

Edgar Filing: PROVIDENT FINANCIAL HOLDINGS INC - Form FWP

PROVIDENT FINANCIAL HOLDINGS INC

Form FWP

November 30, 2009

Filed Pursuant to Rule 433

Registration No. 333-162415

Issuer Free Writing Prospectus dated November 30, 2009

Relating to Preliminary Prospectus dated November 27, 2009

November 2009  
Follow  
On Stock Offering  
Craig  
G.  
Blunden

Chairman,  
President  
and  
Chief  
Executive  
Officer  
Donavon  
P.  
Ternes

Chief  
Operating  
Officer  
and  
Chief  
Financial  
Officer  
NASDAQ: PROV

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#### Safe Harbor Statement

The Corporation has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. You should read the prospectus and other documents the issuer has filed with the SEC for more complete information about the offering. You can get these documents for free by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, the issuer, the underwriter, or the offering will arrange to send you the prospectus if you request it by calling toll free 1-866-805-4128. The documents can also be accessed at [www.sandleroneill.com/prospectus/prov-prospectus.pdf](http://www.sandleroneill.com/prospectus/prov-prospectus.pdf).

The Private Securities Litigation Report Act of 1995 provides a "safe harbor" for certain forward-looking statements. This prospectus contains forward-looking statements with respect to the Corporation's financial condition, results of operations, plans, objectives, future performance or other similar matters. These forward-looking statements are subject to certain risks and uncertainties, including those identified below, which could cause future results to differ from those stated in the forward-looking statements.

or those anticipated. The words "believe," "expect," "anticipate," "intend," "estimate," "goals," "would," "could," "should" and future events and trends identify forward-looking statements. We caution readers not to place undue reliance on these forward only on information known to the Corporation, speak only as of their dates, and if no date is provided, then such statements speak only as of the date hereof. A number of important factors that could cause future results to differ materially from historical results or those anticipated, including risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in our allowance for loan losses that may be impacted by deterioration in the housing and commercial real estate markets; changes in general economic conditions nationally or in our market areas; changes in the levels of general interest rates, and the relative differences between short and long-term interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, and fluctuations in real estate values in our market areas; secondary market conditions for loans and our ability to sell loans in the secondary market; the results of our stress test; results of examinations of us by the Office of Thrift Supervision or other regulatory authorities, in which a regulatory authority may, among other things, require us to increase our reserve for loan losses, write-down assets, change our business plan, our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings; legislative and regulatory changes that affect our business including changes in regulatory policies and principles, or the interpretation of regulatory capital or other requirements; further increases in premiums for deposit insurance; our ability to control operating costs and expenses; the use of estimates of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in realizing the value of assets on our balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our operations; associated charges; computer systems on which we depend could fail or experience a security breach; our ability to retain key members of our management team; costs and effects of litigation, including settlements and judgments; our ability to implement our branch expansion strategy; our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we have acquired or may in the future acquire; and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related to acquisitions; pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of financing; laws, rules, or regulations or to respond to regulatory actions; our ability to pay dividends on our common stock; adverse changes in the inability of key third-party providers to perform their obligations to us; changes in accounting policies and practices, as may be required by regulatory agencies or the Financial Accounting Standards Board, including additional guidance and interpretation on accounting standards; implementation of new accounting methods; and other economic, competitive, governmental, regulatory, and technological factors that affect our pricing, products and services and the other risks described in the Corporation's reports filed with the Securities and Exchange Commission. Report on Form 10-K for the fiscal year ended June 30, 2009 and its quarterly report on Form 10-Q ended September 30, 2009. The Corporation does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the forward-looking statement is made.

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Transaction Overview

Issuer:

Provident Financial Holdings, Inc.

Ticker / Exchange:

PROV / NASDAQ (GSM)

Type of Security:

Common Stock

Transaction Size:

\$40.0 million

Over-Allotment Option:

15%

Use of Proceeds:

Support capital needs of the Bank and its mortgage banking operation, opportunistic growth and general corporate purposes

Book-Running Manager:

Sandler O'Neill + Partners, L.P.

Co-Managers:

FBR Capital Markets & Co.

