

Bank remains profitable by focusing on small to midsize businesses

BY MATT CULBERTSON
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Bill Hinz considered subprime lending as a revenue stream after establishing Western National Bank in February 2005. But residential mortgages were not the bank's core focus, so the bank CEO opted not to jump into the fray.

"We were tempted," he admits. "Boy, it was hard, because those banks were making a lot of money doing those loans."

Ultimately, the decision to stay the course with more traditional banking services and a community-minded approach served the bank well.

WNB, which celebrated its fourth anniversary Feb. 2, now controls about \$260 million in assets. It began with about \$12 million.

"It's much bigger than your traditional 4-year-old bank," Hinz said.

WESTERN NATIONAL BANK

DESCRIPTION: Locally owned community bank

CEO: Bill Hinz

ADDRESS: 2525 E. Camelback Road, Ste. 100, Phoenix

FOUNDED: February 2005

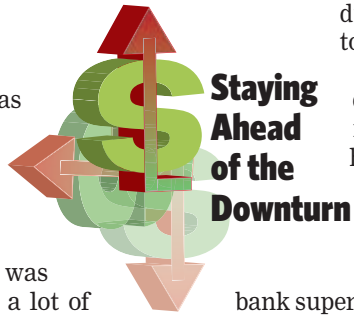
ASSETS: \$260 million

EMPLOYEES: 35

2007 REVENUE: \$15 million

2008 REVENUE: \$15.7 million

WEB: www.wnbank.com



Staying Ahead of the Downturn

ditional services and loans as they continue to grow, Hinz said.

That approach has lent stability to WNB during the economic downturn. By sticking to its specialty, the bank avoided being hit when the real estate bubble burst.

"We don't have any of that stuff on our balance sheet," Hinz said, referring to the bad debt saddling many other banks across the country. "We didn't

bank super-big real estate developers on speculative projects."

In September 2008, 0.58 percent of WNB's total loans and leases were 90 days or more past due, according to the Federal Deposit Insurance Corp. The category with the greatest number of noncurrent loans, 1.84 percent, was construction and development. Multifamily residential real estate accounted for 0.5 percent of WNB's noncurrent loans.

Hinz said he learned about the benefits of financing small businesses while he was at Bank of Arizona in the 1990s. In 1998, the institution was sold to Norwest, which was sold a month later to Wells Fargo. Hinz said he found it was no longer possible to cater to the needs of small businesses as an employee of a giant national bank.

Hinz and two founding partners, Kevin Kinerk and Douglas Reynolds, formed WNB in 2005 after their first venture — Sunrise Bank of Arizona, which they started in 1998 — was sold. Hinz said most of Sunrise was owned by out-of-state shareholders.

"We sold that bank to start one that we controlled 100 percent of," he said.

By recruiting former Bank of Arizona employees, WNB started with an employee base that had worked together for years.

"That was really the magic," Hinz said. "We knew how to get along with each other. We knew each others' strengths and weaknesses."

Despite turmoil in the financial sector and the banking industry meltdown, WNB built its total deposits from \$154 million in 2007 to \$180 million in 2008. The bank's typical customer is a small to midsize business, 5 to 10 years old, growing and profitable, he said. The average loan size is about \$1 million.

Working with smaller companies gives the bank an opportunity to grow with its customers. Many clients come back for ad-



PROVIDED BY WESTERN NATIONAL BANK

Western National Bank's co-founders, from left, Kevin Kinerk, executive vice president; Doug Reynolds, executive vice president and chief credit officer; and Bill Hinz, president and CEO.

Craig DeMarco, owner of Postino Winecafe and other restaurants in the Valley, said it's important to do business with a community bank.

"We're locally owned," he said. "We wanted to do business with a bank that had the same spirit."

Building personal relationships with business owners such as DeMarco helped WNB grow its market share, Hinz said.

"If you're just going to rely on the four corners of a sheet of paper ... that's an extremely difficult way to know a small business," he said. "When we come through for somebody, they refer us to everybody they know, and our bank just grows and grows and grows."



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