

Banks see new cash in old neighborhoods

BY LESLIE MLADINICH

California Bank & Trust's Jeff Cheung says banks have two strategies for the expensive proposition of opening bank branches.

Go into areas where there are already banks and "slug it out" or find an area that is "below the radar screen of most people," he said.

While some of the bigger banks compete for space in East Dublin, Milpitas and Livermore, California Bank and Trust has opened a branch in North Oakland and signed a lease in East Palo Alto, and may look at West Oakland or near the Oakland airport.

Although Cheung, executive vice president of the bank's Northern California division, won't disclose the number of new accounts since the North Oakland branch opened its doors on Telegraph Avenue in September, he said the crew there is gaining momentum.

"(The bank) has been building up a very significant pipeline of new opportunities that includes a reflection of the neighborhood's small to medium-sized businesses and not-for-profits," he said. A Walgreens, antique store, deli, knife store and small restaurants surround the bank.

There's no hard data to completely quantify the special role banks play in jump-starting the economics of downtrodden areas, but opening a full-scale branch with people, loan offices, desks, chairs, parking and lights sends a strong message that a community with a bank is a community worth investing in, said James Ballantine, the American Bankers Association director of community development.

Although banks seem to be disappearing with each merger and acquisition, the number of branches has actually increased over the last 10 years, Ballantine said.

"There's been more of an outreach in the community through building brick-and-mortar banks, or more interesting things like building branches in supermarkets and drugstores, going anywhere where the people are," he said.

That wasn't the case in North Oakland.

In 1997, Bank of America and American Savings & Loan pulled out of the area where Kim Ramirez, the Temescal branch manager, now pounds the pavement for new clients. Although her potential clients bank with an office that may now be far away, they don't automatically knock on Ramirez's door just because the branch opened in the neighborhood.

"You have to win their confidence and show them (local merchants) that you are in it for the long run," Ramirez said.

Joe Haraburda, president of the Oakland Chamber of Commerce, will be watching closely because he hopes the branch will succeed and convey the message that Oakland is a great place to do business so that other businesses will follow.

"We want them to have a good experience and be successful in Oakland," he said.

Banks, like other businesses, study very carefully where their money is going to come from before opening in a neighborhood like the Temescal or East Palo Alto, Ballantine said.

"It's not an easy decision to make because you want to make sure anything you go into is profitable," said Ballantine.

Wells Fargo said the way to win customers isn't always with a traditional branch, said Tim Silva, Wells Fargo East Bay market president. Although Wells measures traffic and



STEPHANIE SECREST EAST BAY BUSINESS TIMES

Kim Ramirez says California Bank & Trust must show merchants that it has come to North Oakland to stay.

demand before opening a branch, closing a branch isn't a cost-cutting measure, he said.

Over the past few years, Wells has pushed Internet banking and grocery store ATMs into the spotlight. This week, Wells drove an "e-bus" through the Network Associates Coliseum to show folks what Internet banking was all about.

"It's an exciting time and an old traditional bank is not what you always have," Silva said.

Wells closed a full-scale branch near the Oakland Airport, replacing it with a smaller business center tucked behind an all-night diner. On Grand Avenue, an ATM was left where a neighborhood branch once stood. The company opened a branch in Hercules last year, and took over a former First Interstate branch in the San Leandro Marina area.

"Like any other business, it has to make money and pay shareholders, so banks have a tendency to go where they can be most successful," said Bob Philcox, vice president of Mt. Diablo Bank in Pleasanton and a former Pleasanton mayor and city councilman.

In the late 1960s, Pleasanton passed an ordinance that forced new banks that wanted to set up shop in the city to first open a bank downtown. The ordinance was formulated in part to encourage competition, but it accomplished more than that.

"It brought cash, people, and traffic down there," Philcox said. "It was something that really helped downtown Pleasanton for many years."

Now, Main Street is lined with branches: US Bank, Bank of Walnut Creek, Valley Community Bank, Mt. Diablo Bank, Bay View Bank, Washington Mutual and Bank of America.

Bank-blanketed Pleasanton today may be a model for downtown Vallejo.

