The Findley Reports

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Editor's Comments

STANDING TALL

The March Newsletter has been a time where we recognize five exceptional banks who are team players, understand the game and have exemplified exceptional performance. 2008 was not an easy year for banks based upon the challenges of the interest rate market, the regulaperspective, economy, GSE impairments and the significant downturn in the financial industry. However, even in such a difficult time. there was exceptional performance and it needs to be recognized.

In 2004, we began to recognize five exceptional banking institutions and it has always been the case that there have been several candidates for each In March 2008, based upon 2007 performance, we didn't have quite the group that we had in previous years and in 2009 it is also the case since several banks that we would have normally expected to have an exceptional year made significant provisions to loan loss reserves and saw some weakness in their overall financial perform-

Our goal in uplifting exceptional banks is to rec-

ognize those that don't have a picket fence performance and are built for the long term. 2008 was definitely a year where picket fence, or better yet cliff diving, was the norm for a number of financial institutions.

We want to recognize those banking institutions that have been consistent players, that have delivered in good times as well as challenging times and over the past five years we've recognized twentyfive banks, several of which have now merged out of existence. What is interesting is that some of the institutions that we have recognized as exceptional performers over the past several years are having some difficulty in 2008/2009; however, for the most part, these banks have proven that they are solid franchises that do have a viable future.

The twenty-five banking institutions that we've recognized in the past are: Mid State Bank, Arroyo Grande, CA; Community Bank of Central California, Salinas, CA; Butte Community Bank, Chico, CA; Bank of Visalia, Visalia, CA; Orange Community Bank, Orange, CA;

Citizens Business Bank, Ontario, CA; Bank of the Sierra, Porterville, CA; Stockmans Bank, Grove, CA; Metropolitan Bank, Oakland, CA; 1st Pacific Bank of California, La Jolla, CA: Cathav Bank, Los Angeles, CA; Community National Bank, Escondido, CA; Plumas Bank, Quincy, CA; Sonoma Valley Bank, Sonoma, CA; Bridge Bank, N.A., San Jose, CA; East West Bank, Pasadena, CA; United Security Bank, Fresno, CA; Heritage Oaks Bank, Paso Robles, CA; Mission Bank, Bakersfield, CA: Commercial Bank of California, Costa Mesa, CA: United Commercial Bank, San Francisco, CA; American Business Bank, Los Angeles, CA; The Bank of Hemet, Riverside, CA; Summit Bank, Oakland, CA; and First Community Bank, Santa Rosa, CA.

For 2009, we are happy to recognize the following five banks with an exceptional designation in a very difficult time. Based upon year-end 2008 financial information and what they've done since their inception, the five banking institutions are as follows:

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SPECIAL POINTS OF INTEREST:

- ◆ Raising Premiums
- ◆ Taking A Hit Against TARP
- ♦ How Fast Can We Give It Back

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Over \$1.2 Billion in Assets Farmers & Merchants Bk. of Central California, Lodi, CA

\$600 Million - \$1.2 Billion in Assets Central Valley Community Bank Fresno, CA \$200 Million - \$600 Million in Assets CommerceWest Bank, N.A. Newport Beach, CA

<u>Under \$200 Million in Assets</u> Santa Cruz County Bank Santa Cruz, CA

De Novo Bank Less than 5 Years Old River Valley Community Bank Yuba City, CA In this month's *Directors' Compass* we have further information on these five banks. Congratulations for a job well done. Let's keep it up in this difficult time period

CHASING YOUR TAIL

When I was a boy I was always fascinated by the family dog and how it would chase its tail. The dog would run around in a circle chasing its tail until it was exhausted. Frankly I don't know what the dog was trying to accomplish or what it would do if it actually caught its tail. Pretty certain that the family dog never caught its tail but it sure would waste a lot of energy in the pursuit. Over the last several months I have been watching the regulators, elected officials and many bankers do exactly the same thing. They seem to be chasing their tail, running in circles and wasting a lot of energy. I cannot figure out what they are trying to

accomplish and what happens when and if they finally catch their tail. Most of the actions are nonsense and do not matter to what is ultimately important. Does a requlator or banker get a prize for being the best at chasing its tail? Maybe it is the pursuit that is the worthwhile thing - but what a waste of time! When President Obama entered office I thought he would be a little more focused but with all of the rhetoric coming out of Washington - only seems the circle is bigger and the pace has picked up to a blur.

One thing I learned from watching the family dog, and now so many

regulators and bankers chase their tail is - don't!!! Don't get caught up in what others are doing and even in what the regulators are recommending. Their track record is not very good. The regulators are not your friend; best you work to pursue your own plan. Chasing your tail will only keep you in the same spot and exhausted. Banks need to move forward and need to preserve resources. Control your own destiny; avoid taking advice from regulators, if possible, and move forward ... not in circles.

SILVER TEA SET OR NOT

My spouse was recently inducted into the Western Fair Association Hall of Fame. Sometimes when such an honor is bestowed the spouse is given a silver tea set as recognition. When asked whether I would accept a silver tea set (it normally goes to the wife) I stated - for sure - bring it on. I also asked for VIP parking passes from all of the fairs in attendance at the event - I am not too proud. Believe me the parking space does matter! When presented with the silver tea set I began to think about the many bankers that have retired over the last several years where

they either received a silver tea set or gold watch in recognition for their years of service. For most, the silver tea set or gold watch did not matter as much as the retirement benefits did ... the benefits they thought they had locked in. There have been many bankers who had SERP benefits or salary continuation plans that would pay a sizeable retirement benefit for a minimum of 15 years and for some a life time. These BOLI plans were the rage for several years and when the industry was going well life was good. However, we are finding now that with the increase

in bank failures (there will be a lot) the SERP benefits or any retirement in a bank that fails goes by the wayside and many bankers have found out that they got nothing! Guess it is time to go back to work and even though someone retired three to four years ago when the bank was healthy - if the bank fails - sorry out of luck. We are also curious if Senator Dodd and Congressman Frank will want to look back on the retirement or salary continuation benefits as part of TARP - who knows?

(Continued)

SILVER TEA SET OR NOT

Sometimes it is best to take the silver tea set or gold watch since for so many retired executives (or those who were planning to retire with a large nest egg) the money is not there or it is in the FDIC's pocket. Not to say you won't collect from the FDIC, but the chances for most are less than zero. Also expect the FDIC to be looking at the compensation plans for retired executives and the board; it may pursue recovery of funds. Not a pretty picture but with

(Continued)

the attitude that exists and the negative press for bankers (not deserved for most bankers) someone has to be the scapegoat. Expect to see a lot of bankers back in the work force and for some it will be as a WalMart greeter or flipping burgers. Not a lot of opportunities out there for retired CEOs. Definitely there are some seasoned and experienced executive officers who will be available to help out the banks. Don't forget that these bankers have what

it takes and can make a difference. We have a list of proven leaders who can be of help and if your bank needs some experience - give us a call or better yet, just look around. I have not used the silver tea set yet but I do expect to give it some use. Maybe I can pour martinis with it? I noticed I need a drink more often at the end of the day with what is happening.

RAISING PREMIUMS

To ensure the continued strength of the deposit insurance fund, the FDIC recently stated that the Board has placed a special assessment on insured institutions and extended the restoration plan to raise the deposit insurance reserve ratio to 1.15%. The amended plan increases the normal assessment rates. Banks in the best risk categories have paid between \$0.12 per \$100 of deposits to \$0.14 per \$100. After April 1, 2009, banks in the category will pay between \$0.12 per \$100 of deposits to \$0.16 per \$100 on an annual basis. Assessments will increase for banks with a combination of rapid asset growth and brokered deposits, a combination that played a role in some of the recent bank failures.

The FDIC Board also adopted an interim rule imposing a 20 basis point emergency special assessment June 30th to be collected September 30th. It also allows for a second special assessment of up to 10 basis points after June to maintain public confidence in federal deposit insurance, if necessary. Comments on the rules are due within 30 days. No doubt that this special assessment as well as the increased premiums place a significant burden on banks and make it more challenging for them to achieve profitability at the same time as meet the credit demands of their local communities.

Right now all the FDIC can do is ask for more, more, more ... more pre-

miums, more reserves, more capital. Sometimes it would be nice just to have less regulatory burden. hope the FDIC considers this special insurance premium assessment in evaluating the earnings component of CAMELS. For the most part, the FDIC has been handing out 3s, 4s and 5s on earnings; however, the cost of doing business as well as FDIC insurance has only gone up. Banks should get credit for the insurance payment increases and maybe earnings shouldn't be a major factor in CAM-ELS at least for the next couple of years as we get through a very difficult and challenging time.

LOOKING AT YEAR END NUMBERS

While banks were required to file their year end Call Report as of January 30, 2009, we are finding that a significant number of banks have had to file amended call reports. It makes it very difficult to determine who is a "Premier" or "Super Premier" performing banking institution or to assess year end numbers when accountants come in and require significant modifications to reserves or changing balance sheet or net income numbers. We expect for 2008 year

end that the number of amended call reports will be significant and the accountants aren't done. For the most part the accountants really haven't done a lot of their work and they are still just trying to get the lay of the land. In reviewing a few amended call reports, only in a very few instances have we seen better news. For the most part, increased reserves, lower income as well as additional write downs are being required. The second look at year end fur-

ther indicates softening. One can only wonder what the $\mathbf{1}^{\text{t}}$ quarter will bring.

A STIMULUS BILL OR A BODY SHOT

The Stimulus Law that President Obama recently signed sets in motion the US Government's largest fiscal stimulus effort since World War II providing \$789 billion in programs and tax relief. Unfortunately for banks, we are not certain there is a lot here except for a significant amount of government overreach, especially for institutions that took US Treasury money under TARP.

One of the most controversial elements of the Stimulus Law, especially for the banking industry, is a wide range of new executive compensation limits for TARP recipients. Senator Dodd managed to insert provisions despite Obama administration objections that the compensation provisions prompt institutions to repay the government and to exit TARP early. In fact, the new law facilitates quick exits by backtracking on previous requirements that banks repaying within three years would have to replace those funds with new stock sold to investors. At least there is some good news, especially for Northern Trust.

Among the bad news, the new compensation rules prohibit any

bonus, retention award or incentive compensation, except for the payment of long term restricted stock that is kept at one-third of the employee's total annual compensation. The scope of the prohibition is based on the size of the institution's TARP assistance. For institutions that received TARP funds of less than \$25.0 million, the restriction applies to the highest compensated employee. For recipients of \$25.0 to \$250.0 million, the top five employees and for the rest the numbers continue to grow.

One of the good news elements is that the law does not apply to bonuses paid under a contract executed on or before February 11, 2009. This month's Legal Brief includes more information with regard to the compensation rules. We know this is a matter of great debate among boards and we encourage boards and compensation committees to be very attuned to the compensation rules and how they will impact your bank.

Senator Dodd may have given bankers a temporary reprieve on the compensation rules he helped write. In a recent letter that he forwarded to SEC Commissioner Mary Schapiro, he asked the SEC to wait until guidance is issued by the Treasury Department before enforcing a requirement that the Chief Executive Officer and Chief Financial Officer provide written certification that they have complied with the law. "As this certification requirement relates to compliance with executive compensation and corporate governance standards that have yet to be established by the Secretary of the Treasury, it is my view that this requirement is not yet effective," as set forth in Senator Dodd's letter to SEC Chairman Schapiro. Also, Senator Dodd asked for some leeway in implementing a proposal that would give shareholders a non-binding vote on executive pay plans. The Treasury Department has a year to write the regulations ... does anybody believe that there won't be a significant amount of turmoil and discussion around boards as well as regulatory agencies as to what these compensation rules actually mean. Not well thought out!

TAKING A HIT AGAINST TARP

A recent article in the American Banker highlighted Worthington National Bank, Arlington, Texas who has been trumpeting in ads the fact that they did not receive funds from the US Treasury. Their advertisement just states, "Just say no to bail out banks. Bank responsibly." We know of dozens of banks who have been emphasizing the fact that they did not take the bailout funds. Unfortunately, taking the funds from the Treasury is not a bailout, but rather the funds

are only provided to, "healthy or viable banking institutions." Of course that is a debate in itself. We know for a fact that there are several banks publicly stating that they did not take the funds; however, what is important is they would have never qualified for the funds to start. Those banks that actually did receive approval and determined that they did not want the funds, are those that are the most responsible. In today's challenging times, expect too many

banks to say anything to increase customers share. We also know of a number of banks that have become the focal point of taking the money a la Northern Trust who desire to repay it back as quickly as possible. Expect the money to be flowing back for some.

HOW FAST CAN WE GIVE IT BACK?

One of the nice elements of the Stimulus Law was the ability to repay the TARP funds, and believe us there are dozens of bankers who are trying to figure out how to get the Treasury out of their bank and give the money back. However, under the law, bankers must first consult with federal regulators before repaying money and observers say winning approval is likely to be tough in the current environment. Regulators want banks to have more capital right now, not less.

It was interesting to note that the Obama administration opposed the provision in the Stimulus Law arguing that it would undermine the law's goals; however, how does it undermine the law's goals to give the money back as quickly as possible, especially as the game and rules change consistently? Why not pay it back now! It is important to remember that most of the regulatory agencies were encouraging the banks to take the money. Hmmm ... sounds like nationaliza-

tion or more control. Again, not necessarily well though out; however, maybe the regulatory agencies, if the banks have relatively decent capital, should allow them to pay the money back. Why not? We suspect for some it will be easier to raise capital on a going forward basis if the Treasury is not an investor.

BROKERED DEPOSIT SANITY

The Conference of State Bank Supervisors ("CSBS") recently asked the FDIC to further review its proposed rule on interest rate restrictions for institutions that are less than well capitalized and to provide more time for banks to unwind their holding of brokered deposits. Absent a waiver from the FDIC, banks are required to stop accepting or renewing brokered deposits. The CSBS is concerned that this provision is unnecessarily creating liquidity events and suggesting that banks be given 12 months to unwind their positions, reducing the balance every month by 1/12th of the amount as of the determination date. We think that makes perfect sense and we also think the FDIC needs to get off their butt and start granting brokered deposit waivers, especially for banks that are under the CDARS program and utilize that program for reciprocal deposits. The FDIC assisted in creating this beast and by taking a very draconian position with regard to brokered deposits, they're the ones creating a liquidity event. Right now we don't see banks necessarily failing for liquidity and in fact there is a lot of liquidity in the market when you take into consideration the availability of brokered deposits at reduced costs, and the increase to \$250,000 of FDIC insurance protection. It's time for the FDIC to assist and not hinder. We never suspected the FDIC would follow the Hippocratic Oath of "Do No Harm". In fact, we believe the FDIC as well as some of the other regulatory agencies continue to compound the problem and are causing the most harm.

