

FIG Partners West Coast Banking  
Conference  
February 18, 2010

William S. Haraf  
Commissioner  
California Department of Financial Institutions

# State / National Bank Comparison

<b><u>Banks Over 3 Years of Operation by Asset Size</u></b>	<b><u># State</u></b>	<b><u>% of Total</u></b>	<b><u># Nat'l</u></b>	<b><u>% of Total</u></b>
< \$100MM	21	9%	9	15%
\$100MM to \$500MM	100	45%	29	50%
\$500MM to \$2B	39	17%	8	14%
<u>\$2B and &gt;</u>	<u>21</u>	<u>9%</u>	<u>8</u>	<u>14%</u>
<b><u>Banks &lt; 3 Years of Operations</u></b>	<u>43</u>	<u>19%</u>	<u>4</u>	<u>7%*</u>
Total	224	100%	58	100%*

\* Does not include data for one reorganized national bank

# State / National Bank Comparison

## Total Asset Size

<b><u>Banks Over 3 Years of Operation by Asset Size</u></b>	<b><u>State Banks</u></b>	<b><u>% of Total</u></b>	<b><u>Nat'l Banks</u></b>	<b><u>% of Total</u></b>
< \$100MM	\$1.56B	0.63%	\$634MM	0.39%
\$100MM to \$500MM	\$24.4B	9.89%	\$6.3B	3.95%
\$500MM to \$2B	\$39.3B	15.92%	\$9.8B	6.07%
<u>\$2B and &gt;</u>	<u>\$171.5B</u>	<u>69.56%</u>	<u>\$143.7B</u>	<u>89.40%</u>
<b><u>Banks &lt; 3 Years of Operations</u></b>	<u>\$9.8B</u>	<u>3.99%</u>	<u>\$297MM</u>	<u>0.18%*</u>
Total	\$246.5B	100.00%	\$160.8B	100.00%*

