

**CEO
CFO****STONE &
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With Only Performing Loans On The Books, 1st Enterprise Bank Has Shown That It Is A Very Disciplined Bank

**Financial
Commercial Banking
Specialist interview covering:
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BIO:

**Michael R. Natzic
Senior Vice President
Community Bank Group**

Michael Natzic has been serving clients in the financial services industry since 1994, is a Senior Vice President in Stone & Youngberg's Community Bank Group. He covers nearly 70 California community banks, providing investments and

detailed analysis of the space to a vast number of retail and institutional clients. Natzic is widely regarded as one of the industry's leading experts in Community Banks. Prior to Stone & Youngberg, Natzic covered community banks as an Executive Vice President for The Seidler Companies, where he was also a member of the firm's Executive Management Team and Advisory Council. He is often quoted by media and widely known among the public speaking circuit.

Company Profile: Stone & Youngberg LLC

Stone & Youngberg, founded in 1931, is one of the oldest private investment banks operating in the U.S. and the nation's leading underwriter of California municipal bonds over the past five years.¹ The firm offers underwriting, advisory, and investment services across the country to state and local governments, non-profit organizations, and institutional and private investor clients through its offices in San Francisco, Los Angeles, San Diego, and Big Bear Lake, CA, and in New York, Chicago, Phoenix, Richmond, VA, and Annapolis, MD.

1st Enterprise Bank Profile:

1st Enterprise Bank is a full service commercial banking institution, whose highly experienced bankers personally serve Southern California's entrepreneurial businesses. Headquartered in the Los Angeles financial district and founded in 2006, 1st Enterprise Bank offers a full range of credit and depository services, with special emphasis on superior customer service, sophisticated cash management services and direct access to bank decision makers. Customers work directly with their 1st Enterprise Relationship Banker, who understands the unique challenges of their industry and

serves as a sounding board and an active participant in their success.

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

CEOCFO: Mr. Natzic, please tell me a little about the universe that you cover and why you have chosen that group?

Mr. Natzic: "The community bank group was started back in the early 1980's serving an unserved market space, Community Banks. Community Banks as you know are an integral part of our environment and we felt that nobody was following this universe. Our group specializes in this arena. We currently cover 70 banks. In the western states and in California there are only about 300 banks, so we cover a fair amount of them. There are only a handful of market makers that cover community banks and Stone & Youngberg is one of the major players in this arena."

CEOCFO: What is your criteria for choosing a bank that you want to include?

Mr. Natzic: "When we look at a bank that we want to include in our universe, we look at numerous criteria--but bottom line we look for a story. We look for a solid management team and in many cases a lot of these teams we have worked with in the past. Something that is really interesting is that when you look at the management team of a community bank in many cases because of the merger and acquisition activities within the sector, many of the bank presidents or management teams have been at several banks over the course of their careers. It takes out some of the guesswork when we are looking at a bank because we may have worked with that same team in the past. Then we look at the market area and the business plan. If it is a new bank we are

looking closely at their business plan. If it is a bank that has been around for a while then of course we are looking at growth and earnings. We are also looking at the fundamental basis of that bank and where they are going, but a lot of it boils down to the story, because without a story to tell to investors, we don't have much to go on."

CEOCFO: Why have you chosen to work with 1st Enterprise Bank?

Mr. Natzic: "1st Enterprise Bank is a very interesting bank. They have a very strong management team, and many from this team came out of Mellon First Business Bank. John Black, Brian Horton, David Holman, and all of the upper management have impeccable reputations within the community bank sector and that takes out a lot of the guesswork regarding what we expect from this bank. In starting the bank, 1st Enterprise set some pretty high benchmarks and they have been able to hit all of those benchmarks. They had some curve balls thrown at them with the recent economic environment, but despite that they have been able to continue to hit their benchmarks and we have been really impressed by that. So although the economic environment has changed and made it more difficult for them, they have continued to strive and keep a clean balance sheet, a clean loan portfolio, and they continue to make money in this market."

CEOCFO: John Black has told us the philosophy at 1st Enterprise is very disciplined and focused, how do you see that playing out?

Mr. Natzic: "The numbers speak for themselves in this case. If you look at 1st Enterprise Bank's fundamentals you can tell they are sticking to the discipline. According to the bank, they don't have any problem loans on the books. In this market that is critical because if you have

a bank that is deviating it is going to show in their numbers and it is going to show quickly. You can see from their quarterly reports that they are right on track and doing their job right and that is likely to have a positive impact on the bottom line."

CEOCFO: Given the current economic climate what are the things you may pay attention to that the average person may not look at?

Mr. Natzic: "Let's go back to the discipline of the management team. What we find with some banks from time to time is that they get swayed because they have to hit certain benchmarks. They may feel pressure from their shareholders, their

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board of directors, or from their clientele. When they don't hit those benchmarks they tend to stray from their discipline to find ways to make money on their net interest margin. A good example is what we saw here several years ago when many banks were criticized if they weren't lending out in the Inland Empire, an area in southern California that has since been hit very hard by foreclosures. Well now those same banks are being criticized for lending in the Inland Empire. So it is one of those situations where banks that didn't lend in those areas years ago were criticized, but now they are being praised. It can be tough to be disciplined in this climate but those who do are often rewarded.

Especially in this economic environment, the disciplined approach is working well for 1st Enterprise. They are doing good fundamental banking, good community banking, and that is a sound long-term strategy. They are growing their bank and growing it right by sticking to core business banking. According to the bank, they have no problem loans on the books and I don't see them doing brokered deposits. A lot of banks will have to go out and raise deposits, but this is not the case for 1st Enterprise. They are not doing a lot of construction loans either, and that's another area we are watching. Unlike other banks, 1st Enterprise has only \$600,000 in construction loans on the books, so this is not something we are overly concerned about as it is an amount that I feel is relatively controlled."

CEOCFO: Sum it up for potential investors, why should they pay attention to 1st Enterprise Bank?

Mr. Natzic: "I look at 1st Enterprise as a bank that is faring well and doing banking the way it should be done. They have little exposure in problem areas, they are well capitalized, they are making money and

they have never strayed from core community banking. I think that is critical in this environment. From an investor standpoint, from a fundamentals standpoint, this is the type of bank that we should all be looking for."

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1ST ENTERPRISE BANK