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Banks on the ropes

by Brian Bandell

More than two-dozen South Florida banks ended 2009 in troubled condition or with little margin to absorb losses in the coming year. Some of them appear likely to survive, but most experts predict more local failures.

The most serious problems were facing banks considered “undercapitalized” by regulatory guidelines: Boca Raton-based Sun American Bank, Aventura-based Turnberry Bank, Lantana-based Sterling Bank and Fort Lauderdale-based Bank of Florida – Southeast. All of those banks are attempting to raise capital.

Metro Bank of Dade County was “adequately capitalized,” as was Miami-based Union Credit Bank, although the latter is scheduled to be acquired shortly.

Ten more banks were less than 1 percentage point above the “well-capitalized” requirement for their capital-to-asset ratios. That means they can’t afford more losses unless they quickly reduce their assets or get a capital injection.

“The owners of the banks have to commit to the bank and put in additional capital,” said **Dennis Nason**, CEO of Coral Gables-based **Nason and Nason**, an executive recruitment and staffing firm for the financial industry. “A couple of banks on that [not

well capitalized] list are in trouble where the owners aren't interested in doing so. Some banks won't make it because their problems are too big.”

There were 10 other South Florida banks that had more bad assets (noncurrent loans and repossessed property) than the combination of capital and reserves. Thomas said this condition makes attracting investors hard because it appears future losses are likely. The best thing a bank in that situation can do is get the bad loans off its books quickly. Miami-based Ocean Bank has done that and turned a profit in the fourth quarter. Its wealthy owners gave the bank more capital to make up for its troubled bad-asset ratio.

Whether that will happen at other South Florida banks with bad-asset ratio problems, such as Miami Lakes-based Great Florida Bank and Plantation-based OptimumBank, remains to be seen.