\* Does not include data for one reorganized national bank

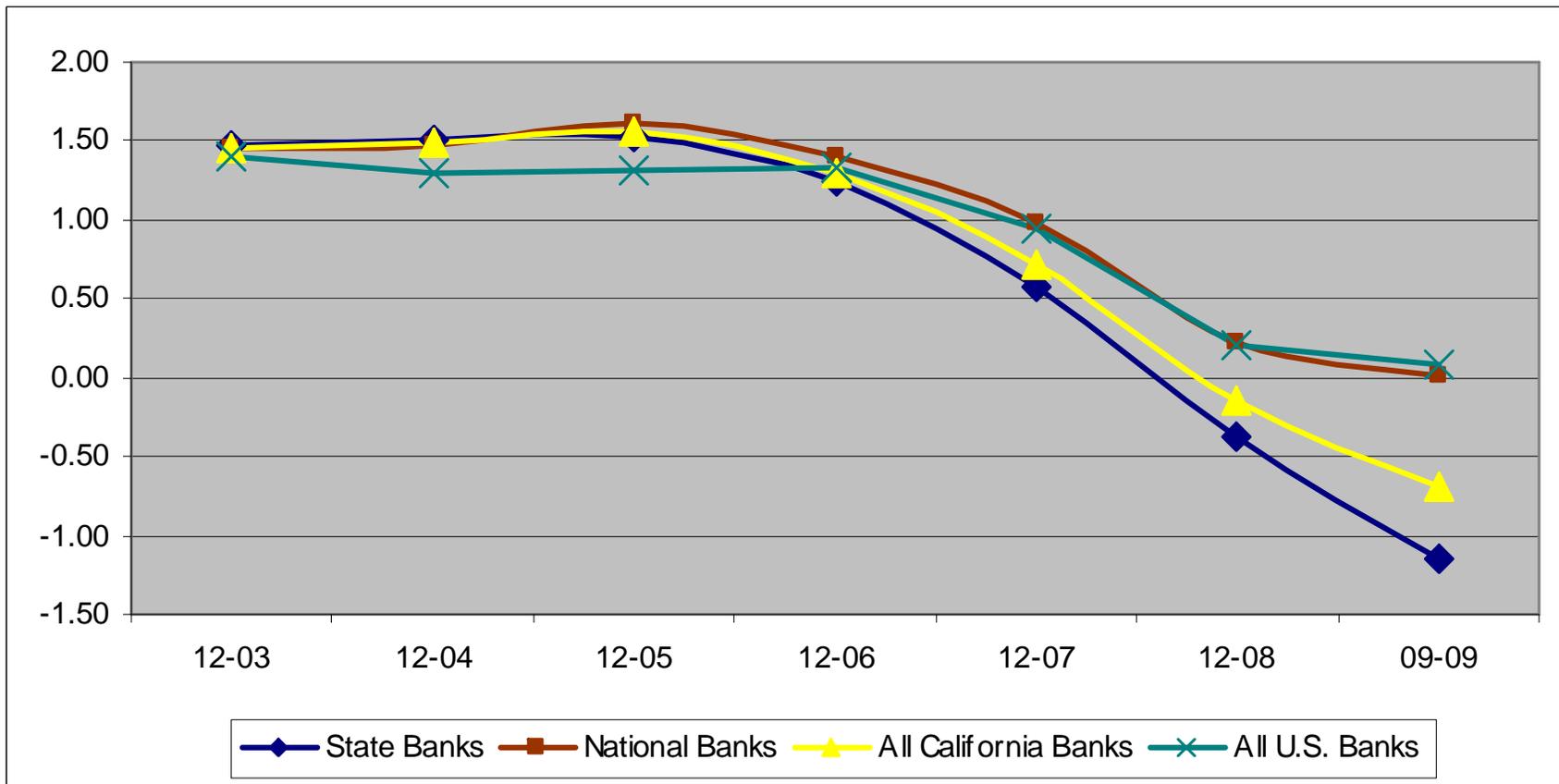
# State / National Bank Comparison

## Median Asset Size

<b><u>Banks Over 3 Years of Operation by Asset Size</u></b>	<b><u>State Banks</u></b>	<b><u>Nat'l Banks</u></b>
< \$100MM	\$77.9MM	\$74.0MM
\$100MM to \$500MM	\$211.4MM	\$217.6MM
\$500MM to \$2B	\$875.6MM	\$1.2B
<u>\$2B and &gt;</u>	<u>\$4.0B</u>	<u>\$8.3B</u>
<b><u>Banks &lt; 3 Years of Operations</u></b>	<u>\$88.6MM</u>	<u>\$82.6MM*</u>
Total	\$213.6MM	\$223.4MM*

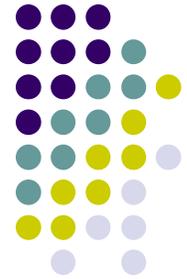
\* Does not include data for one reorganized national bank

# Return on Assets



# Return on Assets by Quintile\*

## State Chartered Commercial and Industrial Banks

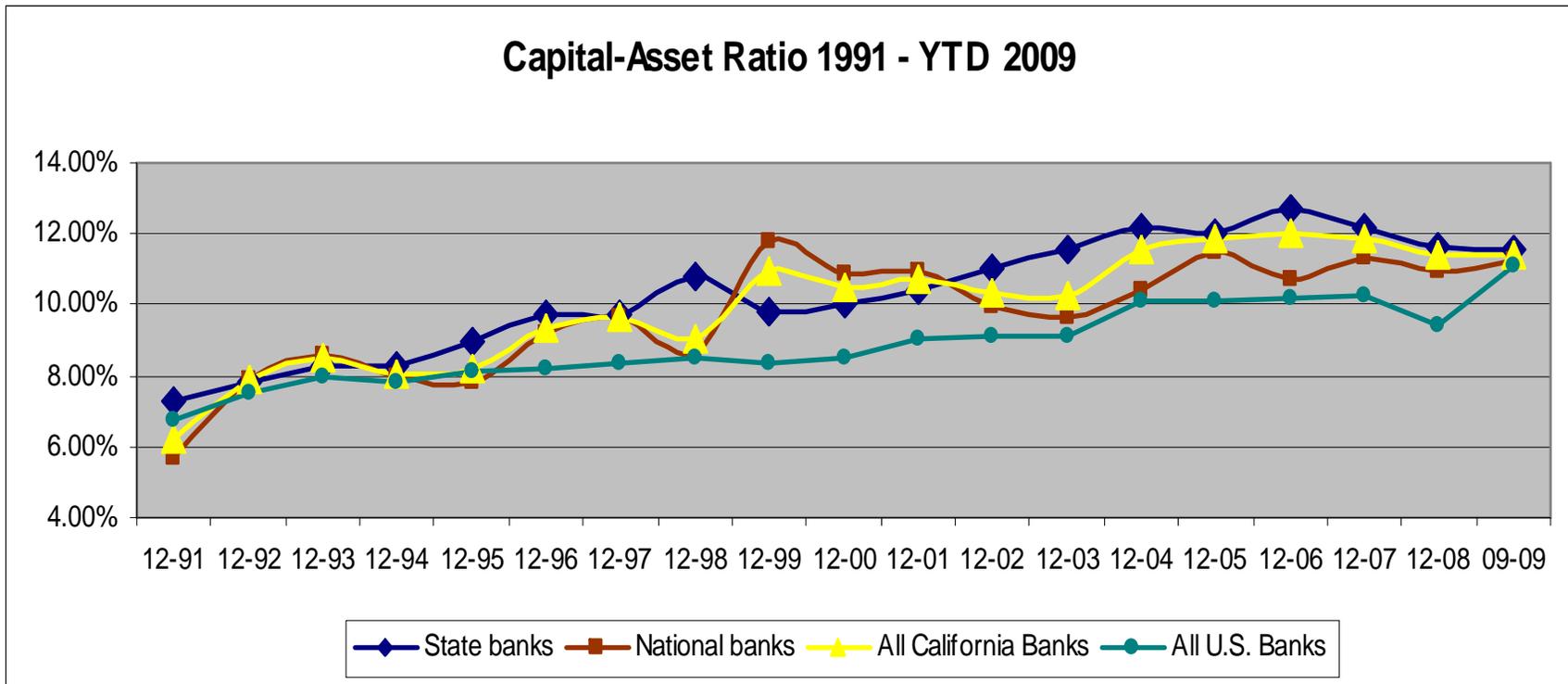


Annualized year-to-date through As of September 30, 2009

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	20	105	41	20	32	218
First Quintile	0.7	0.9	1.0	1.4	-0.6	0.9
Second Quintile	0.2	0.3	0.4	0.6	-1.7	0.2
Third Quintile	-1.8	-0.1	-0.2	0.2	-2.7	-0.4
Fourth Quintile	-2.9	-1.0	-0.7	-1.0	-3.7	-1.6
Fifth Quintile	-4.7	-4.4	-2.1	-6.0	-6.5	-4.7
Total	-1.7	-0.7	-0.2	-0.5	-2.2	-0.6

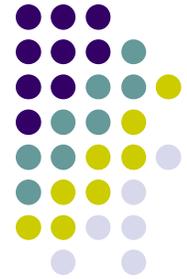
\* Quintiles of equal sizes are created by dropping off first the highest then the lowest ratio in each group until the number of institutions is divisible by 5.

