



## Department of Consumer and Business Services

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## Closure of Pinnacle Bank Frequently Asked Questions

### Why did Pinnacle Bank close?

The state closed Pinnacle Bank because it was insolvent. The bank had been experiencing financial problems for quite some time. Pinnacle had a high concentration of real estate loans, and, with the downturn in the housing market, many of those loans were not performing – severely damaging its asset quality, capital, and earnings. In addition, with a reliance on nonlocal, brokered deposits, Pinnacle was having significant liquidity problems and was unable to meet its financial obligations.

In May, the Oregon Department of Consumer and Business Services (DCBS) and the Federal Deposit Insurance Corporation (FDIC) issued a cease-and-desist order against Pinnacle for unsafe and unsound banking practices, specifically operating with inadequate capital, inadequate loan valuation reserve, and a large volume of poor quality loans, and producing operating losses. To read the order, go to <http://dfcs.oregon.gov/securities/enf/orders/FDIC-08-126b.pdf>.

The order specified that Pinnacle take many actions to improve its situation. Pinnacle's management team has worked hard to resolve these issues. But despite their strong efforts, they were not able to continue in these current economic conditions.

### I'm a customer of Pinnacle Bank - are my deposits safe?

Yes. If you have a bank account or loan with Pinnacle Bank, you should expect business as usual. Washington Trust Bank has acquired Pinnacle Bank, and you will automatically become a depositor of Washington Trust Bank. On Tuesday, Feb. 17, Pinnacle's office at 8880 S.W. Nimbus Ave. in Beaverton will reopen as Washington Trust Bank. In the meantime, you can continue to access your account through automated teller machine transactions, checks, and debit transactions.

Loan customers should make their payments as usual.

For more specific information about your account, please visit the FDIC's Web page on the closure of Pinnacle Bank at <http://www.fdic.gov/bank/individual/failed/pinnacle.html>, or call the FDIC's toll-free phone number at 1-800-930-1848.

### Will Pinnacle Bank's closure affect other banks in Oregon?

No. Pinnacle Bank's closure has no impact on other Oregon banks.

### **How are other banks performing?**

The downturn in the economy, particularly the housing market, has had a significant impact on banks across the nation. Pinnacle Bank is the 13<sup>th</sup> FDIC-insured institution the government has taken over nationwide in 2009. In 2008, 25 banks failed.

During the housing boom, many banks focused on real estate loans that funded construction and development of residential properties. When the real estate market dropped, these banks were faced with an increasing number of nonperforming loans, which has reduced capital and earnings. Until the real estate market improves, some banks may not be able to recover and must close or be acquired by another bank.

We may well see continued contraction among Oregon banks during this economic downturn. This may occur with mergers and acquisitions, or, in the worst case scenario, bank failures. Leading up to the recession, Oregon banks had been experiencing significant growth, outpacing their national counterparts in profitability and asset quality. Five new banks received Oregon charters and entered the market in the mid-2000s. Consolidation typically occurs after periods of growth, and many banks may find that partnering makes them stronger.

### **When was the last Oregon bank to fail?**

The state closed Lewis and Clark State Bank of Lake Oswego in 1987 (not affiliated with the current Lewis and Clark Bank in Oregon City). A federal bank in Oregon, Far West Federal Savings Bank, was closed in 1991.

### **How do I know if my bank accounts are safe?**

Deposits in all state-chartered banks and financial institutions are federally insured up to \$250,000. Go to [http://egov.oregon.gov/DCBS/safe\\_money.shtml](http://egov.oregon.gov/DCBS/safe_money.shtml) for more information on the safety of your banking and other types of financial accounts.

Even if a bank does fail, another institution typically acquires the failed bank's deposits. In that case, customers see no disruption. They can still access their deposits and conduct transactions.

### **How does the state protect bank customers?**

DCBS' Division of Finance and Corporate Securities conducts regular examinations of Oregon's state-chartered banks to monitor their safety and soundness. To address the increasing challenges banks are facing during the current economic downturn, the division recently added five new financial examiner positions.

The division, along with the FDIC, examines all state banks at least once every two years, and when banks are rated less than satisfactory, the division revisits institutions at least every six months and often more frequently until their performance improves. Like all bank regulators, the division uses the "CAMELS" rating system adopted by the Federal Financial Institutions Examination Council. The acronym, CAMELS, includes an individual rating for Capital, Asset (loan) quality, Management, Earnings, Liquidity, and Sensitivity to market risk.

When banks score less than satisfactory on their exams, they must enter into an agreement with the division – either formal or informal, depending on the severity of the problems – to take corrective action. The division will close the bank if the bank cannot make the necessary improvements and no longer can meet its financial obligations.

**Where can I learn more about Oregon banks?**

Visit the banks and trusts section of the Division of Finance and Corporate Securities' Web site at: [http://www.cbs.state.or.us/dfcs/banks\\_trusts.html](http://www.cbs.state.or.us/dfcs/banks_trusts.html) or call the division at 503-378-4140 or toll-free 866-814-9710.

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