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COVER STORY

In Georgia, Step 1 Is Resolution; Step 2: Roll-Up

■ BY ROBERT BARBA

Though the seizure of Security Bank Corp.'s six banks did nothing to change Georgia's reputation as a failure hub, many are calling the resolution the best thing to happen to the state's banking market in years.

From the ashes of one of the state's largest failures has emerged a supercapitalized community bank led by the industry veteran Joe Evans. Experts said State Bank and Trust Co. is poised not only to pick up other failures, but also serve as a beacon for the battered Georgia market — and perhaps a model for bank investors around the country.

Until recently, State Bank was a tiny institution with just \$36 million in assets. But last month, after receiving a \$300 million infusion from a group led by Evans, it bought \$2.4 billion of Security's \$2.8 billion in assets from the Federal Deposit Insurance Corp.

"This bank has transformed into what is arguably as sound of an institution as you can find in the world," Evans said.

Thanks to the favorable risk-weighting given to assets that are backed by FDIC loss-sharing agreements, State Bank has a total risk-based capital ratio of roughly 30%, he said. "Based on the capital we have, there will be no shortage of opportunities."

Given that dozens of Georgia banks are strapped for capital, the opportunities could include buying loan participations from them — thereby filling some of the void left by the Silverton Bank failure — to possibly striking other deals with the FDIC.

However, Evans' top priority is to steady the ship.

Speaking with *American Banker* the Monday after the failure, following a morning spent meeting with employees and customers, Evans said: "People have come to realize quickly that whatever condition existed on Friday is gone ... but the first order of business is to stabilize the book of business that we have. We want to make sure we execute well on what we've just bitten off before we begin thinking of anything else."

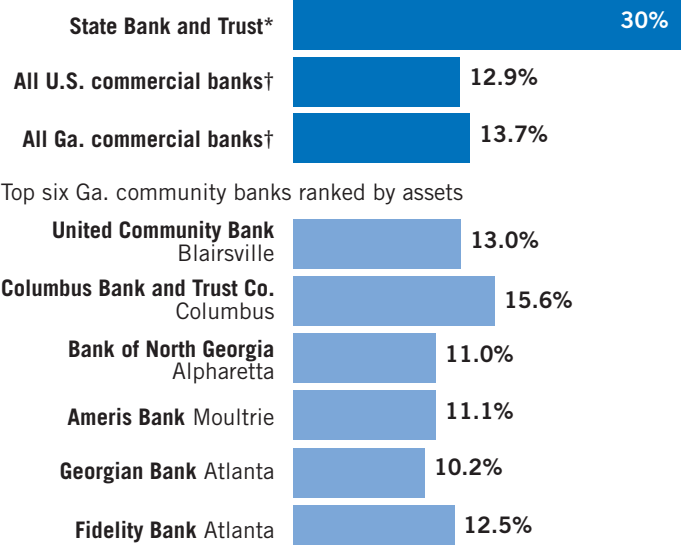
Once that is settled, Evans said, he and his team will begin building.

He said there is no size target for State Bank. Organic growth would come from commercial and industrial lending, Evans said, to offset the high concentration of residential real estate development loans that brought down Security (whose deposits State Bank also took on).

Evans noted that the loan market is much more attractive since

Ample Cushion

The new State Bank and Trust is exceptionally well capitalized. Total risk-based capital ratios



*July 24 estimate. All others are as of March 31. †With \$1 billion to \$10 billion in assets
Source: FDIC

his last go-round on the field, then as CEO of the \$1.8 billion-asset Flag Financial Corp. in Atlanta, which was sold to RBC Centura Banks Inc. in 2006 for \$456 million. "At that time, banks were chasing too little good business for too thin of pricing," Evans said. "That has all changed. Business is now available under much more traditional parameters."

Evans spent the last banking crisis with Bank Corp. of Georgia, which he joined in 1980 as an executive vice president. Four years later he became the president and CEO. That company merged with Century South Banks Inc. in 1997 and Evans took the helm once again in 2000, before the \$1.6 billion-asset company was sold to BB&T Corp.

In 2002 Evans, along with the management team that has followed him to State Bank, bought a significant ownership stake in the then-\$500 million-asset Flag. On his watch Flag grew to \$1.8 billion before it was sold.

Evans said his new company would like to provide some correspondent services to other community banks. These banks often are unable to accommodate credit requests because they lack the capital to take on a large loan; by buying participations from them, State Bank would help these banks keep customers. However, it does not plan to offer the typical suite of processing services that most correspondent banks offer, since that is not an area of expertise for the management team.

While State is now the largest deposit holder in the Macon metropolitan area, Evans said it will consider several options, including FDIC-assisted deals or possibly straight acquisitions, to beef up in Atlanta, where it has deposits of \$700 million.

“If we want to have a meaningful presence in Atlanta, our deposits there are going to have to be meaningfully higher,” Evans said.

He said the company would like to expand into the Georgia Coast area, which spans from Hilton Head, S.C., to Jacksonville, Fla., and, along with Atlanta and Macon, is one of the markets where he and his team have experience.

The only directive the company has from its investors concerning an exit strategy is that it must register its stock before the end of 2010.

On a broader scope, observers said the deal brings some much-

needed capital into Georgia and could signal the beginning of more flowing into the state.

“I am sorry we lost Security, but this is the best news of anything that has happened in Georgia in the last two years,” said Walter G. Moeling 4th, a partner at Bryan Cave LLP. “To me, that reflects confidence of the long-term future of this market.”

J. Brennan Ryan, a partner with Nelson Mullins Riley & Scarborough LLP who worked with Evans on the deal, called it a “bright spot” for the state. More recapitalized banks are needed to absorb other banks and will likely serve as consolidators without FDIC assistance in the future, he said.

“If we can recap enough banks in this manner, we might be able to regenerate the economy here,” Ryan said. “I don’t know that this exact structure will be repeated, but it does show that it is not impossible to raise capital in Georgia.”

Jacob Eisen, the president of the Chicago investment banking firm Capital Insight Partners, said the model Evans used — finding a bank to infuse with capital, rather than applying for a shelf charter — could be a viable one for several of the bank management teams and private-equity backers that his firm is helping to identify similar potential buys. “The real challenge is in getting a charter and FDIC insurance,” Eisen said. “If you can find a bank to partner with, your options open up. ... This seems like a surefire way to get there.” ■

State Bank Charts a Growth Course in Its New Ga. Markets

STATE BANK

& Trust Company