

Banking on consumers to reverse losses

City National shifts strategy to counteract commercial slump

BY BETH FITZGERALD

CITY NATIONAL BANK, of Newark, New Jersey's only black-owned bank, wants to expand its consumer lending to speed a recovery from losses sustained in the commercial real estate slump while advancing its mission of improving the economic vitality of the state's urban communities.

Preston D. Pinkett III has been directing the turnaround since joining the bank as CEO in March. He succeeded **Louis Prezeau**, who retired after 22 years of leading the bank's growth from \$70 million in assets to a peak of nearly \$500 million in 2008. City National has had to shrink as it writes off nonperforming loans, and total assets were \$366.2 million on June 30.

Pinkett said he wants to "move away from commercial real estate as our core driver of revenue," and build a portfolio of consumer loans and small-business working capital loans based on cash flow, rather than real estate. Consumer loans now account for less than 5 percent of loans.

Following a \$1 million profit in 2008, City National lost a combined \$15.3 million in 2009 and 2010. But after a \$2.7 million first-half loss, the bank is on track to significantly narrow its losses for the full year of 2011, Pinkett said.

To mend the bank's finances, Pinkett has brought on board several experienced loan workout experts. As a federally certified community development financial institution, City National brings a social mission to its lending — but the bank's message to borrowers is "we need to figure out a solution that works for you and for us — but we simply can't continue to take it on the chin."

Pinkett doesn't minimize the serious challenges facing City National. "This is a turnaround, and the business model has to change. We are not profitable, we are working on asset quality issues and we're

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raising capital, and those are indicators of an institution that needs a lot of work. But we are working on all of those problems, and we can see a path through them."

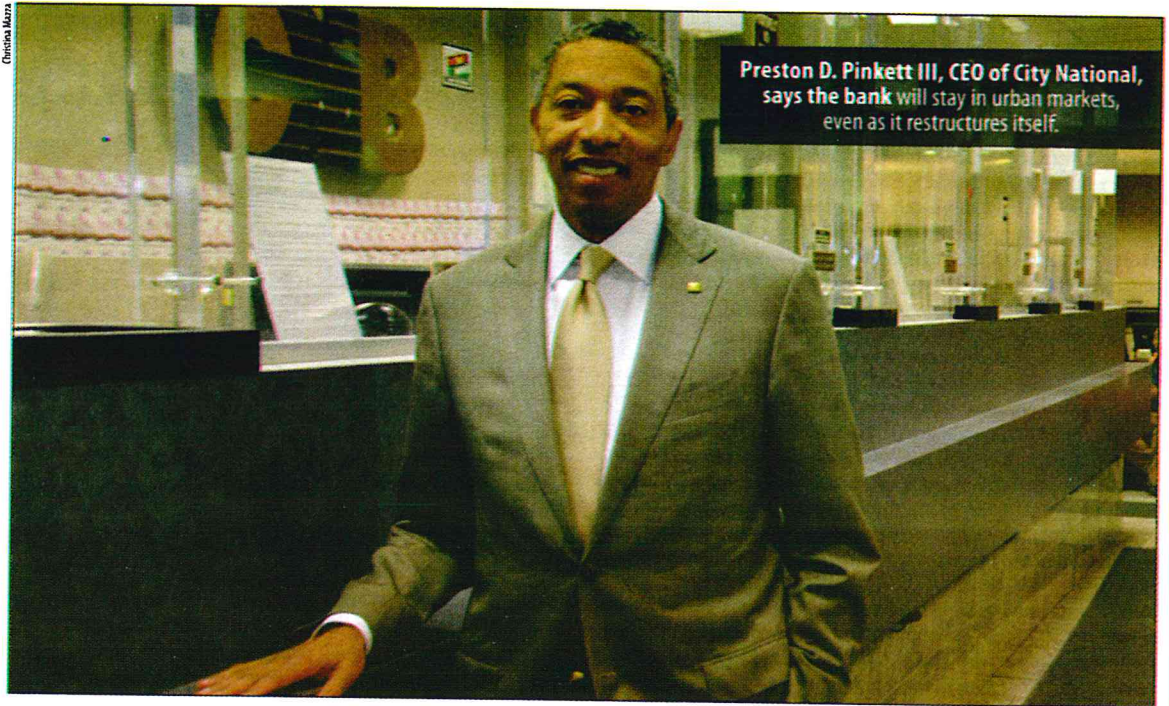
Bank regulators are requiring City National to raise additional capital, and Pinkett said the bank plans to sell stock to raise about \$35 million in equity. The bank, which was founded in 1971 by a group of Newark civic leaders led by **Charles L. Whigham**, has offices in Newark and Paterson, as well as Harlem and Long Island, N.Y.

A graduate of Cornell with an MBA from the Wharton School at the University of Pennsylvania, Pinkett came to City National from **Prudential Financial**, where he had led the Newark-based financial services company's social investment program since 2007. Pinkett previously worked for the state Economic Development Authority, and his career in community development banking included eight years at **PNC Financial**.

Pinkett said City National has extended its reach outside the black community to embrace low-income community development generally. "We will stay in urban markets, focused on low-income neighborhoods, and we will try to build a business around those customers, because that's who we are and what we do," he said.

Janus Holder owns **EJE Travel Retail**, a group of airport duty-free shops with annual revenue of about \$10 million, and City National financing is allowing him to grow from three locations at Newark Liberty

Christina Marra



International Airport to five by the end of 2012; he also has locations in North Carolina and Cincinnati.

"City National has afforded us the ability to do what we do best in retailing," Holder said. "It is the icing on the cake to do business at a black-owned bank that has been performing well for us in all aspects of our business."

A line of credit from City National smoothed out cash flow for **Jade Apparel**, in Newark, and the business has grown from about 500 employees to about 700 today, said **Teddy Maroulis**, president of the military uniform producer. "By helping me, they are also helping Newark — the people who work in my factory live in this area," he said.

John E. Harmon Sr., president of the African-American Chamber of Commerce of New Jersey, said, "There are a number of businesses that I am sure would not be in existence today, or be where they are today, without City National. They are an important part of our community, and we need many more banks like City National."

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