

California Bank & Trust Reports Positive First Quarter Results

Finance Column
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FINANCE

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California Bank & Trust, San Diego's largest locally based bank with about \$11 billion in assets, reported a slightly better first quarter, netting \$31.9 million, up from \$29.7 million in net income in the same quarter a year earlier.

CB&T, like every lender, is dealing with compressed net interest margins, or the difference between what it earns on loans and what it pays out in deposits.

For the past quarter that margin was 4.67 percent, down 15 basis points from the like quarter of 2012.

The bank's loan portfolio, excluding those it got through its acquisition of two failed banks, grew 2.3 percent over the year to \$7.86 billion as of the end of March. The loans from the bank failures continued to shrink, and stood at \$444 million as of March 31, compared with \$643 million a year earlier.

Credit quality at the bank continues to hold up. Excluding problem loans from the two failed banks, CB&T's nonperforming loans plus foreclosed real estate stood at 1.6 percent of total loans, down from 2.32 percent in problem assets as of the first quarter of 2012.

Net charge-offs, or loans regarded as a total loss to average loans, (also excluding problem loans from failed banks) was only 0.03 percent at the first quarter, compared with charge-offs of 0.32 percent of average loans in the like quarter of 2012.

CB&T, a subsidiary of Salt Lake City's Zions Bancorporation, sold off four of its 104 branches earlier this month to Irvine-based Opus Bank. The branches were in Los Angeles and Contra Costa counties, and totaled \$138 million in deposits, with Opus paying a premium of 3.2 percent.

David Blackford, CEO of CB&T, said the sale improves the efficiency and profitability of its branch network. The three Southern California branches were acquired in 2009 when it took over failed Vineyard Bank in a regulator assisted transaction.

Even after the sale of the single branch in Pleasant Hill, CB&T will still have a good presence in the East Bay area, Blackford said. The bank maintains 25 branches in San Diego County.

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Vibra Posts Rare Loss: Vibra Bank, based in Chula Vista with a single office, reported a first quarter net loss of \$362,000, compared with a net profit of \$469,000 for the like quarter of 2012.

CEO Scott Parker said the increased staffing costs and expenses associated with complying with bank regulatory issues was the reason behind the loss.

In December, Vibra received a consent order from federal and state banking regulators requiring it to implement improved systems covering compliance with the Bank Secrecy Act and the Anti-Money Laundering program.

“While this quarter’s earnings results are not positive, we expect that the actions we have taken will position the bank for a strong performance going forward, and we are pleased to report one of the highest loan production quarters since we opened the bank in 2008,” Parker said.

Vibra said it increased its gross loans to \$98 million, up \$17 million or 21 percent over the past year. Its total assets grew 4.5 percent to \$115.3 million. Deposits increased 7 percent to \$101 million.

Vibra continues to report the absence of any delinquencies or problem loans.

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Small Business Surveys Produce Different Findings: Depending on which bank is talking, small business owners are either saying the economy remains worrisome or it’s getting better.

CB&T put out a new survey this month that found 82 percent of the 558 business owners surveyed say the economy still presents a challenge rather than an opportunity. The same survey ranked cash flow and revenue as the primary concerns of most respondents, while uncertainty about the economy came in second.

Underscoring the anxiety, two thirds of those surveyed said they had no plans to hire new employees this year.

Last month, U.S. Bank did a larger survey of 3,210 small business owners including 210 from Southern California on their thoughts about the economy.

While 45 percent of the national group felt the economy was in a recovery, nearly an equal number, 43 percent, said it was still in a recession. The remainder weren’t sure or said it was expanding.

However, among only Southern California business owners, 48 percent said the economy was in a recession, and 42 percent said it was in recovery. Nine percent were unsure, and only 1 percent said it was expanding.

U.S. Bank’s survey found 16 percent of SoCal’s small business owners planning to expand their staffs in the next 12 months; 46 percent expected higher revenue than last year; and 39 percent expected lower revenue this year compared with last year.

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