

'It felt like we came home.'

RICHARD ELKO | CONESTOGA BANCORP

INSIDER'S VIEW

Name: Richard Elko
Title: President, CEO and director
Company: Conestoga Bancorp, Upper Uwchlan
Education: Saint Joseph's University, BS in accounting (1983); certified public accountant (1985).
Career history: KPMG Peat Marwick, senior manager (1983-1991); Sovereign Bancorp Inc., senior vice president, financial analysis, planning and reporting (1991-1995); Patriot Bank Corp., executive vice president and chief financial officer (1995-2000); president and CEO and director (2000-2004); Conestoga Bank, president and CEO, director (2005-present).



In the News: In a rare case of a startup buying an established bank, Elko announced in September that Conestoga would acquire PSB Bancorp and its subsidiary, First Penn Bank, for \$87.4 million in cash.

How did you decide to go from Patriot Bank to starting up Conestoga Bank?

Patriot decided it wanted to go public and they asked me if I'd come on as the CFO, which I did. That was 1996 and then in 2000 they asked me to be the CEO, which I did. Then in June of 2004 we sold Patriot Bank to Susquehanna Bancshares. At that point I took a year off. I caught up on some of my hobbies and housework and all that kind of stuff. I was contacted maybe by 10 groups that wanted to start banks and I told them I wasn't terribly interested. But then I ran into my current investor group and we had an idea that we would like to get a bank started, but that we would like to grow it through acquisitions. We got the bank opened in July of 2006 and then signed an agreement to acquire PSB Bancorp and First Penn Bank in August of 2006.

It's unusual for a newcomer like Conestoga to buy an established bank like PSB Bancorp. What was the rationale behind the deal?

You're right, very, very unusual. It might be one of the few times that it has been done and what made it possible were the resources that my investor group brought to the table [and] my ability to get together a well-seasoned, experienced management team that has basically done this in a bigger setting in our previous lives.

Why did you choose PSB Bancorp?

Because they were available, but secondly because it could be had at a fairly attractive price and we think that with some sprucing up, we can create a lot of value with that franchise.

Why not just grow the bank organically?

De novo banking is a very valid business model, but I felt that for me personally and the team that I put together, we were looking to sink our teeth into something bigger

much faster. When we finally got the acquisition done, it felt like we came home. We've got a lot to work with now, we've got a lot of raw materials and we're looking forward to building it into a powerhouse.

With the acquisition of First Penn we'll go from 1,000 customers to about 20,000.

How do you see Conestoga expanding?

We have offices in Bucks County, we will have shortly two offices in Montgomery County, we have two in Chester and one in

Delaware County. I think what you'll see is us filling-in branches, not necessarily going further out into counties beyond the ones I just described, but I think you'll see us filling in that area and trying to become more dense.

And in terms of South Jersey, I think ... you'll probably see us go into that market first with an acquisition and then probably some other de novo branching.

With nearly 130 banks in the Philadelphia region, where do you see Conestoga fitting in, and how does it stand out?

I do see the Philadelphia market as a very, very competitive banking market and that's really part of the driver for our strategy. Rather than doing it solely with de novo branches, our model is acquiring a very well-established bank — First Penn Bank probably goes back 100 years. So ... even though we are a de novo institution, the majority of what we are is really a 100-year-old, very well-established business.

We differentiate ourselves from the largest banks because we are smaller, more nimble, more intimate with our customers and more local. And then we like to ... think that with the absolute best culture that we can attract and keep the absolute best bankers and if we have the absolute best bankers then they will do the absolute best things for our customers.

What's the biggest issue facing bankers today?

I kind of joke around with people when I meet different bankers and I ask, 'well how did you get into banking?' and pretty much the consistent answer is that 'it just sort of happened to me.' And if you ask most high school kids what they want to do when they grow up, I haven't met one yet, even my own son, who says, 'I want to grow up and be a banker.' And so I think we're in danger of having a real talent drain and you can see that mostly right now within commercial lending. All the big banks, the Fidelity Banks and the Mellon Banks and the Meridian Banks, used to train just about everybody, but those banks aren't around any more to do that. And so I think that we all need to do our part to make sure that there's plenty of good bankers for 10 and 15 and 20 years down the road.

— Cezary Podkul