GHOST TOWNS

I recently gave a speech to the University of California Santa Barbara Ventura County Economic Forecast sharing with the audience a couple of zingers. The first is that Citi and Bank of America are basically insolvent if you mark their off balance sheet exposure to market. Another is that nationalization is already here as much as Chairman Bernanke states that it is not. Does anybody really believe anything that is coming out of the

Federal Reserve Board or Treasury at this time?

One additional point is my belief that there will be a resurgence of ghost towns. Ghost towns were a phenomenon in the late 1800s and I suspect that with the over building that took place as well as the economic challenges, there are areas throughout the United States that will be virtual ghost towns. In some instances, it's best just to

put a fence around the town and who knows maybe in five, ten or fifteen years it can reemerge. You drive through certain parts of California, Nevada and Arizona, not to mention, the Northeast, and you know that ghost towns do exist.

INCREASED ACTIVITY

Right now we are seeing an increase in discussions among banks about merger acquisition transactions. Suspect that for a while there will continue to be one failure a month in the 12th District. There may be certain times of the year where there may be a slow

down in certain geographic areas as the FDIC allows potential acquirers to gather themselves since there are only so many acquirers in the market place. We believe the FDIC as the proposed receiver of most of these banks, will be trying to manage the process to get the

best deals possible and avoid chaos. This does make sense, lets just see how it plays out. However, what's good is that we do anticipate there to be some activity and maybe some banks that deserve the benefit of the doubt will be given it. Lets just hope so.

Gary Steven Findley, Editor

Special Edition

FIVE EXCEPTIONAL BANKS IN A DIFFICULT MARKET

The Findley Reports is pleased to provide special recognition to five exceptional banking institutions that showed solid performance in a very difficult and challenging envi-Some of these banks ronment. have had a downturn from past experience; however, they have been able to build a core banking franchise that should weather a difficult storm and also provide value for their shareholders and their community. In the past six years, we've recognized twentyfive banks and these five exceptional banks bring the total number to thirty. We have to recognize that there are some institutions that had a flashier performance; however, we look at these banks as meat and potato type banks with consistency and strength in their organization as well as integrity in the Board and Management. It is fortunate that we have these five exceptional banks because of the difficult environment in 2008. There were not a significant number of choices as in previous years.

For 2009 we are pleased to recognize the following five exceptional banks who did well in 2008 and who are in a position to continue to make us proud and to provide value for all of their partners:

shareholders, customers, community and staff.

Over \$1.2 Billion in Assets -Farmers and Merchants Bank of Central California, Lodi, California

Farmers and Merchants Bank of Central California, Lodi, California ("FMB") has been a solid fixture within the Central Valley since its inception in 1916. In 1916, it began business as Farmers & Merchants Bank of Lodi but changed its name to Farmers and Merchants Bank of Central California in 1957. FMB has been involved in only one merger transactions over the years (actually the acquisition of a failed bank from the FDIC several years ago). FMB has built a steady core franchise that has been a long term fixture within the Central Valley and is anticipated to continue to be a staple in the Central Valley for the years ahead.

FMB has been a recurring "Super Premier Performing" bank and in 2008 the performance did not change. What is important in evaluating the 2008 performance for FMB is that net income was \$23.9 million which was in excess of a 15% return on average equity

for 2008; an exceptional performance in a difficult and challenging year. What is also important is the loan loss reserves were at 1.7% at year end and the loan to deposit ratio was approximately 82%. Total deposits, at year-end 2008, of \$1,434,000,000 only \$36,000,000 of which were brokered deposits (basically all CDARS deposits which were reciprocal); therefore, the liquidity of FMB is very strong. Non-accrual loans were less than \$4.5 million and other real estate owned was only \$4.8 million. FMB has a large agriculture portfolio which is a commitment to the Central Valley.

Operating in the Central Valley is a very difficult challenge based upon the current economic condition; however. FMB has shown that it has been able to continue to build the franchise, add to value to the shareholders and be an important part of the community. FMB will be one of those institutions that will be taking advantage of acquisition opportunities in the Central Valley since it has the balance sheet and capital. The Board of Directors and Executive Management have consistency. Ole Mettler has served as Chairman for 35 years and FMB is under the execu-

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tive leadership of Kent A. Steinwert, President/Chief Executive Officer who has been at the helm for twelve years. FMB is definitely an exceptional bank that has and will remain at the forefront of the Central Valley and has done an exceptional job of building a franchise of which to be proud.

When looking at FMB we don't see a lot of bells and whistles but rather a meat and potato bank that year in and year out proves that it can deliver to the bottom line and deliver to its shareholders, customers and community.

\$600 Million to \$1.2 Billion in Assets - Central Valley Community Bank, Fresno, California

Central Valley Community Bank, Fresno, California ("CVCB") began business in 1980 as Clovis Community Bank in Clovis, California and in 2002 changed its name Central Valley Community Bank. CVCB has been a consistent top performing bank and in 2008 will be recognized as "Super Premier Performing" bank by The Findley Reports. CVCB was one of the only institutions to actually effect an acquisition in 2008 with the acquisition of Service 1st Bank, Tracy, California. CVCB operates in a difficult market, the Central Valley, but at the same time has done a very good job of building its franchise to current assets in excess \$750 million. While CVCB has approximately \$15.5 million in non-accrual loans at year end 2008, (much of it inherited with the acquisition of Service 1st Bank), it had no OREO and had a loan to deposit ratio of 75%. Total brokered deposits were slightly less than \$80 million (all CDARS and in the reciprocal program), but at the same time liquidity looks strong and its allowance for loan and ease losses

("ALLL") was about 1.5%. When you factor in the \$3.5 million in the holdback escrow that was part of the Service 1st Bank deal, the ALLL is actually 2.21%

CVCB is a solid franchise operating in the Central Valley and has been under the leadership of Daniel Doyle for over ten years. Its Board of Directors has been together for a number of years and there is consistency in its operation. CVCB operates fifteen banking offices and has been consistently recognized by The Findley Reports for strong performance.

CVCB has some concentrations in real estate (much of it owner occupied) but its management team should be in a position to manage its way out of any concentration or over exposure. While CVCB's performance was down in 2008 as compared to previous years, the net interest margin compression as well as additional provisions to loan loss reserves required by all banking institutions does impact performance. We suspect that CVCB should be in a position to generate some nice revenue from its recent acquisition and should also be in a position to take advantage opportunities that present themselves in the Central Valley. Definitely a solid banking franchise and one of which its shareholders and community should be very proud.

\$200 Million to \$600 Million in Assets - CommerceWest Bank, N.A., Newport Beach, California

CommerceWest Bank, N.A.

Newport Beach, California
("CommerceWest") began business
in 2001 and has been a very steady
performer headquartered in Orange County. Since 2003, CommerceWest has been recognized

either as "Premier Performing" or "Commendable Performing" bank and for 2008 it will be recognized as a "Premier Performing" bank.

CommerceWest ended 2008 with net income of \$2,115,000 which is a return on average equity for 2008 of approximately 6.4%. This isn't a significant number; however when you take into consideration that CommerceWest has capital of approximately \$34.4 million and total assets, at the end of the year, of \$255.7 million, this is a fortress type balance sheet. The loan to deposit ratio for CommerceWest was approximately 72.5% and its total deposits, slightly in excess of \$200 million, only included approximately \$46 million in brokered deposits. The total loans to deposits less brokered deposits is still less than 100%; a good number in today's market place. What is important is that CommerceWest has a blended portfolio with no significant concentrations and its non-accruals were less than \$500,000 as of yearend 2008 and it had no OREO.

CommerceWest is a bank that is focused on high-end quality service. When you speak with Ivo A. Tian, Chairman, President and Chief Executive Officer he focuses on customer service. CommerceWest is definitely one of the high performing banking institutions in the Southern California market place and should be in a position to take advantage of opportunities that present themselves with its significant capital CommerceWest has not gone crazy with regard to growth and has stayed within itself. In fact, what is fascinating is that the growth levels have been relatively

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flat for the last couple of years focusing on quality not necessarily quantity.

CommerceWest is definitely a player on a going forward basis within the market place and a bank which is definitely the envy of a number of banking institutions who have never been able to implement a business plan. CommerceWest has been able to implement its business plan and stay true to its original business model.

<u>Less Than \$200 Million in Assets - Santa Cruz County Bank, Santa Cruz, California</u>

While Santa Cruz County Bank, Santa Cruz, California ("SCCB") ended the year with total assets in excess of \$200 million, its average assets for the year were less than \$200 million: therefore, it fits within the less than \$200 million category. SCCB began business in 2004 and has been able to build its operation with four banking offices at the end of 2008 and recently opened a fifth office in February 2009. SCCB has been building its banking franchise at the same time as building value for its shareholders. SCCB ended 2008 with only \$17,000 of income, primarily due to a significant provision to loan loss reserves of approximately \$1.7 million and has built its asset base (currently approximately \$229 million) without going crazy on the loan totals (currently approximately \$136.7 million with loan loss reserves of approximately 2.11%). SCCB has been aggressive with regard to its loan loss reserve provisions as a percentage of its gross loans believing that it needs to be prepared for the market place. The deposit growth of the organization has been solid. SCCB

ended the year with total deposits in excess of \$207 million with virtually no brokered deposits; therefore, it has been able to develop its core deposit operation within its market place. What is also important is that it has funds to loan in the market place with a loan to deposit ratio of approximately 66%. This is an entity that will be able grow its loan portfolio as well as continue to build its franchise. While SCCB has not been able to move to a positive undivided profit, as of year-end 2008 it is in a position to move quickly to positive retained earnings in the near term.

SCCB is a bank that has been committed to its market place, not focusing in on what other institutions are doing. As of year-end 2008 it had no non-accrual loans and no loans 90+ days past due. In addition, SCCB had no OREOs; therefore, the balance sheet is relatively clean and in a position to continue to grow its franchise. Definitely a "Premier Performing" bank for 2008.

SCCB is under the leadership of David Heald who has been with the Bank since inception and really took the helm in 2006. Under his leadership SCCB has continued to prosper. We look at SCCB as truly being a community banking institution serving the Santa Cruz County market place. This bank which just turned five years old is a blueprint on focusing the plan on building core deposits, not getting carried away with aggressive growth of the loan portfolio, building its branch network with five banking offices with the most recent office opened in 2008 and building a loyal staff. We see SCCB as a long term player that is designed to provide value to its shareholders as well as to its community. SCCB concentrates on

focusing on what it does best and while the financial performance numbers in 2008 from a net income standpoint, were not exceptional, when you drill down and look at the quality of the banking franchise you know there is a significantly valuable franchise in SCCB.

De Novo Bank Under Five Years Old - River Valley Community Bank, Yuba City, California

River Valley Community Bank, Yuba City, California ("River Valley") is a perfect illustration that you do not have to be big to be a successful bank. River Valley ended 2008 with total assets of approximately \$96.6 million and this for an institution that only began business on June 26, 2006 with approximately \$13.7 million in capital. The real story behind River Valley is its control of its non-interest expense and the fact that it has been able to generate net income of \$574,000 in 2008. River Valley had positive undivided profits of \$574,000 as of year-end 2008 - fantastic! Nobody else in the Class of 2006 was able to achieve this and very few institutions, since 2004, have been able to generate a positive retained earnings/undivided profits. A job well done!

What is fascinating is that River Valley has done so with only \$35.4 million in total loans and a loan to deposit ratio at year-end 2008 of less than 50%. River Valley has no brokered deposits, less than \$1.0 million of non-accrual loans, no loans 30 days past due and no OREOs.

The President/CEO of River Valley, John Jelavich, is very familiar with the Yuba City market place, formerly the President/CEO of a

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bank that sold a few years back. River Valley stays true to itself as a relationship bank that focuses on customer service, the quality of the loan portfolio, building the core deposits, and controlling non-interest expense. River Valley is a balanced model focusing on both net interest margin as well as control of non-interest expense. River Valley operates in a very competitive market place and it is interesting to note that several of the

banks that opened in its same timeframe within its general market place have been subperformers. We suspect there are several banks in that market place that will not be happy with their performance for a long period of time. Not true for River Valley. River Valley is the perfect illustration of how to run a small community banking institution in the California market place. River Valley is deserving of being considered a

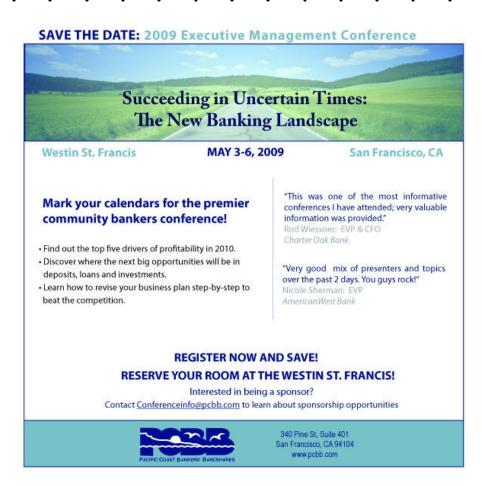
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"Super Premier Performing" bank for 2008.

We offer our congratulations to these five exceptional banks. We encourage our readers to pull up the call reports or The Findley Report work ups on these five banks since there is something to from their performance. These are five banks who continue to do it well.

