

Update for the U.S. Economy: Second Quarter 2010

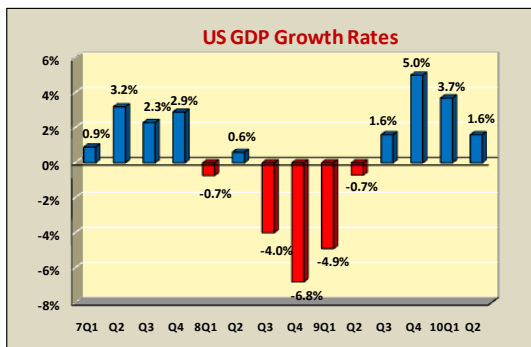
The U.S. economy completed its first full year of recovery in the quarter ending June 2010. Despite record fiscal and monetary stimulus, this recovery failed to spark sustained growth in private sector jobs. Data revisions revealed that the recession was deeper and the recovery was flatter than originally reported.

The slow pace of the recovery kept a lid on inflationary pressures, allowing policymakers to focus on economic stimulus. Interest rates remained low. Efforts to reduce debt burdens prompted consumers to trim spending and contributed to an unprecedented decline in outstanding consumer credit.

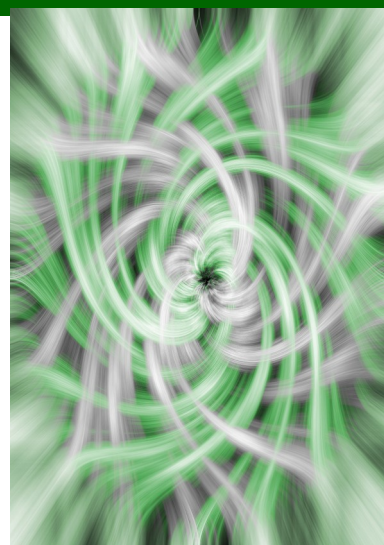
What Recovery

The U.S. economy weakened over the first half of this year. Data released for the second quarter of 2010 clearly supported that trend. According to revised GDP estimates, the U.S. recession was deeper and the expansion since the third quarter of 2009 was more moderate than previously reported. In the second quarter of 2010, growth equaled a disappointingly low rate of 1.6%.

Fiscal stimulus under the American Recovery and Reinvestment Act was designed to wane by mid-2010 when the private economy was expected to be in full recovery. That private sector recovery did not come to fruition. Homebuilding remained in a slump. Consumer spending grew erratically buoyed by fiscal stimulus then fading when the programs ended. The trade sector was not the engine of growth as expected. The upturn in the global economy was moderate, thus dampening export growth. U.S. demand for imported goods expanded,



supplanting domestic output for goods produced abroad with foreign labor. Businesses provided a partial offset to these declines, with spending rising for inventories and capital equipment.



Inside U.S. Economy

Economic growth is easing 1

Most sectors well below prior peaks 2

Fiscal and monetary policies push stimulus 3

Employment declining 4

Consumer spending moderate 4

Housing still in recession 5

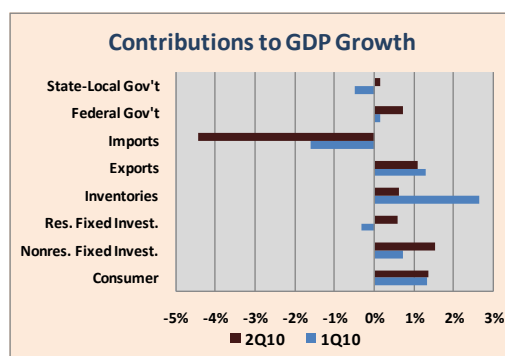
Industrial output rising 6

International trade deficit narrowed 7

Inflation tame 8

Interest rates low 8

Concerns regarding future economic activity vacillated between expectations that rapid growth and economic stimulus would trigger rampant inflation and, on the flip side, to worries that the economy would enter a double-dip recession. Future economic growth is unlikely to benefit from substantially more inventory rebuilding, a source of recent growth. Business spending is likely to slow in the face of declining sales and orders. Budget difficulties will trim state and local government spending. Nonetheless, data released so far in the third quarter showed that manufacturing activity held steady and that consumer spending continued to register gains on a year over year (YoY) basis.



Cyclical View

The National Bureau of Economic Research (NBER), the official determiner of business cycles, reported that the recession that started in December 2007 ended in June 2009. The NBER found that most economic indicators reached a low in June 2009, while troughs in other series, such as personal income, hours worked and employment, were reached in the fourth quarter of 2009.

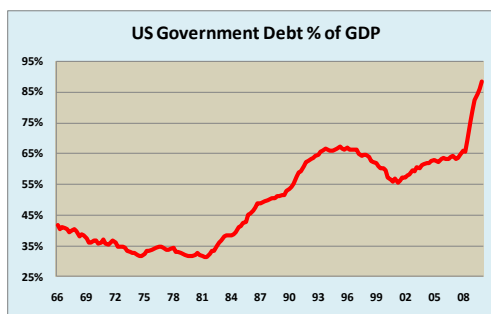
Spending throughout much of the economy remained below their prior highs. GDP in the second quarter was 1.3% below its fourth quarter 2007 peak. Real consumer spending was 0.8% below its peak largely due to the 4.5% remaining shortfall in spending on consumer durable goods.

	Peak to 2Q10	Date of Peak	
GDP	-1.3%	4Q07	Residential construction spending began its decline in the third quarter of 2005. Nineteen quarters later, investment in housing remained 55% below its prior high despite posting increases in two out of the past four quarters. Spending on nonresidential construction peaked in the first quarter of 2008 and trended down to a level 33% below the peak. Only federal government spending had no prior peak, advancing during ten of the past eleven quarters.
Consumption	-0.8%	4Q07	
Consumer durables	-4.5%	4Q07	
Nonres Structure	-32.2%	1Q08	
Business Equip	-7.7%	2Q08	
Residential	-55.2%	3Q05	
Exports	-2.6%	3Q06	
Imports	6.6%	3Q07	
S&L Govt	-2.3%	3Q08	

Policy Responses

The U.S. fiscal 2010 budget deficit is expected to exceed \$1.3 trillion. The deficit estimates were \$71 billion below the FY 2009 deficit and \$27 billion below the March 2010 revision of the deficit forecast. Federal tax receipts exceeded budget projections for the four months through August. Federal spending grew more slowly as a result of reduced interest costs on the federal debt and lower-than-projected spending by the FDIC.

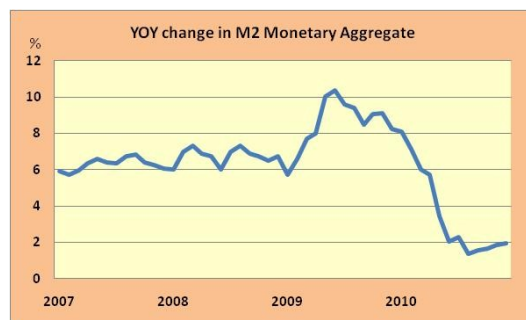
U.S. government debt climbed sharply, rising more than \$35 trillion since the beginning of the recession through the first quarter of 2010. Outstanding debt increased from 66% of GDP in late 2007 to over 88% by March 2010.



The Congressional Budget Office has reduced its forecast for economic growth in 2011. Real growth next year is projected at 2.1% and down from 2.8% in 2010. (Note: the CBO forecast is based upon 4th quarter to 4th quarter percentage changes.) The CBO projected little change in the rate of unemployment during 2011. From the current rate of 9.6%, the national unemployment rate is projected to average 9.0% in 2011. If jobless rates persist at these high levels, another round of federal stimulus would be likely probably in the form of job credits for small businesses and an extension of jobless benefits.

The Federal Reserve maintained its stance of exceptionally low interest rates for an extended period based upon the announcement following the September 2010 FOMC meeting. This accommodative policy continued in place due to high rates of unemployment, slowing economic activity and limited upward pressures on prices. The FRB Beige Book released September 8, 2010 reported that the economy grew from mid-July to the end of August amid widespread signs that growth was decelerating compared with prior surveys. Consumer spending grew, although purchases of non-essential items were termed as cautionary and limited. Manufacturing activity continued to expand albeit at a reduced rate of growth. Home sales declined sharply following the expiration of the homebuyer tax credit program and remained sluggish through August. Demand for commercial space was at low levels. Loan demand was stable to lower throughout the Fed districts. Price pressures remained limited due to weak wage pressures.

The federal funds rate remained within a band of zero to 0.25%. To provide additional stimulus, the Federal Reserve adopted QE-2, that is qualitative easing version 2. The Fed committed to maintain its current volume of securities holdings by reinvesting principal payments from agency and mortgage backed securities into Treasury securities and by rolling over Treasury securities at maturity. QE-2 may stimulate renewed growth in the money supply following the recent sharp deceleration in money growth.



Employment

As high levels of unemployment beget low volumes of sales, low volumes of sales contribute to high levels of unemployment.

The recovery that began in June 2009 was essentially jobless. The U.S. economy shed 329,000 payroll jobs from the recovery's start in June 2009 through August 2010. The NBER acknowledged that the recovery in employment had a delayed start. The peak in job losses

occurred in December 2009 at total of 8.36 million lost jobs. Since December 2009, the net gain in payroll jobs equaled 777,000. Payrolls expanded in the first five months of this year and retreated in the subsequent three months. This job growth was primarily centered in temporary work assignments, such as assignments to support the 2010 Census. The lack of permanent job creation contributed to the weakness in consumer spending and home buying.

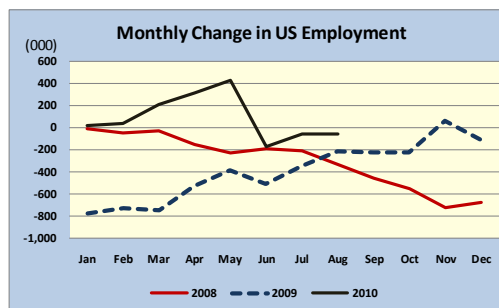
The national rate of unemployment apparently peaked in October 2009 at 10.1%. The jobless rate trended lower in 2010 to 9.5% before increasing to 9.6% in August. On a YoY comparison as of August 2010, four industries reported job gains, notably mining, education/health services, professional services (temporary assignments) and leisure/hospitality. Manufacturing employment was essentially unchanged. The industries with declining workforces reported reduced YoY percentage losses than in prior months. The construction industry continued to report the steepest YoY decline in jobs.