# Capital Adequacy



# Equity Capital / Assets by Quintile\*

## State Chartered Commercial and Industrial Banks

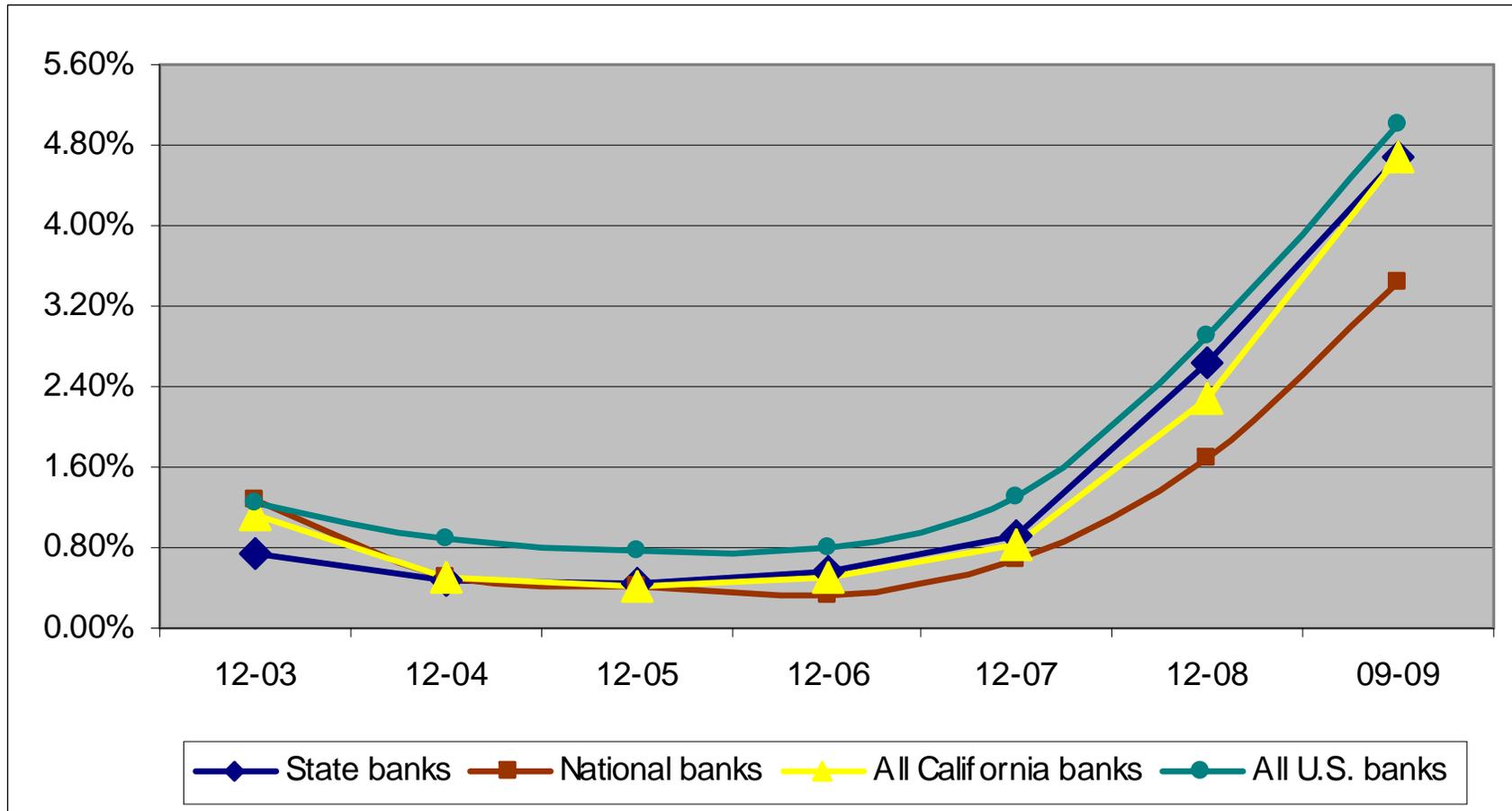


As of June 30, 2009

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	21	100	39	21	43	224
First Quintile	19.4	19.7	13.2	12.9	34.2	23.3
Second Quintile	14.0	12.5	11.0	11.2	22.9	13.5
Third Quintile	11.6	10.9	10.0	10.0	18.0	11.3
Fourth Quintile	10.4	9.5	9.1	9.3	14.5	9.9
Fifth Quintile	8.3	8.0	7.4	7.2	11.5	8.1
Total	14.0	12.1	10.4	11.8	16.7	11.8

\* 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.

