



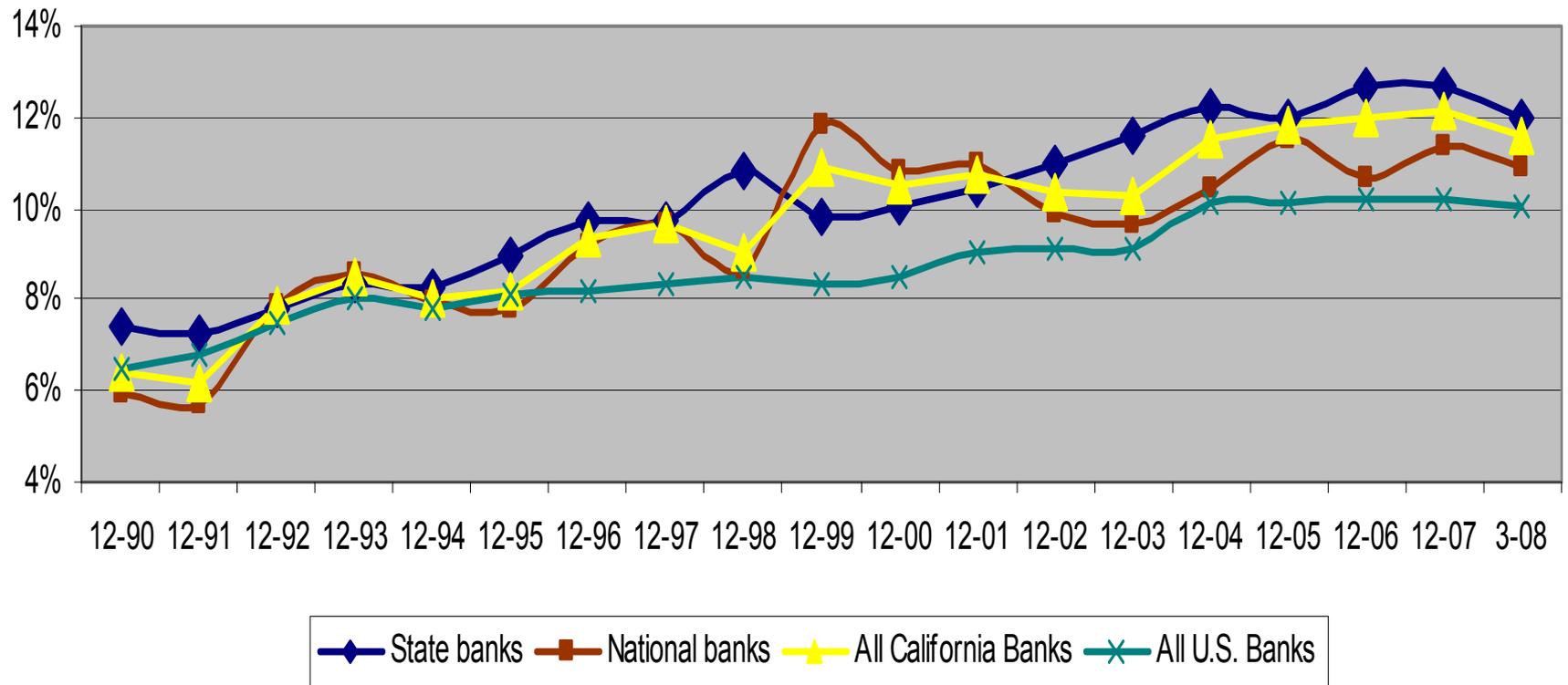
California Independent Banker's Regulatory Exchange