Consumer Spending

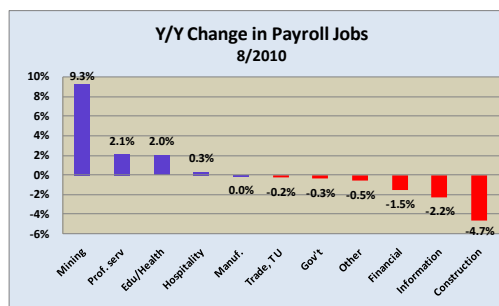
The revisions to the GDP accounts indicated that the contraction in consumer spending from late 2007 through the first half of 2009 was greater than previously reported. The subsequent recovery was weaker than originally estimated.

Retail sales advanced on a YoY basis through August 2010. The August gains resulted from aggressive sales promotions, including sales tax holidays for a number of states. Retail sales hit its lowest level in December 2008 and achieved YoY increases by November 2009. Consumer spending failed to regain the pre-recession level of sales. Recent trends showed that YoY sales gains were decelerating.

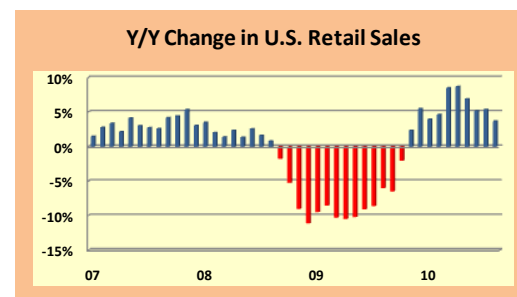
Outstanding consumer credit peaked in July 2008 and generally declined over the ensuing 24 months. By March 2009 outstanding debt turned negative on a YoY basis, and this trend persisted for at least 17 months. As of July 2010 consumer credit was 6.3% below its peak rate.



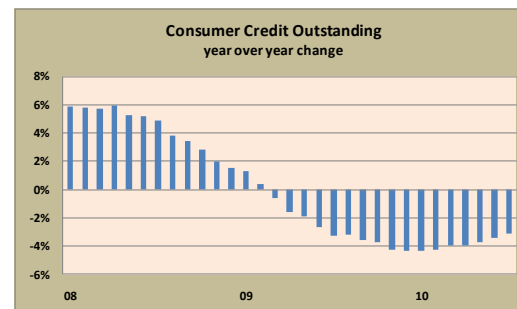
After five months of gains, payrolls declined during the summer.

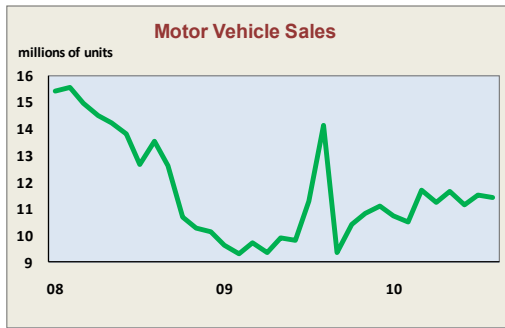


More industries reported job growth yet reliance on temp. workers remained high.



Consumers stepped up buying after the unprecedented decline in 2009. This spending was achieved despite steady declines in consumer debt.





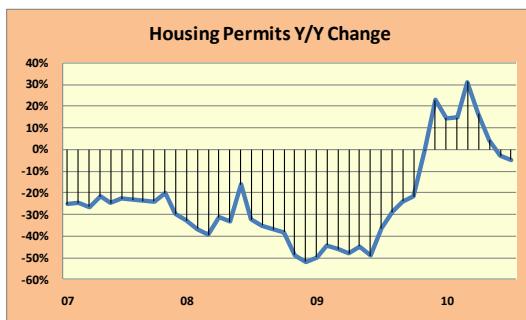
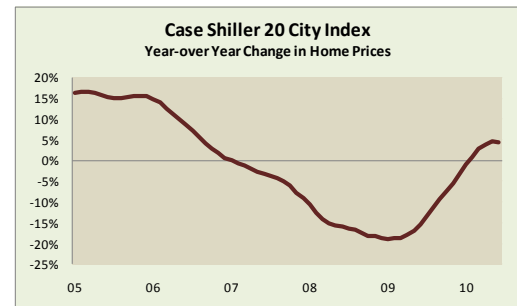
Car sales were essentially unchanged since February 2010. The 11.4 million sales in August 2010 contrasted with the 14.1 million rate for the prior year when the Cash for Clunkers program was in effect. Due to this anomaly, August 2010 sales were down 19% YoY, the first YoY decline in nine months. SUVs and other light-duty trucks accounted for approximately 51% of total motor vehicle sales, up from the 44% share in August 2009, when federal rebates encouraged the purchase of more fuel-efficient vehicles.

Housing

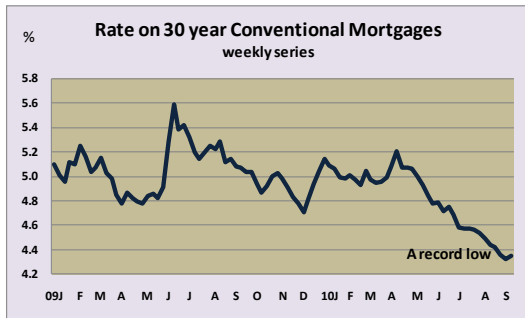
The housing market did not receive the message that the economy was recovering. Except for the flurry of sales near the two expirations of the homebuyer tax credits, home sales were lackluster. New home sales hit a record low in July 2010. Distressed home sales, defined as foreclosures and short sales, accounted for a significant volume of recent sales. Although notices of default and foreclosures were down 28% YoY in July 2010, bank repossessions were near record levels, increasing on a YoY basis for eight consecutive months.

Nevada had the nation's highest rate of foreclosure, a position the state held for the past 43 months. Even though foreclosure activity decreased on a YoY basis in Arizona, that state had the second highest rate of foreclosures. In terms of metropolitan areas, Las Vegas-Paradise, NV was the city with the highest rate of foreclosures followed by Cape Coral-Fort Myers, FL.

Beginning in February 2010, home prices reported YoY gains according to the Case Shiller price index. This trend continued through the most recent survey of June 2010. According to real estate firm Core Logic, national home prices including distressed sales transactions were unchanged on a YoY basis in July 2010. There were 36 states that incurred YoY declines in prices. This state total was doubled the number of May and was the highest since last November. The state with the greatest price depreciation was Idaho, off 12.6%. Maine had the highest appreciation, up 4.5%.



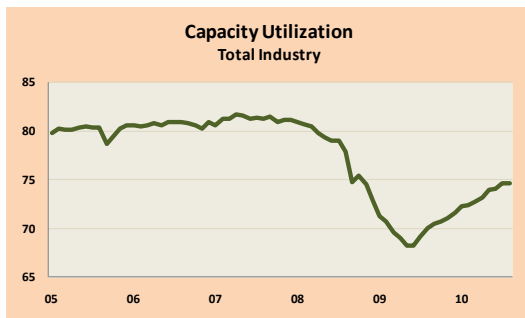
Declining home sales, flat to lower pricing and a glut of REO were not compelling factors to stimulate home building. Housing permits fell so sharply from mid 2005 to early 2009 that even moderate gains in permits produced sizable YoY increases, as evidenced by the data for December 2009 through May 2010. In June and July that uptrend was reversed with total permits lower relative to the prior year. As of July



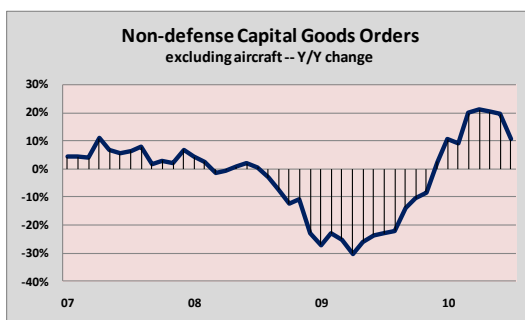
Record low mortgage rates failed to ignite home sales.



Industrial output was 7.3% below peak output.



Capacity utilization was still 8.6% below peak rate.



Industrial output was 7.3% below peak output.

2010, single-family building permits were down 77% from their peak, while permits for multi-family construction were off 75%.

Rates on conventional 30-year fixed mortgages reflected the weakness in the housing market, falling in September 2010 to a record low rate of 4.32%. This rate environment contributed to a pickup in refinancing. Mortgage applications for home purchases fell.

Industrial Activity

Industrial production continued to advance in August 2010, led by increased output of business equipment and building materials. Cutbacks in the production of autos were partially offsetting. Industrial production rebounded sharply from the recessionary low reached in June 2009. Industrial production climbed to an 8.2% YoY gain in June 2010. The YoY growth moderated in the subsequent two months. Despite these gains, industrial production was 7.3% below the December 2007 peak in output.

Increased industrial production contributed to a greater utilization of industrial facilities. In August, capacity utilization reached 74.7%, the highest ratio since October 2008. Capacity use rebounded from the recession low of 68.2%. Despite the rise, capacity utilization remained well below pre-recession usage as well as the rates typically associated with rising cost pressures.

Orders for non-defense capital goods excluding the volatile aircraft sector trended generally higher from the low reached in April 2009. The order advance showed YoY gains beginning in December 2009 and reaching a peak rate in April 2010. Orders declined 8% on a monthly basis in July, trimming the YoY gain to 10%. Orders in July remained 18% below the December 2007 record high in orders.

Spending on business equipment remained generally robust in the first half of 2010. Much of

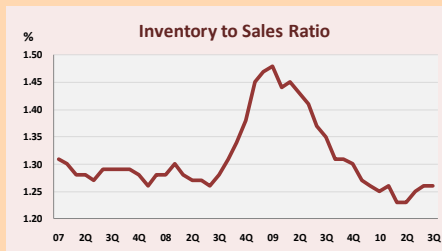
this spending consisted of replacement and upgrade investments that were deferred during the economic downturn. Slow growth in final sales and uncertainty regarding the strength and longevity of the recovery tended to color recent surveys, which indicated that businesses were considering reductions in future spending.

The cessation of inventory liquidation and the subsequent replenishing of inventories played major roles in boosting growth in the fourth quarter of last year and the first quarter. Businesses continued to accumulate inventories into the third quarter of this year. The inventory-to-sales ratio climbed from the March-April 2010 low of 1.23 to 1.26 in July. The current I-S ratio was well below the January 2009 peak of 1.48, when steep declines in sales created a sizable and unwanted accumulation of inventories. Recent increases in retail inventories were generally in autos.

