

Banks based in Riverside, Ontario thrive as economy teeters

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By JAHMAL PETERS
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The reputation of the Inland region's banking sector has taken a substantial pounding, due in large part to the struggles of Rancho Cucamonga-based PFF Bancorp and Corona's Vineyard National Bancorp.

But amid all the negative attention given to two of the area's largest banks, many local banks have been quietly productive.

"There are banks that are thriving in this environment," said Michael Natzic, a senior vice president with the Community Bank Group within the financial services firm Stone & Youngberg.

The San Francisco-based firm will release its second-quarter 2008 bank report with a financial overview of community banks next month.

Many banks within the region are included in the report and their performance is a direct contrast to those of struggling PFF and Vineyard.

"I think (preliminary results) will tell the tale of what we're going to see over the next couple quarters," he said. "The banks got their wakeup calls in the fourth quarter (of 2007), first quarter they got their hands around the problems and second quarter we will see how they're handling it."

Riverside-based newcomer Security Bank of California has prospered.

Founded in 2005, the bank reported \$202 million in assets, \$164 million in loans and \$166 million in deposits in the first quarter 2008.

"I think a lot of people have concerns about the Inland Empire," said Michael Vanderpool, president of Security Bank of California.

"Banks outside of our market have made some comments about loans in the Inland Empire and it paints the whole region as having some issues. But there are a lot of opportunities that are out here."

Security Bank had no nonaccrual loans in the first quarter.

A bank with a high percentage of nonaccrual loans is a major red flag, Natzic said.

"In this environment, that's pretty good to have not a single non-accrual first quarter," Natzic said. "I'm impressed."

But there are some banks that, like PFF and Vineyard, have struggled due to residential construction lending.

Ontario-based CVB Financial Corp. is "doing an outstanding job in maintaining credit quality," Natzic said.

"For a bank that size, almost \$6.5 billion in assets, they've really done a good job," he said. "They're looking extremely good as far as managing their risk."

CVB president and chief executive officer Chris Myers was unavailable for comment.

Part of the reason CVB's portfolio has fared better than that of its struggling counterparts deals primarily with their investment choices.

While PFF and Vineyard both loaned heavily in residential construction, CVB went the commercial route; despite being situated in the heart of the real estate boom.

"Two years ago a bank would have received heavy criticism for not lending in the Inland Empire," Natzic said.

"Now the ones that did are paying for it."