San Francisco
June 17, 2008

Los Angeles
June 19, 2008

Capital Adequacy

Equity Capital-Asset Ratio 1990 - YTD 2008



Equity Capital/Assets by Quintile*

State Chartered Commercial and Industrial Banks

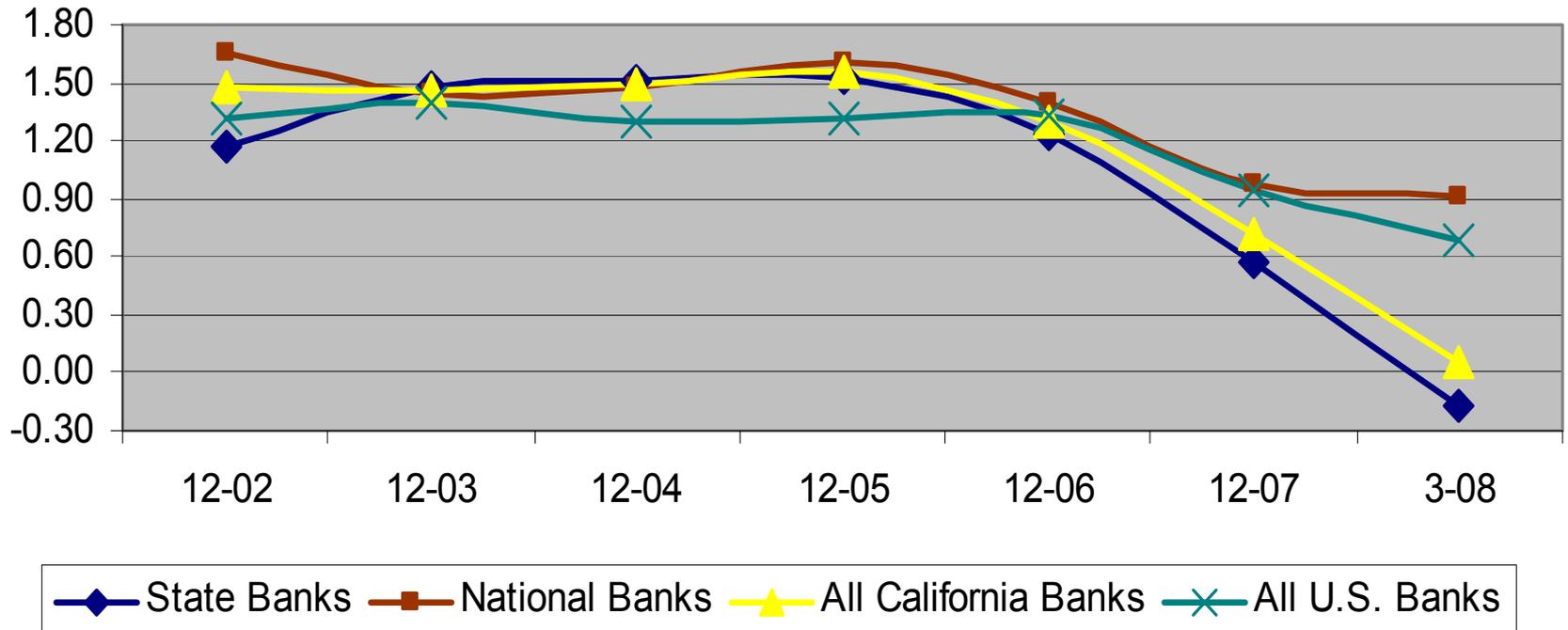
As of March 31, 2008

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	15	86	37	24	66	228
First Quintile	37.1	17.5	13.0	12.0	54.9	35.4
Second Quintile	14.7	12.9	11.0	10.6	31.4	15.8
Third Quintile	12.9	11.1	9.4	10.3	20.6	12.2
Fourth Quintile		9.9	8.7	9.6	16.1	10.1
Fifth Quintile		8.7	7.5	8.4	11.0	8.5

* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 53

Return on Assets

ROA has been trending down. First quarter ROA is second lowest level since fourth quarter of 1991



Return on Assets by Quintile*

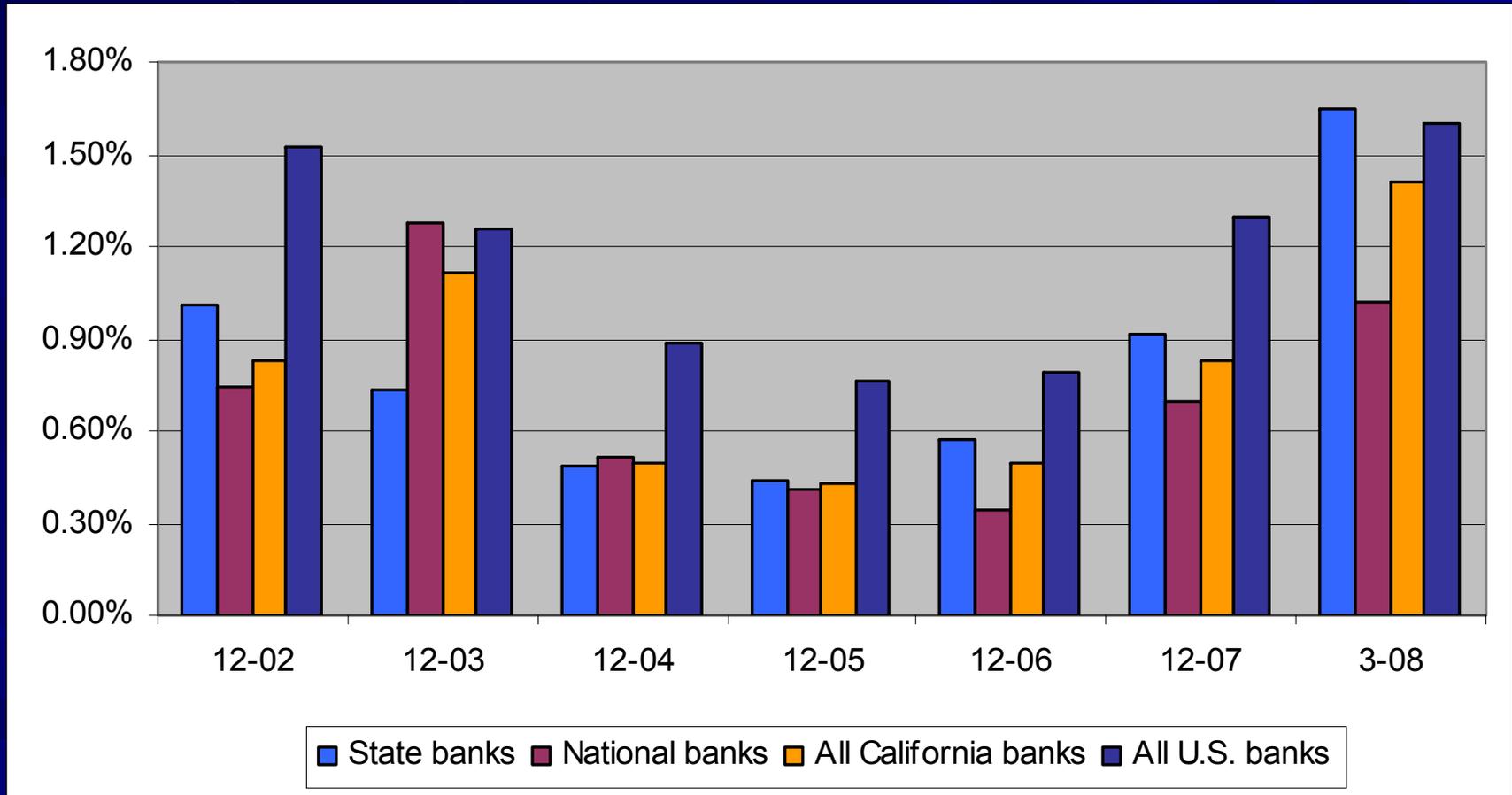
State Chartered Commercial and Industrial Banks