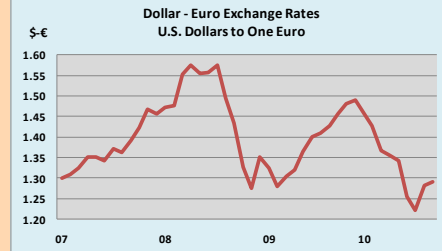
International Trade

The monthly trade deficit narrowed in July led by a rebound in capital goods exports. The surge in exports was concentrated in shipments of civilian aircraft and computer equipment. The lower value of the dollar contributed to the recent pickup in exports. Non-oil imports declined in July. This decline was across a broad range of imported goods. The U.S. trade deficit with China accounted for more than 60% of the July trade deficit. Analysts anticipated that the Chinese Yuan would gradually appreciate against the dollar, a development that could contribute to a narrowing in the bi-country deficit.

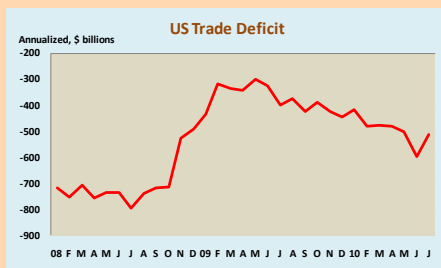
The dollar came under downward pressures against major currencies early in the third quarter. As European debt crisis fears were mitigated in late June, the Euro regained much of the ground lost against the dollar in May and June. When selling pressures hit both the Euro and the dollar, investors sought a currency safe haven in the Yen, driving the ¥ to \$ rate near the record lows of 1995. This currency movement occurred despite the continued sluggish economy in Japan.



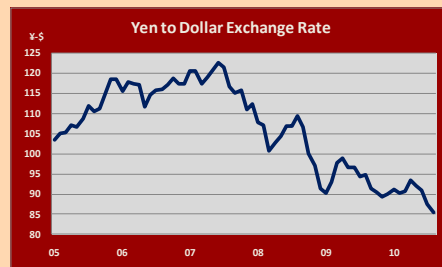
Inventory accumulation restarted



Concern over sovereign debt repayment affects Euro



Export growth needed to maintain a narrowing in the deficit



Yen-dollar nearing a record low

Inflation

High rates of unemployment and tepid demand contained price inflation this year. Core consumer prices, that is without food and energy prices, averaged a YoY rate of 1%. This rate was below the level deemed by the Fed to be consistent with maximum employment and price stability.

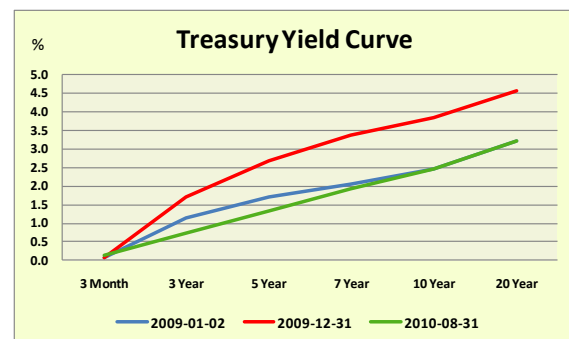
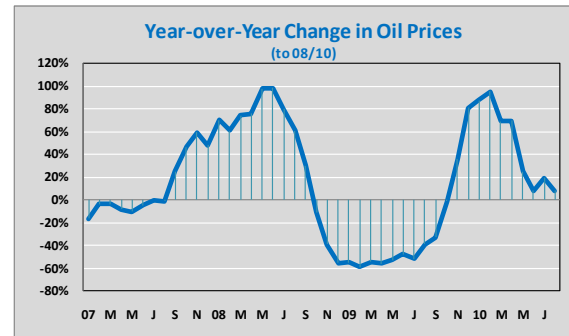
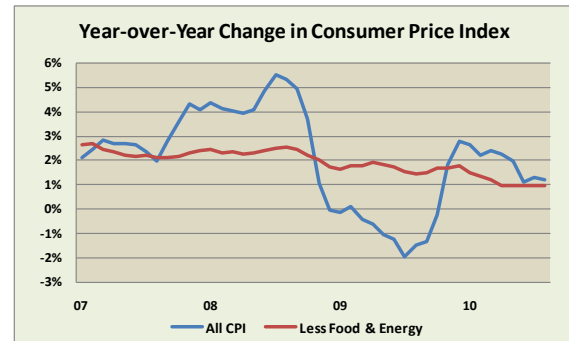
On a YoY basis, oil prices were up sharply in early 2010 versus the recessionary lows. Oil prices surged in February and March 2010. Subsequently, the realization that the worldwide recovery was proceeding at a sluggish pace caused a drop in oil prices. Food prices were generally unchanged on a YoY basis. Wage pressures were limited, held down by the ample supply of qualified job applicants for any open position.

Concerns shifted away from threats of rising rates of inflation to worries that disinflation or deflation may occur. The current environment of generally low rates of inflation contributed to the sustained focus of the Federal Reserve on addressing ways to provide stimulus to the economy.

Interest Rates

Interest rates trended lower over the course of the second quarter and through August 2010. The European debt crisis contributed to investor concerns regarding the credit-worthiness of Euro-based investments and supported the surge in demand for U.S. treasuries, which were viewed as a safe haven for investors.

Slack demand and limited inflation maintained downward pressures on interest rates especially from May through August 2010. Ten-year Treasuries declined to below 2.50% in late August, its lowest rate since January 2009 and a decline of 150 basis points the recent high in early April. Slow growth and money supply accommodation are likely to maintain relatively low interest rates in the second half of 2010.



Yield curve flattens in expectations of continued slow growth for the near term

Update for the California Economy: Second Quarter 2010

The recovery in the California economy seemed to be more illusive than the fledging upturn nationally. Growth in private sector jobs was limited. The lack of job opportunities caused job seekers to become discouraged and drop out of the labor force. The state had the third highest rate of unemployment in the nation. If recent trends prevail, the state could take over second position. The state entered its third month without an approved state budget.

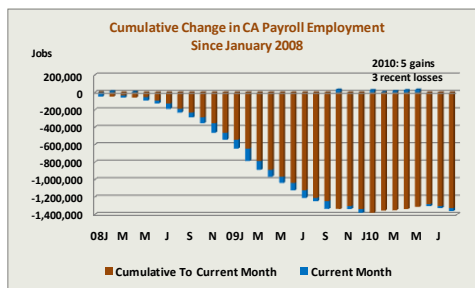
When will the Golden State renew its luster?

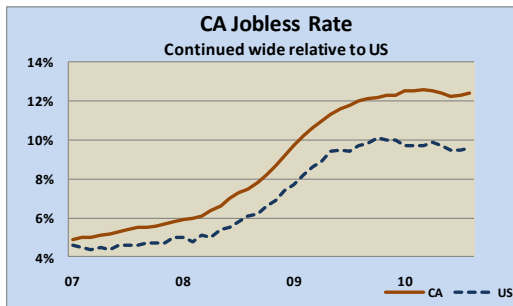
California Job Trends

The California economy through August 2010 was recovering at a pace that lagged the sluggish rate of the national recovery. This laggard position was most evident in job trends. The unemployment rate in California as of August 2010 was 2.7 percentage points higher than the national rate and at 12.4% was the third highest rate in the nation, behind Nevada and Michigan. The jobless rate in second-place Michigan apparently peaked and was trending lower, thus narrowing the differential with the rising rate in California.

California payrolls grew during the first five months of 2010. That expansion was followed by three consecutive months of job losses. From the December 2007 start of the U.S. recession through August 2010, California non-farm payrolls declined 1.353 million. This job loss was down from the peak loss in December 2009 of 1.371 million jobs.

During the first five months of 2010, the state created 98,700 payroll jobs. In the following three months, a 80,400 decline in jobs reduced the net gain to 18,300. Similar to the national trend, growth in private sector jobs was sporadic, with the hiring of temporary workers accounting for most of the gains.

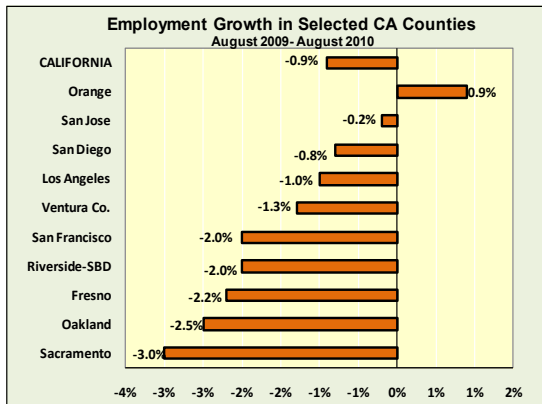
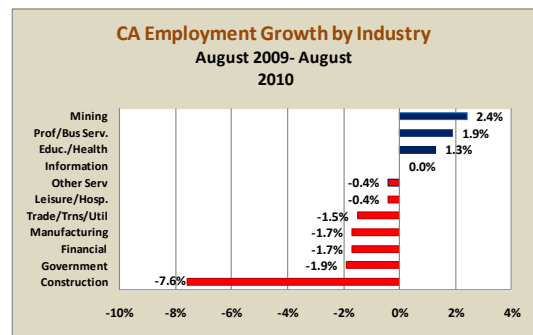




The rate of unemployment increased during the initial months of 2010, a period when the state was creating jobs. The jobless rate rose from the year-end 2009 rate of 12.3% to a record 12.6% in March 2010. The rate subsequently declined when the state was shedding jobs. In August the jobless rate equaled 12.4%. The anomaly of declining rates of unemployment in the face of declining employment occurred when job seekers became discouraged about future job prospects

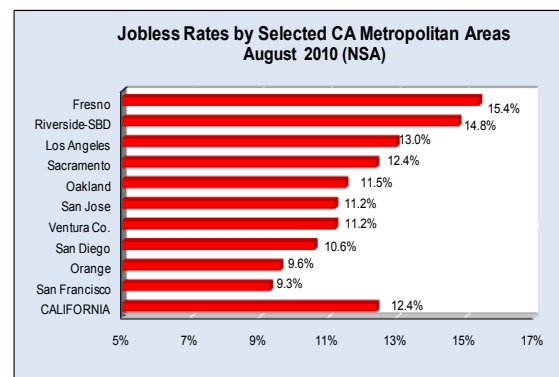
and stopped looking for work. Thus, the discouraged job seekers were considered to have dropped out of the work force. California reported a decline of 84,000 in its labor force from May through August.

