

M&A: Bank buying buzz in Georgia's Big Peach

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By Thames Schoenvogel

Things continue to sizzle in Atlanta, and it isn't only the August weather we're talking about. Along with the soaring summer temperatures, the city is home to one of the country's increasingly sought-after banking markets. In the wake of yet another Atlanta bank sale and growing scarcity among publicly traded names of a certain size, SNL chatted with a few bank analysts and investment bankers about what's on the M&A horizon for Hotlanta.

Last roar from the LION?

As one of the largest cities in the Southeast, Atlanta has long been a focus for banks looking to add scale in the region. "Everybody wants to be in the metro Atlanta market because the dynamics are just so strong," said Lee Bradley, a managing director with SAMCO Capital Markets based out of Duluth, Ga. As Bradley explained, "the economy is still strong, the housing market is still good, people are still moving here and think it's a great market for small businesses." Also, he said that with a great deal of commercial loans, Atlanta is a "fertile ground" for community banks.

Adding to the appeal of the market is the fact that there are very, very few publicly traded banks or thrifts left that are based in the city of Atlanta and have more than \$1 billion in assets. In fact, the recently announced sale of Flag Financial Corp. to Royal Bank of Canada leaves only two other players that fit those parameters: Fidelity Southern Corp. and giant SunTrust Banks Inc., which really falls into its own category.

Fidelity Southern has been named as a potential seller by analysts in the past, of course. Most recently, FTN Midwest analysts David Scharf and Peyton Green addressed a possible sale of the bank in an early August research report. FIG Partners analyst Chris Marinac told SNL that he does believe Fidelity is in the

hot seat right now in some respects, although he added "that's only true to a certain extent because there are other banks out there that could be choices for an out-of-town bank."

"The question really is, has the environment changed sufficiently so that the behavior of management is going to change?" Marinac asked. "In terms of ... Jim Miller, the chairman who is the largest shareholder, does he feel any differently about it? Jim, as far as I can tell, is in very good health and doesn't necessarily have to do anything. They've defended their independence for many, many years and who's to say that will change?"

However, Marinac also noted that the longer Fidelity waits, the more valuable a property it becomes. "It's sort of becom-

ing one of the nicer looking homes on the street, and even if the owner chooses not to be a seller, the value inherently continues to compound quite nicely," Marinac said.

Similarly, SunTrust Robinson Humphrey analyst Jennifer Demba, when asked about Fidelity Southern, noted that "banks are sold, not bought, and [Fidelity] will determine if and when they are ready to seek a partner." Demba, echoing another one of Marinac's points, said that the scarcity of options in Atlanta could translate into more money for Fidelity in a sale scenario. "I think if Fidelity Southern were to sell their institution today, there would be significant upside from their current price. At least low- to mid-20's," she said.

Publicly traded banks and thrifts based in Atlanta and surrounding counties

Company	Ticker	City	Total assets (\$000)
CCF Holding Co.	CCFH	Jonesboro	408,073
Cherokee Banking Co.	CHKJ	Canton	182,313
Citizens Bcshs Corp.	CZBS	Atlanta	334,180
Fidelity Southern Corp.	LION	Atlanta	1,421,433
First Commerce Community Bkshs Inc.	FCGA	Douglasville	NA
First Coweta Bank	FCWT	Newnan	92,563
FLAG Financial Corp.	FLAG	Atlanta	1,770,897
GBC Bancorp Inc.	GBCP	Lawrenceville	418,311
Georgia Bancshares Inc.	GABA	Peachtree City	291,661
Integrity Bcshs Inc.	ITYC	Alpharetta	882,746
Newnan Coweta Bancshares Inc.	NWCB	Newnan	198,060
North Atlanta National Bk	NANB	Alpharetta	126,214
SouthCrest Financial Group Inc.	SCSG	Fayetteville	461,219
Southern Community Bancshares Inc.	SNCB	Fayetteville	372,204
Summit Bank Corp.	SBGA	Atlanta	554,898
SunTrust Banks Inc.	STI	Atlanta	178,876,476
WGNB Corp.	WGNB	Carrollton	547,574

*Names in bold are pending sellers

List includes bank and thrifts in the following counties: Carroll, Cherokee, Clayton, Cobb, Coweta, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett and Paulding.

