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THE CEO ISSUE

We asked **10 of Orange
County's most successful
chief executives** to share their
business strategies for 2011.
How do yours match up?

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ON THE COME- BACK

BANKS OF ALL SIZES ARE BEGINNING TO EXPERIENCE GROWTH, AND A FEW ARE LOGGING SOME IMPRESSIVE FIGURES – AND FOR GOOD REASONS.

BY WILLIAM LOBDELL

DESPITE TIGHT LENDING conditions, a reduced pool of financially sound borrowers and the destructive wake of a burst housing bubble, several Orange County-based banks have recently recorded spectacular growth by taking different paths to success.

“There’s a lot of optimism for the community banks in Orange County,” says David Haithcock, executive director for the Newport Beach-based California Independent Bankers. “I think primarily the worst is behind us. As the business community continues to get reinvigorated, so too will the banks.”

Orange County’s largest 25 local banks grew assets by a combined \$300 million – about 4 percent – during the 12 months starting in June 2009, according to FDIC figures. And the outlook for this year for all banks is promising.

“We expect consumer credit to begin expanding modestly this year as credit demand gradually returns, credit quality continues to improve, and bank credit standards and terms stabilize and even loosen a bit in some areas,” says Wells Fargo Senior Economist Scott Anderson. “Larger institutions appear in a better position to grow loans this year.”

Some local banks, however, have gotten a head start, achieving some impressive growth over the past couple of years by recruiting top executives with established client bases, offering highly personalized service and refusing to make real estate-related loans. Here’s a snapshot of three of those banks.

CALIFORNIA REPUBLIC BANK

On a Friday, a businessman called California Republic Bank in Newport Beach, asking for a loan of a few million dollars so he could pay cash to close a highly profitable deal early the next week.

The bank executive, who had a longtime relationship with the client,



worked through the weekend and had loan documents ready Monday and delivered the money Tuesday.

"He could count on us to close, and we got him the loan, and he made a lot of money. And he paid us a fair interest rate so it was a win-win," says California Republic Vice Chairman John DeCero. "We know our clients, and we can react in hours – not in days and weeks."

This kind of customer service has made California Republic Bank the ninth-largest bank based in Orange County in only its third year.

To get a glimpse at the institution's meteorite rise, just look at its third-quarter figures: total assets of \$329.3 million, a 55 percent increase over the same period in 2009; and total deposits of \$260.2 million, a 56 percent increase over the same period in 2009.

The bank – launched in 2007 with \$52 million in capital – reports to be the largest independent, full-service commercial bank formed in California. The money came from about 300 private investors who had previous banking experience with the management and board members of California Republic. Most of the backers also committed to bring their own banking and lending relationships to the bank. "We've been in business for three years, but the majority of the team has been in banking for a long time and (has) deep relationships with our customers," says Jon Wilcox, bank president.

This longtime banking history – and extensive profiles on customers' finances and business goals – has allowed California Republic to swiftly react to clients' needs without making risky loans. To date, it boasts a clean portfolio, with no underperforming loans and not even a late payment.

SUNWEST BANK

Glenn Gray, the CEO of Tustin-based Sunwest Bank, says part of his bank's

success could be traced to the mid-2000s, when the then-difficult decision was made to stop making construction loans.

"It was a little painful because that style of lending had been profitable," says Gray, who heads Orange County's largest community bank and was recently named Banker of the Year by the American Banking Association. "But we knew the housing bubble was going to burst, that there was an oversupply of real estate. At some point in time, the music was going to stop."

Without the worry of risky housing-related loans, Sunwest repositioned itself to focus on long-term relationships in order to build a client base that would be sustainable through even difficult business cycles.

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Gray says the effort was helped by the turmoil experienced by other banks during the subprime mortgage meltdown, which allowed Sunwest to recruit seasoned relationship managers who were still longing to do business and had clients to bring with them.

"We have a good story, and bankers like to lend," Gray says of his successful recruiting efforts that brought eight new banking executives to Sunwest.

During the financial turmoil, Sunwest executives also made a list of prospective banks that were in trouble financially and would be attractive to acquire. After informing the FDIC of its interest, Sunwest acquired three failed banks – MetroPacific Bank in Irvine; Pacific Coast National Bank in San Clemente, and First State Bank in Flagstaff, Ariz.

Today, Sunwest has about \$400 million in assets and 140 employees.

FIRST FOUNDATION BANK

In the past two years, deposits at Irvine-based First Foundation have grown from \$90 million to \$282 million, loans from \$90 million to \$315 million, and investments managed from nearly \$1 billion to nearly \$1.6 billion.

Chief Executive Officer Scott Kavanaugh says the bank's largest advantage is being part of an integrated financial platform that provides clients with a wide range of services – including investment management, trust services and wealth planning – that aren't usually found at local banks.

"Our business plan is a little bit different," Kavanaugh says.

"I've never seen what we do in a community bank."

To carry out the company's mission, Kavanaugh says he's been able to attract "extremely talented people" as a "direct consequence of a lot of people getting frustrated with the bigger names (in the financial services industry). We've

demonstrated that we can deliver, in a boutique setting, the same services. We have a very deep bench of talent."

And that talent (the company's number of employees has grown from 26 in 2007 to 91 today) has attracted clients. In 2010, First Foundation was also ranked No. 14 nationwide by Wealth Manager magazine for total assets under management, and No. 24 in the Top 50 Financial Planning Firms by Investment News.

A First Foundation office in Pasadena opened in July, and in December a third office opened in La Quinta. The company has plans for a fourth location in the state.

"The growth we've had the past couple of years is very encouraging," Kavanaugh says, "and the recent hires give us the capability to be more scalable as we get larger." **OCM**