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Interviews & News!

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From \$50 Million In Assets To Now Being A \$200 Million Bank, Albina Community Bancorp Is Writing A Tremendous Turnaround Story



Albina Community Bank

**Financial
Commercial Banks
(ACBC-OTC: BB)**

Albina Community Bancorp

2002 N.E. Martin Luther King Jr. Blvd

**Portland, OR 97212
Phone: 503-287-7537**

**Robert L. McKean
President and CEO**

BIO:

Mr. McKean has served as President and Chief Executive Officer of Albina Community Bancorp since April 1999; President and Chief Executive Officer of Albina Community Bank from April 1999 to April 2007 and he remains Chief Executive Officer of the bank; A veteran banker with over 32 years of experience that includes service at Seattle-First National Bank; Bank One, Cleveland; United Security Bank and New Century Bank, in organization; Chairman of the Board of Directors of the Community Development Bankers Association; Chairman of the Policy & Advocacy Committee of the Center for Innovative Schools; Member of the Investment Committee of Metropolitan Family Service. Various prior board roles with Junior Achievement, Metropolitan Family Service, N/NE Economic Development Alliance, National Bankers Association, Oregon Bankers Association, Interstate MAX Business Support Task Force and the Multnomah-Washington Counties Regional Investment Board.

Company Profile:

About Albina Community Bancorp
Albina Community Bank is a locally owned full-service independent commercial bank committed to investing in individuals, families, businesses and local neighborhoods. The bank promotes community development by providing products and services and banking solutions that are directed towards improving the social or economic conditions of underserved peoples or residents of distressed communities. Albina offers a wide range of competitive banking solutions, while also maintaining its' mission to promote jobs, growth of small businesses, and wealth in our local Portland neighborhoods.

Albina Community Bank opened in December 1995 as the sole subsidiary of Albina Community Bancorp. Albina is one of approximately 50 commercial banks across the United States certified by the U.S. Treasury Department's Community Development Financial Institutions Fund as a community development financial institution. Albina is the only CDFI-certified commercial bank headquartered in the Pacific Northwest.

Albina operates from five local Portland locations, including offices at: 2002 Northeast Martin Luther King Jr. Boulevard; 8040 North Lombard in the St. Johns neighborhood of North Portland; 4020 Northeast Fremont Street in the Beaumont neighborhood; 5636 NE Sandy Boulevard in the Rose City Park neighborhood of the International District; and 430 Northwest 10th Avenue in Portland's Pearl District; and a remote ATM at New Columbia in North Portland.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. McKean, what was the vision when you became CEO of Albina Community Bancorp?

Mr. McKean: "Albina Community Bancorp had about \$30 million in assets and was struggling when I became CEO. It was about three years old. What we were interested in accomplishing was a sound, stable financial institution that serves the needs of lower income communities in the Portland area."

CEOCFO: Where are you today?

Mr. McKean: "Today, we are a \$200 million bank."

CEOCFO: You are one of about 50 of the commercial banks certified by the Treasury Department CDFI; tell us about that.

Mr. McKean: "Albina Community Bancorp was formed as a for profit institution, that also served a social mission of community and economic redevelopment in lower income communities. The CDFI certification by the U.S. Treasury's CDFI Fund ensures investors, depositors and other interested folks that we have a primary mission of community development. It also ensures that we do at least 60% of our work in communities that have median incomes that are 80% or less of the median income of metropolitan areas they serve. Today, we do about 70% by numbers, about 60% in dollars in those markets."

CEOCFO: What is the area like that you are serving and how are they faring under the current economic environment?

Mr. McKean: “That’s the interesting thing in this environment. North and Northeast Portland have historically been an African American enclave. In the city of Portland and over the last 10 years, it’s begun to gentrify quite dramatically. The racial mix has changed, significantly in north and northeast Portland. The changes have occurred partly because of efforts in the city and partly because of the efforts of our bank and other institutions that have been focused on trying to redevelop Northeast Portland. I’ve seen the economic position here improve significantly, even relative to the rest of the city in that time period.

Oregon has some of the strictest land use regulations in the country. This environment has actually helped. We are finding that residential properties up to \$300 to \$400 thousand in value in Northeast Portland area are continuing to go up in value through the residential housing crisis that we are facing today. We have seen commercial vacancy rates actually decline a little bit over the last year. We are feeling less of the effects of the current financial crisis than many areas of the nation. Property values seem to decline as you get outside of the urban growth boundary and further away from the city core.”

CEOCFO: How do you break down between business and personal banking and do you see that mix changing?

Mr. McKean: “Not a lot. We are a true retail bank in that we have 5 offices and we are focused on serving individuals in those communities, not just business clients. Having said that, in dollars, we are still 75% to 80% commercial and even though the numbers on the consumer side are higher, I don’t see that changing dramatically. All of the economic development work we do starts with businesses and with real estate development.”

