

# CEO CFO



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## Breaking The Mold Of The Normal Community Bank, American Principle Bank Has Focused On Having A Larger Capital Base With Shares Sold To Selected High-Net Worth Individuals, Businesses, Professionals And Investors

Financial  
Business Banks  
(APBA-OTC: BB)

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David R. Booker  
President and CEO

**Company Profile:** American Principle Bank opened for business in October 2007. We were organized by a group of local businesspeople and experienced bank officers, who successfully raised over \$42.0 million in initial equity capital. Our organizers saw a strong need for a locally owned and managed financial institution that could provide a combination of superior service, customer convenience, advanced technology, and local decision-making. Please click on the links below for additional information about our bank.

([www.americanprinciplebank.com](http://www.americanprinciplebank.com))

**CEOCFO:** Mr. Booker, what was the vision when the bank opened and how has that developed so far?

**Mr. Booker:** "The vision when the Bank was formed was to create a community bank that didn't fit the mold of the normal community bank, i.e., it would have a larger capital raise by selling shares to high-net worth individuals, businesses, professionals, and investors that would be good long-term customers of the bank. In our initial proposal, the minimum investment was \$500 thousand. We felt that if somebody would invest \$500 thousand, they would definitely have an interest in the success of the bank. In addition, we felt they would do business with the bank and would send their friends and customers to the bank; because, as the bank succeeds, their shareholder value is enhanced. We just finished the quarter end of March 31, in which our results showed that we have grown to over \$176 million in assets. We made a profit in the first quarter of this year of over \$200,000. We set aside 1.54% of our loan portfolio into allowance for loan losses."

**CEOCFO:** What is the economy like in the immediate area you serve?

**Mr. Booker:** "In the immediate area we service, businesses are feeling the economic downturn (some industries more than others). However, the businesses and individuals that are well capitalized, have protected their liquidity and didn't get over-leveraged are doing just fine."

**CEOCFO:** What does American Principle Bank offer that is different than other banks, and what is the competition like:

**Mr. Booker:** "We offer a high-touch, high-tech experience. This means concierge services with 21<sup>st</sup> century technology. That is our niche that we are carving out and it is working very successfully. We are focusing on getting remote deposit capture into our customers' offices, so that they can have a bank on their desk. Therefore, no matter where they are, they can bank with us because they can do it all on our on-line banking platform. When we need to meet with our customers, we go to them. We've also put together what no other community bank in our area has done. We have made arrangements with our correspondence banks (Bank of the West, Wells Fargo and Union Bank of California) so that wherever they have a branch, we have a branch. Our customers can go in, make deposits, cash checks, and immediately see their transactions on their online banking site through American Principle Bank."

**CEOCFO:** What do you look for in people?

**Mr. Booker:** "We want our relationship managers to be well-rounded in terms of having technical skills, people skills and communication skills. We want them to be able to take care of customer needs at our customer's office, so that the customers don't have to change their day to accommodate coming to the bank to sign loan documents or open a new account or whatever the matter may be. Basically, we want our customers to be able to have all the time they need to run their businesses, while we take care of their banking needs in the most efficient manner."

**CEOFCO:** Are your customers coming to you with concerns, and if so, how do you reassure them?

**Mr. Booker:** “We were fortunate in the fact that we raised our capital before the sub-prime and stock market meltdown. Most community banks in our area opened with \$10 to \$15 million in capital. We opened up with \$42 million in capital. We have a very strong tier-one capital ratio of 24.65% at 3/31/09. We also assure customers that it is part of our relationship manager’s job to help them understand FDIC insurance and make sure they have the maximum coverage.

We bought into the program the FDIC has been offering regarding additional deposit insurance coverage. It has been attractive for our corporations where demand deposit accounts are covered no matter how large their balances are.”

**CEOFCO:** How do you balance out between business and retail, and do you see the mix changing?

**Mr. Booker:** “No, business banking is our niche. Retail banking is already well served in our market area; but, the small to medium sized business customers, investors and professionals are not.”

**CEOFCO:** You will be personally focusing on business development; what will you do in your new role and what is different?

**Mr. Booker:** “What will be different is that I will be freed from a lot of the administrative duties that I have had to be responsible for in the past. I will be able to focus entirely on working with our current customers, making sure we are delivering our services in the way we promised we would and if we are not, make sure we get that fixed. Secondly, I

will be reaching out to the other businesses in our community and outlying communities and working to bring them into the American Principle Bank family. For instance, we are shooting towards opening a branch in Santa Maria, which we feel is a very strong market for us. We already have a significant amount of business in Santa Maria and we are at the point where the cost to service these customers makes much more sense to have our own branch there. I think a branch of American Principle Bank will be well received by the Santa Maria community. I plan on being very involved in develop-

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**- David R. Booker**

ing business in Santa Maria along with Mike Sell, who has just joined the Bank and has extensive knowledge of and experience in the Santa Maria market.”

**CEOFCO:** Do you do any advertising?

**Mr. Booker:** “Very little. Advertising is primarily focused on the mass markets. We are still looking for a medium that targets the markets that profile our customer base. Our advertising budget is currently being spent on serving our customers with 21<sup>st</sup> technology and quality relationship managers. If we properly

service our customers, they will then refer other customers who will do additional business with us. This has worked very well for us.”

**CEOFCO:** You mentioned remote capture. Are there other services you would like to add to the mix or that you are planning to add?

**Mr. Booker:** “We have a very sophisticated cash management program and on-line banking platform that allows our customers to request wires on line, provides for on-line ACH origination and manage their business from their desk.

We have two people dedicated solely to technology. They go out to the customer’s office, set them up with our on-line banking program and teach them to use it in the most efficient manner.”

**CEOFCO:** Final thoughts, why should potential investors look at American Principle Bank?

**Mr. Booker:** “We have a great future. We are focusing on 21<sup>st</sup> century technology and concierge service. We have the capital that will allow us to grow the bank to about \$500 million before we would even need to think about raising additional capital. American Principle

Bank achieved profitability in just the fifth full quarter of operation, and we see nothing but positive growth for the Bank in the future. We are so thinly traded that our stock is a great buy right now. Our stock today traded at \$7.30 a share, and our tangible book value is \$9.54 a share. We are trading at a significant discount to book. If anyone is looking for a good long-term buy, American Principle Bank is a good one. I am continuing to buy.”

