

Community banks hopeful next capital wave is a tsunami

Friday, July 10, 2009



Maybe this will be stimulating to a still struggling Tampa Bay economy: Nearly \$100 million in new capital is set to flow into community banks in the Tampa Bay area.

The capital, raised mostly through private placements, in some cases is needed to bolster balance sheets as banks deal with expected increases in loan losses and tougher regulatory requirements. But other banks simply are building cash cushions that will let them act quickly to buy branches or even other financial institutions when they come on the market.

U.S. banks and other financial groups raised \$89 billion in equity via 92 deals in the second quarter of 2009, the highest number of deals and the highest dollar volume in a year, according to a report from Dealogic, a New York tracking firm, that was quoted in Financial Times.

Some banks have raised capital to repay funds from the U.S. Treasury's Troubled Asset Relief Program. Others that did not accept TARP funds are finding they also need or want to raise capital, said Jeff Hunt, president of Kendrick Pierce & Co., a Tampa investment banking firm.

"We're hopefully coming out of one of the worst banking environments we've seen since the S&L crisis, if not dating back to the Depression," Hunt said. "We've positioned ourselves to be ready for this next wave of capital."

Armed for growth

Community Southern Bank in Lakeland is among those raising capital because it sees opportunities, said Hunt. His firm is serving as placement agent for the \$10.2 million public offering.

Community Southern (Pink Sheets: CMUY) is arming itself with capital to potentially acquire branch offices, Hunt said. The bank doesn't have any deals in the works, but its largest competitors in Polk County have been changing owners and consolidating, creating an opening to attract customers looking for personalized services provided by a community bank, according to the offering circular.

Largo-based USAmeriBank has been beefing up capital regularly since it was established in 2007, allowing it to buy Liberty Bank in Clearwater last year, as well as a Pilot Bank branch in Brandon.

The latest round of funding, \$12 million in equity raised from 44 investors in a private placement in mid-June, was part of an ongoing plan for continued growth, said Brad McMurtrey, president of USAmeriBank. Investors put in at least \$100,000 each, and despite the economic climate, the deal was oversubscribed, McMurtrey said.

Roughly 170 shareholders of Florida Bank Group Inc. raised \$18.3 million in equity in a private placement in May, a filing with the Securities and Exchange Commission said.

"This infusion of new capital is a vote of confidence from our existing shareholders," Robert Rothman, chairman and CEO of the Tampa holding company, said in a release.

Florida Bank has been expanding statewide and — like USAmeriBank — was among just a small number of Bay area banks that were in the black in the first quarter of 2009, providing a positive return on equity .

Raising the bar

Some capital raising has clearly been a defensive play.

Orion Bancorp Inc., based in Naples, signed an agreement last year with state and federal regulators to eliminate bad loans from its books and to boost its capital. In June, the bank raised \$25 million from two investors, an SEC filing said. It plans to raise an additional \$50 million, the filing indicated.

Even banks considered well-capitalized are looking at adding some additional equity, as regulators increase their scrutiny, Hunt said. The typical threshold for a key ratio, measuring Tier 1 capital as a percent of risk-weighted assets, has been 10 percent,

but after examinations some banks are being asked to bump that to 12 percent, he said.

The capital quest is likely to accelerate, according to a July 6 report from Deutsche Bank AG. Analyst Matt O'Connor wrote that U.S. banks may have to raise as much as \$300 billion to cover expected credit losses and higher capital requirements.

mmmanning@bizjournals.com | 813.342.2473