As of March 31, 2008

Asset Size	<u>Over 3 years of operation</u>				<u>< 3 yrs ops.</u>	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	15	86	37	24	66	228
First Quintile	1.1	1.6	1.4	1.4	0.6	1.5
Second Quintile	0.1	0.9	1.0	1.1	-0.6	0.8
Third Quintile	-0.8	0.6	0.8	1.0	-1.9	0.4
Fourth Quintile		0.4	0.6	0.7	-3.0	-0.3
Fifth Quintile		-0.9	-2.6	0.3	-8.6	-4.8

* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.⁵

Noncurrent Loans and Leases to Total Loans and Leases



Noncurrent Loans & Leases/Total Loans & Leases by Quintile*

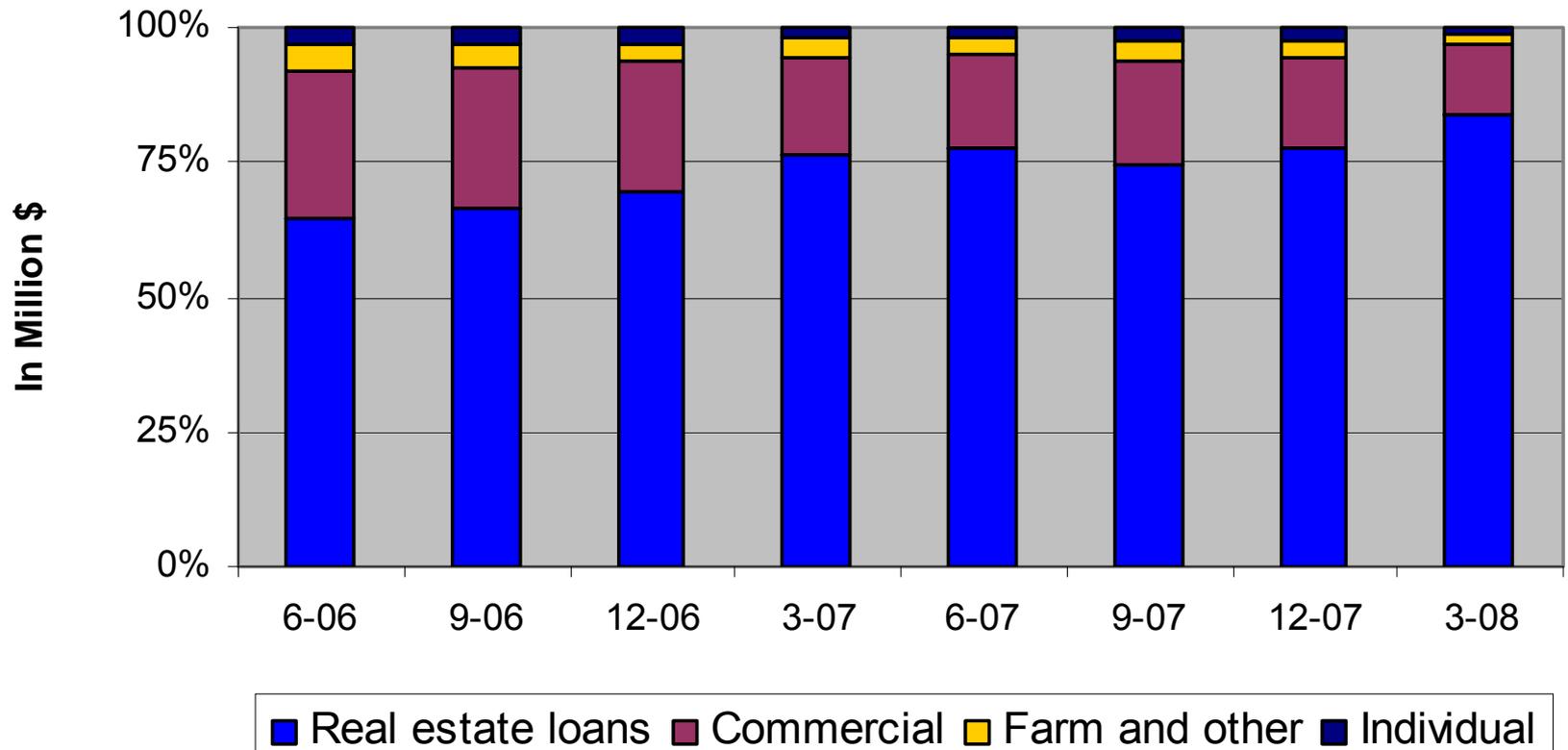
State Chartered Commercial and Industrial Banks

As of March 31, 2008

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	15	86	37	24	66	228
First Quintile	3.9	4.1	6.7	3.1	3.3	4.7
Second Quintile	0.5	1.4	2.5	1.7	0.1	1.2
Third Quintile	0.0	0.6	0.8	1.0	0.0	0.4
Fourth Quintile		0.2	0.3	0.7	0.0	0.0
Fifth Quintile		0.0	0.0	0.2	0.0	0.0

