

Blue Harbor Bank rides out choppy economic waters

By Dave Yochum

Jim Marshall's original plan at Blue Harbor Bank was to break even sometime after the bank's second year of operation. The president and CEO of the start-up Mooresville bank says that's still the plan, despite the current economy.

"We actually see the glass as half full," he said, explaining that the bank is not saddled with bad loans of any sort. "So therefore we're out there building some nice solid relationships while other banks are focused on some of those problem loans," Marshall said.

Banks are dealing with not just an anemic economy, but lower interest rates. Lower rates tighten net interest margins for one thing. For another, they mean bankers are getting paid less on their invested short-term cash, a key profit center for a new bank.

For the first quarter of this year, Blue Harbor lost \$698,000, according to routine call reports filed with the Federal Deposit Insurance Corp. The bank lost \$1.86 million during its first year of operation, for a cumulative loss of \$2.56 million. Assets, however, were a strong \$73 million at the end of the first quarter.



Harbor in a storm: Jim Marshall is CEO of Blue Harbor Bank, based in Mooresville

But losses include more than \$837,000 in loan loss provisions, an accounting procedure that occurs on paper, not in reality. Moreover, the bank did not apply for any funds from the Troubled Asset Relief Program.

As a general rule for a new bank, investors expect losses during the first couple of years, a large portion of which is the "provision for loan losses." New banks set aside money in case loans go bad, even if they don't have non-performing assets.

The bank is "putting on good assets, building solid relationships. When rates return to [higher levels], we think our profitability will be fine and on track," he said. "What we're trying to prevent right now is making any mistakes on the lending side," the affable banker said.

Blue Harbor has opened a second branch, in Huntersville, adding expenses—and more opportunity for growth. He said the Exit 23 area is dynamic, and ripe for the picking. With a minimum of remodeling expense, Blue Harbor turned a former Wachovia branch into a more living room like Blue Harbor branch complete with coffee and local publications. The Wachovia branch had \$100 million in deposits before it was shuttered and relocated to the other side of Interstate 77.

“The runway in front of us is tremendous,” he said, comparing Huntersville to the fast-growth Mooresville marketplace.

Marshall said consumer and commercial loans are up 43 percent compared to year-end 2008 levels, with consumers accounting for about one third of the growth and business two-thirds.

“From an assets standpoint we’re on track, from an earnings standpoint, with the lower interest rates, the margins are lower than we forecast,” Marshall said.

He would not discuss future locations, saying the bank is “digesting what we have between Huntersville and Mooresville,” where the bank has a temporary building and no plans right now to break ground on a headquarters building.

In fact, that’s sort of like money in the bank. The land Blue Harbor purchased in Morrison Plantation is now more valuable, even as first-class office space sits empty up and down nearby Williamson Road. “We can sell the property for more than we paid for it,” Marshall said.