Gary Steven Findley, Editor





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Legal Brief

EXECUTIVE COMPENSATION LIMITS FOR TARP PARTICIPANTS UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (OBAMA STIMULUS PLAN)

Hidden deep in the Obama Stimulus Plan are additional executive compensation limits on recipients of United States Department of Treasury TARP funds. These provisions were added to the bill at about the eleventh hour by Senator Dodd of Bankers who ac-Connecticut. cepted TARP funds either before or after the enactment of the American Recovery and Reinvestment Act of 2009 ("ARRA") are subject to these new provisions which amend the Emergency Economic Stabilization Act of 2008 ("EESA"). Additional regulations are to be issued by the Treasury that will explain some of the details and unanswered questions raised by the new law.

The provisions of EESA amended by the ARRA expand the coverage to up to 25 of the most highly compensated employees of a TARP funds recipient and its affiliates for certain aspects of the limits on executive compensation, and specifically limit incentive compensation of covered executives to one-third of their annual compensation which is required to be paid in restricted stock that does not vest until all of the TARP funds are no longer outstanding (note that if TARP warrants remain outstanding and no other TARP instruments are outstanding, then such warrants would not be considered outstanding for purposes of this incentive compensation restriction). In addition, the board of directors of any TARP recipient is required to have a company-wide policy regarding excessive or luxury expenditures, as identified by the Treasury, which may include excessive expenditures on:

* entertainment or events;

- office and facility renovations;
- aviation or other transportation services; or
- * other activities or events that are not reasonable expenditures for staff development, reasonable performance incentives, or other similar measures conducted in the normal course of the business operations of the TARP recipient.

The new incentive compensation restriction for financial institutions receiving TARP funds is applied to the number of executives and employees depending on the amount of TARP funds received. Most community banks have or will receive less than \$25 million, and for these institutions receiving less than \$25 million in TARP funds, the new incentive compensation restriction applies only to the highest paid employee; however, the effect will likely be that all other employees will have their compensation under the highest paid employee. The potential problem is that if the highest paid employee is reduced because of the new incentive compensation restriction, then the second highest paid employee may become the highest paid employee. There is grandfathering of bonus provisions in employments agreements entered into prior to or on February 11, 2009 which are excepted from the new incentive compensation restriction, but only to the extent such grandfathered bonus provisions otherwise meet the limitations in EESA. Hopefully, the Treasury will issue regulations that address this issue, but as a matter of practice this restriction

will have a top-down effect to suppress executive compensation.

The Executive Compensation and Corporate Governance provisions of EESA are amended to cover more restrictive provisions on executive compensation including the following:

- * ESTABLISHMENT OF STANDARDS During the period in which any obligation arising from financial assistance provided under the TARP remains outstanding, each TARP recipient shall be subject to the standards in the regulations issued by the Treasury with respect to executive compensation limitations for TARP recipients, and the provisions of section 162(m)(5) of the Internal Revenue Code of 1986, as applicable.
- * COMPLIANCE WITH STANDARDS The Treasury is required to see that each TARP recipient meets the required standards for executive compensation and corporate governance.
- * SPECIFIC REQUIREMENTS FOR THE REQUIRED STANDARDS -
- * Limits on compensation that exclude incentives for senior executive officers of the TARP recipient to take unnecessary and excessive risks that threaten the value of the financial institution during the period in which any TARP obligation remains outstanding.

Legal Brief

EXECUTIVE COMPENSATION LIMITS FOR TARP PARTICIPANTS UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (OBAMA STIMULUS PLAN)

- * A clawback requirement by such TARP recipient of any bonus, retention award, or incentive compensation paid to a senior executive officer and any of the next 20 most highly-compensated employees of the TARP recipient based on statements of earnings, revenues, gains, or other criteria that are later found to be materially inaccurate.
- * A prohibition on such TARP recipient making any golden parachute payment to a senior executive officer or any of the next 5 most highly compensated employees of the TARP recipient during the period in which any TARP obligation remains outstanding.
- * A prohibition on any compensation plan that would encourage manipulation of the reported earnings of such TARP recipient to enhance the compensation of any of its employees.
- * A requirement for the establishment of a Board Compensation Committee that meets the requirements set by law.

In addition the TARP recipient must provide certain certifications. The chief executive officer and chief financial officer (or the equivalents thereof) of each TARP recipient are required to provide a written certification of compliance by the TARP recipient with the EESA executive compensation requirements. In the case of a TARP recipient, the securities of which are publicly traded, the certification is to be provided to the Securities and Exchange

Commission, together with annual filings required under the securities laws; and in the case of a TARP recipient that is not a publicly traded company, to the Secretary of the Treasury.

TARP recipients are also required to have separate compensation committees that meet specific standards set forth in ARRA. In addition the annual meeting materials of each TARP recipient shall include a nonbinding shareholder approval proposal for executive compensation. The SEC will establish regulations to implement this provision. While nonpublic companies are required to include this proposal, it is not known what the regulations will provide as to executive compensation disclosure requirements for such TARP recipients, and whether they will be as extensive as the existing SEC executive compensation requirements. In addition, shareholders are allowed to present other nonbinding proposals with respect to executive compensation.

As a consolation prize to TARP recipients that are subject to the new EESA amendments, ARRA amended EESA to provide that a TARP recipient may with the approval of their primary federal banking regulator repay the TARP funds at any time and from any source, at which time the outstanding warrants will be exercised and sold. It is likely that many healthy financial institutions will be eager to repay TARP funds as soon as possible

Finally, there is a look back provision where the Treasury is to look back at the bonuses paid to executives of TARP recipients to find im-

proper payments (payments inconsistent with EESA or otherwise contrary to public interest), in which case the Treasury would negotiate (read this to be go after) the payer and the payee for reimbursement to the Treasury.

The foregoing is a general discussion of only selected issues and does not discuss all of the information contained in the final rules. It is not a substitute for professional advice on a specific question. For further information, please contact Gary Steven Findley & Associates at (714) 630-7136.

A TOUGH 4th QUARTER FOR DE NOVO BANKS

Attached to this Newsletter is an insert with the December 31, 2008 financial performance numbers for the de novo banks that opened since January 1, 2004. We have dropped banks that opened in We suspect there are a number of executive managements that appreciate the fact that we've dropped their performance from our quarterly evaluation since for the Class of 2003 we still see only six winners, seven mediocre banks, four "danks" and possibly the number could go much higher, from that standpoint of "danks" ... but then again these are no longer de novo banks.

The 4th quarter was definitely a difficult time for most banks; however some banks did show some improvement. We suspect there will be issues with regard to increasing loan loss reserves as well as non-interest expense impact that will negatively impact earnings for 2009 going forward. We also continue to see some hard or unpleasant exits for several of the de novo banks within the group. We know of several banks that are in discussion on exit strategies, since they have determined that they have no ability to generate a profit and that possibly their capital or their asset base could be of value to some other institution. However, the value is in the eye of the beholder. We suspect that for some of banks the value will be something significantly less that what was hoped.

Not wanting to beat down all of the de novo banks, because there are some that did pretty well, we are not going to get into an extensive evaluation of each of the banks. However, we have some general comments with regard to the Class of 2004, 2005, 2006, 2007 and some general hope with regard to the Class of 2008. There will be very few banks that will join the Class of 2009, primarily due to the FDIC moratorium on insurance accounts and several of the institutions that are still attempting to open will not be able to open. The total number of new banks in California for 2009 can be counted on your hand. The following are our thoughts with regard to the Classes of 2004 through 2008.

Class of 2004

In 2004 there were eleven banks that opened for business. The 4th quarter did hit several of these banks relatively hard with additional provisions to loan loss reserves. A few generated net income for the quarter and the year but the provisions to loan loss reserves went up significantly as did non performing assets. Loan loss reserves to gross loans for some of these banks is over 2%. A few of the banks still have some significant holes to climb out of related to negative undivided profits.

There are some definite winners in the Class of 2004. We see four winners, down from five early this year; we see three banks with mediocre performance; and now we have increased the rank of "danks" to four, up from three with a difficult future ahead.

Class of 2005

There were twenty-six de novo banks that opened for business in 2005. Too many of these banks have done poorly and in reviewing 2008 information we see some significant negative undivided profits; three banks with negative undivided profits over \$10 million. How can you ever recover from

this?

For the most part the Class of 2005 had a difficult 4th quarter, except for five banks that showed a small profit during the 4th quarter. Seven of the banks showed net income for 2008. We also saw significant increases in loan loss reserves: the average for these banks was 1.75% and the median was 1.64% up from 1.53% and 1.39% respectively as of September 30, 2008. We also saw significant increases in OREOs, 90+ days pastdue and non-accruals. Looking at the non-performing assets we suspect that there will be further losses for some of these banks in 2009.

When we look at the Class of 2005 we still only see five winners; eight mediocre banks, possibly with some questions moving toward "danks"; and definitely twelve "danks". While we haven't seen a bank in this group fail, don't be surprised if there is a hard exit or two of these banks in 2009. We know that several of these banks are operating under regulatory scrutiny either under cease and desist orders or memorandums of understanding. While you do have some good banks, overall the Class of 2005 was disappointing.

Class of 2006

There were twenty-three banks that opened for business in 2006 and for the most part their performance is as expected ... poor. Only five of the banking institutions made money in the 4th quarter and we're pleased to see that three of the banks actually made money for the entire 2008. We are also happy to report that one of the banks, River Valley Community Bank, Yuba City, California, made

A TOUGH 4th QUARTER FOR DE NOVO BANKS

\$574,000 and we have recognized them in this month's Newsletter as one of five exceptional banks. In looking at their financial performance, they actually have a positive retained earnings/undivided profits. The only one of this particular class that was even close!

What is of concern is that a significant amount of the deposits for a number of these banks are tied to brokered deposits. We see these banks weakened by liquidity issues. Most of these banks significantly increased their loan loss reserves as a percentage of gross loans in the 4th quarter. The average for the 4th guarter was 1.52% and the median was 1.5% up from 1.44% and 1.32% respectively as of September 30, 2008. We also see some increases in OREO, 90+ days past-due and non-accruals. These could be issues for some of these banks.

Two of the banks had negative undivided profits in excess of \$10 million, one over \$15 million. How do you lose \$15 million in the first three years of business? You definitely have to work hard. There are several banks in this group that are operating under enforcement agreements, but we also see some potential in this particular group.

Of the Class of 2006 we still see four winners; nine mediocre banks; and ten "danks". Several of these banks should have never opened and we know that the regulatory agencies are probably kicking themselves for adding to their regulatory burden. Several of these banks will be exit strategies going into other institutions as long as they have not screwed up their balance sheet with problem loans. Some of these banks could be nice acquisition targets, but we see

some of these banks having no viability as a stand alone entity.

Class of 2007

In 2007 there were twenty banks that opened. None of these banks made money in the 4th quarter and several continue to be both economic as well as regulatory challenged. The loan loss reserves for this group increased to 1.55% on an average basis and 1.47% on a median basis. This compares to 1.48% and 1.37% respectively as of September 30, 2008. For several of these banks we wonder what their business model looks like at this particular time. We think there are questions as to their viability. We know that there are several of these banks that have continued to operate under regulatory scrutiny as well as enforcement actions.

A number of these banks will be opportunities for other banks, but there are some winners in this group. We still see eleven dogs or "danks", the rest are mediocre with a few winners. However, again it is too early to tell. Some institutions appear to be getting close to monthly profitability; however, with the interest rate scenario it may have pushed out profitability to the middle to end of 2009. Most of these institutions continue to be aggressively lending; the average loan to deposit ratio for these banks was 93.79% and we note that there are a couple of banks well in excess of 100%. There could be some liquidity issues as well as regulatory pressures to bring these into line in

Class of 2008

There are eight banks that opened in 2008 and they are listed for the

(Continued)

first time in this Newsletter. We suspect that they are thrilled with the attention. Several of these banks had significantly capitalization; however, in closely looking at some of these banks, we know they are weakened and there are questions as to whether they have a viable business model ... time will tell in this economic environment. Much to the appreciation of the Class of 2008 - it is too early to label these banks.

The regulatory agencies have shut the faucet on new banks. While there will be a few that will open 2009 that are lingering from 2008 approvals, we note there are several groups in organization that have recently shut down their operations because they have not been able to raise the capital necessary; how can you raise capital in this particular market place?

The 4th quarter 2008 was not very kind to most banks. Fortunately for some of these de novo banks they hadn't stuck their neck into the noose too far; therefore, they get to continue to play in 2009. When we look at those banks that opened for business from 2004 through 2008, we can see anywhere from ten to twenty banks that will likely go the hard exit in 2009 and 2010. Hopefully they can raise the capital to continue their organization or, in some instances, maybe it's just best that the nightmare is over.

MORE FROM LINCOLN ON LEADERSHIP - THE IMPORTANCE OF CHARACTER

In last months *Directors' Compass* we began a multi-part series on the leadership of Abraham Lincoln, based upon the book "Lincoln on Leadership - Executive Strategies for Tough Times" by Donald T. Phillips, published by Warner Books. With the celebration of the 200th birthday of our greatest President, we thought a refresher on his leadership is important for us all. Boards and managements must provide leadership for their banks to be successful and to navigate in challenging times. now and in the future, in a difficult and challenging environment, customers, employees, the community, shareholders and regulators are all looking for leadership from a board and management. They must provide that leadership for the bank to be a consistent Premier Performer and successful in itself. For some, leadership is the key to survivability.

We have been focusing the themes of the *Directors' Compass* on loyalty, courage and honor. We continue to emphasize these themes in the strategic planning retreats as well as director educational seminars we conduct throughout the year. Boards and managements must show loyalty to someone other than themselves. They must show loyalty to the bank, shareholders, employees and to those parties that are true part-Boards and managements must show courage since banking is not an easy road and the challenges ahead will be difficult. Courage is not a lack of fear, but the ability to face the challenges head on. Boards and managements must show honor by treating others, as well as the bank, with respect.

We have had the privilege to work with several banks whose boards

and managements have demonstrated true lovalty, courage and We still see several instances where boards and managements do not pay tribute to these three words. Several of these banks will experience the hard exit. We continue to see instances where boards and managements are corrupted by power or ego. They tend to pressure or dictate when simple suggestions or recommendations would suffice. Almost always there is a lack of understanding of the simple points of human nature, such as a person's reaction to being ordered to do something rather than being asked for his or her opinion. Leadership focuses on influencing rather than dictating.

