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Smooth sailing for new banks in Lake Norman area

BlueHarbor, Aquesta buck the trend, growing as economy struggles

Premium content from Charlotte Business Journal - by Adam O'Daniel, Finance editor

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While most bankers these days are trying to just keep their heads above water, **Jim Engel** is taking Cornelius-based **Aquesta Bank** deeper into Lake Norman.

Engel's startup community bank last month opened its fourth branch office with a new building off Brawley School Road in Mooresville. It's the second branch addition in as many years for Aquesta, a community lender now operating branches in Cornelius, Davidson and two in Mooresville. It's a break from the trend of small banks curtailing expansion in the wake of a sluggish economy and pending regulations.

But Engel, Aquesta's chief executive, and one of his nearest competitors at BlueHarbor Bank, both say Lake Norman has proved buoyant for building a local bank — even during a recession.

"The area around Lake Norman, especially from Huntersville up through Mooresville, seems to be a pretty good growth area even in this economy," Engel says. "There seems to be little pockets doing well even as other areas still are suffering. And we're fortunate to be in an area doing reasonably well."

Engel points to the recent decision by developers to start work at the massive Langtree at the Lake mixed-use project as a sign Lake Norman's economy is growing again, albeit slowly.

Aquesta, with about \$200 million in assets, formed during the economic boom of 2006. And the bank opened its second office in 2008, its first Mooresville-area branch near the Lowe's Cos. Inc. headquarters last year and then its fourth branch in May. After losing \$1.8 million in its first two full years in business, the bank posted profits in 2009 and 2010. In Cornelius, where it was founded, the bank is the top deposit-taker, ahead of Wells Fargo & Co. and

Bank of America Corp., with nearly 20% of local deposits.

Engel knows his branch additions aren't the norm in this economy, especially as many banks hold capital against bad loans. But he says his vision is for Aquesta to become the dominant community bank in the Lake Norman market. That means placing branches where business owners live and work.

"If you don't have a branch, you can't have a full relationship," he says. "People still like to talk to a banker face-to-face."

A few miles upstream, **Jim Marshall** has found similar success with BlueHarbor, a community lender with \$129.5 million in assets. The Mooresville-based bank formed in 2007 and in 2010 posted its first full year as a profitable venture. The bank has two offices, one in Mooresville and the other in Huntersville. Despite its youth and small size, BlueHarbor ranks second in local deposits in Mooresville's 28117 ZIP code, the area including Interstate 77 and west to the lake, with nearly 15% of the local deposits. It trails only BB&T Corp.

"There's a lot of money in this area," Marshall, BlueHarbor's CEO, says of his bank's success without offering abnormal or teaser interest rates.

While BlueHarbor has no plans to open more branches this year, it is one of just a few local banks with a growing loan business. The bank in 2010 added more than \$6 million in net loans, bringing its loan portfolio to \$98.9 million. "We pay attention, and we're responsive," Marshall says.

At Aquesta, loans declined by about \$1.5 million in 2010. But Engel says the past two months have brought more activity as lake businesses have begun to ponder expansion and entrepreneurs consider startups.

Still, his loan book has too many borrowers in distress, with about 7% of loans classified as nonperforming. Engel says those aren't large real estate projects, but the loans are to companies tied to a real estate industry that's still suffering setbacks.

Many community banks are looking at mergers as a way to escape such problems. But both Engel and Marshall say their Lake Norman banks are just fine sailing solo for now.

"If a good opportunity came along, of course we'd look at it," Engel says. "But to be honest, I just don't see many opportunities like that."

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