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Recession Takes Its Toll on Cal Bank & Trust's Bottom Line

By MIKE ALLEN

San Diego Business Journal Staff

San Diego County's largest bank, California Bank & Trust, which added some $1.8 billion in assets this year from two regulator-assisted purchases of failed banks, is still making profits, just not as much as last year, according to its third-quarter report.

Carmel Valley-based CB&T, a subsidiary bank of Zions Bancorporation, said last week that it made $21 million through the first nine months, compared with $73.7 million during the like period of 2008.

For the third quarter, CB&T reported a net loss of $14.4 million, mainly on the write-down of securities it sold. The bank trust preferred securities were unloaded for an overall loss in the nine months of $165 million, most of that coming in the third quarter, said Chief Financial Officer Dennis Uyemura.

Every bank is affected by this recession, and, like others, CB&T had an uptick in problem loans, requiring it to boost its loan loss reserve balance. During the third quarter, it set aside an additional $56 million into reserves. For the nine months, CB&T increased provisions by $197 million to bring the total to $208 million. That means the bank is reserving for 2.95 percent of its loans.

The bank's combined problem loan and foreclosed real estate total as of Sept. 30 was 3.23 percent of total loans and real estate owned, or $298 million. For the like quarter of last year, the ratio of problem loans and REO was 1.63 percent.

CEO David Blackford said that while the bank was forced to increase its reserves (which reduced profits), it's also been able to increase its capital ratios.

As of Sept. 30, CB&T's Tier 1 risk-based ratio was 9.98 percent (to be well-capitalized the minimum ratio of this measurement is 6 percent), and a total risk-based capital ratio of 11.25 percent (a well-capitalized lender has 10 percent or more).

"While weak economic conditions have adversely affected our results, our balance sheet remains very strong," Blackford said.

CB&T acquired two failed banks this year: Alliance Bank, with about $1 billion in loans, in February; and Vineyard Bank, with $1.4 billion in loans, in August. Both transactions were done through the Federal Deposit Insurance Corp. and come with loss sharing arrangements that cap the bank's losses on acquired bad loans at 20 percent. The FDIC assumes the remaining 80 percent of the loss.

The bank recently closed three of the 16 Vineyard branches it acquired in San Diego, Manhattan Beach and Irvine, bringing the number of offices to 106, including 25 in San Diego County. Employment at the bank is about 2,000.

CB&T's assets at the end of the third quarter were $11.3 billion, compared with $10.5 billion in the like quarter of 2008. Loans were $9.2 billion, up from $7.9 billion; and deposits were $9.4 billion, up from $8.3 billion.

WEEKLY EDITION

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Getting to the Nexus of Things

EvoNexus, a nonprofit incubator focused on high-tech startups, is on track to officially open its doors and become one of the nation's first technology incubators funded almost entirely by contributions from the community, including corporate and private donors.

FDIC Seeks Bids for San Diego National Bank's Parent Company

Federal bank regulators were reviewing bid packages last week for Chicago's FBOP Corp., including subsidiary San Diego National Bank, in what may be the second-largest bank to fail this year, according to several local bank sources.

Navy Secretary Calls for Greening Of the Fleet

Navy Secretary Ray Mabus laid out a vision for a greener Navy during a visit to San Diego last week.

With $53M Acquisition, Kaiser Permanente Expands to New Facility

Beginning next year, Kaiser Permanente will start moving specialty services out of its Zion Avenue hospital to make room for an expanded neonatal intensive-care unit and postpartum maternity suites.

WEEKLY EDITION

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