Lincoln's leadership qualities were tested in the most difficult of In a study of his Presidency, we recognize that Lincoln was an innovator in a time when the age of discoveries and inventions was just beginning. He was compassionate and caring. Yet, when necessary, he could put his foot down firmly and be decisive beyond question. He was patient, persistent and persuasive rather than dictatorial. But without a doubt, the foundation of Lincoln's leadership style was an unshakable commitment to the rights of the individual. Boards and managements can learn from Lincoln on how to deal with the shareholders, the employees, the customers, regulators and other critical partners.

In last months *Directors' Compass* we focused in on "people matters," specifically Lincoln's trait of getting out of the office and circulating among the troops, building strong alliances and using persuasion rather than coercion as a mechanism of leadership. This

month's *Directors' Compass* focuses on the aspects of character, for in discussing Lincoln, the terms most utilized are honesty and character.

Honesty and integrity are the best policies.

Lincoln's reputation for honesty and integrity, although challenged over the years, has remained unblemished. In fact, as knowledge is gained about Lincoln, it is largely enhanced. Without question, honesty is one of the major qualities that made him a great leader. The architecture of leadership, all the theories and guidelines, fall apart without honesty and integrity. It is the keystone that holds an organization together. At the same time, integrity must be sincere. That is one reason Lincoln was so admired in his lifetime. From an individual's words, deeds and actions, integrity can be judged genuinely and integrity is tied closely to the values espoused by an effective leader. As a rule, leaders must set and respond to fundamental values that move their followers. In addition to much needed moral standards, values tend to be motives by which subordinates act and react. Possession and preaching of wide ranging, appealing goals and values will result in broad support from the masses. People will be involved participants in a shared group effort. Put more simply, values motivate.

Lincoln constantly shared, stressed and emphasized the most fundamental values that over the years have mobilized Americans to the pursuit of liberty and quality. His integrity was in short the nation's integrity. Lincoln stated, "I have never had a feeling, politically, that did not strike from the senti-

MORE FROM LINCOLN ON LEADERSHIP - THE IMPORTANCE OF CHARACTER

ments embodied in the Declaration of Independence." All men were created equal in Lincoln's eyes and the nation was formed by the founding fathers so that any tyrant who might, "reappear in this fair land and commence their vocation ... should find left for them at least one hard nut to crack." The Civil War was not just another conflict of arms for Lincoln, but rather a people's contest. "On the side of the Union," he said, it was "a struggle for maintaining in the world that form and substance of government whose leading objective is to elevate the condition of men ... to afford all unfettered a start and a fair chance in the race of life."

Lincoln basically appealed to everyone's basic sets of decency and integrity. Lincoln also practiced what he preached. Lincoln would help others claim success with patience, trust and respect. Indeed, on his own, Lincoln was what was referred to as a sharing leader; one of those leaders who perceive their role as shaping their future to the advantage of groups with which they identify, an advantage defined in terms of the broadest goals and the highest possible levels of morality. Trust, honesty and integrity are exceedingly important qualities because they so strongly affect followers. Most individuals need to trust others, especially their boss. Subordinates must perceive their leaders as consistently fair persons if they are to engage in the kind of innovative risk-taking that brings a company rewards. Lincoln knew that he had his detractors but dealt with his detractors by maintaining his integrity and honesty. Those who questioned his upbringing and education and his political affiliations tended not to doubt his integrity. Lincoln showed the same degree of fairness and decency, whether disciplining or congratulating his subordinates. Emulating this style will earn leaders the trust and respect that ultimately foster passion and commitment.

On the aspects of honesty and integrity, Phillips emphasizes giving subordinates a fair chance with equal freedom and opportunity for success. You must set and respond to fundamental goals and values that move your followers. must constantly be fair and decent, both in the business and the personal side of life. It is your duty to advance the aims of the organization and also to help those who serve it. If you forfeit the confidence of your fellow citizens, you can never again regain respect.

Never act out of vengeance or spite.

"I shall do nothing in malice. What I deal with is too vast for malicious dealing." Lincoln recognized that followers of virtually every organization respond better to a leader that consistently displays cognizance and empathy than one who is associated with vindictiveness or animosity. Lincoln believed that actively engaging in slandering and malicious dealings would simply eat up far too much of his time, which he used to secure positive end results rather than negative ones. Pettiness, spite and vengeance were considered to be beneath the dignity of a leader. Followers expect leaders to rise above such demeaning and degrading activity. Lincoln understood that if people were going to come to him with ideas, suggestions and better ways of making things work, he had to provide an open environment. He actively encouraged innovative thinking and the participation of subordinates. Boards and managements should be able to learn from Lincoln that by being able to be compassionate and kind, rather than malicious or vengeful, they will make fewer enemies for themselves and their organization, and will thereby create more supporters or "soldiers" to the overall corporate mission.

Lincoln teaches us that if leaders are petty, the subordinates will be petty. If leaders are encouraging, optimistic, courageous and courteous, then the vast majority of the workers in the organization will be Lincoln wrote, "Malice as well. toward none and charity for all; with firmness in the right as God gives us to see the right, let us strive on to finish the work that we are in, to bind up the nation=s wounds, to care for him who shall have borne the battle and for his widow and his orphan, to do all which may achieve a just and lasting peace among ourselves, and with all nations." The lack of malice on the part of a leader and genuine caring, inspires trust among subordinates and fosters innovative thinking. It also keeps followers from being terrified, allowing them to be themselves.

Phillips emphasizes to never crush a man out, thereby making him and his friends permanent enemies of the organization. No purpose is served by punishing merely for punishment's sake. Your organization will take on the personality of its top leaders. Have malice towards none and charity to all. Touch people with the better angles of your nature.

Have the courage to handle unjust criticism.

"Never let us be slandered from our duty by false accusations

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(Continued from page 15)

against us, nor frightened from it by menaces of destruction to the government, nor of dudgeons to ourselves. Let us have faith that right makes might, and in that faith let us then dare to do our duty as we understand it." Lincoln displayed an amazing amount of courage over an extended period of time. He had a number of set backs, only to overcome them all and persistently endure until obtaining the final victory. Through it all, Lincoln was the risk taker, assuming the bold stand and not wavering in the process. He had faith and confidence in himself. He did not need ego gratification or constant reinforcement to know that his course of action was proper. Lincoln was slandered, libeled and hated perhaps more intensely than any man ever to run for the nation's highest office. He won the election partially because the Democratic party was hopelessly split, having nominated two candidates. Lincoln was the first President elected from the Republican party, which was well unified with a strong support base in the However, Lincoln's name was not even on the ballot in the Southern states. Lincoln was publicly called just about every name imaginable by the press of the day, including a grotesque baboon, a third rate country lawyer who once split rails and now splits the Union, a coarse vulgar joker, a dictator, an ape, a buffoon and others; and one publication labeled him, "The craftiest and most dishonest politician to ever disgrace the public office of America." However, Lincoln, before his inauguration, wrote, "I have reached the city of Washington under circumstances considerably differing from those under which any other man has

ever reached it. I have reached it for the purpose of taking an official position amongst the people, almost all of whom were opposed to me, and are yet opposed to me as I suppose." Severe and unjust criticism did not subside after Lincoln took the oath of office. No matter what he did, Lincoln understood that there were going to be people who were not going to be pleased.

Throughout much of his life, Lincoln was the object of jealousy, enmity and malice. This was largely a result of his burning desire for achievement, which motivated him to excel. Time and maturity aided him in dealing with such criticisms later in his life that he never forgot the feelings that he experienced. As a result, he gave caring and compassion for others, who were subject to the same treatment. Boards and managements might find it interesting and helpful to explore Lincoln's methods in hearing, dealing with and overcoming unjust criticism. Lincoln handled such defamation in several ways. Most often, he would simply ignore the attacks. This is particularly true of the times in the midst of a political campaign. Most of the slander was petty and utterly ridiculous in nature. However, in some occasions Lincoln would stand up and defend himself to any of his attackers, especially if false accusations were damaging to the public's view of his principles. Lincoln remarked once, "I have found that it is not entirely safe when one is misrepresented under his very nose to allow the misrepresentation to go on uncontradicted."

Boards and managements can learn from Lincoln that you must have stamina, fortitude and self-

confidence. You must believe in yourself but, in addition, a certain style and routine must be developed in dealing with harsh criticism. Every leader will encounter such slander simply by virtue of the position held. It is how you allow it to affect you that makes the difference in whether or not you succeed.

Phillips emphasizes the principles of courage for unjust criticism. Don't be terrified by an excited populace and hindered from speaking your honest sentiments. It is not entirely safe to allow misrepresentation to go uncontradicted. Remember the truth is generally the best vindication against slander. Do the very best you know how, the very best you can and keep doing so until the end. If you yield to even one false charge, you may open yourself to other unjust attacks. The probability that you may fail in the struggle is not to deter you from the support or cause you believed to be unjust.

Character is an important part of leadership. Lincoln demonstrated character throughout his life and that boards and managements of banks must recognize the difference between "Premier Performance" and mere performance. Next month we look at endeavor.

On a personal note, a friend and Chairman of a successful community bank gave me a copy of a letter Abraham Lincoln sent to General U.S. Grant on April 30, 1864. This letter, which now has a prominent spot in my office, reflects character in only seven sentences. Words and actions do matter.

MORE FROM LINCOLN ON LEADERSHIP - THE IMPORTANCE OF CHARACTER

Executive Mansion Washington, April 30. 1864 Lieutenant General Grant. Not expecting to see you again before the spring campaign opens, I wish to express, in this way, my entire satisfaction with what you have done up to this time, so far as I understand it, The particulars of your plans I neither know, or seek to know. You are rigilant and self reliant, and, pleas: ed with the, I wish not to obtrivos any constraints or restraints upon you. While I am very anxious that any great disaster, of the cepture of our men in great numbers, shall be avoided, I know these points are less likely to escape your attention then they would be mine - If there is anything wanting which is with: in my power to give, do not fail to let me know a. And now with a brave army, and a just cause, may God sustain you. Hours very truly

Transactions

THE FAILURE OF COUNTY BANK, MERCED, CALIFORNIA and THE PURCHASE OF ASSETS & ASSUMPTION OF DEPOSIT LIABILITIES by WESTAMERICA BANK, SAN RAFAEL, CALIFORNIA, February 6, 2009.

County Bank, Merced, California ("County") was closed by the regulatory agencies and declared insolvent on February 6, 2009. The Federal Deposit Insurance Corporation ("FDIC") as receiver, entered into a purchase and assumption agreement with WestAmerica Bank, San Rafael, California ("WestAmerica") to assume all of the deposits of County as well as entered into a loss sharing agreement related to the assets of County.

As of February 2, 2009, County had total assets of approximately \$1.7 billion and total deposits of \$1.3 billion. In addition to assuming all of County's deposits, including those from brokers, WestAmerica agreed to purchase all of County's assets. Under the loss sharing transaction entered into between the FDIC and WestAmerica, WestAmerica will share the losses on the asset pools covered under the loss sharing agreement. The FDIC estimates the cost to the deposit insurance fund for the receivership of County will be \$135 million.

This is a sad story of a bank that was a major player in the Central Valley for a number of years. County began business in 1977 and over the years had been a consistent "Premier Performing" bank. County's problems primarily were tied to land and construction lending and the general down turn in the economy. Even as late as 2007 County was acquiring and completed the acquisition of the California branches identified with National Bank of Arizona. Definitely this was a nice franchise with a number of attractive branch offices. Too bad the lending and some management decisions were not the best. One would have hoped that this bank could have been sold before the hard exit and someday we will find out why not.

Recent financial information on County Bank, Merced, California is as follows:

	Total Assets (\$000)	Total Deposits (\$000)	Total Equity Cap. (\$000)	Net Income (\$000)
12/31/08	\$1,711,552	\$1,324,635	\$61,722	<\$96,037>
12/31/07	\$2,082,180	\$1,676,874	\$158,523	<\$2,650>
12/31/06	\$1,955,836	\$1,635,791	\$152,152	\$23,530
12/31/05	\$1,753,211	\$1,414,737	\$125,598	\$21,528
12/31/04	\$1,445,907	\$1,164,781	\$107,023	\$12,808

Due to the fact that this was a failed bank transaction and a loss share agreement, no acquisition ratios are available.

This was a good move by WestAmerica in the sense that it gets a very productive branching system with 39 new offices. WestAmerica now blankets the Central Valley. WestAmerica had been looking at County on an open bank transaction; however, because of the problems at County, the transaction could not be consummated. Definitely tears for County as well as for its share-holders and employees. We do anticipate more failures in the Central Valley. WestAmerica has proven themselves as an effective acquirer and bank operator. This is a nice addition to an already good bank.

THE FAILURE OF ALLIANCE BANK, CULVER CITY, CALIFORNIA and THE PURCHASE OF ASSETS and ASSUMPTION OF DEPOSIT LI-ABILITIES by CALIFORNIA BANK & TRUST, SAN DIEGO, CALIFORNIA, February 6, 2009.

Alliance Bank, Culver City, California ("Alliance") was closed by the California Department of Financial Institutions ("DFI") and the Federal Deposit Insurance Corporation ("FDIC") was named as receiver on February 6, 2009. This was a failed bank which was expected for some time. Under enforcement agreements that were entered into, Alliance was to raise over \$30 million of capital in December 2008. It was not able to raise the capital; therefore, a transaction was imminent.

Under the transaction, California Bank & Trust, San Diego, California ("CBT") entered into a purchase and assumption agreement with the FDIC to assume all the deposits of Alliance. Alliance's five offices opened as branches of CBT.

As of December 31, 2008, Alliance had total assets of approximately \$1.14 billion and total deposits of \$951 million. In addition to assuming all of the deposits of Alliance, including those from brokers, CBT agreed to purchase approximately \$1.2 billion in assets at a discount of \$9.9 million. The FDIC will retain the remaining assets for later disposition. The FDIC estimates the cost to the deposit insurance fund will approximately \$206 million related to the Alliance failure. This is a modified loss share transaction and was a smart move for CBT in the sense that it expands itself into the Orange County/Los Angeles area.

Alliance began business in 1980 as Alliance Bank of Culver City. This was a fast moving bank the last ten years and frankly most could see this train wreck happening for some time.

