

Strong local economy powers bank Q4 profits

BY MARK CALVEY

San Francisco Business Times

Bay Area community banks had a stellar fourth quarter, capping off a strong 2012 for bankers on the front lines with the Bay Area's business owners and real estate investors.

Record profits were posted at several community banks, while others saw significant loan growth.

Banks throughout the region were firing on all cylinders. And the performance is all the more striking when considering the national economy shrank in the fourth quarter by 0.1 percent.

Two key factors account for the robust performance: the strength of the Bay Area economy, and this year's higher federal taxes fueling asset sales at the end of 2012.

"There was a sense of urgency among our clients to close transactions by year-end," said Steve Heitel, president and CEO at Presidio Bank, which extended \$49 million in loans in the fourth quarter alone. The bank saw loan growth for all of 2012 clock in at \$44 million, with borrowers split about evenly between commercial real estate investors and business owners financing operations.

One might expect the phones to go silent at Presidio Bank and its rivals as tax-driven selling ended with the new year, but such is not the case.

"Our loan pipeline is still strong and growing," Heitel said. Credit line utilization among the bank's business

borrowers rose in December, marking the first increase in recent memory, he said.

"To book essentially a year's worth of loan volume in the course of a quarter was a great way to finish 2012 and start 2013 with terrific momentum," said Presidio Bank Chairman Jim Woolwine.

That bodes well for the Bay Area's economic outlook. Lafayette-based California Bank of Commerce said 2012 profit more than doubled to \$1.8 million.

Last year's profit growth at the \$349 million bank was mostly driven by average loan growth of \$42 million and a stable year-over-year net interest margin.

In the North Bay, Bank of Marin President and CEO Russell Colombo said his bank saw "significant loan growth" of \$60 million in the fourth quarter, which spurred record earnings for the year.

Richmond-based Mechanics Bank, the Bay Area's largest community bank with \$3 billion in assets, posted 2012 profit that was up 30 percent to \$22.3 million and the highest since 2007.

Chairman Dianne Daiss Felton says the bank will soon debut business lending initiatives that leverage the relationships branch staff have with business owners.

Mechanics Bank's strong showing last year was due primarily to reduced provisions to loan-loss reserves as credit quality improved and to gains in the bank's investment portfolio.

"Loan growth is a major objective of Mechanics Bank in 2013," Felton said.



Heitel



Woolwine