FIG Partners, LLC

3  
Offering Objectives and Business Strategy  
Strengthen  
current  
capital  
position  
in  
this  
challenging  
economic



environment

Enhance capital base to capture growth opportunities

Capture business opportunities stemming from competitor and market dislocations

Expand mortgage banking origination capacity and market share

Diversify loan portfolio to include a higher percentage of multi-family loans

Support opportunity to grow core deposits and fund loan growth internally

Bolster the ability to continue to aggressively resolve problem credits and REO

Increase

ability

to

recruit

and

retain

key

business

producers

in

our

local

markets and attract an expanded customer base

4

Capital Position & Composition

1

Assumes gross proceeds of \$40.0 million with underwriters' discount of 5.75% (at 6% for \$37.5 million to public investors and insiders and ESOP) and expenses of \$302,000

2

Assumes proceeds risk-weighted at 20%

As of September 30, 2009

Stand-Alone

Pro Forma<sup>1</sup>

Tangible Common Equity / Tangible Assets

7.36%

9.64%

Tangible Equity / Tangible Assets

7.36%

9.64%

Well-

Capitalized

Core Capital Ratio

5.00%

7.03%

9.32%

Tier 1 Risk-Based Ratio<sup>2</sup>

6.00%

11.89%

16.15%

Total Risk-Based Ratio<sup>2</sup>

10.00%

13.16%

17.41%

5

Management Team

Named executive officer and director ownership as a group is 15.4%

Years

Fin. Services

Past

Name

Position

Age

Experience

Experience

Craig G. Blunden  
Chairman, President and  
Chief Executive Officer

61

37

Donavon P. Ternes  
Executive Vice President,  
COO, CFO and Corporate  
Secretary

49

27

Richard L. Gale  
President -  
Provident  
Bank Mortgage

58

32

Kathryn R. Gonzales  
Senior Vice President -  
Retail Banking

51

29

Lilian  
Salter  
Senior Vice President -  
Chief Information Officer

54

33

Joined the Bank in 1993 as general auditor and promoted to CIO in 1997. Previously, Ms. Salter was with Home Federal Bank, San Diego, California for 17 years and held various positions in information systems, auditing and accounting.

David S. Weiant  
Senior Vice President -  
Chief Lending Officer

50

27

Joined the Bank as SVP and CFO on November 1, 2000 and appointed Secretary of the Corporation and the Bank in April 2003. Effective January 1, 2008, Mr. Ternes was appointed EVP and COO, while continuing to serve as the CFO and Corporate Secretary of the Bank and the Corporation. Prior to joining the Bank, Mr. Ternes was the President, CEO, CFO and Director of Mission Savings and Loan Association, Riverside, California holding those positions for over 11 years.

Joined the Bank as SVP of Retail Banking on August 7, 2006. Previously, Ms. Gonzales was with Bank of America, responsible for working with under-performing branches and re-energizing their business development capabilities. Prior to that she was with Arrowhead Central Credit Union, responsible for 25 retail branches and oversaw their

significant deposit growth.

Has been with the Bank since 1974 and has held his current positions at the Bank since 1991 and as President and Chief Executive Officer of the Corporation since its formation in 1996.

Joined the Bank in 1988 and has served as President of the Provident Bank Mortgage division since 1989. Mr. Gale has also served as a director of the California Mortgage Bankers Association since 2002.

Joined the Bank as SVP and CLO on June 29, 2007. Prior to joining the Bank, Mr. Weiant was a SVP of Professional Business Bank (June 2006 to June 2007) responsible for commercial lending in the Los Angeles and Inland Empire regions of Southern California. Prior to that, Mr. Weiant was EVP and Regional Manager of Southwest Community Bank (April 2005 to June 2006), SVP and Regional Manager of Vineyard Bank (2004

2005) and EVP and Branch Administrator of Business Bank of California (2000 - 2004). Mr. Weiant has more than 25 years of experience with financial institutions including the last 11 years in senior management.

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\$1.5 billion in assets, as of 09/30/09

\$932 million in deposits, as of 09/30/09

14 full-service branches

53 years serving the community

Provident Bank

Full Service Offices:

Blythe

Canyon Crest, Riverside

Corona

Corporate Office, Riverside  
Downtown, Riverside  
Hemet  
La Sierra, Riverside  
Moreno  
Valley  
-  
Heacock  
St.  
Moreno  
Valley  
-  
Iris  
Plaza  
Orangecrest, Riverside  
Rancho Mirage  
Redlands  
Sun City  
Temecula  
Provident Bank Mortgage  
Wholesale Offices:  
Pleasanton  
Rancho Cucamonga  
Retail Offices:  
Glendora  
Indiana Ave., Riverside  
Riverside Ave., Riverside  
Pleasanton, Northern California  
Franchise Overview