# Noncurrent Loans and Leases to Total Loans and Leases



# Total Past Due Loans & Leases/ Total Loans & Leases by Quintile\* State Chartered Commercial and Industrial Banks

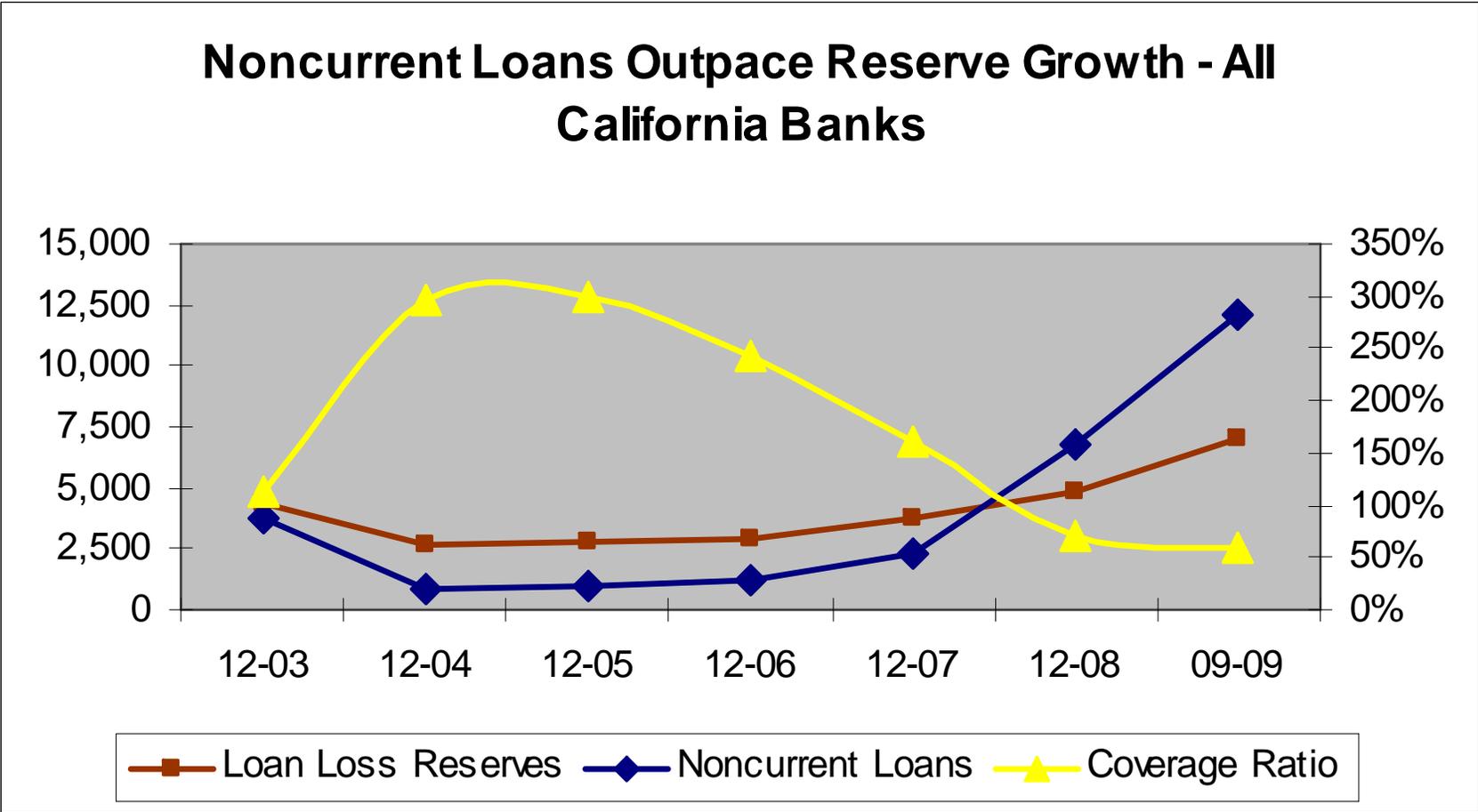


As of September 30, 2009

Asset Size	Over 3 years of operation				< 3 yrs ops. All asset sizes	Total
	Less than \$100MM	\$100 to \$500MM	\$500MM to \$2 Billion	\$2 Billion and More		
Number of Banks	20	105	41	20	32	218
First Quintile	16.7	12.8	11.5	15.2	7.2	12.5
Second Quintile	7.0	6.1	7.7	5.9	3.1	6.2
Third Quintile	4.4	3.9	5.7	4.9	0.6	4.0
Fourth Quintile	2.3	2.5	3.4	3.9	0.1	2.4
Fifth Quintile	0.9	0.8	1.7	2.3	0.0	0.5
Total	5.4	4.8	5.9	5.6	4.4	5.5

\* 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.