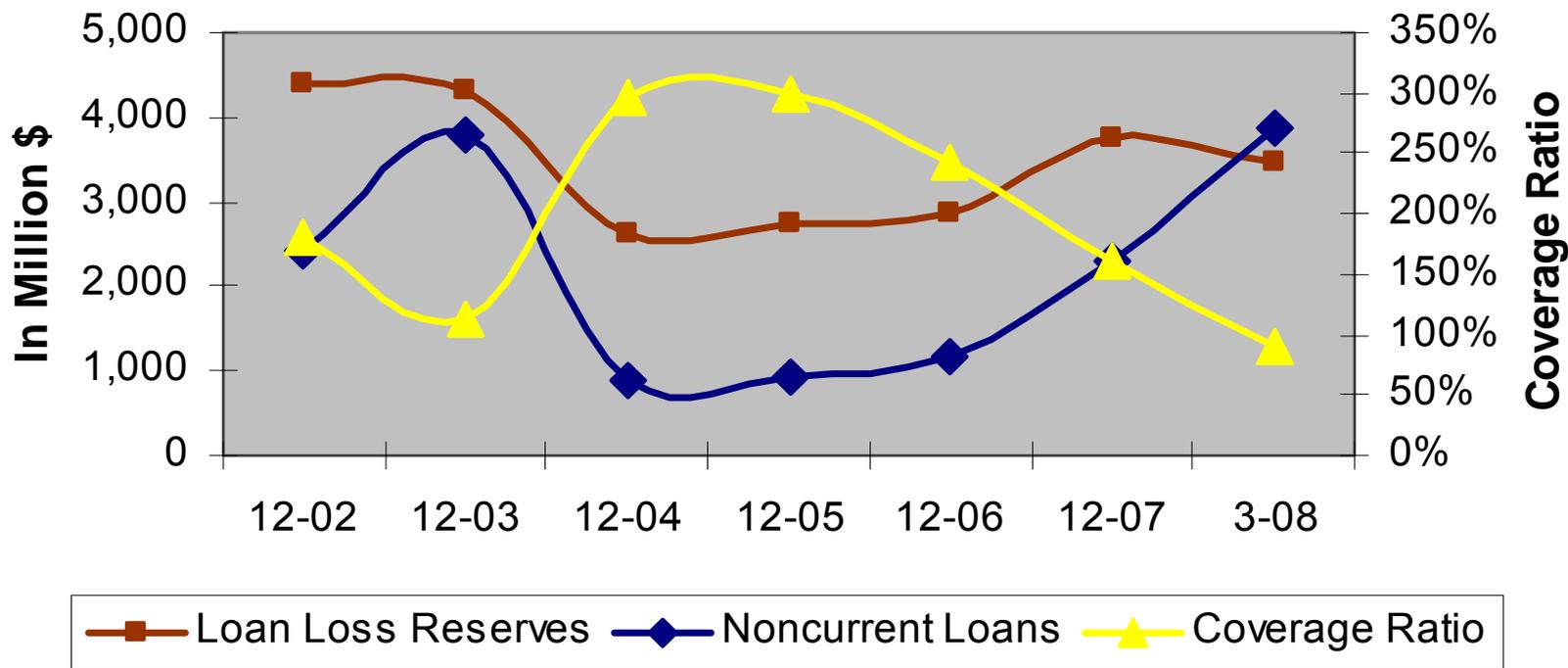
* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.⁷

Non-current Loans by Type – All California Banks



Loan Loss Reserves vs. Noncurrent Loans and Leases

Growth in Noncurrent Loans Outpaces Reserve Growth - All California Banks



Reserves for Loans/Noncurrent Loans & Leases by Quintile*

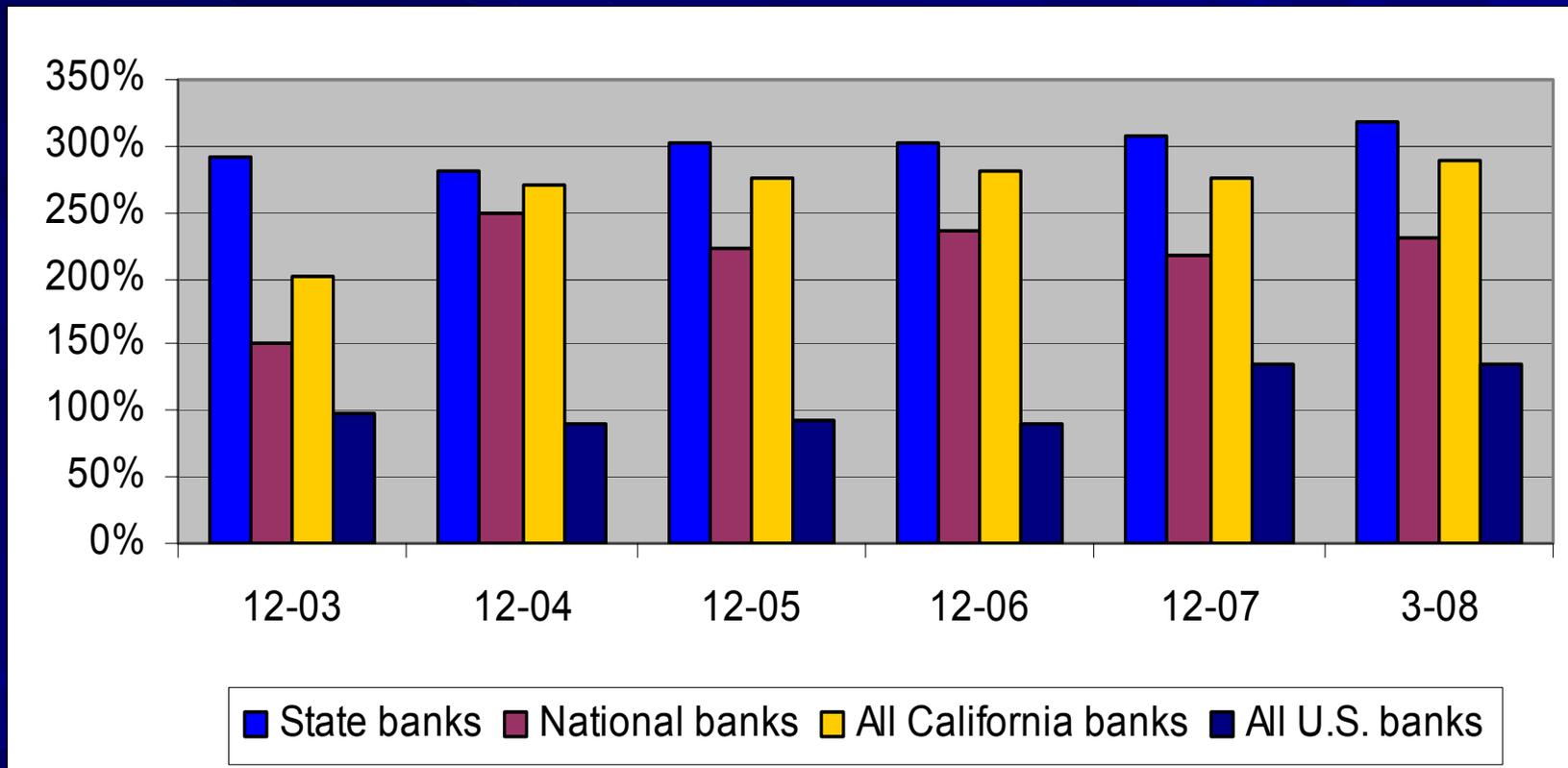
State Chartered Commercial and Industrial Banks

