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Despite the Economic Downturn of the Last Few Years and New Banking Regulations, ECB Bancorp, Inc. is Still In An Offensive Mode with a Proactive Approach to Growth

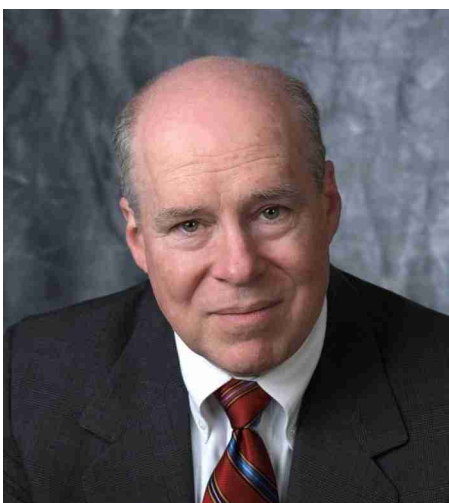
**Financial**  
**Regional – Mid-Atlantic Banks**  
**(ECBE-NASDAQ)**

**CEOCFO Interview With**



**A. Dwight Utz**  
**President, CEO and Director**

**&**



**Tom Crowder**  
**Chief Financial Officer**



**BIO:**

**A. Dwight Utz**  
**President/Chief Executive Officer**  
**ECB Bancorp, Inc. &**  
**The East Carolina Bank**

Dwight Utz joined the East Carolina Bank in July 2009 as its President and Chief Executive Officer. Dwight has worked in the banking industry since 1972 at the former CCNB Bank, Camp Hill, Pennsylvania. During his tenure at CCNB Bank, Dwight held positions in Retail Banking, Human Resources and PNC Integration Manager and advanced to the position of Senior Vice President/Regional Market Executive until PNC Financial Services Corp. acquired CCNB Bank.

From 1995-2000, Dwight worked for PNC Financial Services Corp in Pittsburgh, PA serving as Corporate Vice President/Manager of Human Resources and then as the Director of Branch Network Re-Engineering, which involved developing and executing branch plans for the retail delivery channel.

He worked at PNC Bank Corporation until 2000.

Dwight was a consultant with Comtempo Design, Inc. serving as its Retail Financial Services Consultant from 2000-2001.

Dwight returned to banking in 2001, joining Midsouth Bancorp, headquartered in Lafayette, Louisiana. He

served as its Executive Vice President/Chief Retail Officer until he was appointed by East Carolina Bank to serve as President & Chief Executive Officer, effective July 1, 2009.

Dwight holds a Degree in Business Administration from Central Pennsylvania College. Dwight is a graduate of the ABA's Stonier Graduate School of Banking at the University of Delaware, and has completed the Executive Leadership Development Program at the Center for Creative Learning in Colorado.

Dwight has been involved in several civic and national/state banking organizations, including the American Heart Association, the Rotary Club, and various Chambers of Commerce.

Dwight is a native of Baltimore, Maryland. He is married to the former Debbye Minori of Mechanicsburg, Pennsylvania. They have two sons and four grandsons.

**Company Profile:**

ECB Bancorp, Inc. is a bank holding company, headquartered in Engelhard, North Carolina, whose wholly-owned subsidiary, The East Carolina Bank, is a state-chartered, independent community bank insured by the FDIC. The Bank provides a full range of financial services through its 25 offices located throughout eastern North Carolina from Currituck to Ocean Isle Beach and Greenville to Hatteras. The Bank also provides mortgages, wealth management and insurance services through the Bank's licensed agents. The Company's common stock is listed on The Nasdaq Global Market under the symbol "ECBE".

**Interview conducted by:  
Bud Wayne, Editorial Executive**

**CEOCFO:** Mr. Utz, given all that has taken place over the last year with government regulations, the housing crisis, and the economy, have there been changes with the vision for the bank since we spoke a year and a half ago?

