

# Community banks expect to see tempered 2010

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While community bankers in Georgia tend to agree that the worst of the fallout from the residential housing collapse has passed, they are anxiously watching commercial real estate for any fault lines. That could portend whether 2010 offers another dismal year or their fortunes — and bottom lines — begin to trend upward.

"There are plenty of signs out there that we are getting really close to the bottom," said Joe Brannen, president of the **Georgia Bankers Association**. "On the community

banking side, most people have gotten to the end of having to recognize new losses and new deteriorations of existing relationships."

But tough times remain ahead for community banks — with an atmosphere unlikely to see dramatic improvements in 2010 until the economy improves, job losses are stemmed and regulatory pressures ease.

Until then, expect a tempered year for banks, he said. "It will not be a worse year, but there are a lot of

things that have to happen for 2010 to be a more traditional year for banks," Brannen said.



**Brannen**  
Georgia Bankers  
Association

A bit of timing is a factor in the fate of some community banks.

As Charlie Crawford looks forward to celebrating the third anniversary of the **Private Bank of Buckhead** in December, he does so with the knowledge that launching the bank in late 2006 helped him avoid steering the bank into a portfolio heavy with residential real estate loans that soured.

Forming late in the housing bubble has helped some community banks survive.

"For us, part of it is that we are a relatively young bank. We came into the game a bit later than other banks that are struggling," said Crawford, the bank's chairman, president and CEO. "Our portfolio has held up very well."

While 2009 may have been the year of problems related to residential real estate, next year could well be the year of bank problems fueled by commercial real estate.

If community banks are exposed to non-owner-occupied commercial real estate, they can expect to see problems above those related to the down economy and increasing unemployment, said Bartow Morgan Jr., CEO of **Brand Banking Co.**

"It's not great out here, but it is a little more level than it seems," Morgan said.

In 2010, don't expect to see a push in the state to charter new banks. In addition to the economy throttling the pace of bank startups, increased scrutiny from state and federal banking regulators is also tamping down de novo activity.

"We'll have fewer community banks and will continue to have failures. It's a shrinking industry," Crawford said.

But for banks that remain strong, 2010 will provide opportunities to capture market share from larger institutions distracted with addressing increased scrutiny from federal regulators and in places no longer served when other banks collapse.

"We have plenty of banks in metro Atlanta doing just fine that didn't focus on the residential side and focused on the traditional borrower. As the pie grows, there are fewer players and fewer people chasing more dollars," Brannen said.