On an industry basis, job recoveries were limited. In August, three industries reported YoY job gains: mining, a industry with a small California employment base; professional services, which includes temporary workers; and education and health services, the only sector hiring throughout the recession. On a YoY comparison, construction had the sharpest decline in jobs among the major industries. The recent decline in construction jobs, however, was less than 10%, compared with YoY declines in 2009 that exceeded 25%. The state patterned the national experience, wherein government jobs declined when temporary work assignments associated with the 2010 Census were completed.



Most major regions of the state continued to shed jobs on a YoY basis during August 2010. The only exception was Orange County, which registered its second consecutive monthly increase in jobs YoY. The Orange County gains were the first positives for any major region of the state in nearly two years. The YoY job losses in the other regions were significantly lower than had been reported a year earlier.

The rate of unemployment for the major regions of California remained above double-digit rates, except for San Francisco and Orange counties. Among the 58 counties in the state, the lowest jobless rate during August was 8.4% in Marin County, while the highest rate was 30.4% in Imperial County. Despite its lofty rate of unemployment, Imperial County was one of only five California counties that could boast



of having a lower jobless rate compared with the previous year. Orange, San Francisco, Santa Clara and Sierra counties also reported jobless rates that were lower this year than in August 2009.

California Personal Income

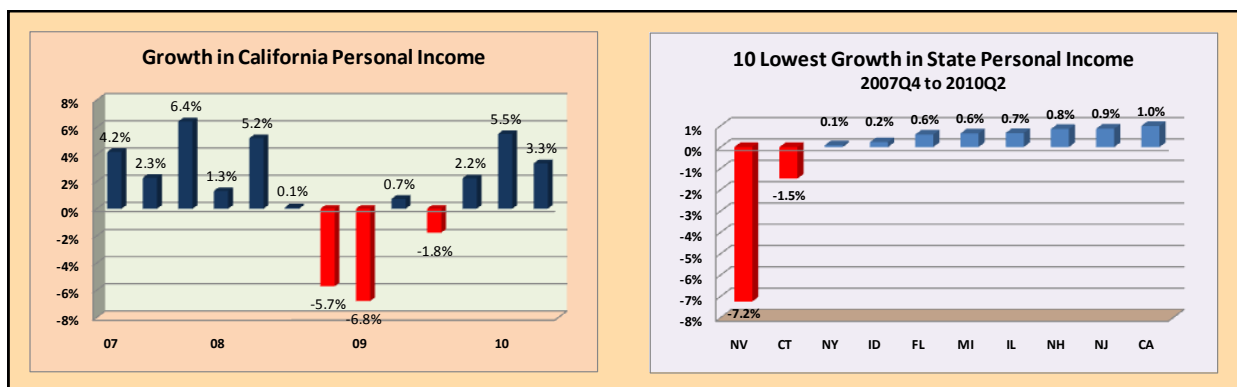
California personal income grew at an annualized rate of 3.3% in the second quarter. That growth contrasted unfavorably with the 5.5% annualized gain in the first quarter but was a significant gain over the 0.7% growth rate in the second quarter of 2009. The second quarter 2010 growth placed California back in the lowest quintile for income growth among the 50 states, after recording a third quintile ranking in the first quarter. During the second quarter, transfer payments provided the largest boost to personal income, increasing 2.2%. The state recorded three consecutive quarters of rising income, after suffering declines in total income during three of the four quarters from fourth quarter 2008 through third quarter 2009. California personal income in the second quarter was up 2.3% YoY, compared with the 1.7% YoY advance in the first quarter. Net earnings from wages and salaries rose 0.7% relative to the first quarter, while income from rents, dividends and interest climbed 0.4%.

Workers in 20 of the 24 California industry groupings reported quarterly gains in income in the second quarter. Industries that reported the largest percentage gains in income were professional services, administrative (temporary help) services, health care and federal civilian employment. Lower earnings were reported for the California construction and farm industries.

California was ranked in the lowest quintile among the 50 states based upon the growth in personal income from the start of the recession in the fourth quarter of 2007 through the second quarter of 2010. Despite the negative economic news for California, nine other states recorded lower income growth, particularly those states dependent upon income from Wall Street, such as Connecticut, New York and New Jersey. Population out-migration, declines in tourism and the downturn in construction contributed to the steep decline in personal income in Nevada.

California Housing

Recent indicators suggested that conditions in the housing market were beginning to improve in California. The three California cities surveyed in the Case-Shiller 20-city home price index all reported YoY price gains as of June 2010. San Francisco and San Diego ranked one-two in the recent survey with the highest YoY gains. Indicative of the severity of the recession's decline in



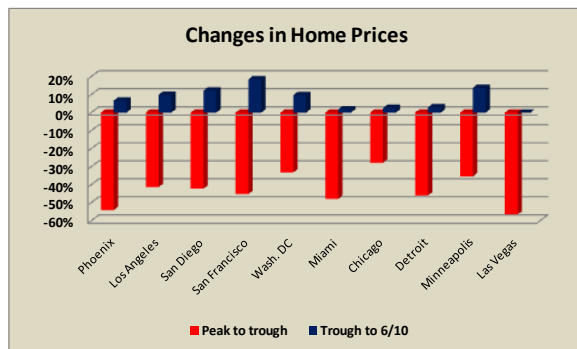
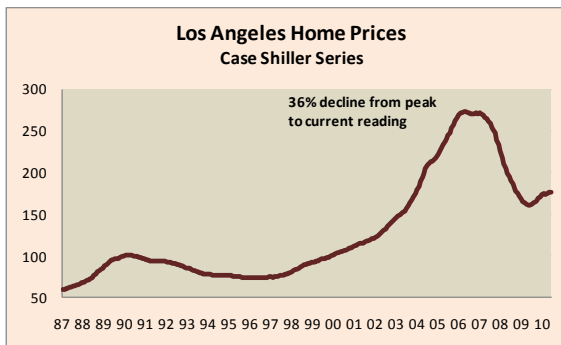
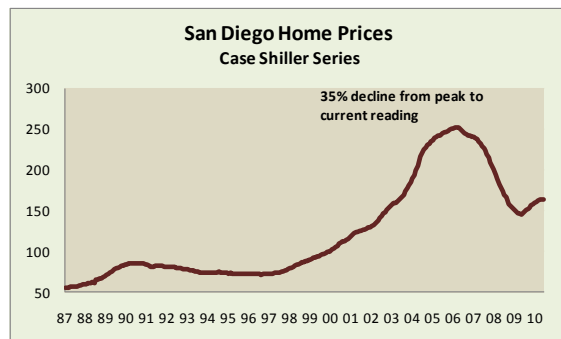
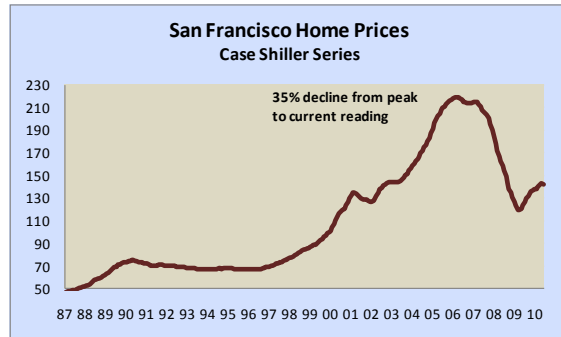
home prices, all three California cities reported peak-to-trough declines in home prices that exceeded 40%. Despite the trough to current price gains that ranged between 9% and 18%, home prices in these major California cities remained 35% below their previous peaks.

According to the California Association of Realtors, home sales in July fell 20.8% YoY, while home prices climbed 10.4% YoY. The expiration of the federal and state home buyer tax credits played importantly in the recent fall-off in home sales. Home sales jumped in April and May as buyers took advantage of the credit that accrued to sales closing by the end of June. Sales in July were 10.9% lower than in June.

The median price of a California single-family home equaled \$314,850 in July, up 28.4% from the trough in home prices but down 47.0% from the previous peak in the state's median home price. The San Francisco Bay Area reported the steepest increase from its price trough up 52.2%, yet prices in that area were still 28.9% below the previous peak. The smallest gain from trough to July was the Northern California region. The High Desert area reported the steepest price decline from prior peak at 61.5%.

California led the nation with the largest number of homes that were either foreclosed or in the process of foreclosure. The state accounted for 20% of the nation's foreclosure filings in August 2010. The state ranked fourth in terms of the ratio of foreclosure filings as a share of the number of households. The state reported that a foreclosure action had been filed for every 194 housing units. Ranking ahead of California in terms of foreclosure ratios were Nevada, Florida and Arizona.

Of the top ten metropolitan areas with the highest foreclosure ratios in August, seven were located in California. These California cities, shown with their position in parenthesis,



The upturn in home prices is encouraging. Regaining the prior peak in prices may be a lengthy process.

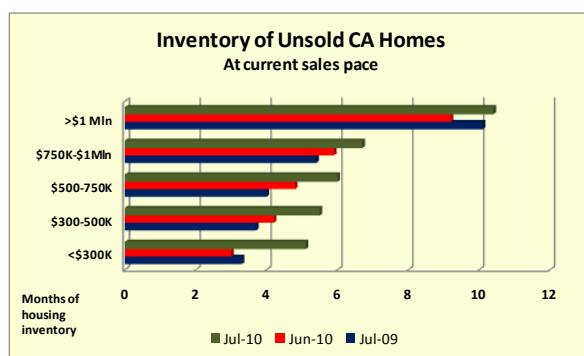
were: Modesto (2), Stockton (3), Merced (6), Riverside-San Bernardino-Ontario (7), Bakersfield (8), Vallejo-Fairfield (9) and Sacramento-Arden-Roseville (10). Despite these rankings, California reported that the volume of foreclosure filings was down more than 25% compared with August 2009. This slowdown suggested that the distress in the California housing market may lessen in the future.

The slump in home sales caused by the conclusion of the homebuyer tax credit contributed to an increase in the inventory of unsold homes in July relative to the prior month and the prior year. The inventory overhang based upon home selling prices equaled a 10.4 month supply of unsold homes priced over \$1 million, up from a 10.1 month supply a year earlier. The inventory of unsold homes under \$300,000 was 5.1 months, up from 3.3 months in July 2009.

