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5 QUESTIONS: DAVID LENTINI

Fledgling Community Bank Marked By Losses, But CEO Says CBT Will Survive

By DAVID HOLAHAN | Special To The Courant November 29, 2008

David Lentini, CEO of Connecticut Bank and Trust Co. at Statehouse Square in Hartford, says his bank is growing and lending and has not foreclosed on anyone. He also said CBT did not get involved with subprime mortgages, nor did it buy any Fannie Mae or Freddie Mac stock. (ROSS TAYLOR / HARTFORD COURANT / November 17, 2008)

Connecticut Bank and Trust Co. opened in 2004 on promises of up-to-date financial technology, old-fashioned person-to-person customer service and an aggressive business plan. Chairman and CEO David Lentini has presided over an expansion from three to seven branches, as well as steady growth in assets and gross income. But the fledgling bank has not been immune to an industrywide crisis. Although it has expanded, CBT has posted losses in every quarter of its existence and has seen its stock go from a high of more than $20 a share to $4.25 recently. Lentini, however, said his bank, with assets of $225 million, is well positioned to weather the current financial malaise.

Q: Is credit flowing freely to CBT loan applicants?

A: CBT is lending and really never stopped. We actually grew quite a bit in the third quarter that ended Sept. 30. The loans are growing, the bank is growing and we continue to lend.

Q: Has the demand for credit from businesses and home buyers declined drastically?

A: It has declined, but not drastically. We definitely see a conservative borrower out there, so the requests for loans have been less. However, we find that a lot of larger banks are not lending at all, so we might be seeing a pickup in loan requests in the future.

Q: What mistakes didn't you make that other banks did during the real estate bubble?

A: A lot of banks held these subprime loans and derivatives, but these were mostly the larger banks. Community banks like CBT never held those kinds of investments. The other thing that we didn't do is buy any Fannie Mae or Freddie Mac stock, while a lot of banks did, and these shares are almost worthless now. More than 50 percent of Connecticut banks owned shares in these two mortgage giants.

Q: How do your loan failures in Connecticut compare with the industry as a whole?

A: We have not foreclosed on anyone. In the third quarter we had a couple of commercial loans go bad on us, but if you're in the lending business you're going to have some losses. Our portfolio overall is pretty good so far. We did just hire a mortgage officer because people are telling us that they don't trust mortgage companies anymore. So we feel that mortgages will come back to banking, and we're going to expand into that area.

Q: Are small banks like yours likely to come out of this crisis in better shape than many of the larger institutions?

A: Without a doubt, especially the banks in Connecticut, which are pretty well capitalized. Community banking in this state is doing very well. The way to make good loans is to know your borrower. I tell borrowers that they are better off with small banks because we know you as a person, we know your business, and its ups and downs. Small banks are more likely to stay with you when you have a down period. The big bank will just throw you in the river.