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Interviews & News!

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Having Successfully Turned The Bank Around, California Oaks State Bank's New CEO Is Focused On Growth By Establishing A Strong Sales Culture



CALIFORNIA OAKS
STATE BANK

Financial
Regional-Pacific Banks
(COSB-OTC: BB)

California Oaks State Bank
Corporation (Thousand Oaks)

50 West Hillcrest Drive
Thousand Oaks, CA 91360
Phone: 805-496-6774



John A. Nerland
Chief Executive Officer

BIO:

John Nerland began his Banking career with WestAmerica Bank, in 1986. Starting in a loan review training program, Nerland progressed thru the management ranks ultimately becoming the Regional Vice President and Market Manager for the San Rafael area, where the Bank is headquartered. In 1999 Nerland joined Civic Bank where he eventually managed

the East County region including offices in Walnut Creek, Concord and Antioch. After the sale of Civic Bank to CityNational Bank in 2002, Nerland joined Solano Bank, a de novo bank wholly owned by Northbay Bancorp, as its President and CEO. Nerland took Solano Bank from a start up Bank to \$165 million in assets in four years. After the merger of Solano Bank into Vintage Bank in 2005, Nerland remained as President of the Solano Bank division. In 2006, Nerland became the Senior Executive Vice President and Chief Credit Officer of the Vintage Bank. Eventually all operations of the Bank reported to Nerland as well as the Credit function. In 2007, Northbay Bancorp was sold to Umpqua Bank in a deal then valued at \$156 million or 2.81X book value. Nerland left the Bank following the sale to Umpqua Bank to join California Oaks State Bank as its President And CEO

Company Profile:

California Oaks State Bank, with total assets of \$108 million, was founded in 1998 and is a locally-owned community bank. Its locations in Thousand Oaks and Simi Valley serve both business and professional services customers. The bank provides a full range of products and services including commercial and real estate loans as well as cash management products and deposit services. Its unique capability in diversified lending in addition to its customary community bank credit products help its customers meet their cash management goals. The bank has earned a reputation for its expertise in commercial real estate financing, accounts receivable financing, as well as SBA loans.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Nerland, what attracted you to California Oaks State Bank?

Mr. Nerland: "The opportunity came about through an executive recruiting firm. I looked at the dynamics of the market and then I looked at the bank, and said this is a perfect fit for my skill set."

CEOCFO: Please tell us a bit about the bank.

Mr. Nerland: "The bank is approximately ten years old. It is a business bank and we are about \$108 million in total assets. It has done a very good job over the last couple of years protecting its net interest margin. It made a concerted effort to do that and in doing that we have an competitive advantage right now in my opinion, in that our net interest margin is over 6% where a lot of banks are running into 5 or 4%."

CEOCFO: What geographic area do you cover and who is your typical customer?

Mr. Nerland: "We have two locations, one in Thousand Oaks, and one in Simi Valley. Our primary business focus is in this area, which is Ventura County of Southern California. We will step out from that specific business area if we have a referral to a prospect outside of our geographic area. We will do business with clients that way as long as we can still maintain a primary business banking relationship. We do that through a product we call digital deposit, which means we bring the branch to your company and you scan the checks in and it hits your account that night; that is the latest technology."

CEOCFO: What is your typical customer and the primary area of focus?

Mr. Nerland: “We are primarily a business bank; we are going after clients with revenues from a half-a-million dollars to \$50 million. In those types of revenue clients, they are typically credit users or depository users. If it is a credit user, they are typically three million dollars or less in credit. The depository intake, we can take anything, there are no issues for us on taking deposits.”

CEOCFO: What is special about California Oakes State Bank? Why are customers coming to you?

Mr. Nerland: “The community banks that made a living off of what I call the service reputation and we are no different, so we have been trying to highlight our service. For us, when you come into the door there are not huge lines like a typical retail bank. We try to recognize our clients, call them by name and have a relationship with the client. It is more user-friendly. In a service based organization, if you are having a problem you can make a call and get resolution without having to go through a phone screening system. We have local phone numbers as opposed to calling on an 800 number. We have staff that is empowered to take care of problems and issues so that differentiates us a bit from the market.”

