Family run US bank rescues tech lender Silicon Valley Bank

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AILED tech lender Silicon Valley Bank was taken over today by First Citizens in a deal that will cost about $20 billion but offered hope that the crisis of confidence in the global banking system could be easing.

SVB's UK arm was sold to HSBC for £1 in a rescue bid two weeks ago, a deal that calmed tech sector nerves in this country.

This morning most of the rest of SVB, until recently a high-flying lender to many of America's top tech start-ups, was handed to a family-controlled lender that has been around since 1898.

There was hope in the City that this could reassure investors and bank depositors concerned about a re-run of the 2008 financial crash.

The forced sale of Credit Suisse to UBS and the failure of smaller lenders in the US had evoked fears of the last banking crisis with rumours about which lender would fail next running rife.

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First Citizens Bank takes control of $110 billion of SVB assets, deposits of $56 billion and loans of $72 billion, in a deal agreed with the US Federal Deposit Insurance Corporation. FDIC will hold another $90 billion of SVB loans, at least for a while.

The hit to the FDIC insurance fund, paid for by a tax on banks, is about $20 billion so far.

First Citizen was founded to serve farmers in North Carolina and is regarded as a steady, conservatively run bank.

Chief executive Frank B Holding Junior said: “We appreciate the confidence FDIC has placed in us. First Citizens has a proud history of growing organically and through strategic acquisitions.”

In London, battered bank shares rallied. Barclays, the UK bank most exposed to American issues, rose 2p to 136p.

Susannah Streeter at Hargreaves Lansdown said: “With Silicon Valley Bank’s deposits and loans now housed in longer term accommodation in the US, a calm of sorts has descended on the banking sector but hopes that this move will see significant stability return may be short-lived.”

The fear is that banks are sitting on huge losses, as yet unrealised, on bonds they bought when interest rates were low. Now they have risen, the value of the bonds has plummeted.

Neil Wilson at markets.com thinks a fresh credit crunch is still on the cards. He said the SVB deal helped “to lift sentiment across the banking sector after a rocky end to last week, though the pall of banking stress still hangs over the market. There is a not yet the sense that the market has stopped looking for its next victim”.

Germany’s Deutsche Bank was in the frame on Friday as traders bet it was the next to fail. Its shares rose a little today.

In other bank developments, the chairman of Saudi National Bank Ammar al-Khudairy resigned due to “personal reasons”.

His public remark that SNB would not increase its 10% stake in Credit Suisse was seen to have increased the pressure on the Swiss bank, leading to its bail out deal with UBS.