

# Presidio Bank rallies its troops

## Bank eager to lend, hire, even acquire

BY MARK CALVEY

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Presidio Bank, a San Francisco-based business bank, marked its upcoming fifth anniversary by posting its fifth consecutive quarter of profitability even as other Bay Area community banks struggle with bad loans made during the good times.

Credit good timing or disciplined lending, Presidio Bank can look ahead to solid lending, selective hiring and possibly even an acquisition, if it so chooses, because it avoided the industry's worst practices of the easy money days.

Chairman Jim Woolwine says it didn't hurt that he and his board have been through more than one Bay Area downturn. Now he and CEO Steve Heitel can guide the \$295 million bank, which is clearly in charge of its own destiny.

Visitors to the bank's headquarters today see a plaque in the lobby highlighting the bank's founding organizers that include financier Warren Hellman, former Charles Schwab CEO David Pottruck and developer Paula Collins.

The big-name backers are not only an important referral network to attract customers, but a way to vet potential borrowers, Woolwine said.

In opening its doors in July 2006, the bank raised \$40 million, a record for a startup bank in California. But that amount drew critics who wondered at the time how the bank would put all the money to work to generate decent returns for investors.

Drawing further concern, the bank expanded quickly to establish a branch network and install the technology to support a much larger operation.

■ The bank opened with offices in both San Francisco and Walnut Creek, when the hiring of veteran banker Vern Padgett from Mechanics Bank accelerated plans to expand into the East Bay.

■ The bank expanded into San Rafael in mid-2008 even as problem loans were coming home to roost at rival banks.

■ And in early 2009, Presidio Bank accepted almost \$11 million under the federal government's Troubled Asset Relief Program. Woolwine said the money allowed the bank to expand onto the Peninsula at a time when raising capital from investors would have come at a steep price.



SPENCER BROWN

**An FDIC-assisted buy isn't in the cards. "We don't need other people's problems," says Chairman Woolwine, left, with CEO Heitel.**

But just as important is what the bank did not do: lend aggressively during the historic credit bubble that began bursting in 2007.

"We made conservative loans that carried low yields," Woolwine said.

Today the bank's non-performing loans are just 0.82 percent of total loans at the end of the first quarter. And its total risk-based capital ratio is 15.40 percent at the end of March, well above the regulatory threshold of 10 percent to be considered well capitalized, according to figures from Stone & Youngberg, SNL Financial and the FDIC.

"The bank has done very well and avoided many of the market pitfalls," said Michael Natzic, senior vice president in Stone & Youngberg's community bank group.

Presidio Bank now operates offices in the key quadrants of the Bay Area: Palo Alto, Walnut Creek and San Rafael in addition to the San Francisco headquarters at 120 Kearny St.

"The branches allow us to stay close to the local community," Heitel said, noting that 85 percent of the bank's clients use remote-deposit technology to handle their daily banking needs without coming into a branch.

Presidio Bank brought two people on board last year, a marketing executive and senior banker on the Peninsula. This year's plans call for hiring a credit underwriter in San Francisco. The bank employs 43 people.



Natzic

Woolwine said the bank is keeping an eye out for acquisition opportunities but has no interest in an FDIC-assisted deal.

"We don't need other people's problems," he said.

The bank is also unveiling a new logo designed to promote its financial strength. Cast in burnished gold tones, the design suggests a fortress, as in a presidio and the strength of the bank's balance sheet. It was designed by John Casado, who also created the first logo for the Apple Macintosh computer as well as trademarks for Esprit and New Line Cinema.

On the economic front, some community bankers have declared that the recovery is under way. Most notably, Mechanics Bank CEO Steve Buster this month said the recovery is "the real thing."

But Heitel says he's reserving judgment.

"The recovery is more episodic than broad-based," Heitel said, noting that the frenzy for commercial real estate in popular tech corridors such as San Francisco's South of Market Area have reached "bubblish" territory.

And more importantly from a banker's perspective, business borrowers remain reluctant to draw down credit lines to invest for future growth.

That reflects the weak demand for loans bankers are seeing industrywide.

Presidio Bank's top brass remains optimistic that business owners will one day tap those credit lines.

"We're bullish on the Bay Area as a growth engine," Woolwine said.