# Loan Loss Reserves vs. Noncurrent Loans and Leases



# Reserves for Loans / Noncurrent Loans & Leases by Quintile\* State Chartered Commercial and Industrial Banks

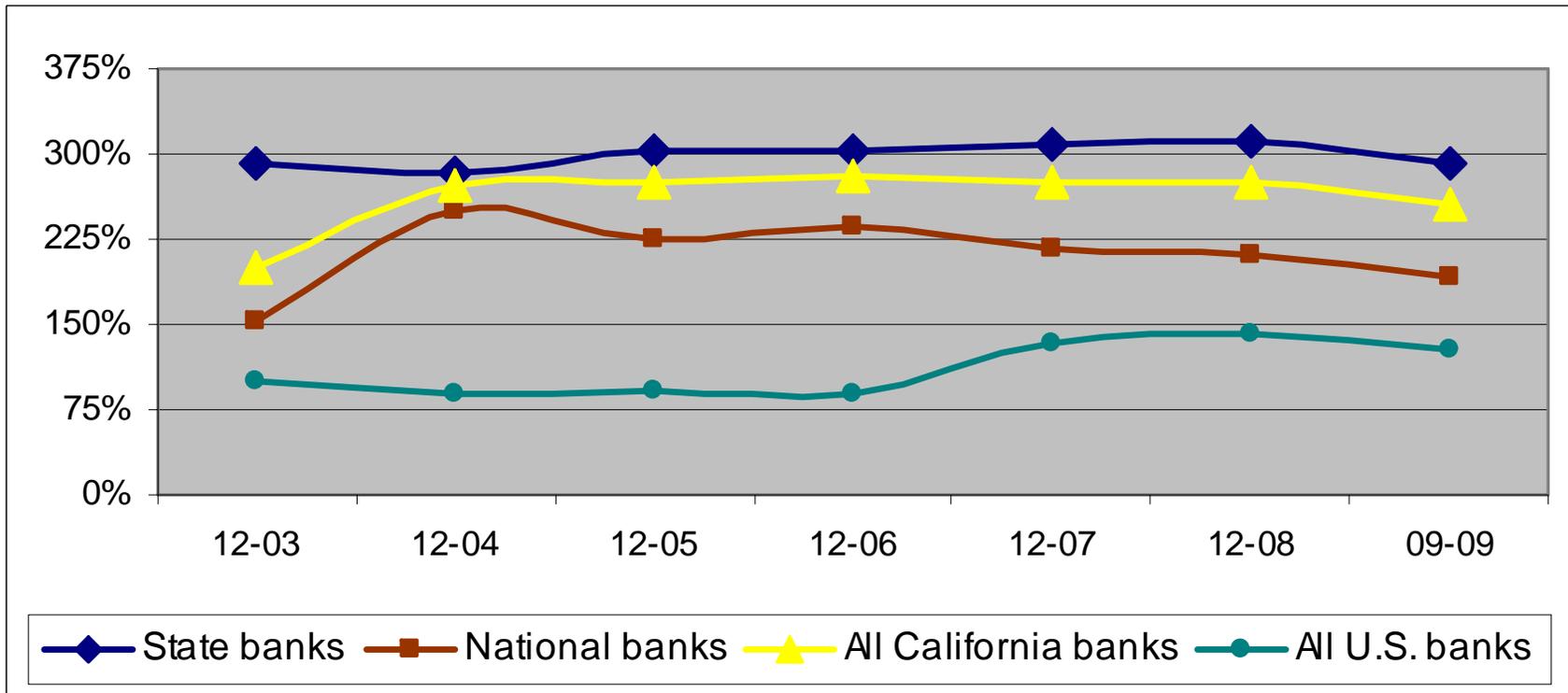


As of September 30, 2009

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	20	105	41	20	32	218
First Quintile	685.6	∞	414.3	142.0	∞	∞
Second Quintile	190.9	130.6	78.5	86.2	∞	143.5
Third Quintile	111.5	73.7	48.2	59.9	875.9	75.4
Fourth Quintile	66.7	50.2	38.4	44.9	119.9	49.8
Fifth Quintile	34.6	28.2	29.6	26.4	55.3	30.3
Total	79.0	59.3	61.4	59.2	76.6	60.3

\* 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 September 30, 2009

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	20	105	41	20	32	218
First Quintile	777.0	838.1	788.7	1096.2	458.1	793.6
Second Quintile	507.8	564.3	562.1	598.8	273.4	543.9
Third Quintile	400.3	466.3	442.3	504.0	211.4	420.3
Fourth Quintile	221.5	362.1	337.5	371.3	172.8	308.5
Fifth Quintile	62.3	183.6	173.7	204.4	116.2	132.7
Total	306.2	460.0	394.7	375.9	201.3	378.5

\* 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.

