



# S.D. lender to acquire one closed by FDIC



## Calif. Bank & Trust taking over Alliance

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California Bank & Trust is taking over a five-branch Culver City financial institution that regulators seized yesterday.

San Diego-based California Bank & Trust will acquire the branches, deposits and loan pool of Alliance Bank, which crumbled because it had too many bad real estate development loans.

But under an agreement with the Federal Deposit Insurance Corp., California Bank & Trust will have limited exposure to future losses from the Alliance loan portfolio.

The bank entered into a loss-share agreement with regulators that caps the losses California Bank & Trust will have to absorb from Alliance loans. The FDIC will pick up the bulk of potential losses.

The FDIC has been using loss-share agreements in disposing of failed banks for years, said LuJuan Williams-Dickerson, an agency spokeswoman. The agency believes the deals improve returns by keeping the loans in private hands.

Alliance Bank offices in Irvine, Culver City, Woodland Hills, Burbank and West Los Angeles will reopen Monday as California Bank & Trust, which is a wholly owned subsidiary of Utah's Zions Bancorporation.

“Their deposits will automatically transition to California Bank & Trust effective immediately and it will be business as usual when we reopen Monday morning,” said David Blackford, chief executive of California Bank & Trust.

Blackford added that the acquisition was an opportunity to provide additional locations to existing bank customers. The bank had 90 branches in California before the takeover. It has \$10 billion in assets.

Like many community banks, Alliance failed when loans to real estate developers went bad amid the housing meltdown. According to FDIC documents, it posted a net loss of \$65 million in the fourth quarter – largely because it set aside money in loan-loss reserves.

California Bank & Trust will acquire \$951 million in deposits and \$1.14 billion in assets, including the loan portfolio, from Alliance.

In the deal with regulators, the FDIC will assume 80 percent of the first \$275 million in credit losses from bad loans. Any losses above \$275 million will be 95 percent covered by the FDIC.

“Based on the recent due diligence conducted by California Bank & Trust, we anticipate total credit losses are likely to be between \$200 (million) and \$225 million,” Blackford said.

The FDIC estimates that the failure will cost its Deposit Insurance Fund \$206 million and said the deal with California Bank & Trust is the least costly alternative.

This is the eighth bank closed by the FDIC this year. It seized 25 in 2008 and three in 2007. No banks were closed in 2005 or 2006.

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