Recent financial information on Alliance Bank, Culver City, California is as follows:

	Total Assets (\$000)	Total Deposits (\$000)	Total Equity Cap. (\$000)	Net Income (\$000)
12/31/08	\$1,113,361	\$951,106	\$17,195	<\$65,367>
12/31/07	\$1,065,009	\$860,500	\$83,271	\$5,364
12/31/06	\$874,621	\$717,038	\$79,677	\$9,363
12/31/05	\$674,286	\$531,454	\$62,414	\$6,834
12/31/04	\$409,443	\$305,089	\$34,938	\$4,168

Due to the fact that this was a failed bank transaction, there were no acquisition ratios available.

Alliance had been in the dumper for a period of time. We also know that they had participations with several financial institutions and its focus in construction and land development was definitely a problem. While CBT is a proven player and should make this work - not seeing that much true value with this franchise.

THE FAILURE OF PINNACLE BANK, BEAVERTON, OREGON and THE ACQUISITION OF CERTAIN ASSETS and ASSUMPTION OF DE-POSIT LIABILITIES by WASHINGTON TRUST BANK, SPOKANE, WASHINGTON, February 13, 2009.

Pinnacle Bank, Beaverton, Oregon ("Pinnacle") was closed by the Oregon Division of Finance & Corporate Securities on February 13, 2009 and the Federal Deposit Insurance Corporation ("FDIC") was appointed as receiver. The FDIC entered into a purchase and assumption agreement with Washington Trust Bank, Spokane, Washington ("WTB") to assume all of the deposits of Pinnacle. Also, under the transaction, WTB will be acquiring certain assets.

As of December 31, 2008, Pinnacle had total assets of approximately \$73 million and total deposits of \$64 million. In addition to assuming all of the deposits of Pinnacle, including those from brokers, WTB agreed to purchase approximately \$72 million in assets as a discount of \$7.6 million. The FDIC will retain the remaining assets for later disposition. The FDIC estimates that the cost to the deposit insurance fund will be approximately \$12.1 million related to the receivership of Pinnacle. Pinnacle was a small banking institution.

Recent financial information on Pinnacle Bank, Beaverton, Oregon is as follows:

	Total Assets (\$000)	Total Deposits (\$000)	Total Equity Cap. (\$000)	Net Income (\$000)
12/31/08	\$71,921	\$64,168	\$5,964	<\$2,990>
12/31/07	\$86,808	\$77,393	\$8,853	<\$1,196>
12/31/06	\$90,810	\$77,710	\$9,841	<\$379>
12/31/05	\$73,099	\$59,545	\$10,036	\$165
12/31/04	\$40,218	\$35,038	\$4,781	\$702

Due to the fact that this is a failed bank transaction, there were no acquisition ratios available. This was a small acquisition for WTB. Really not much there but ETB should make a little money with the deal.

THE FAILURE OF SILVER FALLS BANK, SILVERTON, OREGON and THE PURCHASE OF CERTAIN ASSETS and ASSUMPTION OF DE-POSIT LIABILITIES by CITIZENS BANK, CORVALLIS, OREGON, February 20, 2009.

Silver Falls Bank, Silverton, Oregon ("SFB") was closed by the Oregon Department of Consumer and Business Services and the Federal Deposit Insurance Corporation ("FDIC") was named as receiver on February 20, 2009. The FDIC, as receiver, entered into a Purchase and Assumption Agreement with Citizens Bank, Corvallis, Oregon ("Citizens") which is assumed all of the deposit liabilities of SFB. The three branches of SFB opened as branches of Citizens.

As of February 9, 2009 SFB had total assets of approximately \$131.4 million and total deposits \$116.3 million. Citizens did not pay a premium to acquire the deposits of SFB. Citizens also agreed to purchase approximately \$13.0 million in assets comprised of cash, cash equivalent securities, overdraft loans and deposit security loans. The FDIC estimates that the cost to the deposit insurance fund will be \$50.0 million for this transaction.

Recent financial information on Silver Falls Bank, Silverton, Oregon is as follows:

	Total Assets (\$000)	Total Deposits (\$000)	Total Equity Cap. (\$000)	Net Income (\$000)
12/31/08	\$134,206	\$115,976	\$2,885	<\$9,157>
12/31/07	\$139,220	\$109,596	\$11,998	\$2,017
12/31/06	\$99,635	\$80,841	\$9,875	\$1,613
12/31/05	\$83,003	\$69,363	\$8,122	\$1,040
12/31/04	\$56,975	\$49,336	\$7,089	\$832

A nice small acquisition for Citizens -- it gets three branch offices and it should be able to do well in these market places.

THE FAILURE OF SECURITY SAVINGS BANK, HENDERSON, NEVADA and THE ACQUISITION OF CERTAIN ASSETS and ASSUMPTION OF DEPOSIT LIABILITIES by BANK OF NEVADA, LAS VEGAS, NEVADA, February 27, 2009.

Security Savings Bank, Henderson, Nevada ("SSB") was closed by the Nevada Division of Financial Institutions on February 27, 2009 and the Federal Deposit Insurance Corporation ("FDIC") was appointed as receiver. The FDIC entered into a purchase and assumption agreement with Bank of Nevada, Las Vegas, Nevada ("BON") to assume all of the deposits of SSB. Also, under the transaction, BON will be acquiring certain assets.

As of December 31, 2008, SSB had total assets of approximately \$238 million. The FDIC estimates that the cost to the deposit insurance fund will be approximately \$59.1 million related to the receivership of SSB. BON is a subsidiary of Western Alliance Bancorporation. No premium paid and no acquisition ratios. As an industrial loan corporation - not much interest.

DEALS IN THE MAKING

PremierWest Bank, Medford, Oregon ("PremierWest") has entered into an agreement with Wells Fargo Bank, San Francisco, California ("Wells Fargo") to acquire two of the branch offices that Wells Fargo picked up as part of its acquisition of Wachovia Bank, N.A. The two branch offices are located in Davis, California and Grass Valley, California. As of December 31, 2008 the deposit liabilities to be assumed by PremierWest under the transaction were approximately \$499 million with loans to be assumed of approximately \$1.0 million. The transaction is subject to customary closing conditions and is expected to be completed during the 2nd quarter of 2009. While no specific deal terms were announced, normally Wells Fargo, when it sells these branches, does so at 1.0% premium - - we suspect this would be the case in this transaction. This is a smart acquisition for PremierWest in the sense that it increases its California branches to twenty-four and provides significant liquidity to PremierWest that could be utilized for purposes of making loans into the California and Oregon market place. We also recognize that PremierWest recently took down significant money from the US Treasury under the Capital Purchase Program. (Definitive Agreement signed February 19, 2009. Transaction expected to be consummated 2nd Quarter 2009.)

Community Bancshares, Inc., Parent Company to Community Banks of Northern California, Tracy, California and Parent Company to Bay Commercial Bank, Walnut Creek, California has indicated that the two entities have signed a purchase and assumption agreement for transferring a branch office in Castro Valley, California from Community Banks of Northern California to Bay Commercial Bank. No acquisition ratios were available. This is a transaction between related parties. (Transaction expected to be consummated 2nd Quarter 2009.)

Capitol Bancorp Limited, Lansing, Michigan ("Capitol") has announced that four of its Arizona banking franchises: Arrowhead Community Bank, Camelback Community Bank, Mesa Bank and Sunrise Bank of Arizona will be merged with and into the single charter of Sunrise Bank of Arizona. Capitol announced that the restructuring of these four banking institutions, which was part of its super community banking focus, is a mechanism for consolidating the Company's resources and improving efficiency. We would anticipate that other banking institutions that are in the Capitol Bancorp family will be consolidated on a going forward basis as a mechanism for improving efficiencies. Capitol recently announced the consolidation of nine banking franchises in the Michigan market place.

MANAGEMENT CHANGES

Summit State Bank, Santa Rosa, California reported that Linda Bertauche has been appointed Chief Operating Officer. In her new responsibilities, Ms. Bertauche will be responsible for loan operations, branch administration, regulatory compliance and risk management. Ms. Bertauche has been with Summit State Bank for four years.

Promerica Bank, Los Angeles, California has reported that John Quinn has been appointed President/Chief Executive Officer effective February 23, 2009. Mr. Quinn previously served as CEO of Security Pacific Asia Limited and Security Pacific Asian Bank, N.A. and Olympic National Bank.

Community Valley Bancorp/Butte Community Bank, Chico, California has announced that Charles Matthews has resigned from the Board of Directors effective February 17, 2009.

Security Bank of California, Riverside, California has reported that Beth Sanders, formerly of 1st Centennial Bank, Redlands, California, has joined Security Bank of California as Senior Vice President/Chief Deposit Officer in the Redlands, California office.

Sonoma Valley Bancorp/Sonoma Valley Bank, Sonoma, California has reported that Sean Cutting has been appointed President/CEO of Sonoma Valley Bancorp and Sonoma Valley Bank. Mr. Cutting serves on both Boards of Directors and replaces Mel Switzer, Jr. who retired as CEO in January and will continue to serve as Vice Chairman of Sonoma Valley Bancorp and Chairman of Sonoma Valley Bank.

First Private Bank & Trust, Encino, California has reported that Michael Winiarski has been appointed Executive Vice President/Chief Financial Officer and James Stephen has been appointed Executive Vice President/Managing Director of Wealth Management.

Mr. Winiarski was formerly Executive Vice President/CFO of Security Pacific Bank, since 2007. Security Pacific Bank failed in 2008.

Peninsula Bank Holding Co./Private Bank of the Peninsula, Palo Alto, California has reported that Kristofer Biorn has been appointed to the Board of Directors.

America Bancshares, Inc./America Security Bank, Costa Mesa, California has reported that Tom Dobyns has been appointed President/COO effective February 3, 2009. David Blakenhorn who continues to serve as Chief Executive Officer will also assume the role of Chairman of the Board.

American Principle Bank, **San Luis Obispo**, **California** has reported that Thomas Strait has been appointed Executive Vice President/Director of Retail Banking.

Heritage Oaks Bancorp/Heritage Oaks Bank, Paso Robles, California has reported that William Raver has been appointed to the position of Executive Vice President/General Counsel. Mr. Raver has served as Compliance Officer of the Bank for the last three years.

Hanmi Financial Corp/Hanmi Bank, Los Angeles, California has reported that John Hall has been appointed to the Board of Directors of Hanmi Bank and Paul Kim has been appointed to the Board of Directors of both Bancorp and Bank.

The Bank Holdings/Nevada Security Bank, Reno, Nevada has reported Keith Capurro and Robert Barone had been appointed to the Board of Directors of The Bank Holdings. Both Mr. Capurro and Mr. Barron previously served on the Board of Directors of Nevada Security Bank.

Vineyard National Bancorp/Vineyard Bank, N.A., Corona, California has reported that Lester Strong has resigned from the Board of Directors of both entities effective January 27, 2009.

Pinnacle Bank, Gilroy, California has appointed Jeffrey Payne Executive Vice President and Director of Business Development. Prior to his appointment, Mr. Payne served as Executive Vice President and National Manager for the small business administration of Comerica Bank.

Canyon National Bank, Palm Desert, California has reported that Mark Gustafson has been appointed as an Interim Chief Credit Officer effective February 23, 2009. Canyon National Bank is in the process of searching for a permanent Chief Credit Officer. Mr. Gustafson replaces Jeffrey Gobble who will remain with Bank as Senior Vice President and Senior Commercial Loan Officer.

CAPITAL/REDEMPTIONS/SHAREHOLDER MATTERS/CONVERSIONS

Tamalpais Bank, Marin, California has reported that it has converted to a California state chartered commercial banking institution effective January 30, 2009. Tamalpais Bank was formerly a California industrial bank.

Chino Commercial Bancorp, Chino, California has reported that its Board of Directors has approved a plan to repurchase up to an aggregate amount of \$200,000 worth of shares. Over the next twelve months the shares will be acquired at the prevailing market prices from time to time and open market or privately negotiated transactions.

REGULATORY MATTERS

Imperial Capital Bancorp, Inc./Imperial Capital Bank, San Diego, California has reported that Imperial Capital Bank has entered into a Cease & Desist Order with the Federal Deposit Insurance Corporation and California Department of Financial Institutions to take certain measures in the areas of Management, capital, loan loss allowance, determination risk management, liquidity management, Board oversight, monitoring of compliance, restricted payment of dividends and the opening of branches or other offices. The Cease & Desist Order also requires the Bank to submit a detailed capital plan in the next sixty days to address how the Bank will remain adequately capitalized and within 180 days, increase its Tier 1 leverage capital ratio above 9% and total risk base capital ratio above 13%.

Temecula Valley Bancorp and Temecula Valley Bank, Temecula, California have entered into a Cease & Desist Orders with their respective regulatory agencies. Temecula Valley Bank entered into a Cease & Desist Order with the FDIC and the California Department of Financial Institutions. The Order specifies that the Bank conduct a manager assessment and increase Board participation as well as implement plans to address capital, disposition of assets and a reduction in the level of classified and delinquent loans among other provisions. Also, Temecula Valley Bancorp entered into an Agreement with the Federal Reserve Bank of San Francisco requiring the Company to obtain prior approval before paying dividends or accepting them from Bank, making payments on debt and trust preferred securities and incurring debt or repurchasing stock among other provisions on Directors, Executive Officers and their compensation.

First Bank of Beverly Hills, Beverly Hills, California has reported that the regulators have told the banking institution to raise sufficient capital or find a buyer for the company. The ultimatum came from the FDIC and California Department of Financial Institutions as part of a Cease and Desist Order issued to the Bank on February 13, 2009. Under the Order the Bank has sixty days to increase its regulatory capital by \$70 million or more and raise its Tier 1 capital to at least 8.0%. Its other option is to find a buyer acceptable to the regulators within thirty days of the issuance of the Order. The Order forbids the Bank from making distributions to shareholders without regulatory approval.