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

## State Chartered Commercial and Industrial Banks



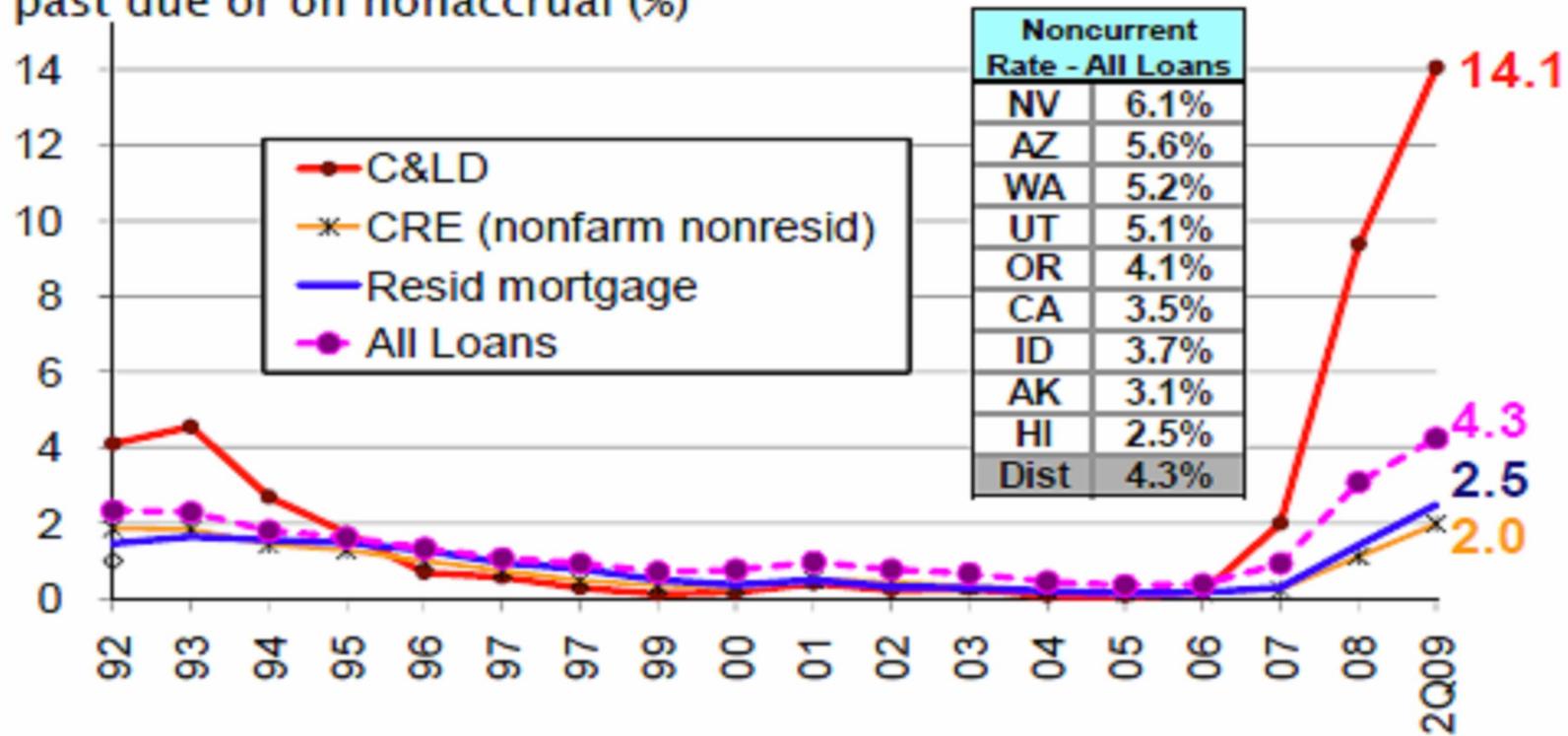
As of September 30, 2009

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	20	105	41	20	32	218
First Quintile	208.7	231.5	163.7	257.8	110.5	194.3
Second Quintile	111.9	116.0	102.4	92.6	60.8	102.7
Third Quintile	55.2	63.9	80.8	54.8	33.7	59.8
Fourth Quintile	36.6	37.4	46.9	30.3	12.6	33.8
Fifth Quintile	0.0	10.2	5.9	17.1	1.9	6.2
Total	73.4	82.4	76.9	67.5	46.7	69.8

\* 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) District Bank Avg. Noncurrent Rate at Record High, Driven by C&LD Loan Deterioration

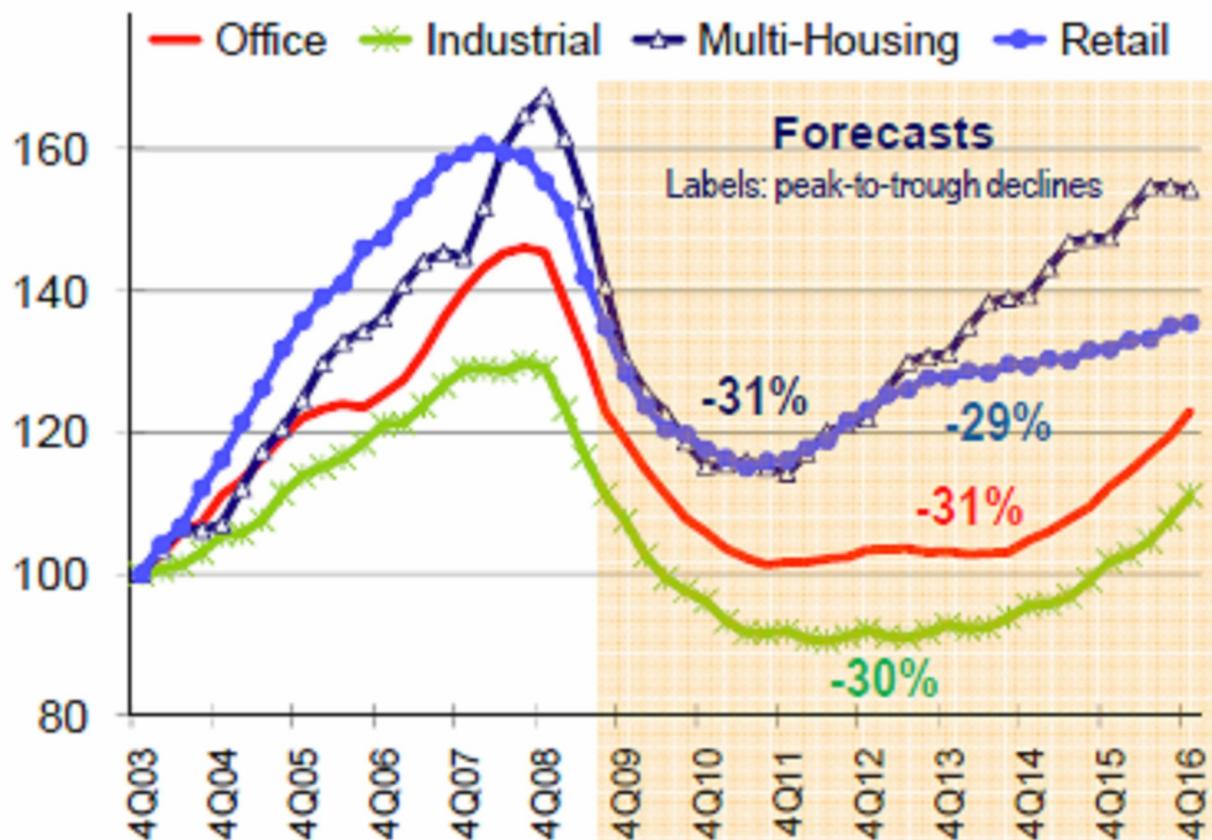
12<sup>th</sup> District Bank Noncurrent Loan Rates - Pct 90+ days past due or on nonaccrual (%)



Adj. avgs. (10% trim) for all 12<sup>th</sup> District commercial & industrial banks, excluding De Novo banks; 2Q09 data is based on preliminary reports

