

2013 Capital Raising Environment for Banks

Tuesday, January 22, 2013

Bank Recovery Strategies Webinar Series

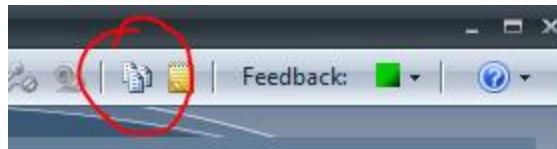
RAYMOND JAMES®

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Financial Institutions Group

 **McGladrey**

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- Today's webcast will last for approximately one hour
- To view in full-screen mode:
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- To submit questions, please type them into the Q&A box from the Q&A menu on the top of your screen
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- Each participant will receive a link to the recording of today's presentation and the slides via email

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Introduction

Can Banks Raise Capital In 2013?
and
Why Will It Be Different Than Last
Year?

Topics

- Market Overview
- Common and Preferred Stock Offerings
- Valuation Issues
- Capital Requirements Ascending
- TARP Update
- Planning Tips

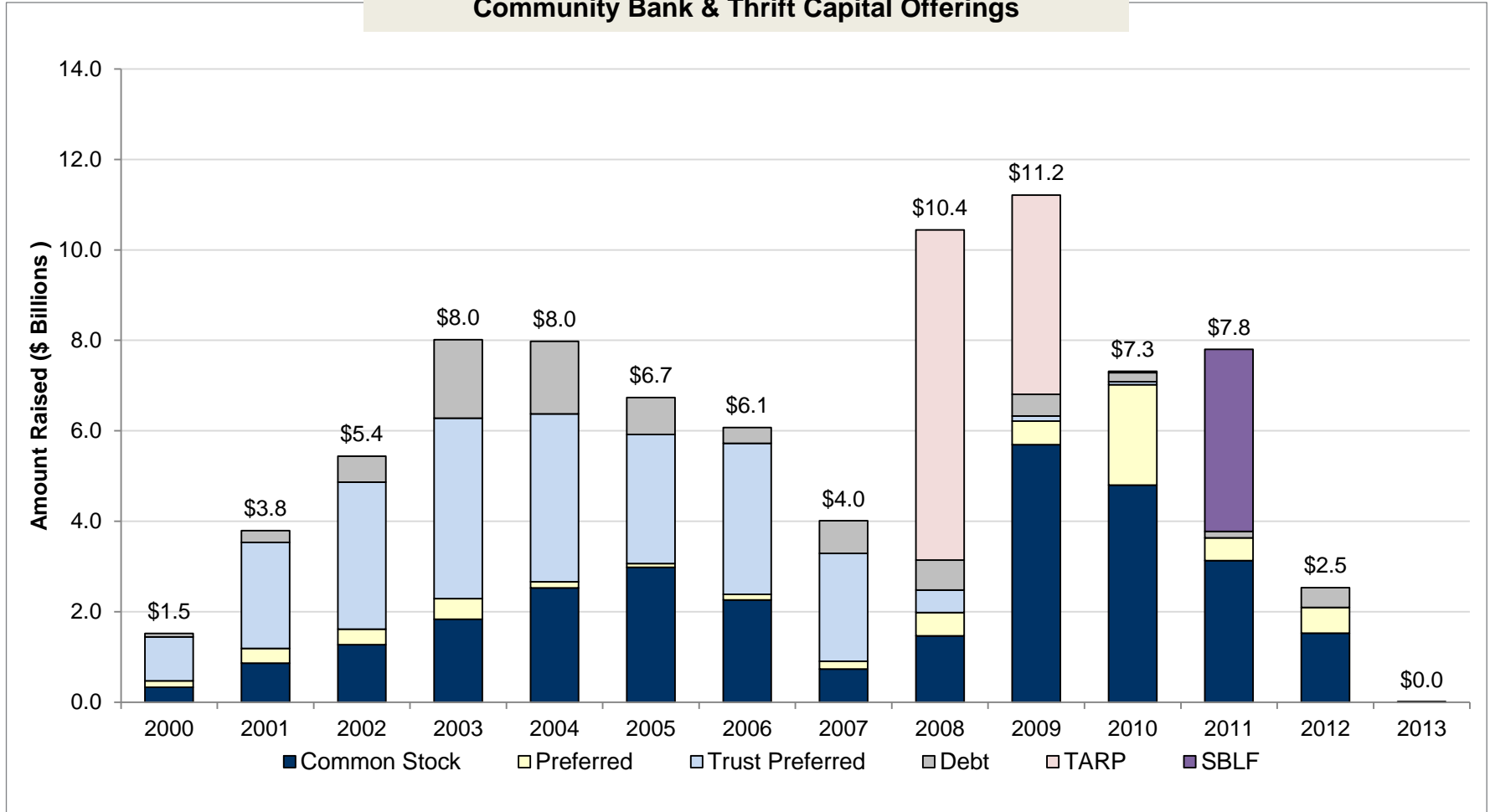
Market Overview

Market Overview

- Historical capital offering trends
- Recent offering activity

HISTORICAL CAPITAL OFFERING TRENDS

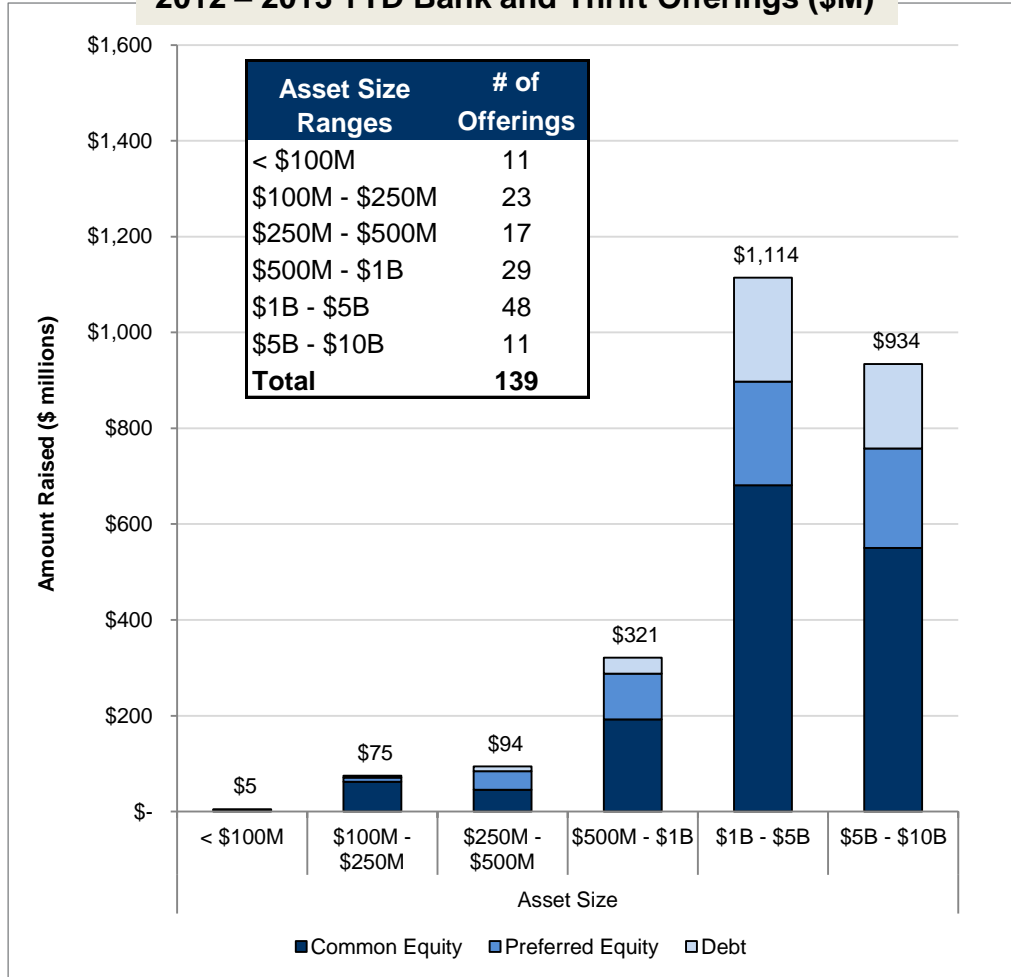
Community Bank & Thrift Capital Offerings



