



# CEOCFO

## Interviews & News!

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### As Only One Of Three Banks Out Of Sixty Start-Up Banks In The State Of Washington Since 1990 That Hit The 100 Million Mark In Total Assets In Two Years, Puget Sound Bank's Business Model Has Proven To Be Very Successful



**Financial  
Commercial Bank  
(PUGB.OB OTC: BB)**

**Puget Sound Bank**

**10500 NE 8<sup>th</sup> Street, Suite 1800  
Bellevue, WA 98004  
Phone: 425-455-2411**



**Jim Mitchell  
President and CEO**

#### **BIO:**

Jim has served the banking industry for more than 35 years, with nearly 20 of those years in the Greater Seattle area. A native of Poulsbo, Washington, he received his BA from Seattle University and his MBA from the University of Washington, then went on to earn a JD from Southwestern University School of

Law in LA. Jim left Sterling Savings Bank as SVP & Manager of the Seattle Corporate Banking office to establish Puget Sound Bank. His prior experience included serving as SVP at US Bank in Seattle for 12 years and managing corporate banking and commercial banking teams with Security Pacific Bank over a 13-year period. Jim has served on boards for various local organizations involved in healthcare, the arts and education. He currently serves on the boards of the Albers School of Business at Seattle University and the Washington Chapter of the Multiple Sclerosis Society.

#### **Company Profile:**

Bellevue, Washington-based Puget Sound Bank (PUGB.OB) was founded to meet the specialized needs of small and medium sized businesses, commercial real estate projects, professionals, and individuals seeking a higher level of service in the Puget Sound region. Staffed by the most experienced, customer-oriented banking professionals in the region, Puget Sound Bank offers a full range of competitive financial products with superior customer service and a consultative/partnership approach to its clients. Puget Sound Bank provides online banking and has access to a large branch network in Washington. It can also provide remote capture technology, which allows its clients to make deposits from their offices. The bank is located at 10500 NE 8<sup>th</sup> Street, Suite 1800, in Bellevue, Washington.

**Interview conducted by:  
Lynn Fosse, Senior Editor**

**CEOCFO:** Mr. Mitchell, Puget Sound is a fairly new bank; why the need?

**Mr. Mitchell:** "We celebrated our three year anniversary last Friday, and we raised \$22 million in capital. At the time, it was most capital raised by a Washington State start-up bank. Our business model is to be a pure business and private bank. We are a one-location bank in Bellevue Washington. We currently have twenty-two employees with 70% of our loan portfolio is to middle-market companies that are in the \$5 to \$50 million in sales in the Puget Sound area. We define our geographic market as Seattle, Bellevue and as far north as Everett and as far south as Tacoma. Part of our business model is we have very experienced business people with twenty to thirty years experience. It bodes well for the customers that may have experienced very junior officers at some of the large banks. Only 30% of our loan portfolio is commercial real estate and there is a small but growing part of what we call our private banking high/net worth individuals. We felt that market, although served, was not well served with the quality of people and customer service focused kind of people that we have. Our model has been validated because we were only one of only three banks out of sixty start-up banks in the state of Washington since 1990 that hit the 100 million mark in total assets in two years. We also became profitable very quickly. Our first profitable month was the 17<sup>th</sup> month of our operation, which is very much in the upper quartile of start-up banks."

**CEOCFO:** You certainly had a successful quarter this go-round!

**Mr. Mitchell:** "Yes, we did. The bottom line was up by 40% over last year's first quarter."

**CEOCFO:** How is the economy in the area you serve?

**Mr. Mitchell:** "One of the things we enjoy here in the Puget Sound area and the state of Washington in general is a stronger region economically than most of the regions in the United States. We are fortunate to have Boeing performing very well. They are probably going to hire four to five thousand people in the region this year and next year. We have Microsoft with almost the exact same number of projected new hires for the region. The ripple effect for both of those is dramatic and I think it will allow our region's growth to be a lot better than what you see nation-wide."

**CEOCFO:** 'Our tremendous growth has been fueled by the finest customer service in the industry', is a quote from you; what do you do that is different?

