

Some banks raising capital on path to growth

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Faced with a long and battering recession, banks in Georgia and across the country are trying to raise capital.

For many, it's a matter of survival as they try to improve their balance sheets, but for the lucky ones new capital means new opportunities for growth.

"Sometimes it's fear," said Derek Cunningham, managing director of the Bank Development Group at **Commerce Street Capital LLC**. "Georgia has more failed banks than anywhere in the country, so a lot of banks in and around Atlanta are rasing money out of fear of failure. The bank is being shut down, which means there's a hole that they're trying to fill. Then there's better situations where there's a few offers we're doing now in which we're trying to raise capital for growth."

These banks largely avoided the pitfalls of too many nonperforming loans and are poised to continue growing. But they need new money just like the institutions that are now struggling to survive.

"There's no problem for the bank but any bank that's three to four years old will outstrip their capital, and

"You've got banks that are trying to play offense and banks playing defense," Weinstock said. "The ones playing offense are looking to work through this downturn in the economy on a transformational basis — taking advantage of what may turn out to be in retrospect historically cheap pricing. And then you have the banks that are playing defense and they need to either raise capital to get their ratios up or they need to raise capital to help them get rid of their problem assets."

Reducing assets

Banks are also busy selling assets such as branches in a bid to reduce their expenses, he added.

Nowhere is the divide between haves and have-nots more striking than in the contest for investor capital.

While small and troubled institutions are having a tough sell, the "too big to fail"

banks are finding investors flocking to them no matter how unappealing their offerings might have been in better times, experts say.

"One of the main reasons they're raising capital right now is because they can," said Shawn Sanders, a research analyst with **Sanders Financial Management Inc.** "The environment is very sanguine for them to issue debt, so they're certainly seeing demand for whatever they're issuing. And that's going to be a very big driver."

A good example is Goldman Sachs Group, the U.S. bank that makes most of its revenue from fixed-income trading, announced it was selling \$250 million in

50-year bonds and ended up with about \$1.3 billion.

Smaller banks and community lenders don't have access to institutional investors and their big dollars, but that doesn't mean they aren't finding interest among local investors.

Private Bank of Buckhead raised \$2.57 million from 33 of its current accredited shareholders. Most of those funds are being used to hire new banking staff and set up a new mortgage division.

"We didn't need capital for a regulatory reason and we didn't have a plan to go buy a failed bank or something else," said Charlie Crawford, chairman, president and CEO of Private Bank. "For us, it was just additional capital to continue to execute our strategy and our business plan. This amount of bank capital will take us out another 18 to 24 months to continue to fund that growth."



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