Gold Coast Bank, Long Beach, California has entered into a Cease and Desist Order with the FDIC and CDFI. Under the terms of the Order, Gold Coast Bank is required to have and retain qualified management; conduct a study of the composition structure and effectiveness of the Board of Directors and Senior Executive Officers; maintain capital Tier 1 capital at an amount to exceed 8.0% of Gold Coast Bank's total assets; implement a plan for a reduction and collection of classified assets and delinquent loans; improve and implement new credit administration policies and procedures; develop a written business plan; profit plan; strategic plan; not solicit, retain or roll over brokered deposits; revise, adopt and implement a written liquidity and funds management policy; adopt and implement policies governing interest rate risk exposure; augment the IT audit program; eliminate or correct violations of law; and report regularly to the regulatory agencies. Copies of the Cease and Desist Order are available on the FDIC website

Uniti Bank, Buena Park, California has entered into a Cease and Desist Order with the FDIC and CDFI that requires Uniti Bank to: retain qualified management; improve the Board's participation in the affairs of the Bank; revise, adopt and implement written lending and collection policies; formulate and fully implement a three year strategic and profit plan; eliminate and correct all violations of law; revise, adopt and implement policies governing interest rate risk exposure; revise, adopt and implement an asset liability management plan; provide adequate internal routine and control policies consist with safe and sound banking practices; not pay cash dividends; and provide regular reports to the regulatory agencies. Copies of the Cease and Desist Order are available on the FDIC website.

First Vietnamese American Bank, Westminster, California has entered into a Cease and Desist Order with the FDIC and CDFI that requires: developing and adopting a capital plan; increasing Board participation; maintain an allowance for loan and lease losses in an amount sufficient to address the risks of the loan portfolio; develop a strategic plan and a profit plan; maintain BSA compliance; develop customer due diligence programs for BSA compliance; eliminate and/or correct all violations of law; adopt and implement a written liquidity and funds management policy; improve policies and procedures for managing and controlling interest rate risk exposure; improving the technology function as well as other related matters. Copies of the Cease and Desist Order are available on the FDIC website.

STATUS REPORT

Phoenix Company, Inc., Hartford, Connecticut has reported that it has filed an application with the U.S. Treasury for participation in the Capital Purchase Program and to become a savings and loan holding company and has entered into a Non-Binding Letter of Intent to acquire American Sterling Bank, Jackson County, Missouri which has offices in California. No financial terms were disclosed. The Office of the Thrift Supervision has recently approved Phoenix Company, Inc. to effect the acquisition. (Non-Binding Letter of Intent signed January 7, 2009. Transaction expected to be consummated 1st Quarter 2009, subject to participation in TARP and a definitive agreement.)

The FDIC announced the execution of a letter of intent regarding the sale of IndyMac Federal Bank FSB, Pasadena, California ("IndyMac") to a thrift holding company controlled by IMB Management Holdings LP ("IMB") on December 31, 2008. IMB and the supporting investor group which includes Dune Capital Management LP, J.C Flowers & Co. LLC, Paulson & Co. and MSD Capital LP will inject \$1.3 billion in new capital and hire an experienced management team that will be led by Terry Laughlin, former Chairman and CEO of Merrill Lynch Bank & Trust Co. FSB. Under the terms of the letter of intent the sale price was \$13.9 billion but the price for IndyMac was offset by the FDIC paying \$12.3 billion to the investors to take over IndyMac including \$6.5 billion in deposits. The net effect was \$1.6 billion being paid by the investors to the FDIC receivership however that is offset by the FDIC agreeing to shoulder nearly all losses expected as the investor group works out of the troubled asset portfolio. It is now estimated that the loss to the FDIC insurance fund from IndyMac will be between \$8.5 billion and \$9.4 billion, but we expect it to be higher. (On January 11,2009, it was reported that the FDIC is facing up to \$10 billion in additional liabilities related to mortgages sold to Fannie Mae. Guess that is an oops!)

The FDIC was looking for a buyer for some time and operated IndyMac which was the remaining entity from the failure of IndyMac Bank, FSB in July 2008. We think the FDIC should stay with regulating banks and not operating banks going forward. The \$6.5 billion in deposits assumed as part of the transaction was down from \$18 billion in July 2008. A lot of brokered and customer deposits ran off even though FDIC as the operator of IndyMac was paying the highest rates. They were quite the competitor on rates! The failure of IndyMac Bank FSB in the summer led to a significant amount of uncertainty in the banking industry and most recently the backdating of a capital infusion by the holding company into IndyMac Bank FSB that was approved by the Regional Director of the Office of Thrift Supervision has led to some house cleaning.

While the FDIC stated that there was a number of interested parties in the bid process, this is still a loss sharing transaction with a private group that will either succeed or be a major bust. However with the loss sharing - who knows who will really be the loser - the FDIC fund? Unusual for a private group to get this type of deal - usually that is reserved for other banks - but maybe there was not a lot of interest after all. The term sheet is on the FDIC website. The deal is set to close by the end of January or early February. The new group will continue to operate the head office and 33 branches with deposits of \$6.5 billion, will manage the loan portfolio with a stated value of \$16 billion, a servicing portfolio with mortgage servicing rights of \$157.7 billion and will continue the FDIC's existing loan modification program. Letter of intent signed December 31, 2008. Expected to close 1st Quarter 2009.

Vineyard Bancorp, Corona, California ("Vineyard") has announced the execution of an agreement whereby it would sell its banking franchise, Vineyard Bank, N.A., Corona, California ("Vineyard Bank") to a company being created the Chairman of Vineyard, Douglas Kratz - Vineyard Bancshares, Inc., Minneapolis, Minnesota ("Bancshares") for \$18 million in cash on the condition that Mr. Katz and Bancshares is able to raise \$120 million from investors to effect the transaction. We are not certain whether this is a Hail Mary or what! However, the ability of raising \$125 million in today's marketplace to effect an acquisition of Vineyard Bank from Vineyard appears to have some element of desperation.

Bancshares would pay \$10 million immediately to Vineyard and an additional \$8 million over three years at certain undisclosed conditions were satisfied. It is also assumed that First Horizon National Corp, Memphis, Tennessee, the senior lender to Vineyard, has agreed to accept \$9 million of the initial \$10 million purchase price plus the first right to receive all of the contingent payments of full satisfaction of the outstanding balances of the senior line of credit.

In this transaction, we wonder what Vineyard shareholders are getting other than basically the shaft. However, if there is a hard exit we know that there will be no value at all. In this transaction, there is a perceived value but we look at this as quite illusionary and Vineyard shareholders should expect never to receive any money. Therefore, a significant plunge in the market value of Vineyard common stock to less than \$0.10 per share.

We hope that Vineyard can effect some transaction where its gets into capital infusion to satisfy the regulatory agencies but we expect that the clock is ticking. Vineyard and Vineyard Bank, like so many other financial institutions in Southern California has made a significant lending investment in construction/land development in Southern California, which as been negatively impacted by economic and real estate values. Hopefully, Mr. Kratz and Bancshares can pull this transaction off since we don't like to see hard exits and we like to see entities being able to control their destiny. However, again a big wish in a very difficult environment. (Definitive Agreement announced November 12, 2008. Transaction awaiting investment as well as shareholder and regulatory approval.)

Discovery Bancorp, San Marcos, California has announced that it has entered into an agreement to sell its subsidiary Celtic Capital Corp, which is a factoring type operation on terms that were not disclosed. Discovery Bancorp made a significant investment in Celtic Capital Corp a few years back. However, this operation has never delivered to the level satisfactory to the Board of Directors and was one of those entities that new Management of Discover Bancorp was never interested in. No transaction terms were announced, however if transaction terms are announced they will be reported. Expect this was a privately negotiated transaction.

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BANK OPENINGS

Valley Republic Bank

5000 California Avenue, Suite 110

Bakersfield, CA 93309

(661)371-2000

Bruce Jay, President/CEO

Opened

February 2, 2009

Initial Capital \$25.0 Million

Expected

BANKS IN ORGANIZATION

Name/Location/Contact Person	Opening Date	Name/Location/Contact Person	Opening Date		
California General Bank, N.A. (IO) 2700 E. Foothill Blvd., Ste. 200 Pasadena, CA 91107 William Hawkins, President/CEO (626) 683-9100 calgenbank.com	1 st Quarter 2009	Pacific CommonWealth Bank (IO) 1731 Technology Drive San Jose, CA 95110 (805) 544-5477 Nord Hastings, President/CEO	1 st Quarter 2009		
Ventana National Bank of Calif. (IO) 4380 La Jolla Village Dr. Ste. 110/120 San Diego, CA 92122 Bobby Ray Adkins	1 st Quarter 2009	The Northern Trust Company of California, N.A. (IO) 10877 Wilshire Boulevard Los Angeles, CA 90024 Lenora Smith, Sr. Atty.	1 st Quarter 2009		
Gateway Pacific Bank (IO) 801 National City Boulevard National City, CA 91950 Rick Mandelbaum, President/CEO	1 st Quarter 2009	SoCal Business Bank, N.A. (IO) 5990 Sepulveda Boulevard Van Nuys, CA 91411 Charles E. Fenton, President/CEO (818) 982-0798 socalbusinessbank.com	2 nd Quarter 2009		

Expected

APPLICATIONS FILED

Name/Location	Date Filed	Contact Person
American Cedars Bank 500 North Central Avenue Glendale, CA 91203	September 28, 2007	David E. Abshier LECG 550 South Hope Street, #2150 Los Angeles, CA 90071 (213) 243-3700
El Camino Bank 20946 Devonshire Street Chatsworth, CA 91311 (818) 701-0225	May 9, 2008	James H. Avery The Avery Company, LLC P.O. Box 3009 San Luis Obispo, CA 93403 (805) 544-5477
Grandpoint Bank & Trust, N.A. 355 So. Grand Ave., 24 th Floor Los Angeles, CA 90071	August 11, 2008	Deborah A. Marsten 333 So. Grand Ave., Ste. 4250 Los Angeles, CA 90071
AmeriCal National Bank 600 "B" Street San Diego, CA 92101	August 25, 2008	Peter Koos 5752 Oberlin Drive, Ste. 106 San Diego, CA 92121

APPLICATIONS WITHDRAWN/ORGANIZATION TERMINATED

Manchester Financial Bank, N.A. 7825 Fay Avenue, Suite 100 San Diego, CA 92037



4th Quarter 2008 California De Novo Bank Financial Performance Analysis

The Findley Reportsreports on a quarterly basis an analysis of the financial performance of all commercial banking institutions operating in California. As part of its quarterly analysis, the Findley Reports reviews selected financial information of de novo banking institutions (less than 5 years old).

The following information is selected December 31, 2008 financial information on all commercial banking institutions that opened from January 1, 2004 to December 31, 2008.

Detailed financial information for the period ending December 31, 2008 on all California commercial banking institutions is available from the Findley Reports.

The information presented has been developed from Call Reports submitted by each commercial banking instittuion.



Findley Reports

Selected Financial Performance

Class of 2004 De Novo Banks in California

Name (City)	12/31/2008 Total Assets (000s)	12/31/2008 Total Deposits (000s)	12/31/2008 Tot. Broker Dep. (000s)	12/31/2008 Total Loans (000s)	12/31/2008 Sh. Equity (000s)	12/31/2008 Undivd. Profits (000s)	12/31/2008 Net Income (000s)	12/31/2008 Return On Average Assets	12/31/2008 Return On Average Equity	12/31/2008 Loans/ Deposits	12/31/2008 LLR As % Gr Loans	12/31/2008 OREO, 90+ & Non Acc (000s)
1st Century Bank, N.A.												
Los Angeles, CA	\$259,194	\$158,186	\$0	\$199,957	\$52,997	(\$5,005)	(\$1,227)	(0.52%)	(2.24%)	126.41%	2.59%	\$5,854
Bank of Santa Clarita												
Santa Clarita, CA	\$152,666	\$98,450	\$26,525	\$120,707	\$19,217	(\$2,808)	\$552	0.37%	2.92%	122.61%	1.21%	\$23
Bay Commercial Bank	*	*	***			(*)						
Walnut Creek, CA	\$108,885	\$87,812	\$28,125	\$98,005	\$15,629	(\$76)	\$319	0.32%	2.07%	111.61%	1.24%	\$0
Beach Business Bank Manhattan Beach, CA	\$231,614	\$173,396	\$27,951	\$199,315	\$34,410	(\$3,399)	(\$3,376)	(1.52%)	(9.40%)	114.95%	2.45%	\$5,353
Charter Oak Bank	φ231,014	\$173,390	φ2 <i>1</i> ,951	\$199,515	φ34,410	(\$3,399)	(\$3,376)	(1.52%)	(9.40%)	114.95%	2.45%	φυ,ουο
Napa, CA	\$136,512	\$107,210	\$4,999	\$123,811	\$17,264	(\$1,392)	\$1,174	0.97%	7.07%	115.48%	1.46%	\$3,696
Independence Bank	ψ100,012	ψ.σ., <u>ב</u> .σ	ψ 1,000	Ψ.20,0	ψ·/·,20·	(\$1,002)	V .,	0.01 70	7.0.70	1.0.1070	1.1070	φο,σσσ
Newport Beach, CA	\$394,037	\$250,586	\$35,838	\$344,540	\$32,725	(\$3,080)	\$779	0.20%	2.31%	137.49%	1.54%	\$19,032
Mother Lode Bank						(, , ,						
Sonora, CA	\$68,952	\$61,860	\$1,134	\$51,895	\$6,764	(\$3,480)	(\$1,649)	(2.42%)	(21.80%)	83.89%	2.03%	\$3,096
Pacific Valley Bank												
Salinas, CA	\$192,724	\$155,188	\$14,374	\$153,510	\$18,202	(\$7,256)	(\$2,352)	(1.33%)	(13.11%)	98.92%	1.75%	\$2,843
Point Loma Community Bank												
San Diego, CA ⁽¹⁾	\$61,514	\$51,932	\$6,120	\$52,497	\$7,487	(\$513)	\$294	0.50%	4.01%	101.09%	1.52%	\$795
Redwood Capital Bank												4
Eureka, CA	\$161,663	\$147,890	\$16,998	\$129,383	\$13,311	(\$650)	\$480	0.33%	3.96%	87.49%	1.19%	\$1,678
Santa Cruz County Bank	\$000.0 7 4	C007 400	C 4.4	£4.40.00E	¢40.750	(\$000)	047	0.040/	0.000/	70.540/	4.070/	#00
Santa Cruz, CA	\$228,871	\$207,196	\$41	\$146,085	\$18,758	(\$263)	\$17	0.01%	0.09%	70.51%	1.97%	\$82
Averag		\$136,337	\$14,737	\$147,246	\$21,524	(\$2,538)	(\$454)	0.77%	6.27%	106.40%	1.72%	\$3,859
Media	n \$161,663	\$147,890	\$14,374	\$129,383	\$18,202	(\$2,808)	\$294	0.50%	3.96%	111.61%	1.54%	\$2,843

⁽¹⁾ Majority owned by Capitol Bancorp, Lansing, Michigan - - part of a multi-bank holding company structure.