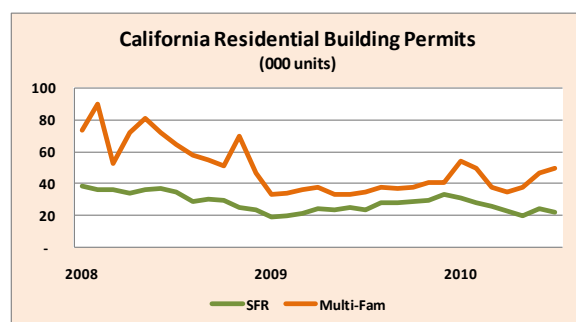
California homebuilding showed no signs that a recovery was imminent. Permits for multi-family homes rose sharply in July 2010 and contributed to the 42% YoY increase in total building permits. Single-family permits declined 5% YoY and were down 22% relative to June. For the first seven months of 2010, total housing permits were 21.5% above the comparable 2009 period. Permits for multi-family units led the YTD advance. The percentage gains, however, were calculated off of the small permits base in 2009. Housing permits have been generally flat since late 2008, averaging an annualized rate of under 50,000 units down from the peak volumes in excess of 200,000 units in 2004 and 2005.

Commercial Construction

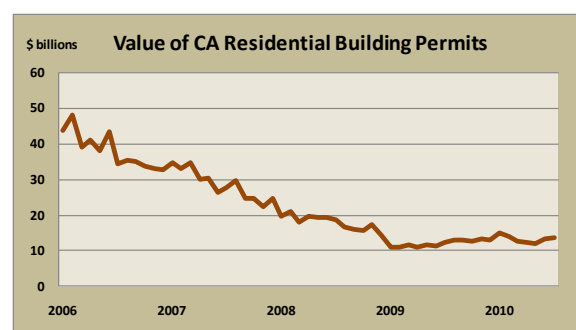
Since the start of the recession in December 2007, the value of new commercial building plummeted and then remained flat through July 2010. The value of commercial permits hovered around \$10 billion since the beginning of 2009.



Home sales declined following the expiration of the home buyer tax credit.



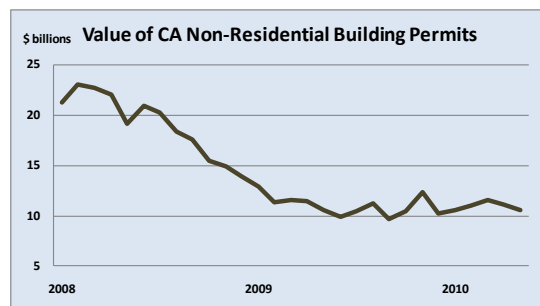
Sizable inventories of homes for sale curbed new building. Volatile apartment sector apparently on upswing.



No recovery was evident in new residential building with the value of new housing permits persisting in a narrow dollar range since the beginning of 2009.

The current reading of \$11.4 billion was down nearly 60% from the late 2006 peak of \$28.2 billion in the value of commercial permits.

In July there was a jump in permit valuations for hotels, up 163% over the prior year's low level. Permits for retail structures were up compared with the low volumes of a year earlier. Industrial and office construction activity was down on a YoY comparison.



The low volumes of commercial construction reflected the cyclical challenges affecting the market for office and industrial space. Cutbacks in employment especially in the professional services sector damped the demand, creating increased vacancy rates and the underutilization of leased office space. According to CB Richard Ellis, office vacancy rates in second quarter 2010 equaled 15.5% in the San Francisco Peninsula area and 17.4% in the greater Los Angeles region. With the California economy continuing to shed jobs, office vacancy rates are likely to remain high. Due to the underutilization of existing space, once jobs begin to grow again, there will be a lag between the increases in jobs and the need for more office space. The demand for industrial space is tied closely to the need for warehouse space to accommodate trade flows. Recent trends in trade activity through California ports suggested improving conditions for industrial space.

International Trade

California was the second largest exporting state during the second quarter of 2010, ranking between Texas and New York. Total exports flowing through California ports equaled \$11.9 billion. The top markets for California exports were Mexico, China and Canada. The top export products from California were computers and electronics, machinery and transportation equipment. California ranked as the top importing state, with import volumes equaled to \$28.5 billion, a 24% YoY gain. Renewed trade volumes through California ports are likely to support increased demand for industrial space and generate employment growth especially in the state's export-driven technology sector.

State Budget

As of this report, the State of California had not enacted a budget for the 2010-11 fiscal year that began on July 1. The state ended fiscal 2010 with a shortfall of \$9.9 billion. The current year budget must address the elimination of the projected \$19.1 billion budget shortfall for FY 2011. Through August 2010, revenues were running 3.9% higher than projected in the budget forecast made in May. Receipts from personal income and retail sales taxes exceeded expectations, while corporate tax revenues underperformed. Actual outlays were below the May projections due primarily to the 19.4% reduction in local assistance payments. Results for the first two months of the new fiscal year placed the actual cash shortfall at \$13.8 billion, compared with the May budget estimate for the comparable period of \$17.1 billion.

Update for United States Banking: Second Quarter 2010

The U.S. banking industry reported improved earnings and asset quality during the second quarter of 2010. The industry continued to experience declines in total assets due to reductions in loans. Bank equity capital expanded. The combination of increased equity and lower assets caused capital ratios to increase.

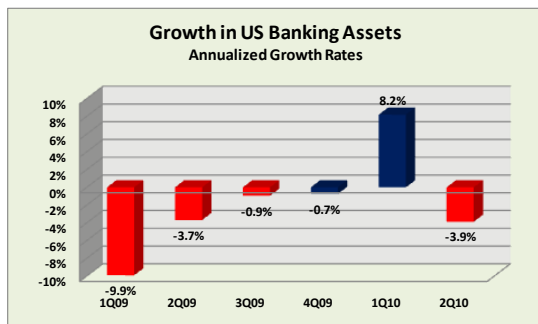
The lower volume of bank lending contributed to a compression in net interest margins. With fee income down and operating expenses higher, the enhanced earnings in the second quarter resulted entirely from the reduced provision taken against future loan losses.

Banking Industry in Recovery

Bank earnings and asset quality improved in the second quarter. The lessening in the erosion of asset quality allowed U.S. banks to reduce the provisions taken against future loan losses. The lower amount of provision accounted almost entirely for the pickup in quarterly net income. At \$21.6 billion, second quarter earnings for both banks and savings associations were the highest quarterly reading since the third quarter of 2007 and contrasted favorably to the \$4.4 billion loss in the year-earlier quarter.

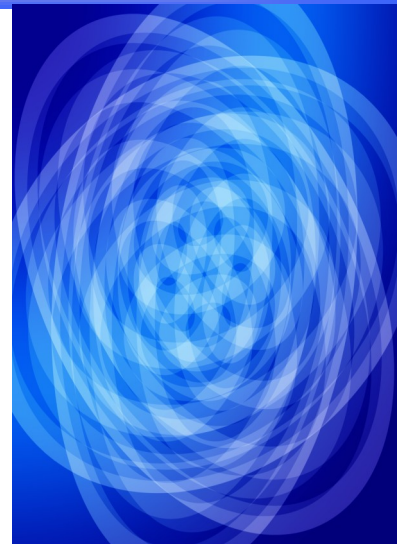
Balance Sheets

Total assets of commercial banks declined \$117 billion in the second quarter to a level of \$11.97 trillion. Most major classifications of bank



assets were lower in the second quarter, with the exception of other real estate owned and the miscellaneous category of all other assets. The reduction in net loans accounted for three-quarters of the decline in total assets.

Due to a change in the accounting treatment of formerly off-balance sheet securitized consumer loans, total loans climbed \$224 billion in the



Inside U.S. Banking

Loans and deposits decline and capital increases..... 15

Reduced provision expense offset lower income and higher other expenses 16

Increases realized in ROA, ROE and a host of capital ratios 17

Measures of asset quality improve and delinquent assets decline..... 18

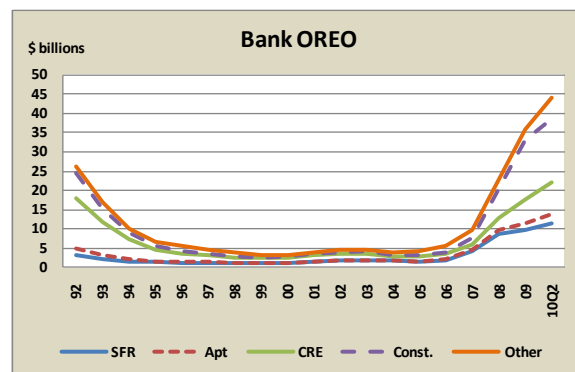
Fewer banks, more problem banks 19

Six quarters of banking data 20

first quarter, propelled by the \$318 billion rise in loans to individuals. The second quarter reflected a decline in consumer lending. Additionally, cutbacks were made in most other categories of loans except for multi-family and farm loans. Construction loans declined 8.1% in the second quarter, falling to the lowest level since June 2005. Commercial & industrial loans edged lower by 1% to \$1.11 trillion, the lowest volume since September 2006. Commercial real estate loans reached a five quarter low. Over the past year, total loans declined 1.4%, with the falloff in real estate and C & I lending partially offset by the sharp rise in consumer loans, which was caused by the aforementioned accounting rule change. In the second quarter, the allowance for loan losses equaled \$237 billion, a decline of \$10.1 billion from the first quarter. Compared with the second quarter of 2009, the current allowance was higher by \$41.8 billion.

Commercial banks reduced their holdings of cash, other liquid investments and securities during the second quarter. Balance sheet declines were also reported in bank premises and fixed assets, servicing assets and other intangibles and trading account assets.

Other real estate owned (OREO) climbed nearly \$4 billion to a record level of \$44.1 billion in the second quarter. During the current banking downturn, bank OREO grew and greatly surpassed the previous OREO record that occurred in 1991. Currently, OREO stands 60% above the old record. The rise in OREO was across all property types. Construction and land accounted for 37% of total OREO. Single-family homes, combined with foreclosed properties from GNMA (comprising most of the “other” category), represented nearly 37% of total OREO.



Total deposits declined \$50 billion in the second quarter. A moderate rise in demand deposits was offset by a decline in time deposits. Despite the drop in total deposits, core deposits increased marginally. Commercial banks reduced borrowings in the second quarter. Declines were recorded in federal funds purchased and other borrowed funds.

While assets and deposits declined, total bank equity capital climbed \$26 billion in the second quarter, fueled by increased retained earnings. Bank capital grew \$210 billion since year-end 2008. During the same period total bank assets declined \$339 billion. Hence, the ratio of capital to total assets improved markedly.