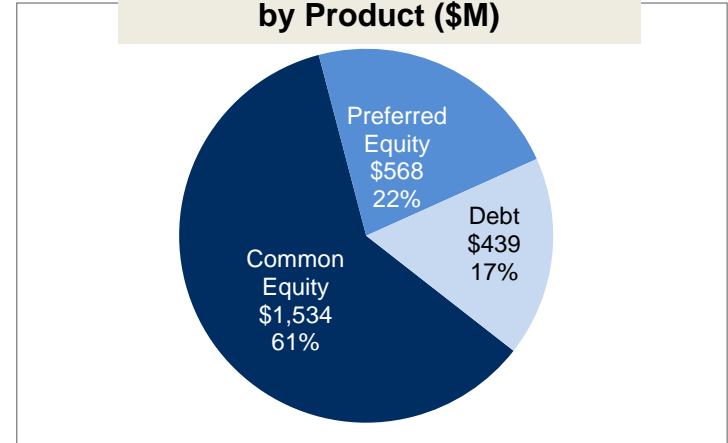
Source: SNL Financial LC; data includes banks and thrifts with total assets less than \$10 billion; data as of 1/14/13

RECENT BANK AND THRIFT CAPITAL OFFERING ACTIVITY

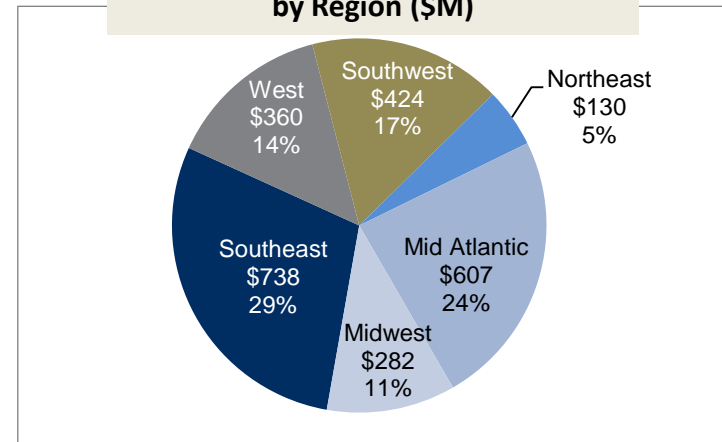
2012 – 2013 YTD Bank and Thrift Offerings (\$M)



2012 – 2013 YTD Capital Raised by Product (\$M)



2012 – 2013 YTD Capital Raised by Region (\$M)



Source: SNL Financial LC; data includes banks and thrifts with total assets less than \$10 billion; data as of 1/14/13

Common and Preferred Stock Offerings

Common Stock Offerings

- Is the market receptive
- Are boards (friends and family) more or less likely to invest again at this point in the recovery
- Making regulators happy
- Dilution
- Disclosure issues

RECENT COMMON EQUITY OFFERINGS

Underwritten Transactions

Company	Ticker	Headquarters	Completion Date	Financial Detail					Offering Detail			
				Total Assets (\$M)	LTM ROAA (%)	Tg. Eqty / Tg. Assets (%)	NPAs / Assets (%)	Gross Amount Offered (\$000)	Offer Price Per Share (\$)	Discount to Current Price (%)	Offer Price / PF Tg. Book (%)	IPO? Y / N
1 Bancorp, Inc.	TBBK	Wilmington, DE	12/18/12	3,113	0.43	9.07	1.02	44,000	11.00	0.0	126	No
2 Pacific Premier Bancorp, Inc.	PPBI	Irvine, CA	12/06/12	1,089	1.45	8.94	1.07	37,950	10.00	5.3	106	No
3 First Business Financial Services, Inc.	FBIZ	Madison, WI	12/04/12	1,192	0.75	5.92	1.34	29,095	23.00	2.5	92	No
4 Eagle Bancorp, Inc.	EGBN	Bethesda, MD	10/29/12	2,976	1.09	10.79	1.55	10,074	18.25	12.8	151	No
5 Oriental Financial Group Inc.	OFG	San Juan, PR	10/25/12	6,051	0.48	12.70	3.20	53,605	11.10	22.8	76	No
6 Capital Bank Financial Corporation	CBF	Coral Gables, FL	09/19/12	6,304	0.28	14.24	NA	188,582	18.00	(4.7)	105	Yes
7 National Bank Holdings Corporation	NBHC	Greenwood Village, CO	09/19/12	5,789	0.61	17.67	1.78	158,283	19.25	(4.1)	101	Yes
8 Lakeland Bancorp, Inc.	LBAI	Oak Ridge, NJ	08/29/12	2,853	0.74	5.78	1.61	6,600	9.65	2.8	161	No
9 Texas Capital Bancshares, Inc.	TCBI	Dallas, TX	07/26/12	9,145	1.32	7.24	1.07	92,000	40.00	13.3	216	No
10 First Community Corporation	FCCO	Lexington, SC	07/23/12	598	0.63	8.12	2.37	15,000	8.00	5.3	81	No
11 Northeast Bancorp	NBN	Lewiston, ME	05/16/12	595	0.28	10.19	1.04	47,459	8.00	13.0	74	No
12 MetroCorp Bancshares, Inc.	MCBI	Houston, TX	05/16/12	1,501	0.47	10.29	3.83	46,006	9.00	12.7	110	No
13 Tompkins Financial Corporation	TMP	Ithaca, NY	03/28/12	3,400	1.08	7.53	1.22	40,250	40.00	2.2	168	No
14 CoBiz Financial Inc.	COBZ	Denver, CO	03/19/12	2,424	1.39	8.95	2.73	12,600	6.00	20.8	137	No
15 HomeStreet, Inc.	HMST	Seattle, WA	02/10/12	2,317	(0.22)	NA	9.95	95,960	44.00	(70.2)	NA	Yes
16 Community Bank System, Inc.	CBU	De Witt, NY	01/23/12	6,488	1.18	6.76	0.49	57,505	27.00	3.1	225	No
Average				3,490	0.75	9.61	2.28	58,436		2.4	129	
Median				2,915	0.68	8.95	1.55	45,003		4.2	110	

