

Local investor group to acquire Bank of Santa Barbara : They plan to expand single-branch bank into Montecito

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Even in the midst of challenging economic times, a local group of investors sees opportunities in the future of banking.

On Monday, Bank of Santa Barbara was acquired by an investors' group "with leadership roots deep in the Santa Barbara business community," according to a spokesman for the buyers. While it's currently operated as a single-branch bank at 12 E. Figueroa St., the investors plan to expand banking activities to Montecito. "From our perspective, we looked at this sale as a way to bring back majority local ownership to the bank," said Eloy Ortega, a veteran South Coast banker who led the effort to purchase the company from Michigan-based Capitol Bancorp Ltd. Mr. Ortega will serve as president and CEO of the new bank once regulators approve the acquisition.

Capitol has reached agreements in recent months to sell affiliates in Illinois and Arizona, areas hit hard by the economic downturn. The company has a network of separately-chartered banks in 17 states. The lender has been cutting costs and selling assets, consolidating four other banks in Arizona earlier this year while selling and merging operations last year in Michigan.

The sale is subject to regulatory approvals and is expected to close by the fourth quarter of this year, said Mr. Ortega. While the exact price of the sale wasn't disclosed, Mr. Ortega said the investors agreed to a cash payment of 1.6 times the tangible common equity of the \$62 million Bank of Santa Barbara. "It's a great name," said Mr. Ortega, adding the moniker offers opportunities to expand to areas beyond downtown Santa Barbara. "But it may not be just bricks and mortar," said Mr. Ortega, referring to the bank's "excellent track record" in offering a remote deposit product to local businesses. While technology is a welcome business tool, he said "talking to bankers who are in the community" should also help the new entity profit.

He said he's one of ten local investors backing the new venture. "The rest are extremely high-profile business leaders," said Mr. Ortega, who declined to provide the names when interviewed by the News-Press. He said their names would be revealed when applications are filed in about two weeks with state and federal banking authorities.

Mr. Ortega, who estimated the current workforce of the local bank at 20 people, anticipates that these employees will continue in their positions once the sale is completed. "It's a full-service bank," said Mr. Ortega, referring to managers, loan officers, support staff and tellers. "There will probably be additional job opportunities once we have an office in Montecito," he added.

"The planned divestiture of Bank of Santa Barbara will initially serve to strengthen the already strong consolidated equity and core capital ratios at Capitol," said Capitol's Chairman and CEO Joseph D. Reid. "Capitol (which is publicly traded) has historically concentrated on the expansion and retention of affiliates; however, we believe that this opportunity to return the bank to a group of local investors in the Santa Barbara community, while supporting many of our strategic objectives, will be mutually beneficial.

"Bank of Santa Barbara is a developing institution with a brief, but productive, history with Capitol and we are pleased to have helped (it) grow. The entire banking team has worked diligently for more than three years to build a solid foundation focused on serving the banking needs of the local community," added Mr. Reid.

Mr. Ortega explained, "As a group, we are interested in taking advantage of the opportunities presently available to a well run and well capitalized bank. By taking the foundation of Bank of Santa Barbara, localizing its ownership, and adding significant new capital, we believe that this transaction will prove to be beneficial to our (future) stakeholders and the business community." He said the bank would be following a similar path exemplified by Montecito Bank & Trust and American Riviera Bank, which are both locally owned and operated.

Mr. Ortega was previously president and CEO of City Commerce Bank and founding president and CEO of Business First National Bank.

Given the state of the banking industry, Mr. Ortega predicted that there would be future acquisition activities in the local market, but wouldn't speculate on the business operations of any other banks in the area. "You'll definitely see this taking place statewide and nationally," Mr. Ortega said of an increase in mergers, acquisitions and consolidations.