Downtown Vallejo has a Bank of the West and a few credit unions, but that's it.

"Twenty-five years ago, there used to be five to seven banks, said men's clothing store owner Richard Lemke. "Downtown was the financial hub of Vallejo at the time."

A neoclassical building across from his shop has sported three different banks. They've all left, and the building sits vacant.

Reach Mladinich at lmladinich@bizjournals.com or 925-598-1432.

East Bay bankers fork over cash for tech gear

BY LESLIE MLADINICH

CivicBank of Commerce's Dan Peterson worked for Crocker Bank — before it was bought by Wells Fargo — when the first sproutings of online banking appeared. He remembers going to a client's business and plugging a Texas Instruments dumb terminal into a phone to provide a data communication link to his office over at Crocker.

Now, financial services are available over the Web and the sector is one of the most aggressive when it comes to information technology spending. And it is also one of the most stable online operations.

Information technology spending in the financial sector is expected to exceed \$150 billion in North America and Europe by the end of 2001. The market projection for all business-to-business e-commerce is \$5.7 trillion by 2004, according to AMR, a Boston-based research firm. Banks and other financial institutions will account for a hefty share of those trillions, making the technology they choose all the more critical.

Spending a lot on information technology saves money compared to operating a call center or hiring someone to sit behind a desk, said AMR researcher Randi Purchia.

Financial services over the Internet have increased transactions, but there is still room for evolution and innovation in the area, Purchia said.

"It doesn't stand alone. It's still too

clunky," she said. "It needs connection with call centers and needs an advisory component. It's a tough nut to crack unless you are using (financial services over the Internet) for simple functionality."

The demand for financial services to use an e-business model is so great that Purchia's firm has published a guide for businesses in this area.

Four Bay Area financial services companies already have a handle on how they'll spend their money in the area. Here's what they are doing.

CivicBank of Commerce

Online banking is nothing new, so it may seem that CivicBank is a Johnny-come-lately in rolling out Internet banking for the first time this month. But the bank has had banking services using a dedicated line for three years. The Oakland-based bank took the time to look at about five vendors before launching CommerceDirect.

The bank wanted its Web-based system to closely resemble its older dedicated-line banking, but be faster moving and more accessible to business owners needing to check up on accounts 24 hours a day.

"Clearly, we were not going to build it in-house," said Senior Vice President Dan Peterson. CommerceDirect features payroll functions plus the ability to check account

transactions and shift funds from account to account at the click of a button.

Wells Fargo

Wells Fargo is seen as the leader in online banking, having rolled out its system in 1995. Although many of its clients were e-commerce outfits that no longer exist, about 13,000 customers are e-shopping sites. It's adding about 500 new business banking customers a day, and the system is processing billions of dollars of credit card transactions a year. Wells' strength has been converting business banking customers to consumer banking customers and vice versa, said Debra Rossi, executive vice president and manager of Internet services. Wells Fargo's technology is in-house, and therefore proprietary, Rossi says.

FinancialOxygen

Wells Fargo is a client of Financial Oxygen, a Walnut Creek based startup that provides online software and trading marketplaces for banks and other financial services companies that want access to securities around the globe.

CEO Bob Oxenburgh compares building information technology for a variety of financial customers to building new airport gates that allow transactions to move seamlessly, like passengers along a concourse from one terminal to another.

"FinancialOxygen doesn't want Bank of America to tear out its airway hub to get passengers," he said.

Using a hack-proof security system, data from FinancialOxygen can be fed to a database in New York or to one in Frankfurt in the same way, Oxenburgh said. That eliminates the need for an overqualified broker to monitor a fax machine or take phone orders for securities.

GMC Financial

To track down individuals and companies for unclaimed property and judgment recovery, GMC Financial of Pleasanton uses a database to store electronic information that would otherwise be fragmented and a subscription portal that combines information from the secretary of state, credit bureaus and court records. The company started up last year in the Koll Business Center and moved to another office on Santa Rita Road in Pleasanton this week. Unclaimed property and judgment recovery business can be done from a home computer or the spare in a garage, but "The information is so fragmented, you would never be able to cost effectively go into a business the way we have approached it and build it to a scale that we have," said GMC Financial CEO Leo O'Reilly. Reach Mladinich at lmladinich@bizjournals.com or 925-598-1431.