**Mr. Utz:** The answer is no. We still are in an offensive mode. Obviously, we acknowledge that the economy and regulatory environment have presented some unique challenges over the past year and half, but the vision of the company remains the same. As you know we are in the process of finalizing ECB's capital raise, and have announced our intent to purchase deposits and selected assets from seven branches of Bank of Hampton Roads. We are also in the process of obtaining regulatory approval to repay TARP. All of these are proactive steps in positioning ECB for growth in the future.

**CEOCFO:** How will the Bank of Hampton Roads acquisition affect the bank and why did you do it?

**Mr. Utz:** The reason the purchase from the Bank of Hampton Roads is so attractive is because we had strategically identified the Raleigh market as part of our future expansion plans. If you look at any studies about growth markets within the United States and you take away the top ten, the New York's, the Chicago's, LA's, San Antonio's, Dallas, then Raleigh would be in the top three or four growth markets. That is the attractiveness of why this acquisition of deposits from the Bank of Hampton Roads is so vibrant for our growth in that market.

**CEOCFO:** Will your growth strategy moving forward involve future acquisitions or are you going to be more organic?

**Mr. Utz:** We describe our growth strategy to the investment community as a three-legged stool; the first is organic growth, which is a big component of our future growth. We have a

huge opportunity to provide more products and services to our existing client base as well as developing new relationships in our existing footprint. The second component is the market expansion, basically a de novo branch strategy. We have identified about four or five key strategic growth markets that we are not in today, which we believe strategically complement our growth strategy. The third leg is acquisitions. The Bank of Hampton Roads is a branch acquisition transaction, but we have positioned our organization to integrate whole bank acquisitions that fit our growth plan.

**CEOCFO:** How stable are the areas that ECB Bancorp is in currently?

**Mr. Crowder:** Our outer banks mar-

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ket, the coastal market outside of the Wilmington area, which is down in the southeastern corner of the state, we have actually had very good economic activity. The bulk of our customers are service industry companies and tourism industry in these markets. The last two/three years actually have hit all-time highs for tourism and have produced food revenue streams for our clients. We do not see that changing in the near future. Obviously, we have a component of second homes in these markets which have experienced depression of real estate prices/values, but the underlying economic drivers from the tourism industry remains strong. Due to several factors in the economy people have made the Outer Banks as their vacation of choice, and we believe that will be unchanged after the economy recovers. One of our other urban areas, Greenville is a very dynamic

medium sized town. It has East Carolina University, and an expanding regional medical center. It is becoming quite a dynamic spot in eastern North Carolina. The weakest market we have is in our Wilmington market, which was a de novo market we entered in 2006 where we now have four branch locations. The Wilmington market's tourism is largely driven by second homes and beach house rentals. The real estate market overall there has been much weaker in comparison, so we have not seen quite the turnaround there that we have seen in other markets. We believe there is an opportunity to grow our footprint in North Carolina and are evaluating entrance into the Fayetteville and Jacksonville markets, and expanding our presence in the New

Burn area. The growth of military bases in these markets and the resurgence of businesses to support the military bases supports our positioning of creating success for small business and individuals through innovation and our special levels of expertise.

**CEOCFO:** How do you break down between consumer and commercial, and is the bank involved with the real estate market, and were you affected by any foreclosures?

**Mr. Utz:** You would certainly describe ECB as a small business/commercial bank. When Jim Burson, our EVP/Chief Revenue Officer, and I joined the bank two years ago, the consumer side was certainly there, but it was not a prevalent part of our business model. We believe we have a golden opportunity to build the retail business of ECB and to grow this part of our balance sheet. Our team is giving a lot of attention to this component of our organic growth strategy. Today we have approximately 5600 loan relationships, with an average commercial loan size of \$90 thousand. Our specialty and expertise is with owner occupied real estate, small businesses and family owned businesses, entrepreneurs and professional business owners. That is what we are today. The other part of your

question was, "Has the consumer been affected by the housing market." Certainly the answer is yes, but to a lesser extent than in other markets of North Carolina.

**Mr. Crowder:** Obviously, we have had our fair share of real estate related losses. We did not have as many real estate development projects as some of our peers and the diversification and management's attention to managing our portfolio provided a nice layer of insulation against the economic downturn that occurred over the last three years.

