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Cal Bank & Trust Stays Profitable, Hires Bankers



FINANCE

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California Bank & Trust, the largest bank based in San Diego, has continued on a profitable path this year, reporting \$14 million in net income for the second quarter, compared with \$18.8 million in net profit for the like

quarter of 2009.

For the first half, CB&T reported net profit of \$24.2 million, down from \$35.8 million for the first half of 2009.

Though profits declined, there are some to report, which is preferable to what many other lenders are experiencing.

Indeed, the bank's parent company, **Zions Bancorporation** of Salt Lake City, with \$52 billion in assets, posted a net loss of \$135 million as it deals with more than \$2.5 billion in problem assets.

But CB&T, Zions' largest subsidiary bank, is the highest-performing of eight banks it has based in Arizona, California, Colorado, Nevada, Oregon, Texas and Washington. For the second quarter, CB&T's profits provided it an average return on assets of 0.57 percent, said Eric Ellingsen, CB&T senior vice president.

Another positive trend for the \$11.2 billion asset bank is a reduction of its nonaccrual loans. From the first quarter, its nonperforming assets dropped from \$563 million to \$480 million. That means NPAs, which include \$62 million in real estate owned, make up 4.3 percent of its total assets.

Ellingsen said the shrinkage was achieved by sales, accounting adjustments and loan work-outs. CB&T also charged off \$35 million, in the second quarter, of loans it decided it won't likely collect. That's a bit less than the \$36.6 million in charge-offs for the first quarter.

To cover the problem loans the bank holds, many of them from two failed banks acquired last year, CB&T boosted its reserves by \$40.6 million in the past quarter, bringing its reserve balance at

the end of June to \$255 million. The reserve balance amounts to 3.4 percent of its total loans of about \$7.4 billion.

The loan portfolio continues to shrink, a consequence of the crummy economy and a reluctance of many borrowers to seek more credit, the bank said.

Tory Nixon, California Bank & Trust's San Diego market division president, said while the bank has seen more pay downs on lines of credit, and far less demand for credit, in recent



Tory Nixon

months, there's been a spike in demand for loans guaranteed by the U.S. Small Business Administration.

Nixon said more small businesses are looking to buy their properties as values have declined, and interest rates are at historic lows, using financing through the SBA's 504 loan program.

Liquidity and capital levels at the bank improved during the quarter, with total risk-based capital at 12.73 percent, above the first-quarter ratio of 12.38 percent and the prior year's second-quarter ratio of 10.84 percent. Banks with at least 10 percent in that measurement are considered well-capitalized.

With 106 offices, CB&T has a considerable market reach throughout the state, but only 27 of those branches are in San Diego County. It has some 350 employees locally, up slightly from the same period last year, Nixon said.

"We're definitely looking to expand the market share of the bank in San Diego," he said. To that end, the bank has hired "a handful" of bankers, including those in business and commercial, a few analysts, and salespeople, Nixon said.

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