BANKING AND BUSINESS

Good Timing Spurs Growth for Bank of Manhattan

By Brian Simon

On the list of things not to do during today's still-lingering recession, launching a new bank would seem to go somewhere near the top. Given the state of the economy particularly in California and the ongoing difficulty in financing, it's a precarious sort of business venture to be sure. Of course, timing is everything when it comes to love and money. Take the El Segundo-based Bank of Manhattan, which celebrates two years of existence this month, having debuted in August 2007 only a few months before what many consider the official start of the country's recession. By opening at that time, the bank fortunately missed out on the "problem loan" issues that ultimately buried a number of financial institutions.

Created in part to address the dearth of locally owned banks serving small and middle market companies in the South Bay, Bank of Manhattan is the brainchild of South Bay residents Jeff Watson, a long-time veteran of the banking industry who serves as President and CEO, and real estate entrepreneur Kyle Ransford. Over an 18-month period, the two assembled a team of experienced professionals from banking and related fields, and managed to raise $25 million in initial start-up capital from several hundred investors. The bank later received another $15 million from Carpenter and Company, the group that opens most of the "de novo" (in operation five years or less) banks in California. "They liked our people, marketplace, model and business plan," said Bank of Manhattan Executive Vice President Ed Myska.

That model is in marked contrast to traditional banks. Though a full-service operation that offers the same products (e.g. cash management, on-line banking, remote capture, and free ATM use to qualified clients) as other banks, Bank of Manhattan's branch (located at 2141 Rosecrans Avenue behind the Daily Grill) has no teller lines, no counters, and "no Disneyland walkways and ropes," as Watson put it. "It's more of a living room and private banking atmosphere," explained Myska. The bank's client base includes both individuals and businesses, but with more emphasis on small business owners as well as those who live in the area but own businesses elsewhere.

With assets in excess of $100 million showing an annual growth of 100 percent, plus similar gains in loans and deposits, Bank of Manhattan is doing quite well financially, Myska confirmed. "We've added more clients, more loan volume and become more involved in the community," he said. "We make quite a few loans, but we're very careful who we make those loans to. We know who our clients are and understand their businesses."

With no problem loans to bog it down,

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One Man's Opinion

By Gerry Chong

This is a tale of two countries, each with a different set of priorities, with trends going in opposite directions.

When the recession hit China, its primary economic engine, exporting, fell by 20 percent. Although most economists thought China would fall into recession, in a deft and agile move, it cut its tax rates, infused a moderate amount of capital into the economy and urged its citizens to buy their own products. The result is that China not only did not go into recession, but its Gross Domestic Product (GDP) grew at an 8 percent rate. It is now poised to leap past Japan to become the second largest economy in the world.

The message here is that when a country has a stable economic foundation, it can make decisions about its future in a calm and thoughtful manner. When it is in turmoil, fear and emotions rule the day. Evidence the town hall meetings around the U.S.

Unfortunately, it is not too early to judge the Obama Administration on the following bases:

First, this Spring, Obama went to the G-7 and urged that industrialized nations follow his lead in super-inflating its currencies. Russia, Germany, France, Japan and China all rejected his approach as inflationary and destabilizing, but Obama plunged ahead nevertheless. Today we are facing an economy with previously unimagined national debt, growing unemployment, and the very real prospect of hyper inflation.

Second, according to the August 12 issue of the Los Angeles Times, there are now 14 million unemployed Americans, of which 5 million have been unemployed longer than 27 weeks. Since Obama's inauguration, the number of unemployed has risen every single month at an average rate of 331,000 jobs. From February through July, the economy had shed 2.6 million jobs, damaging not only the person who lost his job, but also the millions of dependents who suffer the consequences of lost income. Obama has had no plan for stabilizing the current job market, and instead has warned that unemployment will grow into 2010. Only in Obama-land would a July loss of "only" 247,000 jobs accompanied by a 1 percent decline in the economy be considered a victory. Moreover, that "great result" was not due to consumer spending or a growth in confidence. It was the result of a 10.9 percent growth in government spending.

How bad is our unemployment? In California it is commonly stated as being at 11.5 percent. However, when you add in those that have been reduced to part time employment, and those that have given up looking for work, California's real unemployment rate is 20 percent. Oregon is even worse, at 23 percent. Yet, it is not the focus of Obama's economic plan.

It is important to understand that when some declare the recession as being over, they

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