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CEO Aims to Take Community Bank To Top of the Hill

FINANCE: Long Turnaround
Starting to Yield Solid Results

■ By MIKE ALLEN

Nathan Rogge, chief executive at the **Bank of Southern California**, won't say it, but he could be considered a modern day Sisyphus, the king in Greek mythology condemned to keep rolling a boulder up a hill only to see it roll back down when he got to the top.

Since he took the top job in early 2008, the community bank formerly called **Ramona National Bank** and then **First Business Bank** reported net losses of \$5.8 million in 2008;

\$158K

first-quarter net profit
compared with net loss
of \$158,000 for
first quarter in 2010.

Bank:

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\$968,000 in 2009; and \$678,000 last year.

In 2009, the bank was on the verge of making a blockbuster deal to purchase troubled 1st Pacific Bank of California, with some \$400 million in assets, for about \$7 million. The combined bank would have about \$500 million in total assets.

But regulators nixed the combination and seized 1st Pacific about a year ago in an action that will cost taxpayers an estimated \$88 million. City National Bank picked up about \$320 million of the failed bank's best assets in a purchase and assumption agreement with the Federal Deposit Insurance Corp.

Rogge went searching for another deal and was thwarted until late last year, when he pulled the trigger, buying two branch offices in La Quinta and Palm Springs formerly belonging to troubled Palm Desert National Bank. The \$40 million in loans and deposits from the branches boosted the bank's assets to about \$175 million.

Once again Rogge seems to be ready to move the bank to the next level, taking another turn at the rock, so to speak.

"This has been a long turnaround," said Rogge, at 41 one of the youngest top bankers in the region. After getting hit with a

consent order from its main regulator in 2005, the bank raised about \$18 million in new capital, moved its headquarters from Ramona to Carmel Valley, changed its name, opened and closed several offices and arranged to buy another bank, only to have regulators put the kibosh on the deal.



Nathan Rogge

Profitable Quarter

But as 2011 rolls on, Rogge seems to be feeling more confident. BSC reported a net profit of \$158,000 for the first quarter, compared with a net loss of \$158,000 for the same period in 2010.

He also expects the desert offices to produce about \$15 million in new business, despite an admittedly horrible economic climate there.

One item that seems to plague BSC is its level of problem loans, and Rogge said he aims to reduce those.

In March, the problem loan ratio to total assets increased again to 5.4 million, or 3 percent of total assets of \$176.8 million. In December, the ratio of nonperforming loans was 2.77 percent, up from

2.41 percent in nonperforming loans at the end of 2009.

In the process of cleaning up past nonperforming loans, BSC reported total charge-offs last year of nearly \$900,000.

Most of the bad loans are guaranteed by the U.S. Small Business Administration and have decent collateral, so BSC's loss was minimized.

Last year, BSC added four loan officers. It recently hired Tony Divita, as senior vice president in charge of sales and marketing, to drum up more business.

Eager to Grow

"We see 2011 as a growth year," Rogge said.

To ensure that, he said BSC plans to raise more capital this year through a stock offering of "at least \$3 million, if not more."

The funds will likely come from the Auerbach Trust, the entity that owns 90 percent of the bank, according to Rogge.

That would increase BSC's equity to more than \$22 million, and boost the bank's maximum loan limit to about \$5 million on a secured basis. Some \$4.2 million of that capital came in the form of preferred shares through the federal government's Troubled Asset Relief Program. Rogge didn't say when those funds

BANK OF SOUTHERN CALIFORNIA

CEO: Nathan Rogge.

Assets: \$176.8 million as of March 31.

Net loss: \$678,000 in 2010; \$968,000 in 2009.

No. of local branches: Four.

No. of local employees: 33.

Headquarters: Carmel Valley.

Year founded: 2001.

Company description: Commercial bank.

would be repaid.

With new capital, BSC's already healthy capital ratios would improve even more to accommodate a planned expansion of its loan portfolio. As of March, it had total risk-based capital of 15.12 percent, above the 10 percent mark to be considered well-capitalized.

Rick Levenson, president of Western Financial Corp., a San Diego-based investment firm specializing in community banks, said Rogge has been making some good moves, but has been hurt by a lousy economy.

"Nathan is trying to do things that will position the bank for profitability," Levenson said. "He inherited a lot of problems when everything was sliding."