

Bad loans rise more than 160% at St. Louis banks

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ST. LOUIS BUSINESS JOURNAL

Bad loans collectively jumped 163 percent at 24 St. Louis community banks in 2008 and 354 percent at six larger national and regional banks with a significant presence here, according to Federal Deposit Insurance Corp. filings.

Only four of the community banks reported fewer bad loans, or net charge-offs, than in 2007, and none of the larger banks reported fewer.

Nationally, net charge-offs totaled \$37.9 billion in the fourth quarter of 2008, a 132 percent increase from \$16.3 billion in 2007.

“Loan losses significantly increased in 2008 for the entire industry,” said Steve Marsh, chairman and chief executive of Enterprise Bank & Trust, where net charge-offs increased to \$12.7 million from \$2 million.



GARY DOUGLASS
Chief executive of Pulaski Bank

Gary Douglass, chief executive of Pulaski Bank, which also experienced a big increase, said the collapse of the real estate market is largely to blame. “Our problems have been in residential real estate, especially home equity lending.”

The FDIC reported Pulaski had \$8.3 million in net charge-offs in 2008, up from \$2.3 million in 2007. Douglass said those figures overstate the problem because they include reserves for loans that have potential problems but have not gone bad yet, and may not. “But that doesn’t change the trend, unfortunately,” he said.

The 24 community banks, all chartered in the St. Louis area, and the six national and regional banks are tracked regularly

by the Business Journal to gauge the state of banking here. The national and regional banks do not break out results by market.

The four community banks that reported fewer net charge-offs — bad loans that had to be written off, minus amounts they recovered from previous bad loans — are The Business Bank of St. Louis, with \$2.1 million, compared with \$7 million last year; Eagle Bank and Trust Co., with \$335,000, compared with \$651,000; First Collinsville Bank, with \$979,000, compared with \$1.2 million; and Southern Commercial Bank, with \$543,000, compared with \$2.3 million.

“We are aggressively addressing our issues,” Business Bank President Mike Flavin said. “We are hopeful of continued positive trends in 2009 — however, the sailing looks very rough.”

“Our home loans have held up well, and we aren’t heavily dependent on home building,” said Vince Coleman, president of Southern Commercial.

Midwest BankCentre had a relatively modest \$637,000 in net charge-offs, compared with \$27,000 in loan recoveries a year earlier. “Generally our success can be attributed to remaining disciplined and consistent in how we write loans,” said Ron Barnes, chairman. “We are a commercial bank, not a venture capital firm or co-developer of real estate, and as such, we ought to underwrite our loans to take lower levels of risk.”

The bankers expect the industry’s high level of bad loans to continue. “You will see net charge-offs at an elevated level this year,” Douglass said.

Barnes, too, fears more problems. “As the economy remains very weak, we would expect our loan losses to increase in 2009,” he said.

CHARGING OFF BAD LOANS

COMMUNITY BANK CHARGE OFFS IN 2008 (IN THOUSANDS)

	CHARGE OFFS	% CHANGE FROM 2007
Bank of Washington	\$951	64.3%
Citizens National Bank of Greater St. Louis	\$1,109	7293.3%
Eagle Bank and Trust Company of Missouri	\$335	-48.5%
Enterprise Bank & Trust	\$12,708	535.4%
First Collinsville Bank	\$979	-18.0%
First County Bank	\$171	327.5%
First National Bank of St. Louis	\$1,479	42.5%
Frontenac Bank	\$6,058	334.0%
Heartland Bank	\$4,819	37.5%
Jefferson Bank and Trust Company	\$1,462	54.7%
Midwest BankCentre	\$637	NM
Peoples Bank & Trust Co.	\$170	NM
Pulaski Bank	\$8,310	262.1%
Reliance Bank	\$4,016	566.0%
Rockwood Bank	\$5,568	878.6%
Royal Banks of Missouri	\$826	95.3%
Southern Commercial Bank	\$543	-76.8%
Southwest Bank, An M&I Bank	\$34,623	165.9%
St. Louis Bank	\$4,101	183.2%
The Bank of Edwardsville	\$1,389	56.2%
The Business Bank of Saint Louis	\$2,132	-69.4%
The First National Bank in Staunton	\$700	8.2%
The PrivateBank	\$17,907	365.6%
Truman Bank	\$9,289	626.3%

REGIONAL AND NATIONAL BANKS CHARGE OFFS IN 2008 (IN THOUSANDS)

	CHARGE OFFS	% CHANGE FROM 2007
Bank of America	\$7,422,662	468.8%
Commerce Bank	\$69,865	71.5%
First Bank	\$316,177	456.5%
Regions Bank	\$1,552,094	435.7%
U.S. Bank	\$1,735,384	132.9%
UMB Bank	\$11,207	42.2%

NM – Not meaningful
Source: Federal Deposit Insurance Corp.

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