



Brazilian bank set to samba with City National?

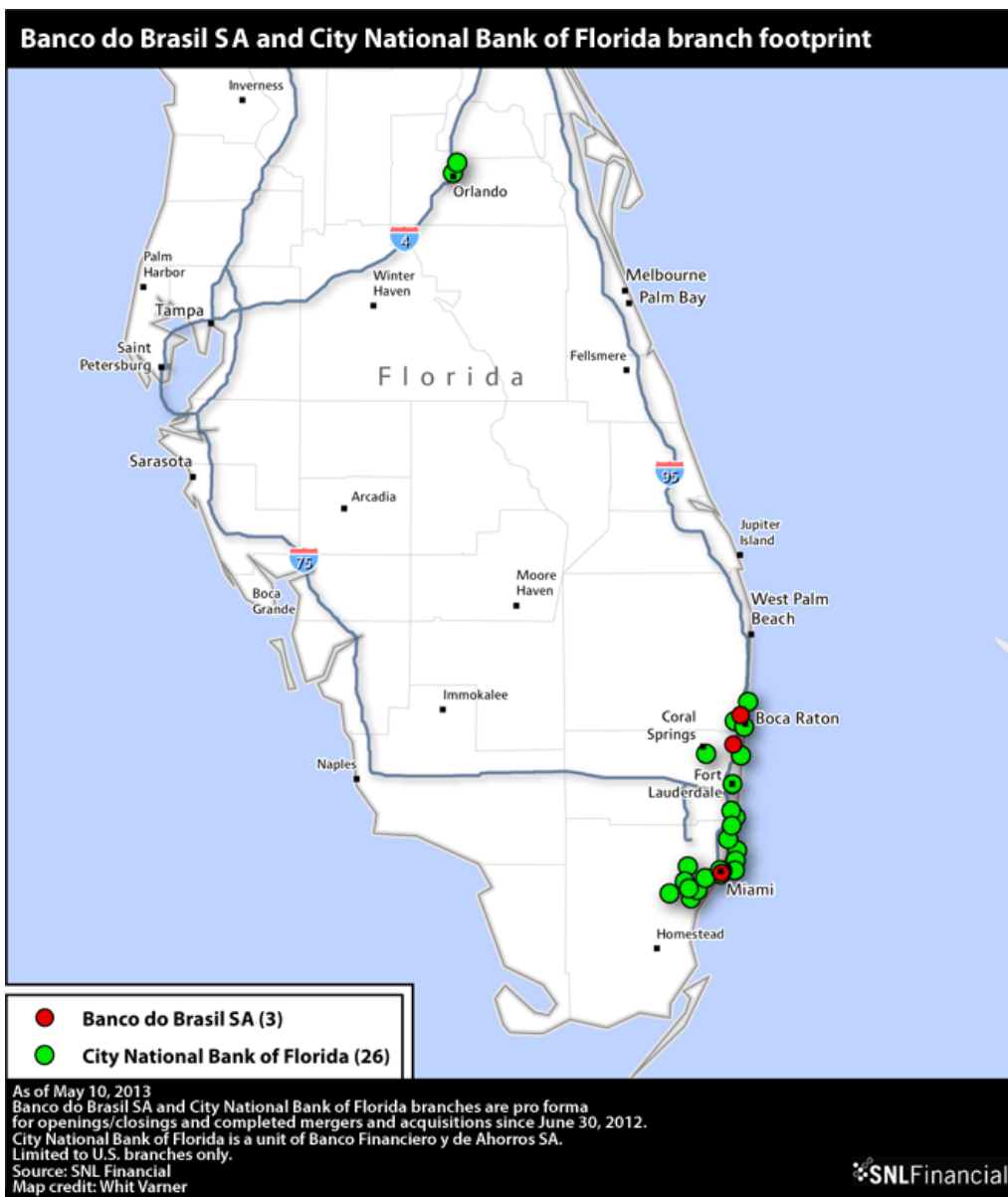
*By Lindsey White
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The rumor mill keeps churning about the looming sale of City National Bank of Florida. Recent reports suggest that Banco do Brasil SA is closing in on a purchase of Valencia, Spain-based Bankia's Florida franchise.

On May 9, Bloomberg Television reported that Banco do Brasil is near a \$900 million deal. Bloomberg originally identified Banco do Brasil as a bidder in April. On May 15, Dow Jones Newswires cited an unnamed banker as saying that the 1.18 trillion-Brazilian-real bank is in the "final stages" of acquiring Miami-based City National, in a transaction expected to close at the end of the month.

When contacted by SNL, Banco do Brasil declined to comment on its interest in growing in the Miami market — but some say the City National acquisition would make sense, given the Brazilian bank's existing footprint in Florida.

Banco do Brasil acquired Coral Gables, Fla.-based EuroBank in early 2012. The acquisition is expected to contribute to Banco do Brasil's expansion of business in the U.S., focusing on Brazilian and Hispanic customers, the Brazilian bank said in a first-quarter presentation.



EuroBank, renamed Banco do Brasil Americas, had \$82.1 million in assets at March 31. The bank has three branches, including a recently opened location on Miami's Brickell Avenue.

"I just couldn't imagine them going into the Miami market and staying at less than \$100 million in assets," said Paula Johannsen, a managing director at Monroe Securities. "They didn't come there just to buy two or three branches of a small community bank."

James Cassel, chairman and co-founder of Miami-based investment banking firm Cassel Salpeter & Co., said it can be a wise strategy to dip a toe into the U.S. market before diving in fully. A bank that does so can put the regulatory approval process behind it before going after larger deals. If Banco do Brasil were to bid on City National, the fact that the Brazilian bank already has a charter in the U.S. could make the seller's board more comfortable, he said.

Cassel pointed to the example of Spanish Banco de Sabadell SA, which bought Miami-based Transatlantic Holding Corp. in 2007, before further expanding with the purchase of Miami-based Mellon United National Bank. Sabadell is also among those rumored to be interested in buying City National, along with a number of other banks.

Benjamin Bishop Jr., chairman of Southeast-focused investment bank Allen C. Ewing & Co., said the Miami market is "one of the most dynamic in the country" and "very attractive" to foreign banks looking for a foothold in the U.S. "Miami had a huge number of unsold condominiums a couple years ago on Brickell Avenue," he noted. Today, he said, many of those condos have sold as foreign nationals scooped up properties.

"A lot of the wealth in Central and South America is going to Miami, and if anything will probably be accelerating," Bishop said.

Observers agree that if Banco do Brasil is looking to buy, City National is an attractive target. Cassel called City National a "wonderful franchise." The bank has a long history, a network of 26 branches with good locations, a solid core group of employees and a loyal customer base that stuck with it when City National was last sold, he said. In 2008, Bankia's Caja Madrid bought an 83% stake in City National Bancshares Inc. in a \$927.0 million deal.

Observers noted that there are several banks in South Florida, but few of City National's size and quality. The bank had \$4.74 billion in assets as of March 31, and nonperforming assets totaled just 0.97% of total assets.

This could help City National fetch a good price. According to SNL data, live bank deals announced since Jan. 1, 2012, with Florida-based targets have had a median tangible book value of 100.7% and a mean value of 102.3%. Johannsen characterized pricing for recent Florida bank deals as "all over the board," but said that many people expect City National will generate more of a premium.

"For the international-type banks that want to get in there, it's the best quality right now," Johannsen said.