

Banking on Customer Service

1st Pacific's CEO is capitalizing on key strategies: he built the local bank around the biz community; developed services for small- and mid-sized businesses; and learned the most important lesson of all - customer service.

When a local skateboard manufacturing company needed more distribution space, execs turned to 1st Pacific Bank of California's CEO Vincent Siciliano for help. The company was growing by leaps and bounds and the relationship it had with its previous financial institution was stuck at a dead-end. While its previous bank did little in the way of offering a solution for their expansion dilemma, Siciliano moved fast to find a new site.

By Becky Bergman

For Siciliano, a senior banker with 20-plus years of industry experience, customer service is a critical component to making the San Diego-based financial services institution successful. Since it opened nearly two years ago, the locally owned bank has impressed industry analysts and surpassed its own expectations.

The investment community also took notice - more than 400 local investors pitched in to raise \$11.5 million. The bank since has grown to \$61 million in assets and Siciliano expects to reach profitability by the end of 2002.



"If they can start in November 2000 and be profitable by the end of this year, that's a successful venture," says Joe Morford, a banking analyst with RBC Capital Markets, who adds it typically takes three to five years to become profitable.

And in May, the publicly held bank announced its net loans increased from \$45.1 million to \$52.1 million, while deposits grew from \$45.8 million to \$51.2 million.

"Clearly there seems to be pent up demand in San Diego for our type of hometown banking for the small- and mid-market business," says James Knight, board chairman. "The big banks have not responded to this market with the level of sophistication and seniority that is available at 1st Pacific."

The bank also continues to decrease its monthly loss with a reported \$79,800 loss for the month ended April 30.

1st Pacific, found on the OTCBB under the symbol FPBS, sold more than one million shares of its stock for \$10 nearly two years ago. In 2001, it hit a year high with \$12 a share, but by August, it dove to \$6. At the end of June 2002, however, it hovered back around \$10.

There isn't much liquidity to community bank stocks, so investors are forced to be patient as stock prices likely will level out for long periods of time, says Morford. And because community banks typically do not hold the same significance as big banks do on Wall Street, they can hide under the radar screen in relative comfort while big financial stocks gyrate on the national stock markets.

Bank statement

The number of community-based banks has shrunk throughout the nation. Southern California was no exception, says industry watchers. During the 1980s, there were more than 17,000 banks in the United States and throughout the 1990s that number declined to an estimated 14,000. Today, there are less than 10,000 banks.

During the past decade, the number of locally owned banks in the San Diego region dropped in large part through acquisitions by larger competitors.

"There has been a tremendous consolidation in the banking industry and it's likely to continue," says RBC's Morford. "In San Diego, it has been particularly noticeable. But as the consolidation continues, it creates more opportunity for smaller community banks to really fill the void in servicing small businesses that are looking for high quality service and personalized attention."

Morford says that community banks often are a breath of fresh air, because they try hard to understand their customers' business needs.

That's why Siciliano wasn't surprised when the skateboard company ultimately chose to work with 1st Pacific Bank.

"Before considering 1st Pacific Bank, the customer had major concerns about their overall banking relationship that included abilities to talk to a live person, send international wires, facilitate foreign currency conversion rates and Internet banking," says Siciliano, who joined the company as interim CEO in September 2001.

And 1st Pacific vows to address these types of concerns for all its customers.

Siciliano takes charge

Siciliano began his banking career in Asia in 1976 after earning his Bachelor's in Arts degree in human biology from Stanford University and later a Master's degree in environmental planning from University of California, Berkeley. As an International Credit Officer for Bank of America in Taiwan, Siciliano spent 10 years managing the Asian division before moving to San Diego to manage the corporate lending services department.

He has held various positions since Bank of America, including a two-year stint as chief administrative officer and CFO for the Eastridge Group, where he was responsible for business development, administration, finance, marketing, and operations for the region's largest staffing company. Prior to his interim CEO post with 1st Pacific, he worked as a private management consultant.

By December 2001 it seemed that 1st Pacific might just be another resume builder for Siciliano, as board members were looking for a permanent CEO. Yet the board was impressed with Siciliano's career accomplishments and his brief tenure with the bank and decided to ask him to assume the role. Siciliano, who initially declined the position, later reconsidered.

"The board started their search and I basically changed my mind and decided I would like to be considered for the permanent job."

In February 2002, Siciliano became 1st Pacific's permanent CEO, and now hopes to propel the bank past San Diego's other major lenders.

Last year, the bank processed 131 loans totaling \$31 million. This year, the bank expects to increase its volume by at least one-third in both the number of loans and the amount, says Siciliano.

And last month, 1st Pacific Bank announced it had been ranked as the sixth largest SBA lender in San Diego County, placing it ahead of big name banks such as U.S. Bank and Wells Fargo. Previously, it was the county's 14th largest SBA lender during 2001. More than \$7 million was allocated to SBA loans last year, which bank execs hope to double this year.

With progress like this, it's no doubt that 1st Pacific's board and employees are exited about Siciliano's decision to stay onboard.

Becky Bergman is an East Bay-based writer.

Banking

At a Glance

1st Pacific Bank

7728 Regents Road
San Diego, CA 92122
858-677-7860

www.1stpacificbank.com

Summary

1st Pacific Bank of California offers lending and deposit services to small- and mid-sized businesses throughout the San Diego region. Construction and land development, real estate lending, and SBA loans make up a significant portion of the bank's lending portfolio. The bank currently has one branch located at 3500 College Boulevard in Oceanside with plans to open at least one more in 2003.

Stock

1st Pacific Bank of California launched an IPO in November 2000 under the OTCBB trading symbol FPBS. The bank sold more than one million shares in its initial public offering at \$10 a share, raising \$11.5 million. The bank's stock has been trading between \$10 and \$11 the past month.