## 4) CRE Property Values Declining as Fundamentals Deteriorate & Risk is Repriced

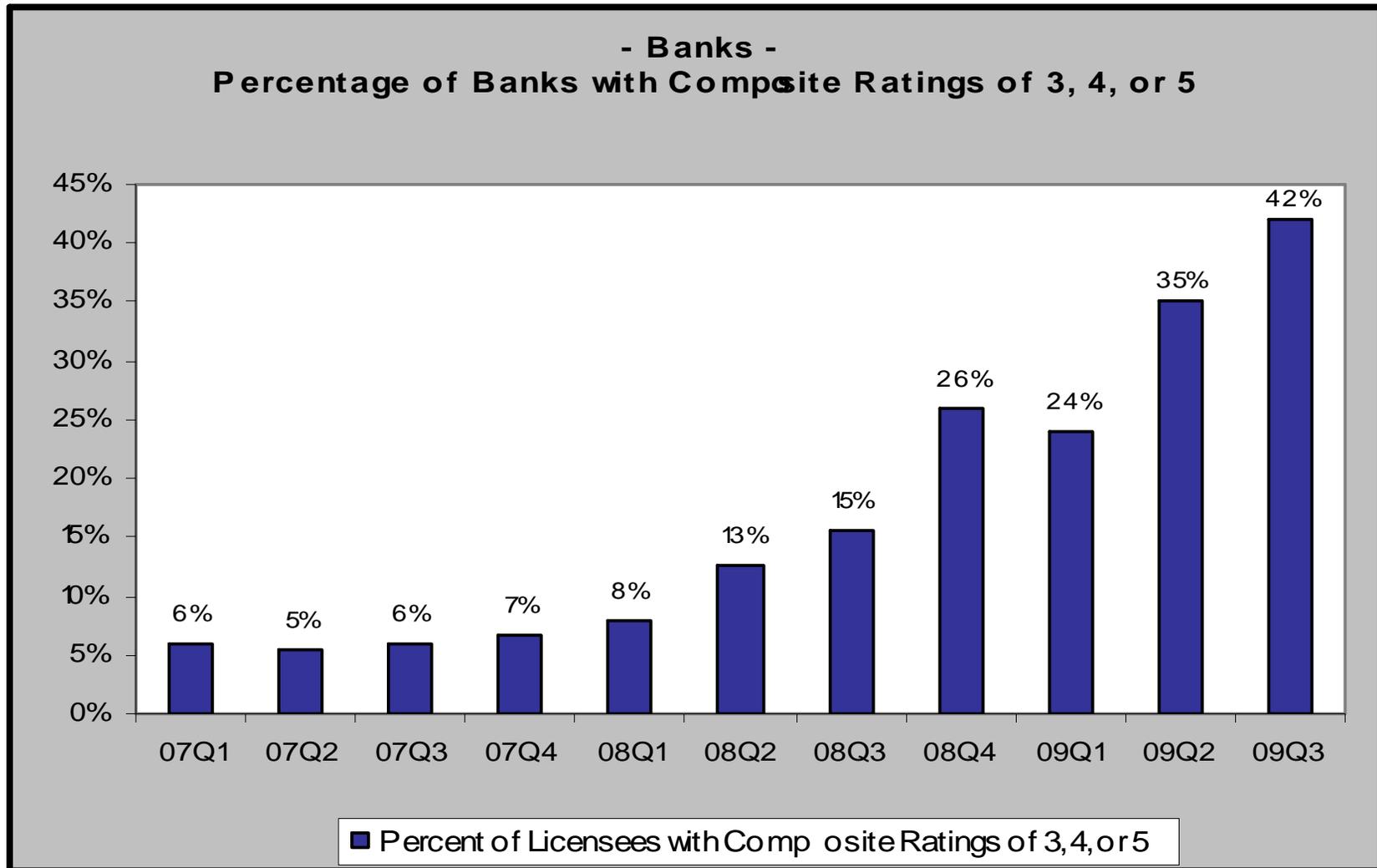
National Data - Index 2003 = 100



Largest Projected 12D Peak to Trough Declines			
Sector	MSA	Btm	Decl %
Off	SD	2Q 14	-60%
Ind	PHX	2Q 15	-57%
Ret	OAK	3Q 11	-54%
MH	PHX	4Q 11	-59%

Based on Torto Wheaton Research Investment Outlook, Summer 2009 Base Case Forecast

# Increase in Problem Banks



# How are we responding?

- Risk Based Scheduling
- Longer Examination Duration
- Larger Loan Scoping – 30%, 40% up to 60% being experienced
- Enforcement Actions Becoming More Common
- Liquidity Issues Loom Large at Many Institutions

# California Bank and Thrift Failures

## September 2008 – Present

<u>Name</u>	<u>Type</u>	<u>City</u>	<u>Total Assets (000)*</u>	<u>Date Closed</u>
Security Pacific Bank	State	Los Angeles	527,959	11/7/08
Downey Savings and Loan Association	FSB	Newport Beach	12,779,371	11/21/08
PFF Bank & Trust	FSB	Pomona	3,715,433	11/21/08
1st Centennial Bank	State	Redlands	797,959	1/23/09
Alliance Bank	State	Culver City	1,113,361	2/6/09
County Bank	State	Merced	1,711,552	2/6/09
IndyMac Federal Bank, F.S.B.	FSB	Pasadena	23,477,908	3/19/09
First Bank of Beverly Hills	State	Calabasas	1,260,354	4/24/09
MetroPacific Bank	State	Irvine	75,316	6/26/09
Mirae Bank	State	Los Angeles	480,619	6/26/09
Temecula Valley Bank	State	Temecula	1,396,622	7/17/09
Vineyard Bank, National Association	National	Rancho Cucamonga	1,638,378	7/17/09

\* Total assets are as of quarter-end prior to failure.