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Franchise Overview

Largest independent community bank headquartered in Riverside County,  
California

\$1.5 billion in assets, as of 09/30/09

\$932 million in deposits, as of 09/30/09

14 full-service branches

Sixth largest deposit market share in the Riverside-San Bernardino RMA and  
second among community banks

Strong mortgage banking operations

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2009 fiscal year originations of \$1.3 billion

Q1-2010 fiscal year originations of \$492 million

Gross locked pipeline of approximately \$200 million as of 09/30/09

Actively addressing and managing credit issues

Expanding customer base and markets within the Inland Empire Region of Southern California

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History of Strong Financial Performance

Pre-Tax, Pre-Provision Earnings (\$mm)

Net Interest Margin

Mortgage Banking Originations (\$mm)

Loan Sale Margin

\$4,137

\$6,405

\$5,326

\$9,110

\$13,156  
\$8,561  
\$0  
\$2,000  
\$4,000  
\$6,000  
\$8,000  
\$10,000  
\$12,000  
\$14,000  
Q4 '08  
Q1 '09  
Q2 '09  
Q3 '09  
Q4 '09  
Q1 '10  
\$492  
\$617  
\$366  
\$169  
\$166  
\$114  
\$0  
\$1  
\$1  
\$0  
\$8  
\$21  
\$0  
\$100  
\$200  
\$300  
\$400  
\$500  
\$600  
\$700  
Q4 '08  
Q1 '09  
Q2 '09  
Q3 '09  
Q4 '09  
Q1 '10  
Saleable  
Portfolio  
2.93%  
2.89%  
2.70%  
2.87%  
2.99%  
2.69%

2.50%

2.55%

2.60%

2.65%

2.70%

2.75%

2.80%

2.85%

2.90%

2.95%

3.00%

3.05%

Q4 '08

Q1 '09

Q2 '09

Q3 '09

Q4 '09

Q1 '10

0.59%

1.33%

1.33%

0.80%

0.72%

(0.32%)

0.82%

1.45%

1.42%

1.68%

1.18%

0.92%

(0.50%)

0.00%

0.50%

1.00%

1.50%

2.00%

Q4 '08

Q1 '09

Q2 '09

Q3 '09

Q4 '09

Q1 '10

Loan Sale Margin

Loan Sale Margin, excl. Recourse Provision

9  
Mortgage Banking Overview  
We  
have  
enjoyed  
growing  
demand  
for  
our  
mortgage

banking  
products  
over  
the  
last several quarters

The  
refinance  
market

has  
augmented  
our  
business

opportunities  
in  
the

current  
rate environment

Locked Pipeline -

AFS (\$mm)

PBM Purchase vs. Refinance

1

Net of management's estimate of commitments to extend credit which may not fund

\$206

\$160

\$338

\$77

\$55

\$45

\$131

\$105

\$207

\$46

\$32

\$23

\$0

\$50

\$100

\$150

\$200

\$250

\$300

\$350

\$400

Q4 '08

Q1 '09

Q2 '09

Q3 '09

Q4 '09

Q1 '10

Gross Locked Pipeline

Net Locked Pipeline (1)

39%

60%

56%

17%

17%

34%

61%

40%

44%

83%

83%

66%

0%

10%

20%

30%

40%

50%

60%

70%

80%

90%

100%

Q4 '08

Q1 '09

Q2 '09

Q3 '09

Q4 '09

Q1 '10

Refinance

Purchase



10

Attractive Market Demographics

The Riverside and San Bernardino county markets offer appealing growth and income demographics

Five-Year

County  
Branches  
Market  
Rank  
Deposits  
in Market  
(\$000)  
Market  
Share  
(%)  
Percent of  
Franchise  
(%)  
Proj. Pop.  
Change  
(%)  
Proj. HHI  
Change  
(%)  
Riverside  
13  
6  
902,867  
4.42  
88.2  
16.1  
7.0  
San Bernardino  
1  
18  
120,509  
0.71  
11.8  
7.3  
6.4  
Provident Weighted Average  
15.1  
6.9  
Aggregate: California  
5.1  
4.0  
Aggregate: National  
4.6  
4.1  
Source: SNL Financial

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Deposit Composition

<sup>1</sup>

Certain interest-bearing checking, savings, money market and time deposits require a minimum balance to earn interest