**Mr. Utz:** The other comment I would make to you as it relates to consumer/commercial is that Agri-Business line of business places ECB as the second largest bank lender in North Carolina. It has been a growth area for our company over the last ten/fifteen years and is an integral component of our future growth initiatives. Over the last ten years we have not had any charge offs in our Agri-Business business portfolio.

**CEOCFO:** Are there any new products that ECB is offering such as remote deposit capture?

**Mr. Utz:** Sure, we have rolled out an entire suite of business services traditionally known as treasury services. Remote deposit capture is one of these services and we are working on additional Point of Purchase opportunities that will probably be debuted in early 2012. We plan to also add a mobile banking solution in the 1<sup>st</sup> Quarter of 2012, which will be an important part of our channels of delivery. In 2011, we introduced our Reward Checking product which was designed for customers who choose to do their banking electronically, by use of debit cards, the use of automatic deposits, electronic statements and the use of automatic bill pay. It pays a little higher interest if everything is done electronically. This product has generated \$65-70 million in new core deposits since its intro-

duction last year and has been a very successful addition to our product line.

**CEOCFO:** Is ECB more of a traditional bank taking on loans locally and loaning it out locally?

**Mr. Utz:** Absolutely! I will tell you, with deposits taken locally, loans provided locally, you bet. Do we have a couple of participation loans? Yes, but that is very rare and I would say that 98% of all deposits are loaned out within the markets that ECB serves.

**CEOCFO:** Where does ECB stand in the new banking environment and generate revenues through fees as well as other sources of revenue?

**Mr. Crowder:** We are obviously look-

**What you have in ECB Bancorp is a bank where the current stock price has been devalued by the general market conditions, but yet the underlying quality is there. The fact that we have been able to engage six institutional investors to invest \$80 million at a price that is about 35-40% above our current traded price, is an indication that they feel that there is not only current value, but a good long-term investment story here. We believe North Carolina as well as Virginia and South Carolina markets that we plan to enter as part of our growth strategy are attractive areas of the country to be invested in. - Tom Crowder**

ing at all of our fee-generating services, but we are also looking for other fee related opportunities. We have a very strong mortgage loan division, and we are expanding our wealth management division which we introduced two years ago. We are presently evaluating our options related to offering a full array of insurance services to small business and individuals. We believe this will enhance our non-interest income that will aid in covering some of the expected shortfalls we expect to experience from the passage of new and proposed regulations.

**CEOCFO:** What is the financial picture for ECB Bancorp today, and do you have the money you need to continue your growth strategy?

**Mr. Crowder:** We are hopeful by the end of this quarter we will have closed on a private placement capital raise, which has been publically outlined which will bring us close to \$80 million in capital. This new capital will position us to pursue our growth strategy in a more aggressive manner including the branch acquisition we referred to earlier.

**CEOCFO:** Are you focused on attracting investors at this point, and out doing road shows?

**Mr. Utz:** The answer is absolutely! Prior to the arrival of Tom and I, ECB had not generally been big in the investor community, but Tom and I have been invited to and have attended multiples of investor confer-

ences and will continue to do so. This year we have provided presentations to approximately 80 to 100 investors as we were building the capital raise and we continue to talk to and meet new investors every month.

**CEOCFO:** In closing, will you address potential investors as to why they should be interested in ECB today?

**Mr. Crowder:** What you have in ECB Bancorp is a bank where the current stock price has been devalued by the general market conditions, but yet the underlying quality is there. The fact that we have been able to engage six institutional investors to invest \$80 million at a price that is about 35-40% above our current traded price, is an indication that they feel that there is not only current value, but a good long-term investment story here. We believe North Carolina as well as Virginia and South Carolina markets that we plan to enter as part of our growth strategy are attractive areas of the country to be invested in.

**Mr. Utz:** To Tom's point. That is exactly what our new investor group was looking for and that is validation that other investors should be attracted to our story as well.



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