As of March 31, 2008

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	15	86	37	24	66	228
First Quintile	2532.3	1203.5	1538.2	609.9	562.0	1468.9
Second Quintile	69.6	259.6	329.0	221.0	11.8	195.2
Third Quintile	5.8	101.5	117.8	124.2	∞	68.2
Fourth Quintile		47.9	52.8	97.9	∞	13.5
Fifth Quintile		24.4	23.8	54.3	∞	∞

* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

Commercial Real Estate Loans to Total Equity Capital



Commercial Real Estate Loans/Tier 1 Capital by Quintile*

State Chartered Commercial and Industrial Banks

As of March 31, 2008

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	15	86	37	24	66	228
First Quintile	516.5	748.1	831.1	736.2	541.9	752.8
Second Quintile	329.5	552.9	683.1	634.3	279.1	545.0
Third Quintile	54.7	470.5	560.5	574.4	164.8	401.0
Fourth Quintile		362.5	409.6	433.7	98.0	251.8
Fifth Quintile		196.0	175.9	266.7	34.8	68.6

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Construction and Land Development Loans/Tier 1 Capital by Quintile*

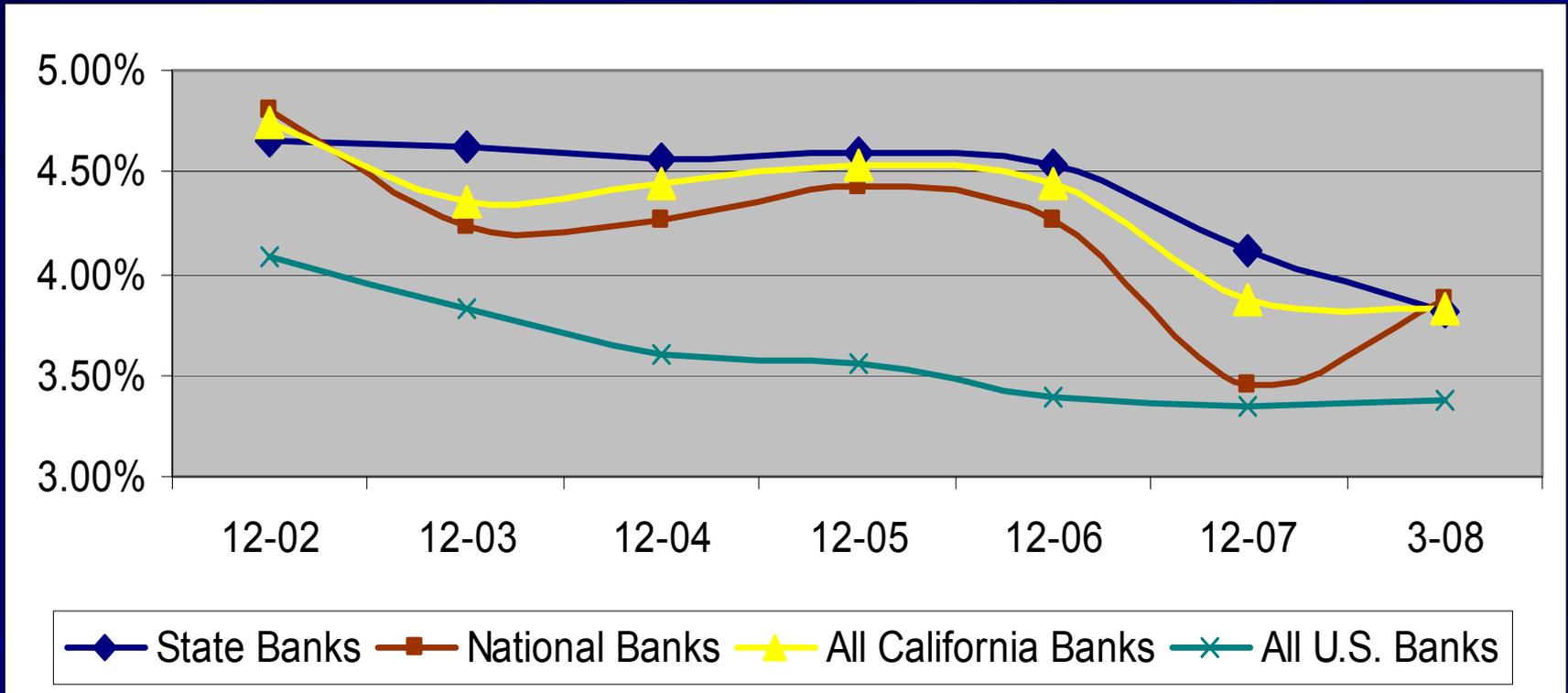
State Chartered Commercial and Industrial Banks

