FINANCE

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Bank of Southern California to Buy L.A.-Based Bank

San Diego's **Bank of Southern California** plans to buy a Los Angeles-based bank in a cash-and-stock deal valued at about $44.1 million, a move that would create a new company with about $750 million in total assets.

The bank it plans to acquire, **Americas United Bank**, was founded in 2006 by a group of Los Angeles-based entrepreneurs.

Nathan Rogge

The acquisition would accelerate the San Diego bank's expansion in the Southern California region.

Bank of Southern California, established in 2001, has eight offices in San Diego, Riverside and Orange counties. It opened its first site in Orange County, a production office, in late 2017.

Headquartered in Glendale, Americas United operates four branches in Los Angeles County.

"This transaction provides a great value for our shareholders, creates opportunities for our employees, and expands our franchise to better serve our customers," said **Nathan Rogge**, president and CEO of Bank of Southern California.

Rogge and the Bank of Southern California executive management team will continue in their current roles following the merger. Americas United's president and CEO **Adriana Boeka** will join the Bank of Southern California board of directors as a non-executive director.

Under the agreement, Americas United shareholders will have the right to receive either $7 in cash and 0.4746 shares of Bank of Southern California common stock per share or $14.

Bank of SoCal and Americas United trade on the Pink Sheets over-the-counter market as BCAL and AUNB, respectively.

Based on a BCAL share price of $14.75, the combined bank is expected to have a market cap of about $123 million.

Post-merger, Bank of Southern California said it will raise $20 million from investors who have signed commitments to fund the transition.

The merger, subject to customary closing conditions, is expected to close in the third quarter.

Bank of Southern California's financial advisor was **MJC Partners LLC**; **Duane Morris LLP** served as legal counsel. **Keefe, Bruyette & Woods** advised Americas United; **King Holmes Paterno & Soriano LLP** served as legal counsel. MJC Partners is the offering's placement agent.

Photo courtesy of Bank of Southern California

San Diego-based Bank of Southern California will grow from eight locations to 12 with its acquisition of Americas United Bank in Los Angeles County.

Guild Mortgage's Loan Volume Down Slightly

San Diego lender **Guild Mortgage** has reported overall loan volume of $15.94 billion for 2017, down less than 1 percent from $15.96 billion in 2016.

Year-over-year loan volume remained nearly unchanged even as the **Mortgage Bankers Association** said U.S. mortgage originations were estimated to drop 16.6 percent in 2017.

Guild's average loan size increased in 2017 to $232,552, up 1.7 percent from $228,500 in 2016.

Its purchase loan volume rose 19.2 percent to a record $12.7 billion in 2017, up from $10.7 billion in 2016. Purchase loans represented 80.1 percent of the company's production volume during 2017, up from 66.8 percent the previous year.

Gains there were offset by a nearly 40 percent decrease in refinance loan volume to $3.2 billion, down from $5.3 billion. Rising interest rates have depressed interest in refinancing.

Founded in 1960, Guild has grown significantly in the last decade.

The company continues to expand its geographic footprint, most recently into the Midwest, where it acquired **Cornerstone Mortgage** in St. Louis. Cornerstone had loan volume of $1 billion in 2017 and operates 19 offices in three states.

Guild now has more than 4,000 employees and 250 branch and satellite offices in 27 states.

The company also recently earned the **J.D. Power** award for customer satisfaction in mortgage sales, based on results from a 2017 survey.

Silvergate Bank Reports Record Net Income

Silvergate Bank has reported net income of $8.7 million in 2017, the highest in the bank's history and about 7 percent higher than its 2016 total, $8.1 million.

For the fourth quarter of 2017, Silvergate reported $2.3 million in net income, which included a $1.1 million write-down spurred by tax reform legislation passed late in 2017. The bank reported net income of $2.4 million in the last quarter of 2016.

Silvergate's total assets as of the end of 2017 were $1.9 billion, compared with $978.1 million the year prior.

"The bank's success in 2017 was due to substantial growth in noninterest bearing deposits as well as strong loan production from both our local business customers and our national residential loan originators," said **Dennis Frank**, the bank's chairman.

The bank's loans totaled $879.7 million on Dec. 31, compared with $836.1 million the same date the year prior.

At the end of 2017, deposits at the bank totaled $1.8 billion, more than double the amount of the prior year, when deposits totaled $769.9 million.

Silvergate attributed the increase in deposits to growth in the local market and in its fintech deposit initiative, which it launched a few years ago.

Encore Capital Reports Net Income of $83.4M

Encore Capital Group Inc., a San Diego-based company that buys and sells credit card debt, reported 2017 net income of $83.4 million on total revenues of $1.2 billion.

Encore, which trades on the NASDAQ exchange as ECPG, reported $78.9 million in net income on $1 billion revenue in the year prior.

President and CEO **Ashish Masih** said the company benefitted from an increase in the volume of charged-off credit card debt in the U.S., and that Encore expects the trend to continue this year.

"We believe industry supply will continue to grow in 2018 and beyond, driven by recent record levels of revolving credit in the U.S. coupled with statements made by issuers who are broadly indicating that increases in charge-off rates are expected to continue," Masih said.

In Europe, Encore subsidiary **Cabot Credit Management** — which had previously planned to make an initial public offering, but then withdrew — acquired **Wescot**, which also buys and sells debt. The acquisition occurred in the fourth quarter; it made Cabot both the largest debt buyer and debt servicer in the United Kingdom.

Encore reported higher operating expenses in the fourth quarter of 2017 than in 2016: $253 million, compared with $184 million. The company attributed the increase to several factors including expenses related to the withdrawn Cabot IPO, the acquisition of Wescot and tax planning related to the tax reform legislation passed in the U.S. in late 2017.

Overall operating expenses in 2017 totaled $862 million, compared with $788 million in 2016.