Bank Earnings

On a quarterly basis, U.S. banks generated earnings of \$19.7 billion in the second quarter of 2010, up from \$15.7 billion in the first quarter. The uptick was entirely attributable to the reduction in the rate of provision against future loan losses. In fact, commercial banks reported lower quarterly net interest income and non-interest income and higher quarterly non-interest expense in the second quarter. Banks also experienced a larger extraordinary loss than in the first quarter, and applicable income taxes were 43% more than in the first quarter. The rate of loss provision

U.S BANK QUARTERLY EARNINGS

(\$ Billions)

	1Q10	2Q10
Interest Income	124.2	121.2
Interest Expense	<u>24.5</u>	<u>23.1</u>
Net Interest Income	99.7	98.1
Provision	48.3	37.7
Non-interest Income	56.7	56.1
Non-interest Expense	<u>87.1</u>	<u>89.3</u>
Pre-tax Operating Income	21.0	27.2
Securities Gains	1.4	2.1
Taxes	6.4	9.2
Net Extra. Gains/Misc.	<u>-0.2</u>	<u>-0.4</u>
Net Income	<u>15.7</u>	<u>19.7</u>

equaled \$37.7 billion in the second quarter, compared with \$48.3 billion in the first quarter. The other significant contribution to second quarter income resulted from securities gains.

For the first half of 2010, commercial banks generated \$36 billion in net income. The first half results presented a sizable improvement over the **full-year** earnings of \$8.1 billion in 2009 and \$15.3 billion in 2008. Reductions in provision expense and gains from securities, in contrast to losses, also contributed to the enhanced first-half earnings performance.

Reduced loan volumes and persistently low interest rates contributed to a decline in total interest income in the second quarter. Reductions in deposits and low interest rates also impacted the interest expense side of the income statement. The decline in interest income equaled \$3.0 billion in the second quarter and greatly exceeded the \$1.4 billion decline in interest expense to contribute to the \$1.7 billion decline in net interest income.

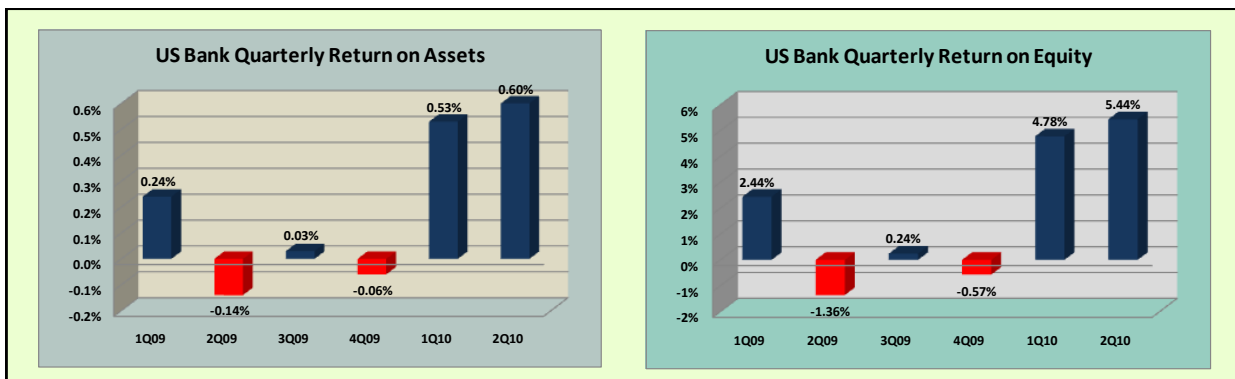
Non-interest income edged lower in the second quarter, declining less than \$600 million. Lower trading account gains and fees offset increased income from fiduciary activities, deposit account service charges and other non-interest income. Total non-interest expense climbed more than \$2 billion in the second quarter. Reduced expenses for premises and equipment were more than offset by the significant increases in salary and benefit costs and other non-interest expenses.

Net charge-offs of loans equaled \$46.1 billion in the second quarter compared with \$49.5 billion in the first quarter. The first half volume of net charge-offs at \$95 billion equaled 55% of the full-year charge-offs taken in 2009. Based upon the improving trends in asset quality that were reported for the second quarter, the full-year charge-offs in 2010 could be the same as or less than the \$173.2 billion charge-off taken in 2009.

Bank Ratios

Despite the second-quarter increase in quarterly profits, the percentage of unprofitable U.S. commercial banks edged up from 19% in the first quarter to 20% of all banks. The efficiency ratios of banks also degraded in the second quarter, averaging 56.3%, up from 54.3% in the first quarter. A higher efficiency ratio means lower coverage of income to expenses.

Favorable earnings comparisons were reflected in the quarterly return on assets, which climbed from 0.53% to 0.66% in the second quarter. The pre-tax return on assets equaled 0.96% in the second quarter up from 0.74% in the first quarter. The return on equity also improved, equaling 5.92% in the second quarter up from 4.78%.



Net loans and leases declined to 77.45% of deposits compared with the 78.03% ratio in the first quarter. Loan to deposit ratios for the first two quarters of 2010 were significantly higher than the 75.38% rate at year-end 2009.

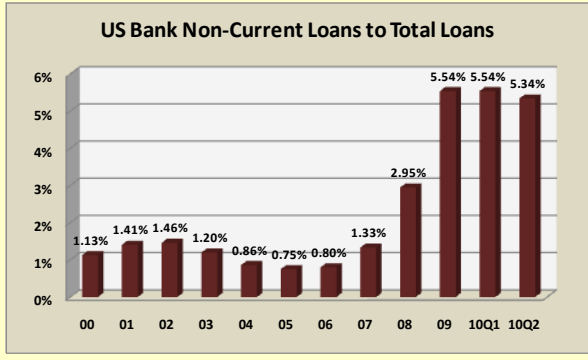
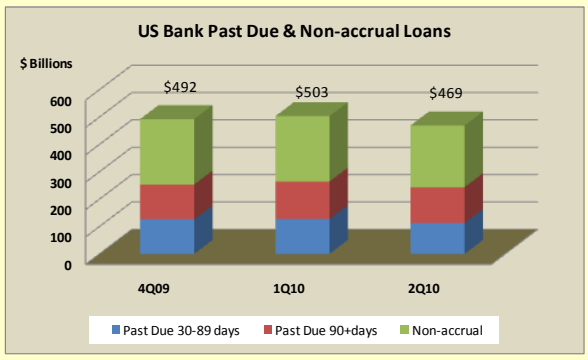
Rising levels of equity capital and declining assets allowed for across-the-board increases in capital ratios. The leverage ratio increased 20 basis points in the second quarter to 8.64%. Tier 1 and total risk-based capital ratios both climbed 35 basis points to 12.09% and 14.86%, respectively. The rise in risk-based capital ratios continued the string of consecutive new record highs for these ratios.

Asset Quality

U.S. commercial banks reported significant reductions in the volume of past due and non-accrual assets during the second quarter. These reductions were reported across the major ageing categories of past due 30-89 days, 90 or more days past due and non-accrual. Non-accrual assets declined \$13 billion in the second quarter, resulting from broad-based reductions among the loan classifications. At \$225 billion, total non-accrual loans reached its lowest level in five quarters. The major source of the decline in non-accrual loans was construction loans, which declined \$6.4 billion in the quarter and fell to its lowest level since March 2009.

Assets past due 90 or more days declined nearly \$5 billion in the second quarter due to a reduction in delinquent consumer loans. Although high by historical standards, non-current loans, defined as loans 90 or more days delinquent and on non-accrual, ended the second quarter of 2010 \$3 billion below the year-end 2009 level. Loans that were past due 30 to 89 days fell \$14.7 billion in the second quarter, with consumer loans leading the decline. The volume of loans 30-89 days past due was the lowest since the September 2008 quarter. Total past due assets equaled \$469 billion in the second quarter, an annualized decline of 27% compared with the first quarter.

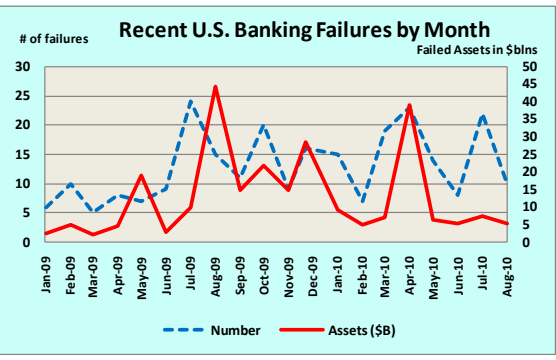
The various ratios of asset quality reflected the reductions in past due volumes. Net charge-offs to total loans declined 23 basis points in the second quarter to a rate of 2.77%. The earnings coverage of net loan charge-offs increased marginally. Non-current assets plus other real estate owned equaled 3.35% of total assets from 3.44% in the first quarter. Non-current loans declined to 5.34% of total loans from the first quarter rate of 5.54%. Loss allowance as a percent of total loans declined from 3.69% in the first quarter to 3.58% in the second quarter. The loss allowance equaled 67.05% of non-current loans, up from 66.63% in the first quarter and 58.78% at year-end 2009.



Banking Population

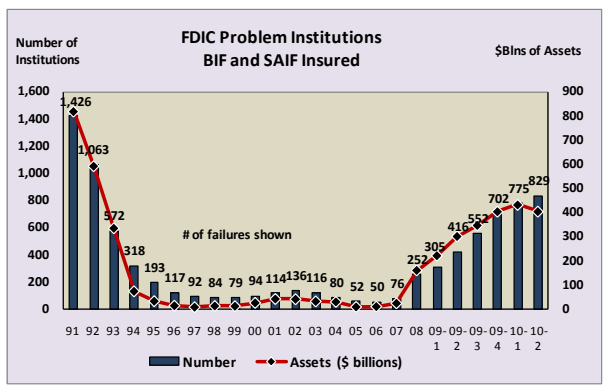
As of June 30, 2010, there were 6,676 U.S. commercial banks, a decline of 96 institutions since the end of the first quarter and 163 below year-end 2009. During the first half of 2010, there were 86 failures of financial institutions, including 80 failed commercial banks. In July and August, an additional 32 institutions failed including 25 commercial banks. Year to date through month-end August, 118 institutions failed, representing over \$84 billion in assets. For the comparable period in 2009, there were 84 failures accounting for over \$90 billion in assets. The 2010 failures involved smaller institutions than in 2009. Often the FDIC would bundle institutions within a geographic proximity to generate greater bidding interest. Florida reported the most failed institutions YTD.

In July and August, an additional 32 institutions failed including 25 commercial banks. Year to date through month-end August, 118 institutions failed, representing over \$84 billion in assets. For the comparable period in 2009, there were 84 failures accounting for over \$90 billion in assets. The 2010 failures involved smaller institutions than in 2009. Often the FDIC would bundle institutions within a geographic proximity to generate greater bidding interest. Florida reported the most failed institutions YTD.