Privately Placed Transactions*

Asset Range (# of Deals)	Financial Detail				Offering Detail		
	Total Assets (\$M)	LTM ROAA (%)	Tg. Eqty / Tg. Assets (%)	NPAs / Assets (%)	Gross Amount Offered (\$000)	Discount to Current Price (%)	Offer Price / PF Tang. Book (%)
< \$100M (4)	83	(0.88)	8.98	5.42	1,832	(3.4)	61
\$100M - \$250M (17)	154	(0.97)	7.58	3.68	1,415	20.0	83
\$250M - \$500M (12)	337	0.04	7.37	5.71	1,266	(10.1)	58
\$500M - \$1.0B (21)	614	0.29	8.15	2.17	5,151	21.5	63
> \$1.0B (23)	2,284	0.80	6.86	1.82	22,070	6.7	97
Total (77)	530	0.11	7.52	3.28	4,161	10.3	74

* Data in the table represents median values for their respective asset range

Source: SNL Financial LC; data includes banks and thrifts with total assets less than \$10 billion; data as of 1/14/13

Why Have Preferred Stock Offerings Become More Popular

- Elements of preferred stock
 - Regulatory capital issues
 - Variables

RECENT PREFERRED EQUITY OFFERINGS

Company Name	City, State	Completion Date	Financial Detail				Offering Detail			
			Total Assets (\$M)	LTM ROAA (%)	Tg. Eqty / Tg. Assets (%)	NPAs / Assets (%)	Gross Amount Offered (\$000)	Dividend Rate (%)	Adj. Rate? Y / N	Callable? Y / N
1 Mid Penn Bancorp, Inc.	Millersburg, PA	01/03/13	724	0.72	7.73	1.76	5,000	7.00	No	Yes
2 Cornerstone Bancshares, Inc.	Chattanooga, TN	12/31/12	425	0.28	8.97	8.39	15,000	10.00	No	Yes
3 Jacksonville Bancorp, Inc.	Jacksonville, FL	12/31/12	552	(8.29)	2.22	7.82	50,000	5.00	No	No
4 BCB Bancorp, Inc.	Bayonne, NJ	12/31/12	1,155	(0.18)	7.23	5.43	8,650	6.00	No	No
5 Community Financial Shares, Inc.	Glen Ellyn, IL	12/21/12	334	(3.12)	1.64	NA	19,685	NA	NA	No
6 First Bancorp	Troy, NC	12/21/12	3,323	0.11	8.41	4.39	7,287	NA	NA	No
7 Community 1st Bank	Auburn, CA	12/18/12	191	(0.44)	10.84	2.37	2,800	5.00	No	No
8 NewBridge Bancorp	Greensboro, NC	11/30/12	1,714	(1.65)	7.96	2.30	56,268	5.00	Yes	No
9 Taylor Capital Group, Inc.	Rosemont, IL	11/15/12	5,137	2.57	8.71	2.11	100,000	8.00	No	Yes
10 Covenant Bancshares, Inc.	Chicago, IL	11/02/12	68	(1.56)	4.60	7.16	750	2.00	No	Yes
11 Oriental Financial Group Inc.	San Juan, PR	10/31/12	6,051	0.48	12.70	3.20	24,000	7.13	No	Yes
12 Yadkin Valley Financial Corporation	Elkin, NC	10/23/12	1,945	1.05	7.80	5.22	45,000	12.00	Yes	Yes
13 BofI Holding, Inc.	San Diego, CA	10/16/12	2,387	1.35	8.66	1.09	18,570	6.00	No	Yes
14 TGR Financial, Inc.	Naples, FL	10/10/12	504	(1.07)	11.90	0.56	633	NA	NA	No
15 Jacksonville Bancorp, Inc.	Jacksonville, FL	09/27/12	583	(6.10)	2.48	9.72	5,000	10.00	No	No
16 Fresno First Bank	Fresno, CA	09/05/12	173	1.03	10.93	2.46	6,100	5.00	No	No
17 Covenant Bancshares, Inc.	Chicago, IL	08/24/12	68	(1.56)	4.60	7.16	75	2.00	No	Yes