CEOCFO: Do you think there is a trend towards businesses using a smaller bank?

Mr. Nerland: “Yes, it is what I call the de novo explosion of the last three years; it has been phenomenal. I think that larger banks have done a fantastic job of becoming more efficient and maximizing what they do really well. On the other hand, I think the community banks basically have a niche and that is the business market. It is a small to medium-sized business, somebody who wants personal attention that they typically do not get at a larger institution. I think there is a niche for community banks. The key is though not to be all things to all people. You have to be focused and a niche player.”

CEOCFO: How big a part is real estate financing for you and what are your thoughts about the real estate market concerns today?

Mr. Nerland: “I am moderately concerned about the residential market because it is what I call the trickle-down effect when consumers stop spending money and it affects all businesses. I think it is more of a psychological issue out there. We do not do any single-family mortgages at our bank being a business bank, so we are not a player in that market. We do commercial real estate and construction loans for commercial projects. As far as the percentage in our portfolio, it is less than 50% in its entirety, so we are primarily going after business loans, equipment loans. We do a lot of medical and dental practice facility loans.”

CEOCFO: You have a history of taking start ups and built them into leading fi-

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nancial institutions; how will you change California Oaks to repeat your success pattern?

Mr. Nerland: “I felt this was a nice fit for me in that I have been able to add discipline to a sales culture and grow things. From my standpoint they have done a lot of things here at California Oaks and the one piece that they are missing is the sales culture, which is something that I feel I am really good at.”

CEOCFO: What is it you look to instill in the people that you hire?

Mr. Nerland: “The biggest issue for me is I like to empower my people. If they come to me with a problem, my typical response is, ‘What do you recommend?’ From that standpoint, I like people who can make decisions, as opposed to somebody who just sits on the fence and hedges. It is okay to make mistakes; that happens in life, you just have to learn from mistakes and go on. I like people

that make decisions and people who are not afraid to take risks.”

CEOCFO: Is there a need for more physical branches?

Mr. Nerland: “From my standpoint, no. We have two locations now. We happen to be moving one of our locations in Simi Valley to a new location, and that will happen in about six months. We have a product that is called digital deposit and it uses the ACH system, the automatic clearinghouse to capture checks. In essence, we can bring a branch to companies and have them hooked up onto their computer where they can just slide checks right through the scanning machine and it gets automatically deposited. It is bringing what I view the bricks and mortar of banking to the client. Bricks and mortar are a big expense for banks. If we have the right relationship managers and they are out seeing their clients and touching them, we will not need a lot of bricks and mortar.”

CEOCFO: Are there new products and services that you would like to add?

Mr. Nerland: “We have one product we are rolling out which is called ‘positive pay.’ It is a fraud deterrent detector. The companies that use positive pay can write checks via

their accounts payable system and send us a nightly file of the checks that they wrote via the encrypted email system. It then goes into our computer system so that when those checks come to clear, that the check number and the dollar amount are coming in at the right amount as opposed when somebody alters a check and instead of clearing a thousand dollar check, they want to clear a hundred thousand dollar check. Those things get kicked out via the fraud detector. That is an example of a product that we are rolling out and that is one of those state-of-the-art business product that if you are a business bank, you have to have that product.”

CEOCFO: What do you see ahead and why should potential investors look at California Oaks?

Mr. Nerland: “I would say that based on previous execution, I have been able to grow banks. We are \$110 million organization. If we can grow at 20 to \$30 mil-

lion a year because we instituted a sales and service culture, that is pretty dramatic growth on a balance sheet. If we control our costs and grow at this rate we should perform above peer averages. We have enough capital now so capital is not an issue.”

CEO CFO: What should people remember most about California Oaks State Bank?

Mr. Nerland: “I think the clients that we deal with have a positive experience in that it is customer-friendly and we are decision makers. We try to make decision

in a timely matter, and sometimes not all decisions are ones that people would like, but they do get a decision in a relatively short amount of time. Typically, we do seem to be helpful in the community.”



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