# California Bank and Thrift Failures

## September 2008 – Present (Continued)

<u>Name</u>	<u>Type</u>	<u>City</u>	<u>Total Assets (000)*</u>	<u>Date Closed</u>
Affinity Bank	State	Ventura	1,211,431	8/28/09
San Joaquin Bank	State	Bakersfield	766,359	10/16/09
California National Bank	National	Los Angeles	7,781,100	10/30/09
Pacific National Bank	National	San Francisco	2,319,263	10/30/09
San Diego National Bank	National	San Diego	3,594,544	10/30/09
United Commercial Bank	State	San Francisco	10,895,336	11/6/09
Pacific Coast National Bank	National	San Clemente	131,418	11/13/09
First Federal Bank of California	FSB	Santa Monica	6,143,903	12/18/09
Imperial Capital Bank	State	La Jolla	4,046,888	12/18/09
First Regional Bank	State	Los Angeles	2,184,100	1/29/10

\* Total assets are as of quarter-end prior to failure.

# California Chartered Institutions

## Completed Capital Offerings

### September 2008 – Present

<u>Name</u>	<u>Location</u>	<u>Date</u>	<u>Funding Type</u>	<u>Offering Amount (\$000)</u>
New Resource Bank	San Francisco	9/17/08	Common Stock	13,900
Seacoast Commerce Bank	Chula Vista	10/31/08	Common Stock	4,000
Mission Community Bancorp	San Luis Obispo	12/2/08	Common Stock	3,848
Pacific Valley Bank	Salinas	12/22/08	Common Stock	2,495
UCBH Holdings, Inc.	San Francisco	12/23/08	Common Stock	30,070
PacWest Bancorp	San Diego	1/14/09	Common Stock	100,000
Preferred Bank	Los Angeles	2/11/09	Senior Debt	26,000
Pacific Valley Bank	Salinas	2/19/09	Common Stock	1,502
Bank of the West	San Francisco	3/23/09	Senior Debt	1,000,000
East West Bancorp, Inc.	Pasadena	7/14/09	Common Stock	27,500
East West Bancorp, Inc.	Pasadena	7/20/09	Common Stock	69,850
CVB Financial Corp.	Ontario	7/21/09	Common Stock	115,245

# California Chartered Institutions

## Completed Capital Offerings

### September 2008 – Present (Continued)

<u>Name</u>	<u>Location</u>	<u>Date</u>	<u>Funding Type</u>	<u>Offering Amount (\$000)</u>
PacWest Bancorp	San Diego	8/25/09	Common Stock	50,000
Sierra Bancorp	Porterville	8/28/09	Common Stock	21,285
Hanmi Financial Corporation	Los Angeles	9/4/09	Common Stock	6,946
Preferred Bank	Los Angeles	9/9/09	Common Stock	17,029
Cathay General Bancorp	El Monte	9/30/09	Common Stock	32,379
Pacific Valley Bank	Salinas	9/30/09	Common Stock	1,900
Cathay General Bancorp	El Monte	10/13/09	Common Stock	70,435
Nara Bancorp, Inc.	Los Angeles	10/21/09	Common Stock	75,000
Pacific Premier Bancorp, Inc.	Costa Mesa	11/4/09	Common Stock	15,000
East West Bancorp, Inc.	Pasadena	11/6/09	Preferred Stock	335,047
East West Bancorp, Inc.	Pasadena	11/6/09	Common Stock	164,953
SVB Financial Group	Santa Clara	11/18/09	Common Stock	300,300

# California Chartered Institutions

## Completed Capital Offerings

### September 2008 – Present (Continued)

<u>Name</u>	<u>Location</u>	<u>Date</u>	<u>Funding Type</u>	<u>Offering Amount (\$000)</u>
Center Financial Corporation	Los Angeles	11/30/09	Common Stock	1,510
Center Financial Corporation	Los Angeles	11/30/09	Common Stock	11,271
Pacific Mercantile Bancorp	Costa Mesa	12/3/09	Preferred Stock	1,650
American River Bankshares	Rancho Cordova	12/7/09	Common Stock	22,000
Pacific Mercantile Bancorp	Costa Mesa	12/9/09	Preferred Stock	5,250
Pacific Mercantile Bancorp	Costa Mesa	12/18/09	Preferred Stock	950
Pacific Mercantile Bancorp	Costa Mesa	12/21/09	Preferred Stock	200
Central Valley Community Bancorp	Fresno	12/23/09	Common Stock	6,641
Central Valley Community Bancorp	Fresno	12/23/09	Preferred Stock	1,359
Cathay General Bancorp	El Monte	12/24/09	Common Stock	12,550
Sierra Vista Bank	Folsom	12/30/09	Common Stock	1,232
Center Financial Corporation	Los Angeles	12/31/09	Preferred Stock	73,500
Cathay General Bancorp	El Monte	2/1/10	Common Stock	115,000
<b>Total</b>				<b>\$2,737,797</b>

# Lessons Learned

- Improving Supervision in Good Times Is a Must
- “Forward Looking Supervision” Is the New Theme
- Stress Testing to Determine Capital Adequacy Is Coming to the Small to Mid-sized Bank World
- Evaluating Liquidity Risk Management Disciplines Is Critical
- Changing the “M” in the CAMELS Ratings from a Lagging Indicator of a Bank’s Condition to a More Fundamental Assessment of Bank Risk Management Capabilities Is a Personal Priority