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Ask the Experts...

On the Banking Industry

Jason Koelling is vice president of commercial loans at St. Louis Bank and a founding officer of the bank, which opened in 2005. Jason has thirteen years of commercial banking experience in the St. Louis community. We talked to him recently about the challenges the banking industry has faced during the recession and how the lending environment has changed.

Q: The media has chronicled the challenges and problems encountered by the banking industry over the past couple of years. Can you describe the current lending environment in St. Louis?

A: Challenging. Without question the credit underwriting environment has tightened across the board. It appears no segment of banking is immune to the existing credit crunch. From local to regional to national players we are all playing by a new set of rules.

A-plus credit loans are still getting done. I believe all banks are paying much closer attention to deal structure and pricing.

Q: By most accounts, it has become much more difficult for a business owner to obtain financing, especially for development or expansion. Do you see this situation changing anytime soon?

A: It's difficult to determine exactly where we sit today in the bell curve to recovery. I am cautiously optimistic that we have seen mild signs of recovery. I believe we are in for a long, slow road back. We will not likely see the financial markets return to levels experienced in the middle of the decade.

That being said, keep in mind how quickly tides can turn. It's hard to believe how far we've fallen in just five years. In 2005 new community banks were popping up at levels never seen before and community banks were selling for up to three times their book value. Fast forward to today -- we have seen several of these new banks already fail and most publicly traded community banks are hovering around a market value of 50% of book value or less.

Q: How can a business owner best position the company to obtain financing? In other words, what factors are of critical importance to a bank in deciding on whether to extend financing to a business?

A: Capital and liquidity are the most important factors. Banks are looking at a borrower's capacity to weather these uncertain economic times. This is of course in addition to traditional underwriting standards such as profitability, experienced management, acceptable collateral, credit history, etc.

Now more than ever banks actually have to live up to these exact same standards to the regulators.

Founded in 2005, St. Louis Bank is one of the fastest growing banks in the country. As a full service community bank, the organization has quickly developed a reputation as the high-touch, hi-tech, hometown bank. St. Louis Bank has a staff with over 400 combined years of banking experience. St. Louis Bank has over \$500 million in assets with a commercial loan portfolio of approximately \$400 million outstanding.