



As a Full Service Community Bank in Downtown Santa Barbara, California, American Riviera Bank is Experiencing Growth as Deposits Gained through Consumers Leaving the Big Banks are Deployed into Loans

Financial
Full Service Bank
(ARBV-OTCBB)

American Riviera Bank

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Ms. Michelle Martinich
Senior Vice President and CFO

BIO:

In her 15-year career, Mrs. Martinich has gained extensive knowledge and experience in performing complex financial modeling such as asset liability management, funds transfer pricing, and profitability and risk management. Mrs. Martinich was a member of the organizing management team for American Riviera Bank and has served as the CFO since the Bank's inception in 2006.

As Vice President, Planning & Analysis with Pacific Capital Bancorp (Santa Barbara Bank & Trust), Mrs.

Martinich had full responsibility for corporate planning, budgeting, forecasting and analysis, including consideration of merger and acquisition activity, as well as complex modeling, such as profitability, funds transfer price and asset liability model preparation.

She also held the position of Experienced Audit Senior for Arthur Andersen, where she worked primarily in the financial services industry. Her clients included Pacific Capital Bancorp (Santa Barbara Bank & Trust) and Sanwa Bank of California.

Ms. Martinich is a Certified Public Accountant and graduated with honors from UC Santa Barbara with a BA in Business Economics. Mrs. Martinich is also active in the community and serves as the current Board Chair of Visiting Nurse and Hospice Care of Santa Barbara.

Company Profile:

American Riviera Bank is a full service community bank, focused on serving the lending and deposit needs of businesses and consumers in our community. The Bank was founded in 2006 by over 400 local shareholders and has one branch located at 1033 Anacapa Street in downtown Santa Barbara.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: Ms. Martinich, you were a part of the founding group in 2006, what interested you in the new venture?

Ms. Martinich: I had been on the external audit side and I had worked for another bank that had gone through acquisitions. I thought it would be great if I had a chance to be part of that in Santa Barbara but it happens so rarely and almost six months to the day I get a knock on my door saying "hey we are thinking about starting a bank, what do you think?" Our community is pretty small and tight-knit, very much believes in doing things local, and the local bank in our community had even at that time grown to a place where it was more of a regional player. It as an opportunity for me to be able to make a difference and to be able to be part of a team that could do something great. That was exciting; I saw a definite need in our community for the small bank.

CEOCFO: What was the vision when the bank started and how has that changed over time particularly over the uncertain times that we have had for several years now?

Ms. Martinich: The bank has always been about relationships and I do not think that has changed. It is a place where we know who you are, you can talk to a human being and have a conversation. Our bankers are educated people who can help guide you and will actually get you an answer quickly even if that answer is no, so you can move forward. In the beginning, there was a bigger vision to do nonprofit lending because there are so many in our community. But, that is a tough market in this economy. We still want to serve the non-profits but we have not found it to be as much of an opportunity as advising, guiding, and helping small businesses, sole proprietors, service re-

lated industries, dentists, sole proprietor doctors and CPA firms. We find that is a great business for us, it is a niche business. Those professionals are very good at what they do but the financial piece sometimes is a struggle so we are able to come in and help them grow their businesses while also growing our bank.

CEOCFO: Do you find that your typical clients understand and believe you are trying to help them or do they have to be brought slowly into the idea of relationship banking?

Ms. Martinich: I think they get it once they are here, but are skeptical at first because of how they have been treated elsewhere. Honesty and integrity are at the forefront of what we do, so much so that we have been known to say to clients "you know that is a very good deal that other bank is giving you, you should go for it." Clients will be offered incredible deals at other bank, but frequently that bank cannot get the deal done, and the client will remember their experience with us and know that we are there to help them and we will be responsive, so they come back to us. Those are the clients that definitely understand the value of relationship banking. We have opened many people's eyes to not just rate shop, make sure you are going to get your service too. Hands down our customers are our best referral sources. They come in here and realize they are treated like a person. If they have a problem with their online banking, they call and talk to a person that is sitting down the street, not four hundred miles away in a service center.