CEOCFO: I know you think out of the box; what do you do that’s a bit different?

Mr. McKean: “A lot of the out-of-the-box thinking we do is one-on-one with clients. We tend to take transactions that other institutions had difficulty making and have gotten quite good at developing

partnerships with the state, the city and the federal government or foundations as necessary, to shore these transactions up so that we can get comfortable with our ability to be repaid on them. For example, we had a real estate transaction located on one of the more distressed streets in the city and needed a lot of help to get done. We were able to partner with the city’s development commission in which they provided what I term ‘quasi-equity’. We did the primary financing on it while the city provided subordinate financing through use of an intercreditor agreement. With the help of the city, we were able to put together a transaction that was seven years in the making. As a result, it has migrated up the rental rates in that particular area, which in turn, has improved appraised property values. As that happened, it enables other private developers to come in and be able to get their cost recovered. In the past, the rental

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rates were so low that they wouldn’t recover the cost of redeveloping.”

CEOCFO: Do you see the need for additional branches?

Mr. McKean: “Not in the near future. We are not projecting any new offices through the end of next year. There are a couple of others in the core of the city that we would like to add, but we are not in a hurry to do that. We added three branches in two years, on the base of two and it takes a while to get those up to speed. In addition, it’s had a negative impact on our efficiency ratio that we are now beginning to recuperate as we get those branches up to scale.”

CEOCFO: What do you look for in your people, over and above banking experience; what are the intangibles?

Mr. McKean: “We are looking for people that understand what our social mission is about and have relationships in the community and the ability to develop and deepen our relationships with our

customers over time. It’s important to me that we have a team that understands how to work together. I’ve watched sports teams and companies where you’ve got individual stars, who don’t play together very well. I’m very interested in getting the best talent that we can, but with people that have a personality fit with us.”

CEOCFO: What’s the competitive landscape like?

Mr. McKean: “Ugly. The competition is intense. When we started out we were working in markets that other banks weren’t terribly interested in. The pressures of Community Reinvestment Act and the rapid gentrification that has taken place in the last few years has brought a lot of competition to us. We are seeing competition from the big players, who tend to cherry-pick this market and we see competition from a variety of non-traditional firms that have made life difficult. It’s tough to get the margins in this kind of a setting. It’s nice to see yield curve return to a more normal shape, and that is helping. Ironically, the credit crisis in that last year or so has seen some pricing discipline return to the market, but competition is tough on both the loan side and on the deposit side.”

CEOCFO: How do you attract new business?

Mr. McKean: “I’ve been a banker for 33 years and it has been the same everywhere I have been. It’s all about relationships. You hire the right people who build the relationships and retain them with your existing customers. There is no substitute for that. It is one at a time, I call it mouth-to-mouth marketing.”

CEOCFO: Are there are services you would like to add?

Mr. McKean: “Private Banking. I would like to be able to add that some time in the next couple of years. We attract a number of socially progressive individuals and institutions and the ability to provide some form of wealth management for those individuals would be most helpful. That is really the one remaining big piece that we haven’t developed internally.”

CEO CFO: What's ahead?

Mr. McKean: "What we are trying to do is get to scale and we are defining scale as \$0.5 billion to a \$1 billion in size, without a lot more physical facilities. We feel like we need to do that to improve the liquidity for our shareholders, and to drive the efficiency ratio down to a level that works for us. So, we are really focused on building core earnings and that part of the drive for scale is to get improved earnings by improving our efficiency ratio."

CEO CFO: Why should investors be interested?

Mr. McKean: "It's unique in that we are more than just a bank. You can warehouse your money anywhere but why not put it in a place where it invests in the

communities where we are operated? - in your neighborhoods and friends? That's true, from both a customer's perspective as well as from a shareholder perspective. More and more people are interested in making sure that their money does more than just sit there and earn interest, and want to make sure that it is serving a greater purpose than just simply in the investment itself.

Increasingly, we are seeing people both buying stock in us and bringing their business to us for exactly that reason. The other reason frankly is, we are quite undervalued today. We are trading at about $\frac{2}{3}$ of book value, now. We are in the largest market in the city. In 2007, we grew at a rate of about 35%. The city is holding up quite well through this crisis and

is likely to do well coming out of it because of the general desirability because of the Portland Metro Area. We are seeing nice net in-migration here and frankly, we are trading at a bargain today."

CEO CFO: In closing, what is your daily focus as CEO?

Mr. McKean: "I am also filling in as the Chief Credit Officer for the foreseeable future, so I'm looking at credits and talking to customers. I'm also very involved with the community. Therefore, it is a combination of interacting with my team, with my Board of Directors and being as visible as possible in the community that we serve."



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