Beating Expectations

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Ribbon Cutting—Employees at Midwest Regional Bank open another retail office in Festus, Mo.

Midwest Regional Bank finds room for growth in St. Louis

By Kelly Pike

When Michael Bender and a group of investors bought the $19 million-asset Bank of Otterville in 2007, the community bank had a clean balance sheet with a strong book of business and revenue stream. Today the renamed Midwest Regional Bank in Festus, Mo., has all that—and $450 million in assets.

The bank's growth—more than 2,300 percent in the last nine years—is the result of planning and opportunity that have far surpassed expectations, says Bender, chairman and CEO.

Top-50 Fastest Growing Bank

Midwest Regional Bank

From the beginning, Midwest Regional Bank was designed to handle growth and leverage economies of scale. Opening seven loan production offices—compared to three retail branches—the bank hired seasoned lenders and emphasized a strong sales culture. It encourages friendly competition, with its lending team meeting once a week to go over deals in the works.

Festus, Mo.
Assets: $450 million
Retail locations: Three
Employees: 100
Website: www.mwrbank.com

But it wasn't enough to have a sales team; Midwest Regional needed infrastructure and staff. The bank thought big early on, putting in redundancies including several credit analysts, two former chief financial officers, two senior credit officers and two compliance officers. It was initially expensive, but the bank has grown more efficient with size, growing by 50 percent some years. Revenue is finally catching up, increasing by $1 million a year over the last three to four years, totaling $16 million in 2015.

Timely opportunity

The late 2000s turned out to be a perfect time to drum up business the St. Louis area, which was hit hard by the downturn. The well-capitalized bank had reduced competition for loans, helping Midwest Regional build a reputation for open-minded and common-sense lending in the business community. It grew its loan portfolio between $50 million and $75 million a year and carved out a role as a Small Business Administration lender in an underserved market.

"We created a niche during a tough economy and made strong inroads into traditional commercial credit," says Bender, of the bank's straightforward business model of deposit and lending that allows employees to focus on the basics. "It was a perfect storm for us."

Today, Midwest Regional is the 54th largest SBA lender in the country, closing $52 million in SBA loans in 2015 with plans to close another $100 million this year. Its $175 million current loan pipeline of SBA loans includes small manufacturers, restaurants and hotels. The bank also services $120 million in SBA loans sold to the secondary market. The fee income from the SBA loans, commercial loan renewals and its mortgage division has added to the bottom line.

Midwest Regional's success isn't limited to SBA loans. It has $340 million in other loans, particularly owner-occupied commercial loans, and a loan-to-deposit ratio averages around 90 percent.

"The growth has far outstripped our wildest expectations," says Bender. "We were pretty ambitious in trying to grow our franchise, and it's had snowballing effect."

Stiffer competition

Although Bender is eager to grow more, credit quality remains a top concern. His bank has seven credit analysts on staff with four more starting in June—recent college graduates who'll introduce new energy into the bank. The bank's Texas ratio through March 31 was just 3.8 percent.

Though the St. Louis market is becoming more competitive, with competitors offering more aggressive terms, Midwest Regional is holding fast to its conservative approach: floating-rate commercial loans and three-year locked loans.

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> —Michael Bender, Midwest Regional Bank

Having already raised about $30.9 million in capital, Bender expects continued organic growth between $50 million and $75 million, disappointing those on the bank’s investor waiting list. Management owns about 30 percent of the Subchapter C corporation bank, with Bender as its largest shareholder.

“Management and the board share the same vision of a good, strong growth pattern but feel very strongly that we’d like to accomplish that through earnings as opposed to raising more capital,” says Bender of plans to keep the bank’s loan growth at around $50 million this year.

Bender sees growing competition in the future and welcomes the challenge. “It’s important to see new banks enter the market and keep things fresh and heading in the right direction, as opposed to stagnant,” he says.

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