CEOCFO: Are there any services you are not currently offering that you would like to add?

Ms. Martinich: We had not been offering mortgage banking when we opened and that is a change from the economy. When we opened back in 2006, mortgage lending was a commodity. People would go online, take the cheapest rate possible, and there was absolutely no relationship with mortgage lending, so we did not offer that product. The ability to get a mortgage loan has become very challenging for the average person. Last year

we found an opportunity for bridge financing for those people that maybe have a cash or equity but do not have reportable income. We were able to get those people into their homes and from there we realized that mortgage lending has come back to a relationship sort of thinking. We just launched mortgage banking ninety days ago, which has been very exciting for us. It is a great place for us to make sure we are serving our clients and our community all around. Some of the other services banks offer trust services but we believe that there are plenty of high quality trust companies currently offering those services, so that is not a business that we think is important for us at this point.

CEOCFO: How do you attract business other than referrals?

Ms. Martinich: Much of it is relationships that our loan officers have and relationships that we build. We encourage our staff and our manage-

We are able to take all these deposits that are coming in as consumers leave the big banks and as word spreads about our service and deploy them back into loans, - Ms. Michelle Martinich

ment to be involved with nonprofits and to be out in our community talking about the bank and opportunities. We take an advisory approach, encouraging people to come in and talk to us even if they are not ready for the loan yet. That works out really well because maybe we may not do that deal but six months, two years or whenever down the road when they are looking for a loan they will think of American Riviera Bank. We do some advertising but that is just so people recognize our name and have familiarity with the Bank.

CEOCFO: How do you set yourselves apart from other local banks?

Ms. Martinich: It is the service, the small size and the speed and agility. In the last two years, we have been making loans while some of the other banks would not or could not make loans. We have been able to continue to help grow the community and that has made a big difference. It is a small community and word spreads quickly. We have ample capital and

we have been able to meet needs. When it comes to service, my favorite example is our response to overdrafts. If you overdraft your account, somebody calls you. We do not just start hitting you with fees and have you to try to figure it out. We actually pick up the phone and call you. We alert you to the situation and give you a chance to remedy it.

CEOCFO: What is the breakdown between consumer and commercial and would you like to see the mix change?

Ms. Martinich: We are about 80% commercial.

CEOCFO: American Riviera Bank's last quarterly report was quite good; what were the results and how do you continue on the same track?

Ms. Martinich: We reported over 20% loan growth year over year which was tremendous when other banks are struggling to bring in loans. It is

our willingness to look at deals regardless of what the collateral or the repayment source might be. Some banks will simply say they are not going to look at that loan because it is a construction deal. We are willing to take the time to look at a deal and see if it makes sense, not just saying no because somebody higher up told us we cannot do those types of loans. There is no higher up, we are it. We have been able to maintain a 90% loan to deposit ratio which helps the margin. We are able to take all these deposits that are coming in as consumers leave the big banks and as word spreads about our service and deploy them back into loans, which has obviously had a tremendous impact on earnings. We are seeing an end to the credit crisis. We are seeing things stabilize in real estate values and that is helpful. The last two years we were impacted with appraisals, declines in collateral values.

CEOCFO: How did you reassure people through the crisis?

Ms. Martinich: That was kind of tricky. We emphasized that we were small, we had less than one hundred borrowers, we knew them all, and we were on top of it. Honest, clear and

consistent communication were critical.

CEOCFO: Why should investors pay attention to American Riviera Bank?

Ms. Martinich: We are serving clients and growing our customer base. The last year has been about focusing on not bringing in one or two really

large accounts but ten or twenty small good core deposit and loan accounts. We are growing, we have a great business model, a strong management team, excellent staff, and we are in a community that has much value. People want to live in Santa Barbara. We have all seen drops in real estate value but when all is said

and done Santa Barbara is a little bit of paradise. This is where our loans are and this is where our deposits are. If people want to be here they will do what they can to stay in the community. They will do what they can to buy their homes and people want vacation homes here.



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