Banks enjoy a prosperous first quarter

BY LESLIE MLADINICH

If 30 percent and 40 percent growth is an indicator of an economic slowdown, banks may be hoping for somebody to slam on the brakes.

On profits, earnings per share and net income, most East Bay banks have grown more than 10 percent in the same quarter that interest rates were slashed by 0.75 percent.

A fourth interest rate cut from the Federal Reserve this month may spark the same growth in the second quarter, but layoffs and a slower pace of growth overall could hit banks, especially commercial lenders.

Banks that did well experienced a frenzy in the mortgage, credit card and consumer loan areas, evidence that consumers are taking advantage of lowered interest rates.

San Francisco-based Provident, a large credit card holder with offices in Pleasanton, saw its revenue shoot up 31 percent. During the first quarter, its customer accounts grew to 17.1 million. Provident's earnings totaled \$230.5 million compared to \$174.3 million in the first quarter of 2000. Part of the earnings increase came from loans, which increased by \$1.3 billion to \$28.4 billion.

Jim Wilcox, a UC-Berkeley professor of finance and economics, says the banks' earnings are a reflection that consumer confidence, although gyrating in the past few months, is mostly up.

Despite apprehension about high-tech layoffs, "people have been spending quite a bit," he said.

And even if consumers see that growth is slower in the first quarter, they expect it to be up for most of the year.

"People think the good times are going to allow them to pay off the loan," Wilcox said.

Both Seattle-based Washington Mutual, with branches across the Bay Area, and Golden West of Oakland beat analysts' predictions.

Herb Sandler, Golden West's chairman and CEO, said his bank's adjusted rate mortgage portfolio grew by 27 percent.

"When rates go down, there is a lag, but pricing in our asset yields go down more slowly," Sandler said, referring to the phenomenon called spread expansion.

Golden West also reported a 41 percent increase in earnings per share over the same period last year.

Washington Mutual attributes its 40 percent growth rate to refinancing technology that makes the loan approval process easier.

"Declining rates have caused the refinancing market to get revitalized again," said James Ryan, president of the Bank of Walnut Creek.

Earnings at both Bank of Walnut Creek and Wells Fargo rose by 12 percent in the first quarter.

Wells Fargo's profits from mortgage and home equity rose 58 percent from last year, and Bank of Walnut Creek is seeing a flurry of activity in the refinancing segment of its business.

Business banks didn't do as well as consumer-oriented ones selling refinancing packages or home loans.

Comerica Inc. of Detroit, with a soon-to-expand office in Walnut Creek, reported a 52 percent drop in profits, partly due to a weakening in capital markets. Comerica purchased Imperial Bank, prompting expensive one-time charges.

But in California, the numbers don't show much of a slowing factor, said Gregg

Belanger, Comerica's executive vice president of middle market lending. In fact, Comerica's California assets rose by \$3 billion in the first quarter of 2001 from the same period in 2000. High-tech companies that have laid off workers and dot-coms that have bombed don't make up a lot of the bank's market segment.

Nevertheless, Belanger said, the bank is cautious even though their clients' sales and orders haven't slowed. He believes their sales could slump in the second quarter.

"We are careful when big companies go through sharp declines. It may take them a little longer to go through the food chain," he said.

'Declining rates have caused the refinancing market to get revitalized again.'

James Ryan
president
Bank of Walnut Creek

Net income for the CivicBank of Commerce in Oakland increased only 1.3 percent during the first quarter — a meager \$20,000 increase to \$1.5 million. CivicBank of Commerce's net income was impacted by the Federal Reserve's interest rate reductions, said CivicBank CEO Herb Foster.

Even with its modest increase in net income for the quarter, CivicBank's total assets increased to \$519 million compared to \$498 million as of December 2000, an increase of \$21 million. Deposits increased by \$25 million from the end of last year to the end of this year's first quarter, but total loans decreased by \$23 million in the same period.

