but in the near term, I think we really like our footprint and we see a lot of opportunities to keep deepening that footprint,” Melville says.

Investar has some more specific growth targets in mind. As mentioned, Texas will account for more than one-third of the bank’s total assets once the First National acquisition crosses the finish line. D’Angelo says the goal is to get that share up to 50%, and he knows exactly where else he’d like to plant Investar’s flag in the years ahead.

“Our strategy for M&A is what we call an SEC strategy,” D’Angelo says. “What that means is we’d consider any market than has an SEC school. But we’re very focused on Texas.”

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