18 First Mid-Illinois Bancshares, Inc.	Mattoon, IL	06/28/12	1,534	0.79	7.58	0.72	8,250	8.00	No	Yes
19 Oriental Financial Group Inc.	San Juan, PR	06/28/12	6,462	0.61	10.61	2.90	84,000	8.75	No	No
20 BNC Bancorp	High Point, NC	06/04/12	2,409	0.31	5.73	3.00	72,500	15.00	Yes	No
21 American Patriot Financial Group, Inc.	Greeneville, TN	05/30/12	93	(0.93)	1.15	NA	15	6.00	No	Yes
22 Covenant Bancshares, Inc.	Chicago, IL	04/27/12	75	NA	NA	NA	50	2.00	No	Yes
23 Capitol City Bancshares, Inc.	Atlanta, GA	04/24/12	296	(0.53)	2.77	19.82	1,000	3.00	No	Yes
24 Cecil Bancorp, Inc.	Elkton, MD	04/16/12	464	(0.99)	6.97	20.39	2,831	5.00	Yes	No
25 American Patriot Financial Group, Inc.	Greeneville, TN	03/01/12	94	(1.95)	1.28	20.96	25	6.00	No	Yes
26 Covenant Bancshares, Inc.	Chicago, IL	02/13/12	75	NA	NA	NA	25	2.00	No	Yes
27 Intermountain Community Bancorp	Sandpoint, ID	01/23/12	927	(0.20)	6.52	2.17	34,950	NA	NA	No
Average	1,399	(0.77)	6.80	6.13	21,054	6.34				
Median	552	(0.20)	7.58	3.20	7,287	6.00				

Source: SNL Financial LC; data includes banks and thrifts with total assets less than \$10 billion; data as of 1/14/13

Various Types Of Offerings Are Currently Available

- Public offerings
- Private placements
 - Accredited investors only
 - Intrastate offerings
- Rights offerings can have benefits
- Effect of the Jobs Act

Valuation, Capital Standards and TARP

Valuation Issues – Pricing Is A Challenge For Public And Private Companies

- What drives the price in an offering
- Use of funds – growth and debt retirement
- Will dividends help
- Efficiency ratios

PRICING CONSIDERATIONS

Financial

- Asset quality
- Asset size
- Profitability
- Deposit composition
- Loan generation capabilities
- Use of proceeds

Market

- Growth prospects
- Position as a seller / buyer
- Health of other in-market banks
- Health of local economy

Other

- Management team
- Business plan
- Insider participation
- Liquidity

Capital Requirements Are Going Up – But What Does That Mean?

- Basel III relief
- Expectations of regulators
- M&A standards
- Stress testing

Reign Delay Is Over – The TARP Is Coming Off The Field

- Treasury acting like investors, but effect of turnover
- Raising \$ to pay down TARP
- Recent auction update
- Who has an investment opportunity
- Treatment of TARP in M&A
 - Treasury
 - Private investors

Some Practical Planning Tips

Planning Tips

- A clean balance sheet is a happy balance sheet (to investors)
- Executive compensation
- New accounting for loan losses
- Corporate clean-up
- Timeline – when to “hit the market”
- Due diligence

Questions?

Thank you for attending

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