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BANKING: Presidio Bank enters Marin with San Rafael branch

by William Jason
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SAN RAFAEL – San Francisco-based business lender Presidio Bank (OTC: PDOB) has expanded into Marin County with a new branch in downtown San Rafael. The branch, located at 999 Fifth Ave., opened today with a staff of five employees.

The new location is the fourth branch for Presidio Bank, which opened in 2006 with locations in San Francisco and Walnut Creek. The bank added a Santa Rosa branch last year. The branch opening in San Rafael is part of a strategy to reach all of the Bay Area's major lending markets, according to Stephen Fleming, president and CEO of Presidio Bank.

"Our goal is to have the Bay Area covered ... and there are a number of commercial centers where we don't have a physical presence, including San Rafael," Mr. Fleming said.

Presidio Bank is entering a challenging Marin County market, where banks are competing for fewer deposits, a key source of funding for new loans. Total bank deposits in Marin County grew just 2.4 percent for the year ending June 30, compared with an average annual growth of 6.3 percent in the previous 10 years, according to FDIC survey data.

Mr. Fleming said his bank will look to capture a niche market of small- to mid-sized business customers looking for "high touch" service. Community banks have also come under pressure as federal interest rate cuts have eroded profits from loans, which often re-price more quickly than deposits.

The stock price for Presidio Bank declined steadily to a low of \$7.50 in mid-March – a 42 percent drop from its \$13 peak in November of 2006 – before rising about 7 percent in April, trading at \$8.20 per share last week.

"Just about everybody in the industry is feeling a compression of net interest margins as the Fed has cut the federal funds rate, really since September," Mr. Fleming said.

But the declining rates can also create opportunities for new businesses, Mr. Fleming said. "We're finding a growing appetite for refinancing commercial real estate loans that were booked previously at higher rates," he said.

Presidio Bank has tapped Todd Allen, a former executive for Greater Bay Bank in San Rafael, as its Marin County market president. Mr. Allen will lead the local group of five bankers, all of whom left Greater Bay when it was acquired last year by Wells Fargo Bank (NYSE: WFC).

According to Mr. Fleming, the opportunity to hire employees with experience in the local banking market weighed heavily into Presidio Bank's decision to add a San Rafael office. "If we can get a talented team, then that is going to play pretty heavily in our decision-making," Mr. Fleming said.

Mr. Fleming has said previously that he wants to open an office in the Peninsula or South Bay, but no specific plans have been announced.

Presidio Bank specializes in lending to commercial real estate investors and businesses with revenues from about \$5 million to \$50 million, according to Mr. Fleming. It can legally lend up to \$8 million for commercial real estate, or \$5 million for unsecured debt, but can participate in larger deals.

The bank opened in 2006 after raising \$40 million in capital, a state record for a new bank. By the end of 2007, the bank grew to \$131 million in total assets. It reported a net loss of \$799,000 for the fourth quarter, an improvement from \$875 million in the last quarter of 2006. Losses are common in banks' early years.