Selected Financial Performance

Class of 2005 De Novo Banks in California

					De N	ovo Banks in Califo	<u>rnia</u>					
Name (City)	12/31/2008 Total Assets (000s)	12/31/2008 Total Deposits (000s)	12/31/2008 Tot. Broker Dep. (000s)	12/31/2008 Total Loans (000s)	12/31/2008 Sh. Equity (000s)	12/31/2008 Undivd. Profits (000s)	12/31/2008 Net Income (000s)	12/31/2008 Return On Average Assets	12/31/2008 Return On Average Equity	12/31/2008 Loans/ Deposits		12/31/2008 OREO, 90+ & Non Acc (000s)
Bank of San Francisco												
San Francisco, CA ⁽¹⁾	\$74,67	1 \$66,088	\$5,989	\$60,772	\$8,435	(\$1,565)	\$43	0.06%	0.51%	91.96%	1.35%	\$299
Bank of Santa Barbara												
Santa Barbara, CA ⁽¹⁾	\$72,07	7 \$60,303	\$6,787	\$60,535	\$6,645	(\$1,755)	(\$420)	(0.64%)	(6.31%)	100.38%	1.88%	\$1,840
California Business Bank				****	A.= a=a	(0.4.400)	(00 =0 1)	(0.500()	(1= 100()			
Los Angeles, CA	\$106,71	8 \$85,110	\$0	\$84,971	\$15,279	(\$4,108)	(\$2,734)	(2.58%)	(17.43%)	99.84%	2.39%	\$4,245
California United Bank Encino, CA	\$379,40	2 \$245,678	\$8,807	\$232,204	\$56,738	(\$3,356)	\$2,673	0.72%	4.18%	94.52%	1.38%	\$0
Commonwealth Business Bank		φ240,070	φο,σοι	Ψ202,20 ⁻¹	φου,που	(ψο,οσο)	Ψ2,070	0.7270	4.1070	04.0270	1.0070	ΨΟ
Los Angeles, CA	\$296,45	4 \$238,484	\$67,902	\$247,609	\$41,722	\$782	\$370	0.13%	0.90%	103.83%	1.74%	\$2,063
Community Business Bank												
West Sacramento, CA	\$129,39	5 \$109,290	\$55,602	\$121,513	\$18,101	(\$3,353)	(\$956)	(0.77%)	(5.16%)	111.18%	1.57%	\$7,277
Coronado First Bank			^ .=	***		(00.004)	(0=0.1)	(0.700()	(4.040()	40= 0=0/		•
Coronado, CA Desert Commercial Bank	\$72,45	3 \$57,708	\$17,609	\$60,795	\$11,036	(\$3,264)	(\$534)	(0.79%)	(4.64%)	105.35%	1.25%	\$0
Palm Desert. CA	\$148,41	6 \$133,016	\$12,301	\$114,003	\$14,576	(\$11,270)	(\$4,517)	(3.00%)	(27.10%)	85.71%	2.16%	\$10,017
Excel National Bank	φ1+0,+1	ψ100,010	Ψ12,301	ψ114,003	Ψ14,570	(Ψ11,270)	(ψτ,517)	(3.0070)	(27.1070)	03.7 170	2.1070	Ψ10,017
Beverly Hills, CA	\$219,95	0 \$205,542	\$60,000	\$135,666	\$11,889	(\$4,235)	(\$2,553)	(1.66%)	(19.39%)	66.00%	1.21%	\$2,861
First Choice Bank						, , ,	, , ,	, ,	,			
Cerritos, CA	\$88,77	9 \$69,716	\$4,376	\$70,458	\$11,700	(\$2,354)	(\$419)	(0.51%)	(3.94%)	101.06%	1.27%	\$1,228
First Community Bank	^=		A= 0.400	****					40.040/			***
Santa Rosa, CA First General Bank	\$718,30	2 \$565,683	\$53,129	\$616,190	\$58,541	\$1,087	\$5,026	0.85%	10.24%	108.93%	1.46%	\$22,811
Rowland Heights, CA	\$161,69	9 \$108,416	\$13,688	\$133,414	\$23,269	(\$256)	\$1,036	0.68%	4.58%	123.06%	1.74%	\$3,285
First Standard Bank	Ψ101,00	υ ψιου, τιο	ψ13,000	ψ100,+1+	Ψ23,203	(ψ230)	Ψ1,030	0.0070	4.5070	123.0070	1.7 4 70	ψ5,205
Los Angeles, CA	\$130,87	8 \$114,603	\$0	\$102,465	\$15,351	(\$12,421)	(\$3,021)	(2.22%)	(21.48%)	89.41%	2.57%	\$600
First Vietnamese American Ban	ık					, ,	, , ,	, ,	,			
Westminster, CA	\$53,28	0 \$47,141	\$0	\$45,125	\$5,664	(\$9,936)	(\$3,132)	(6.16%)	(43.56%)	95.72%	2.32%	\$2,022
Founders Community Bank				*****	^	***	****		. ====		. =	00.10=
San Luis Obispo, CA Fresno First Bank	\$95,67	3 \$82,889	\$0	\$85,948	\$11,625	\$92	\$204	0.23%	1.78%	103.69%	1.51%	\$3,407
Fresno, CA	\$103,47	3 \$90,964	\$15,622	\$65,072	\$11,902	(\$6,153)	(\$2,262)	(2.76%)	(18.19%)	71.54%	2.19%	\$1,598
MetroPacific Bank	φ105,47	σ ψου,σοτ	Ψ10,022	ψ05,072	Ψ11,502	(ψ0,133)	(ψ2,202)	(2.7070)	(10.1370)	71.5470	2.1370	ψ1,550
Irvine, CA	\$80,43	2 \$69,690	\$5,515	\$65,522	\$8,208	(\$6,675)	(\$2,705)	(3.76%)	(28.62%)	94.02%	2.72%	\$14,386
Ojai Community Bank						, , ,	, , ,	, ,	,			
Ojai, CA	\$104,28	7 \$91,841	\$0	\$66,430	\$12,368	(\$569)	(\$93)	(0.13%)	(0.86%)	72.33%	1.64%	\$109
Pacific Coast National Bank	A= a=		^	*		(0.0.00.1)	(00 ==0)	(0.000()	(00 ===()		==.	
San Clemente, CA Pan Pacific Bank	\$147,67	6 \$137,192	\$35,568	\$135,106	\$10,036	(\$10,864)	(\$3,753)	(2.89%)	(33.77%)	98.48%	1.47%	\$8,106
Fremont, CA	\$83,18	6 \$55,305	\$8,000	\$76,334	\$11,624	(\$4,743)	(\$242)	(0.32%)	(2.08%)	138.02%	1.37%	\$0
Plaza Bank	ψου, ι.ο	φου,σσσ	40,000	ψ, σ,σσ .	ψ···,σ2·	(ψ :,: :0)	(42 .2)	(0.0270)	(2.0070)	.00.0270		Ψ.
Irvine, CA	\$87,71	5 \$82,383	\$28,016	\$69,668	\$4,861	(\$8,035)	(\$3,028)	(4.19%)	(49.68%)	84.57%	1.68%	\$1,862
Saigon National Bank												
Westminster, CA	\$66,49	2 \$55,611	\$16,602	\$50,352	\$10,596	(\$5,566)	(\$1,850)	(3.55%)	(17.36%)	90.54%	1.70%	\$2,409
Security Bank of California	#000 0 F	0 \$404.500	r.o.	\$007.050	#25.000	/ft4 FFO\	C C44	0.000/	4.700/	440.000/	4.050/	C O
Riverside, CA The Private Bank of California	\$238,85	9 \$184,592	\$0	\$207,352	\$35,829	(\$1,559)	\$611	0.28%	1.73%	112.33%	1.25%	\$0
Los Angeles. CA	\$241,52	3 \$184,749	\$0	\$176,074	\$35,608	(\$2,903)	\$107	0.07%	0.40%	95.30%	1.60%	\$0
Tri-Valley Bank	ΨΞ.1,02	Ψ.σ.,. το	Ψ0	Ş 0,0. T	+55,550	(42,000)	ψ.01	2.3.70	2. 1070	22.0070		Ψ0
San Ramon, CA	\$93,77	7 \$69,387	\$5,369	\$83,110	\$11,572	(\$8,790)	(\$3,271)	(3.64%)	(25.50%)	119.78%	2.22%	\$4,796
	Average \$159,82		\$16,835	\$126,668	\$18,527	(\$4,471)	(\$1,017)	1.70%	13.98%	98.30%	1.75%	\$3,809
	Median \$104,28	7 \$90,964	\$8,000	\$84,971	\$11,889	(\$3,356)	(\$534)	0.79%	6.31%	98.48%	1.64%	\$2,022

⁽¹⁾ Majority owned by Capitol Bancorp, Lansing, Michigan - - part of a multi-bank holding company structure.

Selected Financial Performance

Class of 2006

De Novo Banks in California

					De No	ovo Banks in Califo	<u>ornia</u>	10/01/0000	10/01/0000			10/01/0000
Findley Reports Name (City)	12/31/2008 Total Assets (000s)	12/31/2008 Total Deposits (000s)	12/31/2008 Tot. Broker Dep. (000s)	12/31/2008 Total Loans (000s)	12/31/2008 Sh. Equity (000s)	12/31/2008 Undivd. Profits (000s)	12/31/2008 Net Income (000s)	12/31/2008 Return On Average Assets	12/31/2008 Return On Average Equity	12/31/2008 Loans/ Deposits	12/31/2008 LLR As % Gr Loans	12/31/2008 OREO, 90+ & Non Acc (000s)
1st Enterprise Bank						/ *	(*****)					•
Los Angeles, CA	\$243,653	\$215,206	\$0	\$123,713	\$27,315	(\$2,399)	(\$379)	-0.19%	-1.54%	57.49%	1.24%	\$0
Alta Alliance Bank Oakland, CA	\$140,373	\$113,027	\$0	\$93,927	\$16,551	(\$9,694)	(\$6,430)	1.63%	9.78%	83.10%	1.31%	\$0
American Riviera Bank	\$140,373	\$113,021	φυ	φ93,921	\$10,551	(\$9,094)	(\$0,430)	1.03 /6	9.7070	65.1076	1.31/6	φυ
Santa Barbara, CA	\$111,042	\$84,672	\$10,728	\$87,121	\$19,499	(\$6,645)	(\$214)	-0.23%	-1.10%	102.89%	1.22%	\$0
Americas United Bank	, , ,	* - / -	• • •	,	* -,	(+-//	(, ,					* -
Glendale, CA	\$112,416	\$79,176	\$5,289	\$85,958	\$23,491	(\$6,905)	(\$2,789)	-3.12%	-11.77%	108.57%	1.68%	\$387
Atlantic Pacific Bank												
Santa Rosa, CA	\$54,898	\$27,103	\$0	\$37,884	\$24,189	(\$4,315)	(\$215)	-0.44%	-0.87%	139.78%	1.95%	\$1,153
Bank of Napa, N.A.	# 00.000	£40.704	# 0	# 40.004	#47.040	(0.044)	(04.000)	0.000/	0.000/	400 700/	4.400/	# 0
Napa, CA Community 1st Bank	\$60,992	\$43,721	\$0	\$46,664	\$17,013	(\$6,214)	(\$1,399)	-2.80%	-8.39%	106.73%	1.13%	\$0
Roseville, CA	\$127,877	\$103,414	\$4,460	\$82,805	\$15,047	(\$3,564)	(\$1,120)	-1.13%	-7.38%	80.07%	1.66%	\$566
Cornerstone Community Bank	Ψ121,011	ψ105,414	ψ4,400	Ψ02,003	\$13,047	(\$5,504)	(ψ1,120)	-1.1370	-7.5070	00.07 /6	1.0076	Ψ300
Redbluff, CA	\$55,059	\$46,155	\$6,045	\$44,897	\$8,682	(\$3,647)	(\$1,229)	-2.60%	-13.28%	97.27%	1.76%	\$90
Embarcadero Bank San	***,***	• •, ••	*-/-	, , , , , ,	* - /	(+-,- /	(+ , - ,					• • •
Diego, CA	\$33,065	\$12,100	\$0	\$19,265	\$20,770	(\$943)	(\$631)	-2.05%	-3.02%	159.21%	1.27%	\$0
Friendly Hills Bank												
Whittier, CA	\$63,508	\$49,058	\$0	\$36,987	\$14,295	(\$1,663)	(\$783)	-1.50%	-5.71%	75.39%	1.50%	\$0
Golden Valley Bank							•					
Chico, CA	\$83,435	\$68,834	\$530	\$56,245	\$14,151	(\$1,884)	\$26	-0.07%	-0.41%	81.71%	1.20%	\$0
New Resource Bank San Francisco, CA	\$170,416	\$142,999	\$37,549	\$112,525	\$25,707	(\$15,078)	(\$10,550)	-7.15%	-45.90%	78.69%	2.74%	\$13,799
Northern California Nat'l Bk,	\$170,416	\$142,999	Φ37,549	\$112,525	\$25,707	(\$15,076)	(\$10,550)	-7.15%	-45.90%	70.09%	2.74%	Ф13,799
Chico, CA	\$80,849	\$63,933	\$0	\$28,137	\$13,169	(\$977)	\$6	-0.07%	-0.36%	44.01%	1.01%	\$0
Pacific Alliance Bank	****,****	4 - 2 , 2 - 2 - 2	**	4 = 0 , . 0 .	* ,	(++++)	**					**
Rosemead, CA	\$79,992	\$61,738	\$6,294	\$46,955	\$12,829	(\$4,855)	(\$1,892)	-3.06%	-15.04%	76.06%	1.66%	\$437
Pinnacle Bank												
Morgan Hill, CA	\$130,980	\$110,529	\$21,555	\$114,413	\$19,800	(\$9,123)	(\$3,940)	-3.88%	-18.32%	103.51%	1.82%	\$3,894
Premier Business Bank						/ *	(*******					
Los Angeles, CA	\$94,633	\$78,930	\$7,324	\$48,361	\$14,627	(\$6,555)	(\$2,856)	-3.75%	-17.94%	61.27%	1.46%	\$0
Presidio Bank San Francisco, CA	\$224,501	\$168,469	\$13,160	\$180,018	\$30,312	(\$11,047)	(\$4,414)	-2.48%	-13.67%	106.86%	1.66%	\$0
Promerica Bank	Ψ224,301	ψ100, 4 09	ψ13,100	Ψ100,010	ψ30,312	(ψ11,047)	(Ψ4,414)	-2.40 /0	-13.07 /0	100.0076	1.0076	ΨΟ
Los Angeles, CA	\$73,488	\$51,528	\$14,861	\$55,804	\$21,201	(\$6,948)	(\$2,857)	-4.39%	-12.71%	108.30%	1.69%	\$405
River Valley Community Bank	4.0,.00	** **********************************	. ,	****	4 =-,=	(+=,= :=)	(+-,)					*
Yuba City, CA	\$96,615	\$81,836	\$0	\$35,415	\$14,255	\$1,042	\$574	0.66%	3.99%	43.28%	1.52%	\$864
San Diego Private Bank												
La Jolla, CA	\$93,882	\$72,113	\$2,703	\$63,494	\$10,118	(\$2,310)	(\$386)	-0.59%	-4.62%	88.05%	1.31%	\$1,991
Sutter Community Bank	# 50.040	050 745	0007	* 45 000	00.070	(40.000)	(0500)	4.4407	0.000/	00.000/	4.000/	00.004
Yuba City, CA US Metro Bank	\$58,219	\$50,745	\$207	\$45,202	\$6,970	(\$2,998)	(\$590)	-1.14%	-8.26%	89.08%	1.20%	\$2,394
Garden Grove, CA	\$111,328	\$94,785	\$0	\$91,235	\$16,042	(\$4,588)	(\$992)	-0.98%	-6.07%	96.25%	1.50%	\$769
Western Commercial Bank	φ111,320	φ54,700	ΦΟ	φ31,233	φ10,042	(\$4,500)	(4992)	-0.30/0	-0.07 /0	30.2370	1.50 /6	φ/69
Woodland Hills, CA	\$121,943	\$105,182	\$20,806	\$103,337	\$10,385	(\$4,194)	(\$412)	-0.59%	-6.05%	98.25%	1.36%	\$9,082
	Ţ · _ · , ɔ · o	Ţ,.OZ	+ ==,000	+ , - 0 .	‡ . 2,300	(+ -, 10 1)	(+ · · =)					Ţ-,30 <u>2</u>
Average	\$105,355	\$83,707	\$6,587	\$71,320	\$17,236	(\$5,022)	(\$1,890)	-1.74%	-8.20%	90.69%	1.52%	\$1,558
Median	\$94,633	\$78,930	\$2,703	\$56,245	\$16,042	(\$4,315)	(\$992)	-1.14%	-6.07%	89.08%	1.50%	\$387

