

# SC County loses last locally owned bank: Monterey Bay bought

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OF THE REGISTER-PAJARONIAN

Area residents looking to do business at a local bank may have to move out of the county. It was announced Tuesday that Union Bank of California plans to purchase the Monterey Bay Bank, leaving Santa Cruz County residents without a locally-owned bank.

If the \$96.5 million deal is approved by Monterey Bay Bank stockholders, Union Bank will acquire the eight Monterey Bay branches, extending its operations throughout the Central Coast. Monterey Bank was the oldest locally owned and managed financial institution in Santa Cruz County, serving the Central Coast since 1925 out of the old vestiges of the Watsonville Federal Savings and Loan. Its assets are estimated to total \$610 million, and it currently employs 130 workers.

Despite losing the last locally-owned bank in the county, many residents said they were optimistic about the buyout. Customers said they are excited about the expand-

ed services they might receive under Union Bank and shareholders are ecstatic about a recent upsurge in the stock's value.

Following Tuesday's announcement, Monterey Bay Bank shot up 28 percent to close at \$25.82. When the company first went public in 1995, stocks were selling at \$6.42.

"It sounds great for stockholders and they will be able to provide better services for customers," said Pajaro Valley Chamber of Commerce CEO Dave Bolick. "However, we hate to lose a locally-owned bank headquartered in Watsonville."

Several investors spoke approvingly of the deal, which netted original shareholders a 400 percent return.

Monterey Bay Bank shareholder Gene Friend called the acquisition a "good deal." Friend said the surge in stock value would have taken much longer without the buyout. "I would figure I would have to wait three years to get the (Monterey Bay Bank) stock where it is now, so essentially I'm getting a return on my investment ahead of time."

For shareholder and customer John Kegebein, the sale is bitter-sweet. Kegebein remembers the banking fondly. "I do all my business with the bank," he said. "I have been with bank for 10 years. I chose it because it was a local bank, and I got my first home loan there. It's always been good to me."

Customer Marilyn Bastian said the sale was "fine with me as long as things don't change. I like the people in there."

According to Mary Anne Carson, vice president and director of community relations at Monterey Bay Bank, the only thing that will change is the name and what the bank offers its customers.

"Branch employees will be the same who live and work in the area and know the customers' names," Carson said.

What customers will see is a shift from the traditional savings and loan operation into a full-service commercial bank. "Customers will have greater access to products and services," Carson said. "It would have

taken several years to achieve the services that Union Bank offers."

Expanded services include construction/commercial lending, merchant services, payroll services, vehicle loans, online application for loans, cash management products and new business financing and loan programs. Union Bank also has 250 offices throughout the West Coast, expanding customers' access to ATMs and branches.

The acquisition would allow Union Bank to expand its foothold into the Central Coast. "This is an important acquisition because it strengthens our presence in some of California's most economically desirable markets and provides a foundation for future expansion," said Richard Hartnack, vice chairman of Union Bank and head of community banking and investment services.

"We believe the community banking approach of Union Bank is very similar to that of Monterey Bay Bank," said Ed Holden, president and CEO of Monterey Bay Bank. "This merger will provide our cus-



Tarmo Hannula/Register-Pajaronian

**Monterey Bay Bank, 35 East Lake Ave., Watsonville.**

tomers with a broader array of financial products and services while maintaining the community-oriented philosophy that has made us successful."

The transaction has been approved by the boards of directors of Monterey Bay Bank, Monterey Bay

Bancorp, Union Bank of California and UnionBanCal Corporation. Subject to regulatory approval and adoption of the merger agreement by the shareholders of Monterey Bay Bancorp, the transaction is expected to be completed during the third quarter of 2003.