As of March 31, 2008

Asset Size	Over 3 years of operation				< 3 yrs ops.	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	15	86	37	24	66	228
First Quintile	178.9	233.3	373.5	219.4	154.9	258.2
Second Quintile	76.5	146.4	225.4	168.2	80.3	140.3
Third Quintile	10.7	101.7	139.6	86.5	40.9	81.5
Fourth Quintile		57.4	63.7	59.5	15.8	39.7
Fifth Quintile		10.0	17.4	25.5	0.8	5.7

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Net Interest Margin



Net Interest Margin by Quintile*

State Chartered Commercial and Industrial Banks

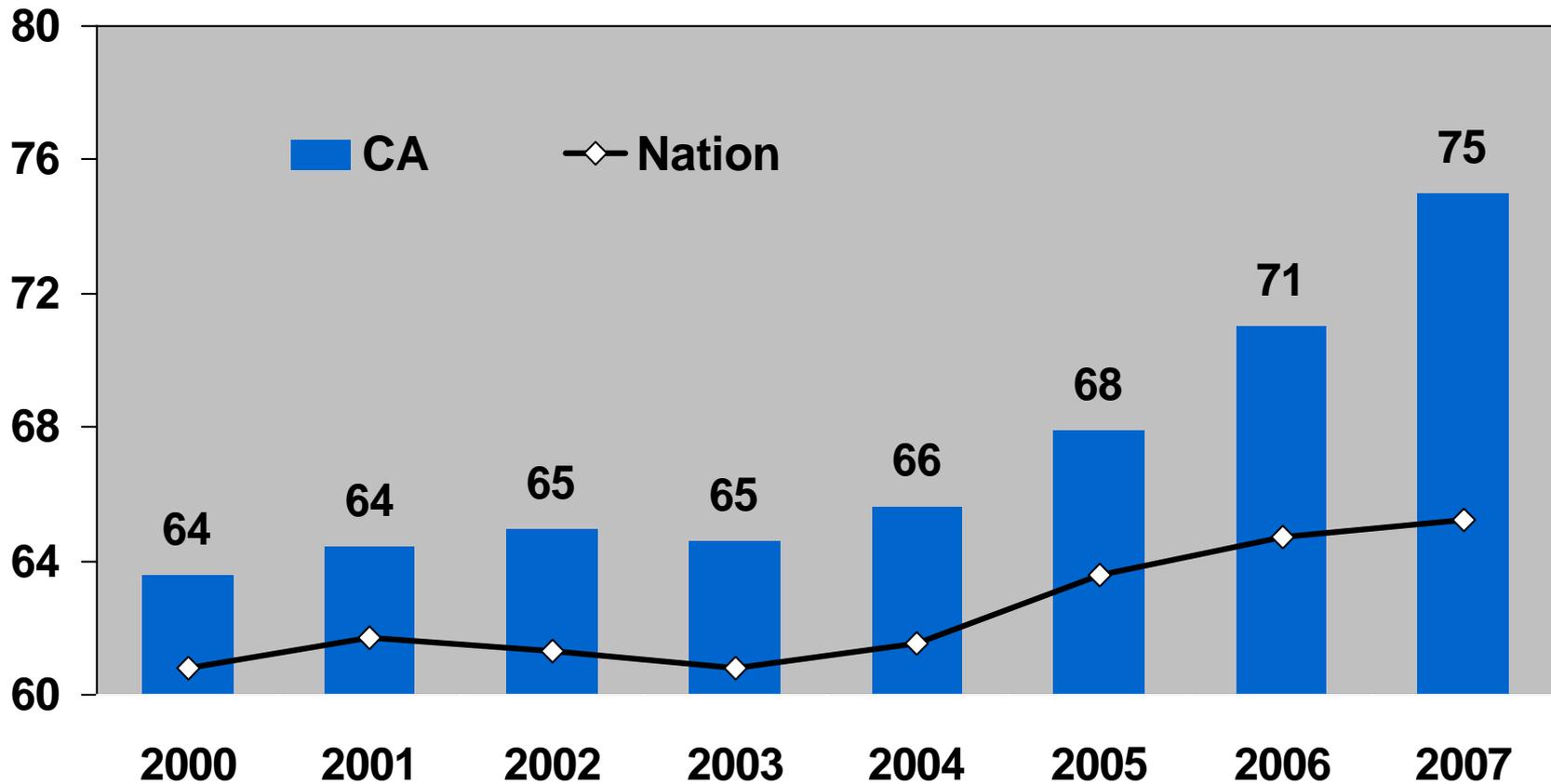
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	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	15	86	37	24	66	228
First Quintile	6.6	5.0	4.7	4.1	4.6	5.1
Second Quintile	4.1	4.3	4.3	3.9	4.1	4.2
Third Quintile	3.0	4.0	3.8	3.7	3.6	3.8
Fourth Quintile		3.6	3.5	3.2	3.3	3.5
Fifth Quintile		2.7	2.8	2.7	2.2	2.5

* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

Liquidity & Funding

Banks Pushed Up Loan-to-Asset Ratios



Loans & Leases/Assets by Quintile*

State Chartered Commercial and Industrial Banks

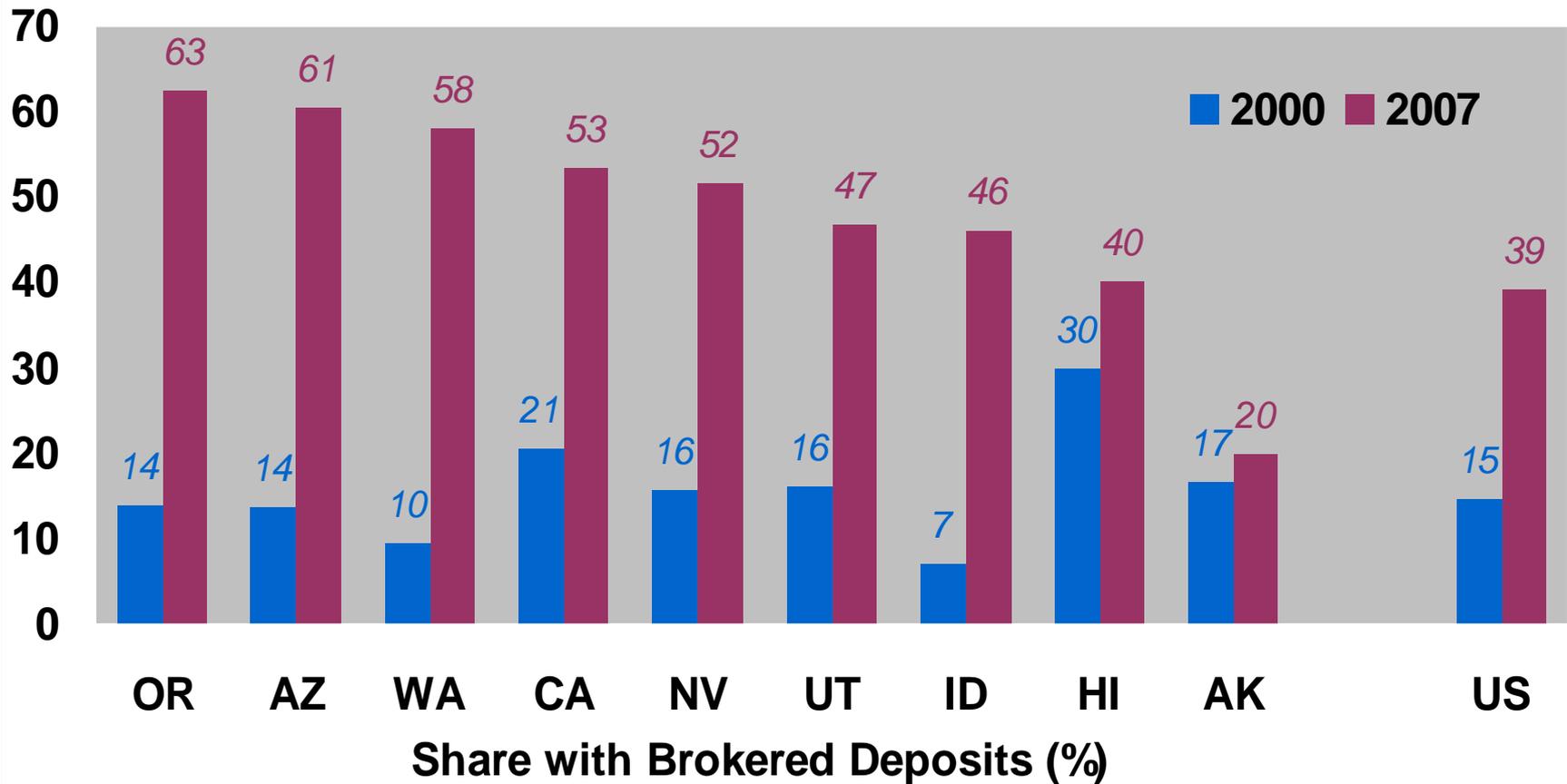
As of March 31, 2008

Asset Size	<u>Over 3 years of operation</u>				<u>< 3 yrs ops.</u>	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More	All asset sizes	
Number of Banks	15	86	37	24	66	228
First Quintile	91.5	89.6	87.8	84.1	84.6	88.7
Second Quintile	78.6	83.3	82.1	75.1	79.4	81.9
Third Quintile	49.5	78.7	77.8	72.1	67.9	75.8
Fourth Quintile		71.6	72.1	67.3	54.1	66.9
Fifth Quintile		53.0	58.0	57.3	26.2	42.5

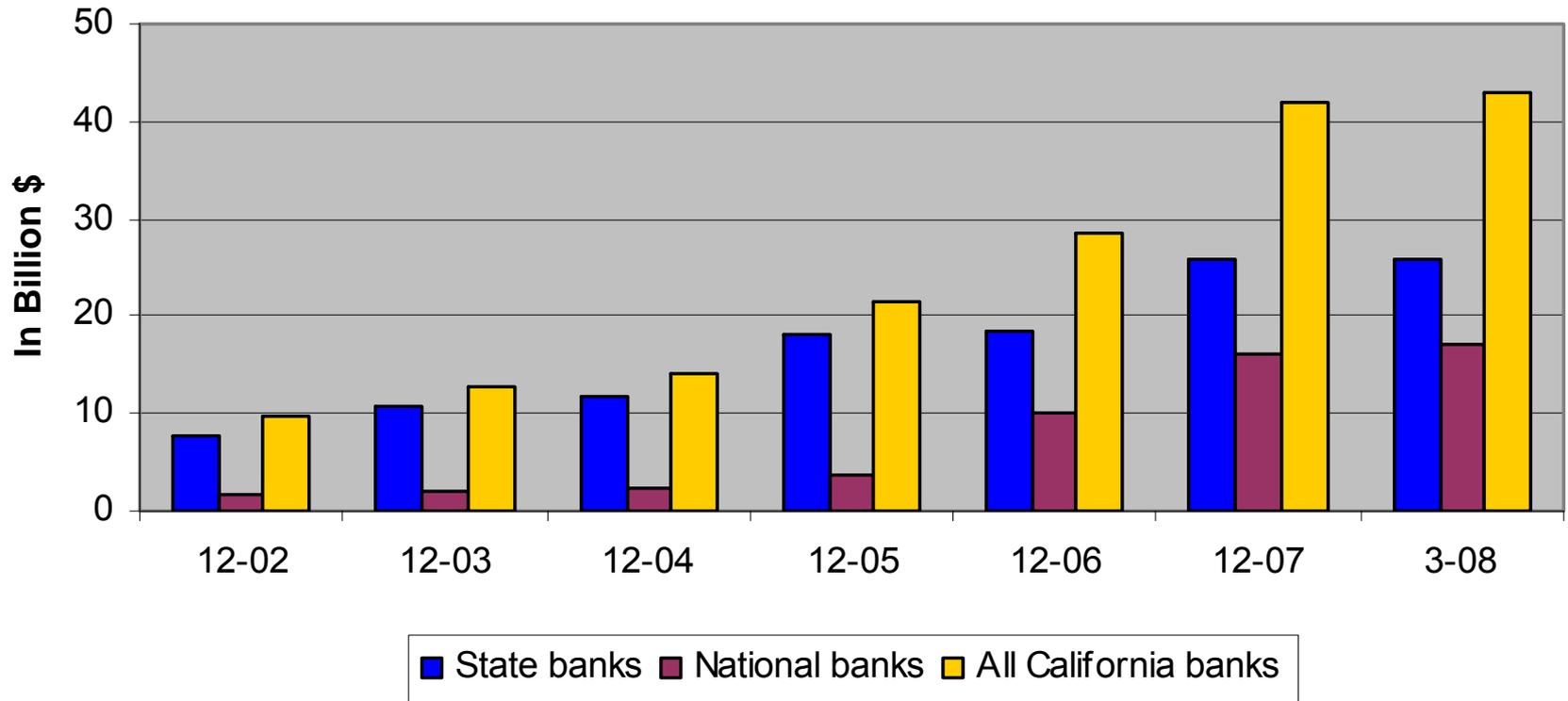
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Liquidity & Funding