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Class of 2007 <u>De Novo Banks in California</u>

Findley Reports Name (City)	12/31/2008 Total Assets (000s)	12/31/2008 Total Deposits (000s)	12/31/2008 Tot. Broker Dep. (000s)	12/31/2008 Total Loans (000s)	12/31/2008 Sh. Equity (000s)	12/31/2008 Undivd. Profits (000s)	12/31/2008 Net Income (000s)	12/31/2008 Return On Average Assets	12/31/2008 Return On Average Equity	12/31/2008 Loans/ Deposits	12/31/2008 LLR As % Gr Loans	12/31/2008 OREO, 90+ & Non Acc (000s)
1st Capital Bank												
Monterey, CA	\$131,441	\$103,417	\$2,003	\$103,416	\$27,503	(\$4,878)	(\$2,124)	-2.12%	-7.52%	100.00%	1.50%	\$0
American Plus Bank, N.A.	\$75,721	CEA 747	\$0	CCC 040	\$19.742	(\$0,000)	(04.450)	0.500/	-7.17%	120.47%	1.36%	\$153
Arcadia, CA American Principle Bank	\$75,721	\$51,747	\$0	\$62,340	\$19,742	(\$2,868)	(\$1,450)	-2.53%	-7.17%	120.47%	1.36%	\$153
San Luis Obispo. CA	\$158,844	\$112,139	\$9,990	\$116,579	\$40,197	(\$2,348)	(\$1,155)	-1.08%	-2.86%	103.96%	1.41%	\$0
Bank of Feather River	\$150,044	Ψ112,133	ψ9,990	Ψ110,573	ψ 4 0,137	(\$2,540)	(ψ1,133)	-1.0070	-2.0070	103.3070	1.4170	ΨΟ
Yuba City, CA	\$29,219	\$22,094	\$4,733	\$22,962	\$6,937	(\$1,063)	(\$487)	-2.09%	-6.78%	103.93%	1.39%	\$0
Bank of Manhattan, N.A.		, , , , , ,	* ,	* ***	****	(* //	(, ,					**
El Segundo, CA	\$92,040	\$56,928	\$902	\$57,442	\$25,356	(\$6,672)	(\$3,896)	-5.93%	-17.03%	100.90%	1.70%	\$0
California Bank of Commerce												
Lafayette, CA	\$137,417	\$110,510	\$9,582	\$97,620	\$20,333	(\$8,207)	(\$5,254)	-3.50%	-14.80%	88.34%	1.43%	\$0
California Republic Bank						/A	(********					
Newport Beach, CA	\$168,151	\$119,071	\$0	\$75,654	\$48,802	(\$4,074)	(\$2,870)	-2.46%	-5.74%	63.54%	1.26%	\$0
Commerce Bank of Temecula Valley Murrieta, CA	\$40,677	\$25,262	\$0	\$29,865	\$12,436	(\$3,248)	(\$1,843)	-6.31%	-13.93%	118.22%	1.26%	\$0
Community Valley Bank	\$40,07 <i>1</i>	\$25,202	ΦΟ	\$29,000	\$12,430	(\$3,240)	(\$1,043)	-0.31/6	-13.3370	110.22/0	1.20/0	φυ
El Centro, CA	\$33,236	\$23,468	\$0	\$26.340	\$9,521	(\$4,359)	(\$2,206)	-9.05%	-20.91%	112.24%	1.89%	\$990
Focus Business Bank	****,=**	 ,	**	*==,=.=	**,*=	(+ 1,000)	(+=,===)					****
San Jose, CA	\$94,405	\$69,480	\$2,817	\$70,763	\$24,326	(\$3,949)	(\$1,690)	-2.05%	-6.78%	101.85%	1.70%	\$0
Folsom Lake Bank												
Folsom, CA	\$60,483	\$43,756	\$0	\$38,520	\$13,456	(\$2,916)	(\$1,360)	-3.13%	-10.19%	88.03%	1.43%	\$0
Golden Coast Bank						(0)	(*******					
Long Beach, CA	\$40,198	\$33,007	\$6,094	\$27,686	\$6,962	(\$5,583)	(\$3,286)	-11.24%	-39.33%	83.88%	1.89%	\$1,646
Lighthouse Bank Santa Cruz, CA	\$64,956	\$48,646	\$0	\$41.989	\$16.176	(\$0.707)	(\$2.040)	-4.38%	-11.84%	86.32%	2.31%	\$2,858
Pacific Enterprise Bank	\$64,936	\$40,040	Φ0	ф41,909	\$10,170	(\$2,797)	(\$2,010)	-4.30%	-11.04%	00.32%	2.31%	φ2,000
Irvine, CA	\$92,893	\$57,832	\$12,013	\$62,347	\$21,712	(\$4,330)	(\$2,480)	-3.62%	-10.95%	107.81%	1.79%	\$103
Partners Bank of California	402,000	ψ01,002	ψ. <u>Σ</u> ,σ.σ	ψο2,σ	ŲZ.,,Z	(ψ.,σσσ)	(42, 100)	0.0270	10.0070	101.0170	0 / 0	Ψ.00
Mission Viejo, CA	\$58,707	\$45,063	\$7,000	\$30,801	\$13,404	(\$6,083)	(\$3,971)	-9.42%	-26.06%	68.35%	1.39%	\$0
Santa Ana Business Bank												
Santa Ana, CA	\$17,142	\$8,008	\$0	\$7,684	\$8,760	(\$4,015)	(\$2,112)	-14.85%	-22.96%	95.95%	1.56%	\$0
Security First Bank						/A	(0)					
Fresno, CA	\$80,668	\$57,151	\$2,837	\$59,529	\$15,238	(\$1,954)	(\$1,480)	-2.70%	-9.37%	104.16%	1.51%	\$0
Sierra Vista Bank Folsom, CA	\$69,515	\$54,744	\$7,737	\$48,937	640.404	(04.000)	(00 F7F)	4.000/	-18.50%	89.39%	1.40%	\$164
Stellar Business Bank	\$69,515	\$54,744	\$1,131	\$48,937	\$10,104	(\$4,639)	(\$2,575)	-4.20%	-18.50%	89.39%	1.40%	\$164
Covina, CA	\$105,191	\$72,675	\$0	\$31,170	\$19,894	(\$3,477)	(\$2,316)	-3.08%	-11.48%	42.89%	1.24%	\$0
Sunrise Community Bank	φ100,101	Ψ12,010	ΨΟ	φοι,ττο	ψ10,004	(ψο, τι ι)	(ψ2,010)	0.0070	11.4070	42.0070	1.2470	ΨΟ
Palm Desert, CA	\$36,158	\$29,688	\$3,056	\$28,355	\$6,357	(\$1,643)	(\$645)	-2.25%	-9.66%	95.51%	1.55%	\$0
Average Median	\$79,353 \$72,618	\$57,234 \$53,246	\$3,438 \$2,410	\$52,000 \$45,463	\$18,361 \$15,707	(\$3,955) (\$3,982)	(\$2,261) (\$2,118)	-4.80% -3.31%	-13.69% -11.21%	93.79% 97.98%	1.55% 1.47%	\$296 \$0



Selected Financial Performance

Class of 2008 De Novo Banks in California

						De No	ovo Banks in Califo	<u>ornia</u>					
Findley Reports Name (City)		12/31/2008 Total Assets (000s)	12/31/2008 Total Deposits (000s)	12/31/2008 Tot. Broker Dep. (000s)	12/31/2008 Total Loans (000s)	12/31/2008 Sh. Equity (000s)	12/31/2008 Undivd. Profits (000s)	12/31/2008 Net Income (000s)	12/31/2008 Return On Average Assets	12/31/2008 Return On Average Equity	12/31/2008 Loans/ Deposits	12/31/2008 LLR As % Gr Loans	12/31/2008 OREO, 90+ & Non Acc (000s)
Banco BuenaVentura										-	•		
Oxnard, CA		\$9,901	\$788	\$0	\$0	\$8,772	(\$4,559)	(\$4,559)	(92.43%)	(104.33%)	0.00%	0.00%	\$0
Capital Bank													
San Juan Capistrano, CA		\$30,317	\$18,115	\$0	\$20,792	\$11,947	(\$3,504)	(\$1,547)	(10.21%)	(25.90%)	114.78%	1.17%	\$0
CapitalSource Bank													
Los Anaeles. CA ⁽¹⁾		\$6,134,338	\$5,043,849	\$33,951	\$4,036,399	\$915,690	(\$6,508)	(\$8,489)	(0.28%)	(1.85%)	80.03%	1.38%	\$40,403
Global Trust Bank							(0.1.00)	(0-10)		/ -			
Mountain View, CA		\$230	\$1,716	\$0	\$1,589	\$19,697	(\$1,303)	(\$542)	(471.30%)	(5.50%)	92.60%	1.26%	\$0
Mega Bank		600 075	#00.000	\$0	COD 400	COO 074	(\$0.000)	(00.040)	(0.000/)	(05 000()	440.400/	4.040/	C4 040
San Gabriel, CA Royal Business Bank		\$60,075	\$32,293	20	\$38,139	\$20,674	(\$2,636)	(\$2,648)	(8.82%)	(25.62%)	118.10%	1.31%	\$1,249
Los Angeles, CA		\$83,085	\$11,011	\$0	\$4,723	\$69,090	(\$2,303)	(\$2,303)	(5.61%)	(67.46%)	42.89%	1.50%	\$0
Suncrest Bank		\$65,065	\$11,011	φυ	φ 4 ,723	\$09,090	(\$2,303)	(\$2,303)	(5.0176)	(07.4070)	42.09/0	1.50 /6	φυ
Visalia, CA		\$49,944	\$33,752	\$0	\$19,576	\$15,959	(\$4,116)	(\$2,137)	(8.56%)	(26.78%)	58.00%	1.51%	\$0
Vibra Bank		ψ.ιο,σ	ψ00,10 <u>2</u>	•	φισ,σισ	ψ.ο,οοο	(ψ 1,1 10)	(ψ2,101)	(0.0070)	(20.1070)	00.0070	1.0170	Ψ0
Chula Vista, CA		\$21,401	\$8,383	\$0	\$7,979	\$12,859	(\$2,642)	(\$2,867)	(26.79%)	(44.59%)	95.18%	1.42%	\$0
Oriala Viola, O/ i		*-	**,***	**	*.,	*:=,===	(+-,- :-)	(+-,)	(==::=;	(,			**
	Average	\$798,661	\$643,738	\$4,244	\$516,150	\$134,336	(\$3,446)	(\$3,137)	(78.00%)	(37.75%)	75.20%	1.19%	\$5,207
	Median	\$40,131	\$14,563	\$0	\$13,778	\$17,828	(\$3,073)	(\$2,476)	(9.52%)	(26.34%)	86.31%	1.35%	\$0