

## Banking

Year-old U.S. Century in Miami far ahead of its capital goal

October 17, 2003

By: Peter Zalewski

**R**aising capital is proving even easier than originally anticipated for first-year U.S. Century Bank of Miami.

In its second private equity offering within a year, the bank has raised a better than expected \$24.5 million, and the selling period does not end until Dec. 31.

U.S. Century's founders originally raised \$22 million to launch the bank in October 2002, and added \$8 million before the subscription ended in December to make it one of the best capitalized startup banks in Florida history.

"The response has been overwhelming," said Ramon Rasco, chairman of U.S. Century. "I thought we would get \$10 million. I was hoping for \$15 million. The ideal thing would have been to raise \$20 million."

But with an additional \$24.5 million in capital — and counting — the bank is in a solid position to execute an ambitious growth strategy, Rasco said. The bank is planning to open several new branches and lend larger amounts of money.

U.S. Century's ownership team, no doubt has helped bolster its fund-raising. It includes several high-profile Miami-Dade County businessmen: Sergio Pino, chairman of developer Century Group; Armando J. Guerra, chief executive of the Sedano's Pharmacy and Discount Stores chain; and county lobbyist Rodney Barreto.

U.S. Century's timing has not hurt it, either. The market for raising private capital to fund startup banks has been strong due to the volatility of the stock market and low returns on fixed-income investments, said David Downs, managing director of Ryan Beck & Co.'s Financial Institutions Group in Livingston, N.J.

Another factor that may be helping U.S. Century's second issuance is its performance so far. In its first four quarters, the bank has already topped the first two crucial milestones for a startup bank — \$100 million in assets and turning a profit. U.S. Century had assets of \$114 million and a profit of \$366,000 for the first half of 2003, according to the Federal Deposit Insurance Corp.

"It is unusual for a de novo [startup] bank to raise \$60 million of capital this quickly," Downs said. "Obviously, based on the amount of capital that they have raised, they have some big growth plans going forward."

If U.S. Century does generate an additional \$5.5 million by the time this second offering ends, the \$60 million in capital would be enough to support a bank with assets of \$750 million, Downs said.



Octavio Hernandez, left, president and CEO of U.S. Century Bank and chairman Ramon Rasco

Photo by  
Aixa Montero

received capital at a time when interest rates are at record lows. U.S. Century's profitability could be dragged down if it fails to do so, Downs said.

"Until they achieve a level of assets commensurate with their capital base, their return on equity will be below industry standards," Downs said. "I think banks are generally striving for about a 15 percent return on equity and high performing banks exceed 20 percent."

U.S. Century's return on equity was 2.51 percent on June 30, according to the FDIC.

The below-average equity performance has not stopped investors from buying more shares of U.S. Century. About 55 percent of the 400 existing shareholders purchased additional stock, and a dozen new investors bought a stake in the Miami-based bank during the second round of fund-raising. Other existing shareholders have indicated an interest in acquiring more stock before the offering period ends, he said.

"For timing reasons, they were not able to invest before Sept. 30, but they said they would be able to do so by the end of the year," Rasco said.

Shares were being sold for \$12.50 for existing investors and \$16 for the outside investors. Prices increased by 50 cents on Oct. 1, and are scheduled to increase an additional 25 cents every month through December.

U.S. Century has issued 1.8 million shares so far with this second offering after originally selling 2.9 million shares at \$10.50 each.

The cash infusion increases U.S. Century's capital-to-assets ratio to about 30 percent, six times more than the 6 percent required by regulators.

U.S. Century intends to use the capital to increase the bank's lending limit for a single client to \$13 million from its current maximum of \$7.5 million, said Octavio Hernandez, president and chief executive of U.S. Century Bank.

"We have a very strong demand for loans," Hernandez said. "We are not out there beating the bushes. We have plenty to keep us busy."

The capital infusion will also help to fund the bank's branch expansion plans. Bank executives want to open four or five locations a year for the next five years. The state-chartered commercial bank with \$114 million in assets already has two branches besides its Flagler Street headquarters. A fourth location in Doral is scheduled to open by January.

U.S. Century's war chest could also allow it to acquire a community bank as it expands northward in the tricounty area, Rasco said.

"We are not looking at anything in particular at this point," Rasco said. "It would have to be the right bank at the right price. We are growing on our own."

Hernandez added, "That is not to say that it would not make sense for us to look at potential purchases, particularly when it comes to the Broward and Palm Beach area if we could find a good fit."