No new banks opened during the second quarter for the second consecutive quarter. In July 2010, the year recorded its first and only (through the end of August) *de novo* bank, Lakeside Bank of Lake Charles, Louisiana. During the first half of 2010, 238 financial institutions were closed, including the failures, charters established to facilitate failures and traditional mergers and acquisitions. A number of the closures represented corporate restructurings, wherein subsidiary banks of a multi-bank holding company were consolidated into a single charter.

The FDIC reported that the number of institutions on its problem list increased to 829 in the second quarter up from 775 in the first quarter. The assets held by the problem institutions declined from \$431 billion to \$403 billion in the second quarter. This population of problem institutions is the highest number since the first quarter of 1993. Favorably, the quarterly increase in the number of problem institutions was the smallest rise since the first quarter of 2009.



Based upon second quarter data, there were 467 financial institutions with a Texas ratio over 100. The Texas ratio is derived by taking the sum of loans past due 90 or more days, non-accrual loans and OREO and dividing it by the sum of Tier 1 capital and reserves. In the past, a Texas ratio in excess of 100 predicted an impending banking failure. There were 863 other financial institutions with a Texas ratio between 50 and 100, a harbinger of possible future asset problems that might trigger a failure.

Geographically, the problem banks were grouped in states that were most impacted by the real estate cycle of overbuilding followed by the collapse in real estate values. A ranking of states with the worst problem bank concentrations was derived by dividing the number of financial institutions with a Texas ratio in excess of 50 by the number of banks in each state. The most challenged location was Puerto Rico, where six of the seven financial institutions had significant asset quality issues. Georgia and Florida both reported that more than half of their banks had major issues with problem loans. California ranked in the top ten of the states with more than 21% of California-headquartered financial institutions reporting a Texas ratio in excess of 50.

2009-10 U.S. Bank Performance - By Quarter
(Dollars in Thousands, % are Averages)

	3/31/2009	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010
Number of institutions	7,038	6,995	6,911	6,839	6,772	6,676
Total assets	12,004,035,365	11,893,558,239	11,865,453,540	11,843,784,287	12,086,130,665	11,969,016,625
Net loans & leases	6,544,381,860	6,519,242,232	6,332,984,562	6,281,761,044	6,471,494,379	6,383,543,821
Loan loss allowance	176,057,919	195,168,444	204,221,874	213,581,829	248,165,182	237,024,362
Loan loss allowance (%)	2.62%	2.91%	3.12%	3.29%	3.69%	3.58%
Total deposits	7,982,803,543	8,077,754,486	8,178,155,040	8,333,158,066	8,294,035,896	8,242,630,385
Total equity capital	1,236,831,020	1,274,632,498	1,314,337,233	1,329,432,959	1,338,491,965	1,364,338,398
Net Income (Quarterly)	7,232,971	-4,228,249	763,153	-1,852,637	15,716,545	19,705,555
ROA (Quarterly)	0.24%	-0.14%	0.03%	-0.06%	0.53%	0.60%
ROE (Quarterly)	2.44%	-1.36%	0.24%	-0.57%	4.78%	5.44%
NPAs/Assets	2.32%	2.73%	3.06%	3.36%	3.44%	3.35%
NPAs	278,493,620	324,694,140	363,082,878	397,951,152	415,762,895	400,962,057
Core capital (leverage) ratio	7.92%	8.14%	8.44%	8.54%	8.44%	8.64%
Total risk-based capital ratio	13.27%	13.58%	13.96%	14.12%	14.51%	14.86%
% of unprofitable banks	21.80%	28.85%	26.94%	34.96%	18.99%	20.01%
# of unprofitable banks	1,534	2,018	1,862	2,391	1,286	1,336
% of profitable banks	78.20%	71.15%	73.06%	65.04%	81.01%	79.99%
# of profitable banks	5,504	4,977	5,049	4,448	5,486	5,340

Update for California Banking: Second Quarter 2010

The earnings of California banks were more than double the profits of the first quarter. The reduced provision taken against future loan losses accounted for most of the boost to profits. These earnings represented the first consecutive quarterly profits since March 2008. Total assets declined in the second quarter due to the reduction in loans. The number of California banks dwindled to 257. Asset quality measures presented mixed messages, with delinquent assets lower and non-current loans increasing as a percent of total loans.

California Banks Improving

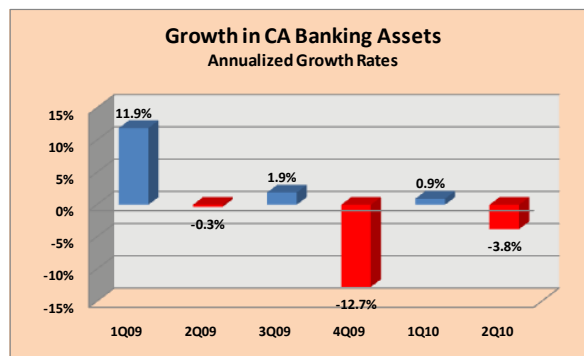
In the second quarter of 2010 California commercial banks recorded the highest quarterly profits since the September 2007 quarter. Total bank earnings of \$420 million were more than double the \$200 million earned in the first quarter. The last time that the California banking industry had posted consecutive quarters of profits was March 2008.

Reduced provisions against future loan losses represented the primary reason for the improved earnings. In addition to the lower provision, California banks realized a slight gain in net interest income and a significant jump in non-interest income. Growth in miscellaneous non-interest income was primarily reported by those banks acquiring failed institutions under loss-sharing arrangements with the FDIC.

Balance Sheets

Total assets of California banks declined \$3.9 billion in the second quarter to \$405.4 billion. A year earlier, California banks had \$419.8 billion in total assets.

The pattern of growth in assets had been erratic over the past 18 months. The asset growth swings reflected consolidation and restructuring during this turbulent period for banking.



Inside California Banking

Assets decline and capital increases 21

Lower provision and more fee income boost profits 22

Increases in ROA, ROE and rising capital ratios 23

Delinquent assets decline, other asset quality measures mixed 24

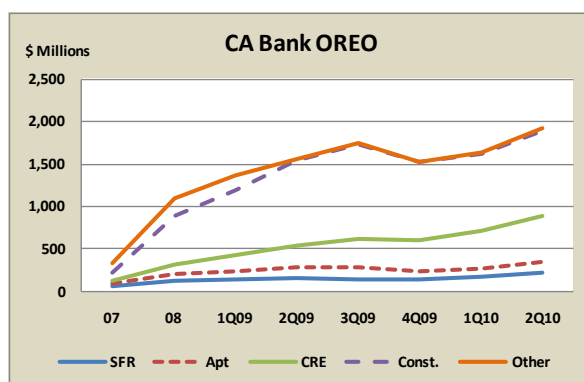
Number of banks reduced to 257 25

Six quarters of banking data 26

In the first quarter of 2009, California bank assets soared due to the expansion of mortgage lending by the California subsidiary banks of Bank of America and JP Morgan Chase. The third quarter 2009 decline in assets largely resulted from the FBOP failure, which transferred more than \$11 billion of California banking assets out of the state.

California banks continued to reduce loan portfolios in the second quarter. Net loans of California banks equaled \$263.2 billion, \$3 billion less than in the first quarter and \$31.2 billion lower than the year-earlier quarter. Significant declines were reported for construction and land development, commercial & industrial and consumer loans. Loans on commercial real estate and multi-family properties were lower on a year-over-year comparison yet recorded moderate gains over the first quarter. Loans on 1-4 family properties declined versus the first quarter but were up compared with the second quarter of 2009.

Other real estate owned (OREO) increased nearly five-fold from the end of 2007 through the second quarter of 2010. California banks reported \$1.9 billion in OREO in the June 2010 quarter, up from \$0.4 billion at year-end 2007. Properties from construction and land development loans accounted for more than one-half of the second quarter OREO. Construction and development OREO exceeded \$1 billion, up from under \$100 million in 2007. The second fastest growing category of bank owned property was commercial real estate, which accounted for more than 28% of California bank OREO.



In line with the national trends, California banks reported a decline in deposits during the second quarter. Total deposits at \$282.3 billion were \$3.7 billion lower than in the first quarter. Significant declines were registered in brokered deposits, which fell \$2.6 billion. California banks reported a moderate increase in demand deposits. In addition to the decline in total deposits, California banks reduced borrowed funds and subordinated debt. These two categories of liabilities declined more than \$3 billion in the second quarter.

California banks reported their fourth consecutive quarterly increase in equity capital during the second quarter of 2010. Total equity capital equaled \$51.4 billion up \$0.73 billion from the first quarter. Over the past year equity capital of California banks expanded \$4.1 billion, while total assets declined \$14.4 billion. These trends contributed to significant boosts in capital ratios, as discussed in the ratio section of this report.

Earnings

California banks reported \$420 million in quarterly earnings in the second quarter of 2010. This outcome represented the second consecutive quarterly gain in profits for California banks and produced first-half profits of \$620.8 million, compared with losses of \$1.38 billion in the first half of 2009. Reduced loss provision accounted for the improved comparisons for the quarterly and first-half earnings. Quarterly provision for loan losses equaled \$1.0 billion, down from \$1.5 billion in the first quarter and \$1.9 billion in fourth quarter.

CALIFORNIA BANK QUARTERLY EARNINGS

(\$ Millions)

	4Q09	1Q10	2Q10
Interest Income	4,411.4	4,349.7	4,279.9
Interest Expense	<u>966.1</u>	<u>842.5</u>	<u>772.5</u>
Net Interest Income	3,445.3	3,507.2	3,507.4
Provision	1,984.7	1,500.6	1,041.9
Non-interest Income	1,372.6	748.1	893.3
Non-interest Expense	<u>2,533.5</u>	<u>2,492.8</u>	<u>2,670.5</u>
Pre-tax Operating Income	299.9	261.9	688.3
Securities Gains	-242.3	93.4	25.2
Taxes	57.0	163.7	294.5
Net Extra. Gains/Misc.	<u>-2.1</u>	<u>8.6</u>	<u>1.7</u>
Net Income	<u>-1.5</u>	<u>200.2</u>	<u>420.6</u>

The low interest rate environment caused significant reductions in both interest earned and the cost of funds. The decline in interest expense greatly exceeded the decline in interest income to allow California banks to experience an increase in net interest margins.