Source: SNL Financial

Moving to the 'burbs (and private names)

With so few publicly traded options, will buyers look to the private banks and/or the publicly traded names in the Atlanta suburbs and other areas of Georgia? Analysts generally agree that yes, buyers will certainly look in those directions.

Marinac suggested that even if the suburban players are not located in Atlanta's central district, they can still be very good entry points for buyers looking to jump into the area. In fact, as Marinac noted, even if someone were to buy Fidelity Southern, that still would not give them access to the entire metro Atlanta area.

Demba, who also agreed that buyers will look to the suburbs, said that she views Gainesville, Ga.-based GB&T Bancshares Inc. as one of the more likely sellers. In a recent study of more likely near-term community bank and thrift sellers completed by Demba and several other SunTrust analysts, GB&T came out towards the top of the list.

There's also United Community Banks Inc., based in Blairsville with approximately \$6 billion in assets. However, Demba said that she expects them to be more of an acquirer than a seller for the time being. "I think they are growing at a rate that's fast enough to justify their independence in the next couple of years," she said. "I wouldn't see them as a likely takeover candidate in the next 12 to 24 months."

When talking about the private names in and around Atlanta, however, the scenario changes. Christopher Olsen, a vice president with Hovde who was most recently involved in PrivateBancorp Inc.'s purchase of Atlanta-based Piedmont Bancshares Inc., described Atlanta's dichotomous bank-buying landscape. He said that when it comes to buyers, there are the names like BB&T Corp. and Royal Bank that will claim to have interest only in banks over the \$1 billion-in-assets mark. However, Olsen added that there is a second set of acquirers that are interested in the private players that range in asset size from \$100 million to around

\$500 million. "There are as many, if not more, folks that are either first time buyers or folks that haven't even made an acquisition just yet but are keenly interested in that \$100 million to that \$500 million space," he added.

Olsen said that Hovde is currently working on a handful of transactions in the area, mostly with the private players.

"So I think what you will see is continued activity on the private side," he noted.

Interestingly, Olsen also highlighted the fact that although there are only a handful of publicly traded bank names above a certain size, there are many smaller private names with for-sale signs. "There are a lot of folks currently for sale in Atlanta, either officially on the

Private banks and thrifts based in Atlanta and surrounding counties with between \$100 million and \$500 million in assets

Company	City	Total assets (\$000)
Buckhead Community Bank NA	Atlanta	414,484
Peoples Bank & Trust	Buford	405,657
Thornton Holding Co. Inc.	Douglasville	365,098
Douglas County Bank	Douglasville	365,033
Gwinnett Community Bank	Duluth	322,656
First Cherokee State Bank	Woodstock	321,311
Community Bank of the South	Smyrna	316,706
Southern National Bank	Marietta	298,569
Haven Trust Bank	Duluth	281,044
Peoples Bank	Lithonia	249,405
Quantum National Bank	Suwanee	245,601
Capitol City Bancshares Inc.	Atlanta	245,188
Capitol City Bank & Trust Co.	Atlanta	245,188
McIntosh Commercial Bank	Carrollton	242,545
CornerstoneBank	Atlanta	235,561
Piedmont Bank of Georgia	Atlanta	204,472
Atlanta Business Bank	Atlanta	196,653
American Trust Bank	Roswell	186,613
Citizens Bank of Forsyth County	Cumming	171,615
Forsyth Bancshares Inc.	Cumming	171,615
Decatur First Bank	Decatur	170,316
Georgia Commerce Bank	Atlanta	167,976
Amvescap National Trust Co.	Atlanta	164,491
United Americas Bank NA	Atlanta	160,329
Community Capital Bank	Jonesboro	150,111
Neighbors Bancshares Inc.	Alpharetta	147,530
Security Bank of North Fulton	Alpharetta	147,530
First Security National Bank	Norcross	147,212
First Intercontinental Bank	Doraville	139,626
Allied Bancshares Inc.	Cumming	138,040
First National Bank of Forsyth County	Cumming	138,040
Georgia Banking Co.	Atlanta	124,399
Hamilton State Bank	Braselton	114,850
Community Bank of West Georgia	Villa Rica	114,753
Security Exchange Bank	Marietta	112,837
Midtown Bank & Trust Co.	Atlanta	104,334
Farmers & Merchants Cmnty Bank	Senoia	102,906

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block with books out or unofficially kicking tires," he told SNL. "Again, we're representing a couple of folks. I know other folks are representing multiple folks. So the supply factor is not as favorable for independent community banks. My sense is you may see activity wane and pricing pull back because of those factors."