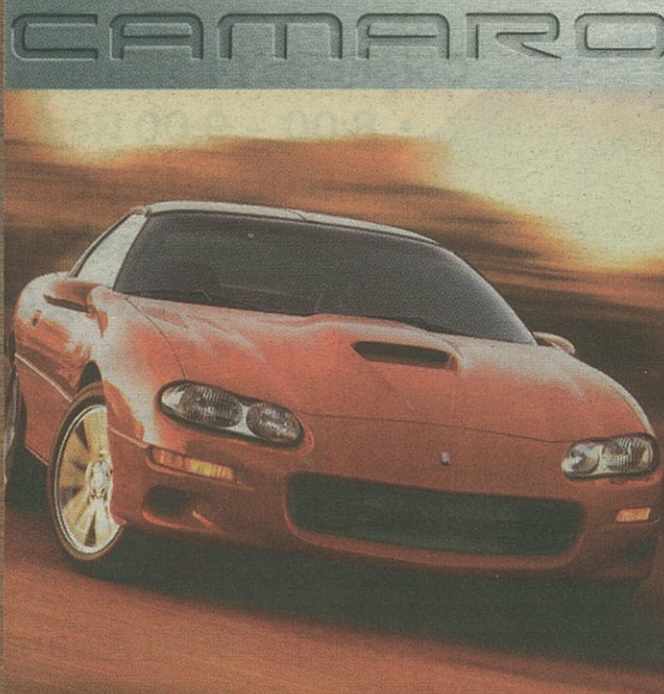
Like Comerica, CivicBank has an optimistic outlook on the Bay Area's economy weathering a full-scale national slowdown. Foster expects the bank to keep growing along with the Bay Area's economy.

Reach Mladinich at lmladinich@bizjournals.com or 925-598-1432.

Lease the
Summer of
Dreams ...

\$299 mo. + tax

vin #12107096
Cap Cost \$20,680
Residual \$11,580.80
Drive Off \$3,444.14
Based on 36 Months,
12,000 Miles Per Year



The Choice
is Yours!

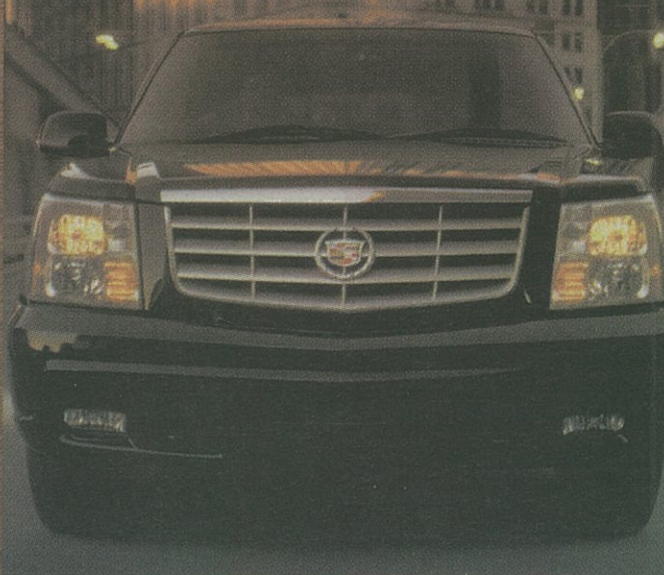


ESCALADE

\$698 mo. + tax

vin #2R104021
Cap Cost \$49,540
Residual \$26,751.60
Drive Off \$7,809.37
Based on 36 Months,
12,000 Miles Per Year

To experience
shopping, buying,
service and ownership
that consistently
satisfies each
individual's needs
and exceeds their
expectations in a
comfortable supportive
environment,
come to...



7544 Dublin Blvd.
Dublin
888-205-6091

Visit us at
www.crowndublin.com
Sales: Mon-Fri 9am-9pm,
Sat 9am-8pm, Sun 10am-
7pm • Service and parts:
Mon-Fri 7:30am-8pm

CROWN DUBLIN



CHEVROLET
We'll be there



Cadillac
The fusion
of design and technology



Oldsmobile
Start something



ISUZU
Go farther.