**Mr. Mitchell:** "We have a hiring model that dictates not only the highest caliber of business bankers in the area but also the ones that are the most customer-focused. It is hard to train customer orientation. Therefore, we started from scratch hiring those kind of people and I think when you get a whole group of 22 of those type of people, it is internal combustion as far as what they can accomplish. Based on how quickly we have grown, I think our model is effective."

**CEOCFO:** Is there much competition for your type of banking in the area?

**Mr. Mitchell:** "Banking is always a very competitive business. When you specialize like we have and focus just on middle-market business, commercial real estate and private banking you are more effective. You don't have the large branch system with all the bricks and mortar and all the administration of people to deal with. You can leverage fewer people for greater results. We found with the current economic slow down, many of our community bank brethren that have focused heavily on real estate loans are now looking for new markets to get into as the real estate market is dramatically slowing down. They are now looking to get into the commercial and industrial market

that happens to be our specialty. However, it is a long conversion. We find a lot of the local community bank folks are coming to us knowing we have specialized in middle market business loans. They are looking for participations from us on deals that are bigger than we can do ourselves. Unfortunately for them, they do not have the people, the experience, the infrastructure, or the credit expertise in their banks to make that conversion very easily."

**CEOCFO:** It is a lot of careful planning and attention!

**Mr. Mitchell:** "Yes it is."

**CEOCFO:** How do you reach new customers?

**Mr. Mitchell:** "We have an average of 23 years of experience in the small and middle market business segment, so we have had a lot of loyal customers from

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previous banks that are joined us. Now that we have been successfully servicing our customers for three years, we are getting a lot of referral clients from satisfied clients as well."

**CEOCFO:** You have had no charge-offs or delinquent loans since you started; what accounts for that?

**Mr. Mitchell:** "A lot of us come from banks with very good credit cultures and we learned from that experience and realized we needed to bring that strong credit culture to our bank as well. We all know that the best way to hurt a bank is by bad loans, so we had a real focus on our credit culture and make sure our deals are structured right and priced right."

**CEOCFO:** Are there services that you would like to add?

**Mr. Mitchell:** "Eventually we would like to add a wealth management to our list of products; right now we offer the typical CDs, money market, checking accounts,

credit cards and debit cards. Many of our private banking clients have some of their money with asset managers. We currently do not provide that product. Therefore, I see us getting involved in that market."

**CEOCFO:** Please tell us more about the private banking aspect.

**Mr. Mitchell:** "Because we are so strong with middle-market companies, the executives and owners of these businesses have personal needs, as well as business needs. They may need financing of a second home in the desert or assistance with purchasing commercial income property. We take care of those kinds of needs. We do not do not originate mortgages so we have no sub-prime mortgage exposure. The closest we come to mortgages is the home-equity lines for some of our high net-worth individuals or business owners."

**CEOCFO:** Do you find that many of your business customers are taking advantage of the private banking side or is that an area that needs some growth?

**Mr. Mitchell:** "More and more so, but I think we are somewhat restricted without that wealth management product. That is why we are looking to develop that to get a little more share of our existing customer's wallet."

**CEOCFO:** What is ahead the next two or three years?

**Mr. Mitchell:** "We have had tremendous growth and I see that continuing partly because of the region we are in and partly because of the tremendous people we have. I see us being opportunistic, as well. If there is an opportunity to expand with an office or loan-production office in Everett or Tacoma we would consider it. Technology has also helped expand our geographic reach. We have been very active and started very early in promoting our remote capture deposit product. By placing a remote capture machine in a customer's office the business client can make deposits with that machine that goes electronically into our bank that night. This is the equivalent of having a Puget Sound Bank branch in the customer's office. This really levels the playing field between ourselves and the larger

banks with 200 plus branches in Washington. This is an example of how technology has helped community banks compete against the big banks with the large branch networks.”

**CEOCFO:** In closing, why should Puget Sound Bank stand out for potential investors?

**Mr. Mitchell:** “Our business model calls for high caliber people with strong customer-focus. Puget Sound Bank’s growth curve is significantly stronger than of many of our community bank brethren.

Our business model also requires fewer people. I think that will benefit our investors greatly over the next couple of years. Puget Sound Bank’s stock has performed better than its peers during this economic downturn. We anticipate this same trend on the upside, as well.”



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