"There's absolutely a scarcity of folks over \$1 billion ... but if you're talking about a traditional community bank in a good market in Atlanta that may or may not consider selling, there's a long list," Olsen said.

Florida redux

The next logical question concerns the likely buyers for the Atlanta market. Bradley, who said that he's currently working on M&A transactions in the area with three community banks, suggested that the buyers are really "coming from everywhere." He said that he has seen banks coming from the Carolinas looking to shop, and he added that one of his current deals involves a Texas bank looking to buy in Atlanta.

When asked by SNL, Marinac suggested that Fifth Third Bancorp might add to what they've been building in Atlanta. "I think it's possible that other Midwest banks may want to be here," he added. Marinac noted that he would not be surprised to see players from outside the region coming to Georgia like they did to Florida, with Atlanta being the key focus.

SunTrust's Demba said that although she does not know of any buyers actively shopping in Atlanta right now, she thinks Royal Bank would probably still like to add to its presence in the metro area. She also named Colonial BancGroup Inc., Alabama National BanCorp. and, again, United Community as potential buyers.

Olsen, meanwhile, agreed with Marinac that the market will attract buyers from the Midwest. He added that he expects buyers to be looking from as far away as the West Coast and the Northeast.



Christopher Olsen

"You'll see a pretty good amount of those guys probably make strategic pin-point acquisitions," Olsen said. "They'll find one institution they really click with culturally like PrivateBancorp Inc. and Piedmont Bank of Georgia and use that as either their sole franchise or use that as their flagship for their expansion plans in Atlanta."

"Institutions in the Midwest and other parts of the South are well aware of the population growth and wealth characteristics of Atlanta," added Doug Hillhouse, an analyst with Hovde. "Nobody wants to miss this boat."

Olsen also expanded on Marinac's comparisons to Florida. "What we've seen over the last couple of years is that the first cut for most Midwest buyers was Florida, because you get the most bang for your buck," Olsen told SNL. "For lack of a better term, that was the sexy market."

"But what many of the savvier folks have realized are a couple of things. Florida is a little bit more risky because of the nature of the markets and the real estate lending down there. And also, Florida tends to be one of the highest priced markets in the country. You get similar characteristics, if not more attractive growth, and wealth and strength of economy in the Atlanta market for not necessarily as much of a premium. ...

You don't need to pay an arm and a leg; maybe just an arm. So you'll see a lot of folks looking or revisiting Atlanta as either a more valuable market, a market where it can be a fill in if they have already gone into Florida or a stepping stone to other Southeast markets."

Will the Sun(Trust) always shine?

Last but not least, one can't discuss M&A in Atlanta without taking a quick look at the big kid on the block: SunTrust. The name is kicked around as a takeover candidate every so often, most recently in August after unusual call activity.

"I think because of how valuable that franchise's footprint is, you can't rule [a sale] out today or in the next couple of years," Olsen told SNL. "I can't imagine them officially shopping themselves out, but I can't imagine that they haven't been approached or that they're not on some radar screens."

However, Marinac said that the bank's footprint is one reason, along with excellent market share and several others, that it may remain independent. "If SunTrust is willing and able to compete, then there's no reason they can't stay independent for a long, long time," he said. "The question is, is there a change of heart at the board? I haven't sensed that."

Marinac added that "the only thing I think SunTrust has to defend is the fact that the stock still hasn't come back to the highs of 1998 just before they bought Crestar."

Back in May, Punk Ziegel & Co. analyst Dick Bove said in a research report that Wells Fargo & Co. must attain a national presence, which he said could happen through a SunTrust acquisition.

Marinac's response to that: "I'll believe it when I see it." He noted that Wells Fargo currently does an active business in Atlanta in commercial banking and in consumer finance and asked, "Who's to say that Wells Fargo can't win market share in Atlanta without buying?" *i*