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Guaranty overcomes crisis time

Bank bounces back from 2008's economic struggles, pays its first dividend

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Denver-based Guaranty Bank and Trust Co. opened nearly 60 years ago, and after several acquisitions in the 2000s, became the $1.9 billion, 28-branch bank it is today.

The timing of the growth was tough, because the last of the deals — when Centennial Bank of the West merged into Guaranty Bank and Trust in 2008 — came just as the financial crisis began. The bank struggled with credit quality issues, before raising capital and working through the downturn.

Guaranty, a wholly owned subsidiary of Guaranty Bancorp (Nasdaq: GBNK), has rebounded nicely, with annualized year-to-date loan growth of 14 percent and a drop of 35 percent in its nonperforming assets in the second quarter. The bank paid its first dividend, 2½ cents a share, in May.

The Denver Business Journal recently spoke with Paul Taylor, Guaranty Bancorp president and CEO, about the crisis, the recovery and how increased regulations are affecting the bank.

GUARANTY BANCORP
Paul Taylor, Guaranty Bancorp president and CEO, says that his bank is in good standing with regulators.

Q Guaranty Bank, like many banks, went through difficult times during the recession, including entering an agreement with the Federal Reserve to strengthen your credit-risk management. What hurt the bank during the downturn, and how have you turned it around?

A: If you go back and look at the life cycle of this company, in July of 2005, this rendition of Guaranty Bank started. It was private equity-backed and we went out and bought four banks. It took us a couple of years to do that. With raising the money, we were required to take the company public at that time.

So then you're into 2007 and 2008. Bad times came in 2008, and the company didn't have time to assimilate the credit cultures or clean the credit card portfolios, so we sort of got caught. We suffered, and as you said, we did go under written agreement [with the Fed]. That was all over credit quality; there were no other issues with the bank.

Since then, we've raised $59 million in capital. We chose not to take TARP … we raised our own money and recapitalized the bank. If you look at us today, we're in very good standing with the regulators. We have no restrictions, and the bank's doing well.

Q Zacks investment research firm recently upgraded your stock to "outperform" from "neutral" and several others raised their stock price targets. Why are these firms bullish on the bank?

A: If you look at the trends in 2013, every single one of them is going the right way. You have balance sheet growth, you have loan growth that's over 14 percent annualized for the first six months. In the income statement, banks' margins are getting crushed … but we were able to keep our margin flat, which was very heroic. And our expenses went down. Plus net income rose, and we declared our first dividend. And we've assembled a great management team.

Q How are Dodd-Frank and Basel III regulations affecting Guaranty Bank?

A: Dodd-Frank, at our size, we're not affected as bad as the bigger banks. Anybody over $10 billion, then it gets fairly onerous. It's going to cost our company more in expenses, because we may have to hire another compliance officer and there will be a lot more training we have to do.

As far as Basel III, the biggest effect will be on the capital side, because we're going to have to hold more capital. If I have to hold more capital, it's going to reduce the returns of my shareholders, so we'll have to produce more income. There's a lot of pressure in the banking industry today. It's a pretty tough sector.