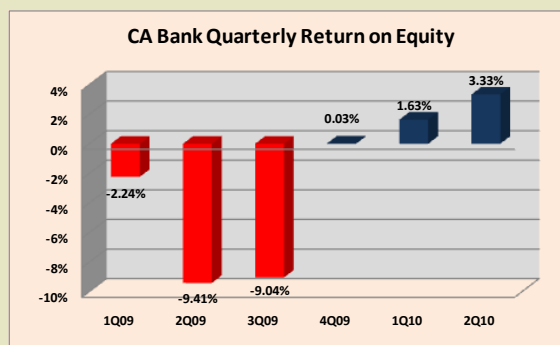
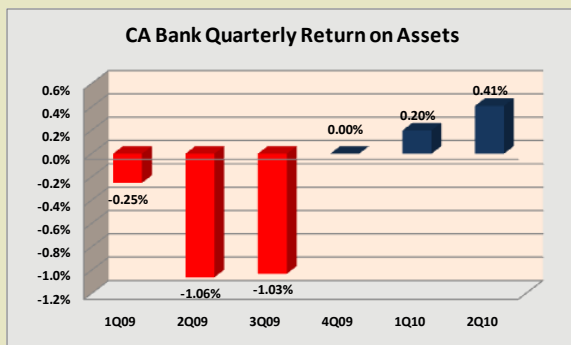
Non-interest income increased relative to the first quarter. The source of the higher non-interest income was additional non-interest income, which offset lower income from fiduciary activities and from service charges on deposit accounts. California banks that recently acquired failed financial institutions through the FDIC's loss-sharing structure reported significant gains in this miscellaneous category of non-interest income.

Non-interest expenses of California banks jumped in the second quarter following two quarters of reduced operating expenses. Salary costs and premise expenses rose sharply in the second quarter. The largest expense gain, however, was the \$167 million increase in additional non-interest expense. Goodwill impairment recognized by Heritage Bank of Commerce accounted for one-quarter of the increase in miscellaneous expenses. Other sizable increases in these expenses were reported by East West Bank and Union Bank, both failed bank acquirers.

Ratio Analysis

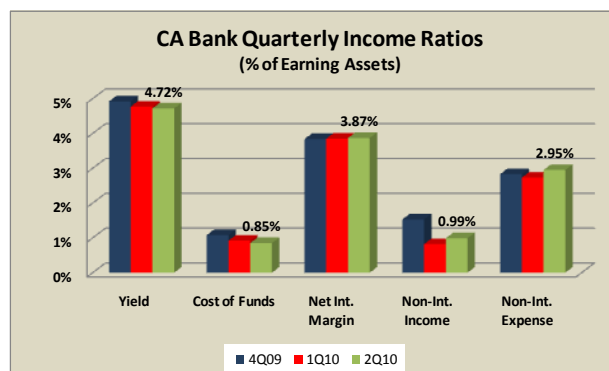
California banks reported a quarterly return on assets of 0.41% in the second quarter, up from 0.20% in the first quarter and a marked improvement from the -1.06% quarterly ROA in the second quarter of 2009. The quarterly return on equity showed comparable trends, with the 3.33% ratio up from 1.63% in the first quarter and a sizable improvement from the -9.41% rate in the June 2009 quarter.

California interest income and interest expense both declined as a percent of earning assets. The decline in the cost of funding earning assets exceeded the decline in interest earned. The net interest margin as a ratio of earning assets increased in the second to 3.87%. This ratio is the highest quarterly net interest margin for California banks since the third quarter of 2007.



Non-interest income climbed to 0.99% of earning assets, up from 0.82% in the first quarter but a pale comparison to the 1.53% ratio of fourth quarter of 2009. The ratio of non-interest expense to earning assets climbed to 2.95% in the second quarter, up from 2.73% in the first quarter and the highest expense ratio since the September 2009 quarter. Due to the step-up in the expense ratio, the efficiency ratio of California banks rose to 58.18% in the second quarter (the higher the ratio, the less efficient the operations), compared with the 56.96% ratio in the first quarter and 50.37% in the fourth quarter of 2009.

With loans and deposits both declining in the second quarter, the ratio of loans to deposits held relatively steady in the second quarter at 93.22%, up from 93.09% in the first quarter yet down from 102.80% one year earlier.



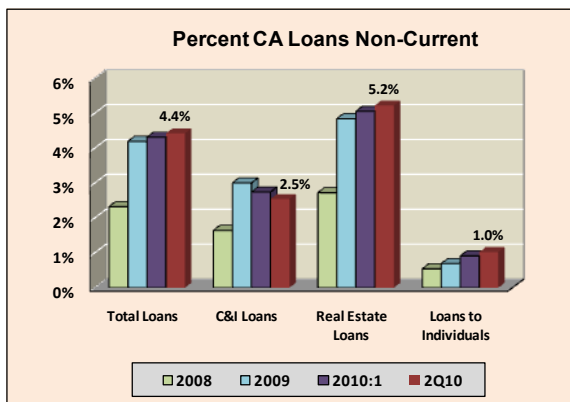
The combination of rising equity and declining assets produced an increase in capital ratios during the second quarter. The California bank leverage ratio increased 10 basis points over the first quarter to 9.77%. That reading was a gain of 113 basis points over the 8.64% rate in the second quarter of 2009. Risk-based capital (RBC) ratios continued to register new records. The Tier 1 RBC ratio equaled 13.59%, a 26 basis point increase over the first quarter and a 272 basis point gain over the year. The total RBC ratio equaled 15.33%, an increase of 25 basis points over the prior quarter and a 279 basis point gain over the year.

Asset Quality

Asset quality measures presented generally mixed readings for California banks in the second quarter of 2010. Net charge-offs were the lowest since the third quarter of 2008. The quarterly ratio of net charge-offs to total loans declined to 1.55% in the second quarter, a drop of 16 basis points from the first quarter and 100 basis points below the second quarter of 2009.

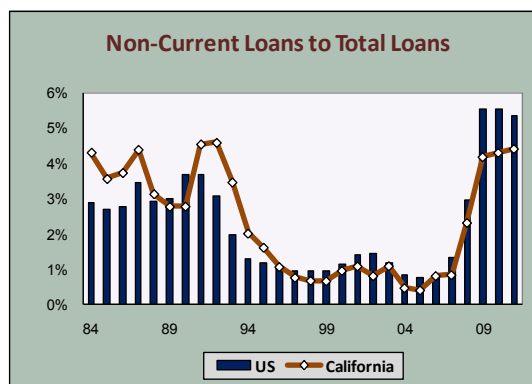
California banks reported that non-accrual loans and loans 30-89 days delinquent declined in the second quarter. Conversely, assets past due 90 or more days soared in the second quarter.

Focusing first on the less favorable development, the step-up in assets 90 or more days delinquent was primarily centered in real estate lending, with only apartment loans showing a decrease over the quarter. Construction loans were a major contributor to the increased volume of 90+ days delinquent loans.



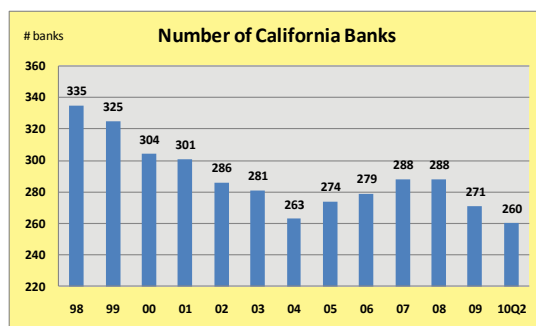
Non-accrual loans declined \$275 million in the second quarter of 2010. Non-accrual construction loans were sharply lower, and declines were registered in non-accrual multi-family and commercial & industrial loans. Counterbalancing the favorable trends were increases in non-accrual commercial real estate and single family home loans. The second quarter declines in delinquent loans (30-89 days past due) occurred across a wide spectrum of loan categories.

The loan loss allowance held steady at 2.59% of total loans, while the loss allowance declined as a percent of non-current loans. The ratio of non-current assets plus OREO to total assets and the ratio of non-current loans to total loans both increased in the second quarter. For California banks, non-current loans equaled 4.42% of total loans. The second quarter ratio was 11 basis points higher than in the first quarter and ran counter to the national trend wherein the U.S. ratio declined 20 basis points.



Banking Population

At the end of the second quarter, there were 260 California commercial banks. Through August 31, three additional California commercial banks failed. As of this writing, there were 257 commercial banks and 20 savings institutions headquartered in California. The 257 banks were the lowest number since 1979. The 20 California savings associations represented a net reduction of two this year and contrasted with the peak of 219 savings associations in 1985. There had been no new California banks formed since March 2009.



Year to date through August, nine California financial institutions failed, representing \$8.8 billion in assets. The data for the first eight months of 2009 reported the same number of failures and \$9.1 billion in failed assets. Currently, there were 61 financial California institutions with a Texas ratio in excess of 50. There were fifteen California institutions with a Texas ratio over 100, including four with a leverage ratio under 5%. Of the 46 institutions with a Texas ratio over 50 yet under 100, one bank had a sub-5% leverage ratio.

2009-10 California Bank Performance - By Quarter

(Dollars in Thousands, % are Averages)

	3/31/2009	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010
Number of institutions	287	284	278	271	266	260
Total assets	420,138,360	419,800,103	421,787,266	408,344,452	409,295,977	405,418,200
Net loans & leases	298,994,189	294,393,896	284,355,086	270,135,464	266,227,603	263,180,645
Loan loss allowance	5,848,576	6,481,248	7,063,187	6,825,478	7,075,655	6,996,286
Loan loss allowance (%)	1.92%	2.15%	2.42%	2.46%	2.59%	2.59%
Total deposits	275,113,886	286,383,376	291,200,651	287,575,011	285,997,476	282,323,224
Total equity capital	47,580,639	47,290,524	48,134,290	48,222,709	50,652,514	51,382,640
Net Income (Quarterly)	(262,267)	(114,050)	(1,076,664)	3,990	200,238	420,664
ROA (Quarterly)	-0.25%	-1.06%	-1.03%	0.00%	0.20%	0.41%
ROE (Quarterly)	-2.24%	-9.41%	-9.04%	0.03%	1.63%	3.33%
NPAs/Assets	2.40%	3.00%	3.37%	3.22%	3.30%	3.44%
NPAs	10,083,321	12,594,003	14,214,231	13,148,691	13,506,767	13,946,386
Core capital (leverage) ratio	9.08%	8.64%	8.92%	9.51%	9.67%	9.77%
Total risk-based capital ratio	12.69%	12.54%	13.21%	14.42%	15.08%	15.33%
% of unprofitable banks	50.17%	57.04%	51.80%	58.67%	38.35%	35.77%
# of unprofitable banks	144	162	144	159	102	93
% of profitable banks	49.83%	42.96%	48.20%	41.33%	63.16%	64.23%
# of profitable banks	143	122	134	112	168	167

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