



El Paseo Bank is back in the black



Written by

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El Paseo Bank posted its first quarterly profit in more than a year as it shed its mortgage operation, cut other costs, restructured and launched other strategies that have begun to pay off.

The decade-old bank with three valley branches and one in Park City, Utah, reported a \$197,000 profit for the second quarter that ended June 30.

The bank lost about \$1,845,000 in the first quarter.

“I think a lot of things broke our way,” said Joe Kiley, president and chief executive officer who was brought in to help turn the bank around.

El Paseo Bank's accounting department improved overall efficiencies, and its lending department posted mostly gains when selling bank- owned properties.

“What we banks have been experiencing recently is that we value a bank-owned property, put it on the books and end up

selling it at a loss,” Kiley said.

“Things turned around in the last quarter and, in aggregate, we sold them at a gain. Is it a sign the real estate markets are firming up here and in Park City? I don't know.”

El Paseo Bank's mortgage operation was shut down, which Kiley expects will help the overall financial picture even more in the third quarter.

The bank also has hired a national investment banking firm to help launch its campaign to raise more capital.

That's part of a larger effort to satisfy federal regulators' concerns.

The federal Office of Thrift Supervision wants the bank to improve its risk-based capital ratio — a key measure of soundness — to 12 percent.

The bank's risk-based capital ratio rose to 9.94 from about 9.2 in the quarter, and its

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Tier 1, or core capital, ratio rose to 5.58.

Regulators want to see the Tier 1 core capital ratio go up to 8 percent or higher.

The bank has submitted a plan to regulators showing how it will improve earnings, reduce expenses, maintain appropriate levels of liquidity, and achieve profitability.

Kiley appointed a new management team and said he has relied on them and staff to initiate the necessary changes.

“I’m just proud of the way everyone here and in Utah has pulled together,” Kiley said of the quarterly results. “They really got behind the (plan) that we filed with regulators and enacted it.”

Bankrate.com listed \$303.9 million in assets at the end of the first quarter, \$261.5 million in deposits and \$218.7 million in loans.

Despite the slumping economy, several local financial institutions have reported improvement.

Altura Credit Union, which has a Rancho Mirage branch and ATMs in the valley, reported \$3.1 million in net income for the most recent quarter, compared to a \$1.6 million loss in the first quarter.

Altura CEO Mark Hawkins said in a statement that while the credit union's financial results show steady improvement, there are still challenges such as “consumer

loan activity at historic lows, lowered real estate values and continued sluggish employment.”

FirstBank, which also has branches across the valley, reported a 9 percent increase in profit for the first six months compared to a year ago and 10 percent increase in loan activity.

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