Brokered Deposits Have Become More Popular in West



FHLB Advances





Examination Trends

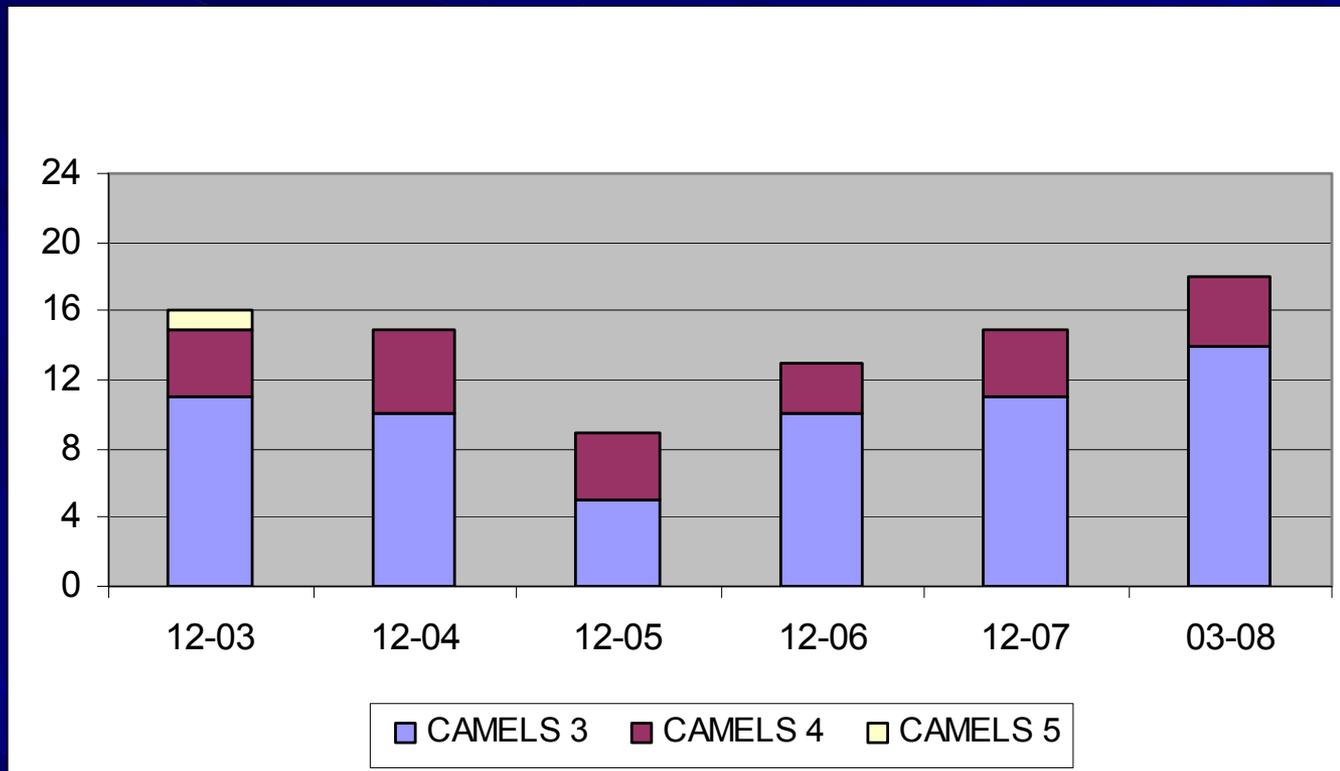
Examination Trends as of June 15, 2008

CAMELS RATING MIGRATION GRID

		CURRENT RATING				
		1	2	3	4	5
PRIOR RATING	1	19	3	0	0	0
	2	8	129	7	3	0
	3	0	6	2	0	0
	4	0	1	2	1	0
	5	0	0	0	0	0



Problem Commercial and Industrial State-Chartered Banks as of March 31, 2008



Examination Trends

- Financial indicators exhibiting stress.
- Some “double downgrades” due to rapid deterioration.
- Deterioration in credit quality with asset classifications rising, especially in the construction loan area.
- CRE concentration continues for most.
- Management/Board and risk management issues.
- ALLL policy and methodology deficiencies being noted, especially FAS 114, resulting in underfunded findings.
- De Novos not meeting projections.



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