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Peyton Patterson Is at It Again

By Andy Peters

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It wasn't a foregone conclusion that Peyton Patterson would return to banking.

After building NewAlliance Bancshares into one of the largest depository institutions in New England and arranging for its sale a year and a half ago to First Niagara Financial Group, the 56-year-old Patterson walked away and started thinking about what to do next.

Reluctant to commit to something new right away, she consulted a bit for some regional and international banks and taught business administration at George Washington University. She hired a life coach and subjected herself to a "disciplinary review" to help her plot out her future.

Around the same time, BNC Financial Group, the holding company for three small banks in Patterson's home state of Connecticut, was trying to map out some next steps of its own. Blake Drexler, BNC's chairman, says the board was looking for a strategy that would match its serious growth ambitions.

"We were a $500 million-asset bank and we were asking the question, 'How do we get to be a $2 billion to $3 billion asset bank?'" Drexler says.

One obvious answer: hire Patterson.

Though most of her career had been spent at larger institutions like CoreStates Financial, Chemical Bank and Chase Manhattan, it was in community banking where Patterson unleashed the full force of her strategic thinking abilities and her appetite for growth.

New Haven Savings Bank was a sleepy Connecticut thrift when Patterson arrived there 10 years ago. She was fresh off a five-year stint at Dime Bancorp, where her hopes of parlaying an executive vice president role into a promotion to CEO got dashed by the company's 2001 sale to Washington Mutual.

In New Haven, Patterson quickly got to work on a complex conversion and double merger plan that would transform the mutual into NewAlliance Bancshares. She led the institution in its $1 billion initial public offering-at the time, the largest IPO ever for a converting thrift. Six years later, after numerous acquisitions, NewAlliance was a $9 billion-asset company with a war chest full of cash.

With the financial crisis providing a potential field day for bargain shoppers, everyone was waiting to see what NewAlliance would buy up next. But Patterson shocked the industry in 2010 when she struck a deal to sell the company instead. The $1.5 billion sale to First Niagara closed in April 2011.

Patterson, who walked away with a reported $16 million payday, spent much of the next year debating her future. The life coach helped her to assess her goals and determine how she wanted to apportion her time and energy toward her career, family and philanthropic interests.

This time last year, about the only thing Patterson had ruled out was a run for office-an idea that didn't seem so far-fetched after Connecticut's governor appointed her to an educational reform commission. (She stepped down in March as chair of the Connecticut Council for Education Reform.)

In the end, she decided that her roots in banking, and especially in community banking, were too deep to cast aside.

"I spent a good part of my career in the national banking space, but my heart is in the community bank space," Patterson says. "I love being a CEO and leading the charge in taking the bank to the next level. When I had my late-at-night, come-to-Jesus moment about the quality of life I wanted, this was a pretty easy decision for me."

BNC Financial is the holding company for Bank of New Canaan, Bank of Fairfield and Stamford First Bank. Patterson joined BNC this spring as chief strategic officer, with the promise of being made CEO by September. In the months between, she worked on transition plans with the company's retiring CEO, Merrill Jay Forgotson, who stayed on as a director and as president of the Bank of Fairfield.
Drexler says there are only a handful of community banks that the BNC Financial board would probably be interested in acquiring in Connecticut and the nearby suburbs in New York's Westchester County. But the board is certain that the company is positioned to expand in those markets.

Patterson agrees.

"We've drawn a circle around our footprint," she says. "We're going to do both organic growth and M&A."

The goal of getting bigger isn't just an ego play. The "new floor" for community banks that want to remain independent, Patterson says, is a minimum asset base of $2 billion. That size "allows you to take share faster and be much more relevant in the market," she says.

If Patterson does, in fact, quadruple BNC Financial Group in size, it won't be because she said "yes" to every offer that crossed her desk. When Patterson led NewAlliance, she turned down plenty of opportunities to buy banks other than the ones she actually acquired, says Connecticut lawyer Bill Bouton, who chairs the corporate and business law group at Hinckley, Allen & Snyder. Only a select few met Patterson's strict criteria.

"There were surely more deals that were not done that she could have done," says Bouton, who advised Patterson and NewAlliance on its acquisitions and is now outside counsel to BNC Financial Group and its three subsidiary banks.

NewAlliance had a "good deal of capital to leverage" when Patterson was at the helm, and she deployed it "in an energetic and disciplined way," Bouton says. Both Patterson and her new bosses fully expect that narrative to repeat at BNC Financial.

"What the board is looking for me to do is raise a lot of capital, which we're in the process of doing; building out the product line so we have a more diversified set of revenue [drivers]; and building out the footprint," Patterson says. That last part, she adds, includes "looking to be a consolidator from the M&A point of view."

If there was any doubt as to whether Patterson would be all-in with BNC Financial, she may have allayed it with her recent relocation from Madison, Conn., to New Canaan, where BNC Financial is based and where Patterson's daughter will attend high school. The chance to live and work in the same town "really added up to me for how I was going to spend my time," says Patterson.

Also adding up is her view that bank mergers and acquisitions will continue to accelerate, with the broader political and economic environment for banks likely to stay difficult regardless of what happens this election season.

"We're not going to turn the light on in November and all of a sudden have 4 percent unemployment," Patterson says. "At banks, we've seen spread compression and lower fee income.

"Bank management and boards may not see the light at end of tunnel, and now might be the time to look for a partner."

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