<sup>2</sup>

Includes a single depositor with balances of \$0 and \$100.3 million at September 30, 2009 and 2008, respectively; and includes \$19.6 million and \$0 at September 30, 2009 and 2008, respectively

LTM Weighted-Average

Interest Rate: 2.22%

MRQ Weighted-Average

Interest Rate: 1.93%

Stable deposit base with reduced reliance on CD funding

Declining cost of deposits

Average cost of deposits for the quarter ended Sept. 30, 2009 was 1.93%, down from 2.85% for the quarter ended Sept. 30, 2008

Time >\$100

28.6%

Non Int.-

Bearing

Checking

4.7%

Int.-Bearing

Checking

14.3%

Savings

18.5%

Money

Market

2.9%

Time <\$100

31.0%

(Dollars in Thousands)

As of the Period Ended,

Category

9/30/09

9/30/08

Change

Checking deposits non interest-bearing

\$43,476

\$43,209

\$267

Checking deposits interest-bearing<sup>1</sup>

133,677

119,118

14,559

Savings deposits<sup>1</sup>

172,566

138,827

33,739

Money market deposits<sup>1</sup>

26,697

27,300

(603)

Time deposits:<sup>1</sup>

Under \$100

288,782

289,445

(663)

\$100 and over<sup>2</sup>  
266,723  
337,898  
(71,175)  
Total deposits  
\$931,921  
\$955,797

12  
Credit Management Strategy  
We have worked to recognize the credit challenges presented by our markets and are actively working  
to improve our asset quality  
As  
of  
September  
30,  
2009,  
our

loan  
loss  
reserve  
/  
loans  
held  
for  
investment  
stood  
at  
4.97%

Actions  
Results

All Multi-Family and Commercial Business loans have an annual internal asset review regimen completed. CRE loans \$750,000 and larger have an annual internal asset review regimen completed.

Diligently complete reviews of Multi-Family, CRE and Commercial Business loans.

Net loss on sale and operations of REO acquired in the settlement of loans was \$1.6 million in LTM.

Establish appropriate specific valuation allowances.

As of September 30, 2009, REO balance was \$12.7 million, never becoming higher than \$16.4

million  
in  
LTM.

Also,

145

REOs

were

disposed

of

while

161

REOs

were

obtained

in

LTM.

Quickly dispose of REO.

As of September 30, 2009, Restructured Loans were \$52.0 million and 81% reflect a current payment status.

Complete loan modifications on a case-by-case basis.

\$60.1 million loan loss provision in LTM while net charge-offs have been \$24.7 million in the same period.

Aggressively build the loan loss reserve.



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Loan Portfolio Composition

Consumer

0.1%

Commercial

business

0.7%

Single-family

mortgage

57.5%

Multi-family  
mortgage

30.9%

Commercial  
real estate

10.3%

Construction

0.4%

Other real  
estate

0.1%

Loan Composition<sup>1</sup>

1

Gross loans held for investment, excludes \$130.1 million of loans held for sale

2

Southern California, other than the Inland Empire

3

Other California, excluding Southern California and the Inland Empire

Inland Empire

26.4%

Southern CA

58.9%

Other CA

13.5%

Other States

1.2%

Loan

Composition

by

Geography

1

2

3

14

SCAP Analysis

The SCAP test estimates below are based on two-year cumulative loss assumptions established by indicative loss rates published by the Board of Governors of the Federal Reserve System

1

Loss severity rates based on the mid-points of the ranges established by the Supervisory Capital Assessment Program (Dollars in Thousands)

Loss Severity<sup>1</sup>

Total Loss

Balance as of 9/30/09

More

More

Loan Type

(\$)

(%)

Baseline

Adverse

Baseline

Adverse

First Lien Mortgages:

Prime

\$225,075

17.4%

2.0%

3.5%

\$4,501

\$7,878

Alt-A

552,092

42.6%

8.5%

11.3%

46,928

62,110

Subprime

18,776

1.5%

17.5%

24.5%

3,286

4,600

Closed-End Junior Lien Mortgages

2,480

0.2%

19.0%

23.5%

471

583

HELOCs

1,602

0.1%

7.0%

9.5%

112

152

CRE:

Multi-Family

360,880

27.8%

5.0%

10.5%

18,044

37,892

Nonfarm, Non-Residential

119,639

9.2%

4.5%

8.0%

5,384

9,571

C&D

5,805

0.5%

10.0%

16.5%

581

958

C&I

8,362

0.6%

3.5%

6.5%

293

544

Credit Cards

0

0.0%

14.5%

19.0%

0

0

Other Consumer

1,329

0.1%

5.0%

10.0%

66

133

Other Loans

596

0.0%

3.0%

7.0%

18

42

Portfolio Totals

\$1,296,636

100.0%

6.1%

9.6%  
\$79,684  
\$124,463

15

Strong Pro Forma Capital Position

1

Based on fiscal year 2009 pre-tax, pre-provision net income

2

Assumes gross proceeds of \$40.0 million with underwriters' discount of 5.75% (at 6% for \$37.5 million to public investors and insiders and ESOP) and expenses of \$302,000

(Dollars in Thousands)

Capital Position Impact

Baseline

More Adverse  
 Current Tangible Equity  
 \$108,903  
 \$108,903  
 67,994  
 67,994  
 + Excess Reserve (1.25% Threshold)  
 41,805  
 41,805  
 -  
 SCAP Indicated Potential Cumulative Losses  
 79,684  
 124,463  
 Pro Forma Tangible Equity  
 \$139,018  
 \$94,239  
 + Non Common Equity Tier 1 Capital Elements  
 (7,903)  
 (7,903)  
 Total Tier 1 Capital  
 \$131,115  
 \$86,336  
 Total Risk-Based Capital  
 \$141,965  
 \$97,186  
 As of September 30, 2009  
 Pro Forma<sup>2</sup>  
 Pro Forma<sup>2</sup>  
 w/ Baseline  
 w/ More Adverse  
 Stand-Alone  
 Pro Forma<sup>2</sup>  
 Loss Scenario  
 Loss Scenario  
 Tangible Common Equity / Tangible Assets  
 7.36%  
 9.64%  
 11.68%  
 8.99%  
 Tangible Equity / Tangible Assets  
 7.36%  
 9.64%  
 11.68%  
 8.99%  
 Core Capital Ratio  
 7.03%  
 9.32%  
 11.31%  
 8.36%  
 Tier 1 Risk-Based Ratio



11.89%

16.15%

18.99%

14.69%

Total Risk-Based Ratio

13.16%

17.41%

20.21%

15.97%

+

Pre-Tax

Pre-Provision

Net

Income

for

Two

Years

1

16  
Credit Quality Overview  
(Dollars in Thousands)  
For the Quarter Ended,  
9/30/09  
6/30/09  
3/31/09  
12/31/08  
9/30/08  
Net charge-offs

\$4,638  
 \$9,596  
 \$6,316  
 \$4,102  
 \$3,111  
 % of average loans (annualized)  
 1.44%  
 2.81%  
 1.94%  
 1.24%  
 0.90%  
 Allowance for loan losses  
 \$58,013  
 \$45,445  
 \$42,178  
 \$34,953  
 \$22,519  
 % of gross portfolio loans  
 4.97%  
 3.75%  
 3.36%  
 2.69%  
 1.67%  
 % of non-performing loans  
 67.8%  
 63.3%  
 62.8%  
 76.2%  
 63.0%  
 Total non-performing loans  
 \$85,529  
 \$71,818  
 \$67,137  
 \$45,848  
 \$35,749  
 Real estate owned, net  
 12,693  
 16,439  
 13,861  
 11,115  
 8,927  
 Total non-performing assets  
 \$98,222  
 \$88,257  
 \$80,998  
 \$56,963  
 \$44,676  
 Restructured loans  
 1  
 \$51,979

\$40,871

\$28,233

\$19,598

\$15,524

Non-performing loans / portfolio loans, net

7.72%

6.16%

5.53%

3.62%

2.70%

Non-performing loans / total assets

5.78%

4.55%

4.30%

2.96%

2.24%

Non-performing assets / total assets

6.64%

5.59%

5.18%

3.67%

2.80%

Restructured

loans

in

non-performing

loans

1

\$36,281

\$29,751

\$20,927

\$11,762

\$7,144

Restructured loans ending up in pass category and

no longer disclosed as TDR

\$4,511

\$0

\$0

\$0

\$0

Restructured loans ending up in REO

\$173

\$911

\$817

\$676

\$0

1

Net of specific loan loss allowance.

1

17

Asset Quality

Non-Performing and Restructured Loans<sup>1</sup>

Non-Performing Assets (\$mm)

Consumer

0.0%

Commercial

business

1.3%

Single-family

mortgage

85.5%

Multi-family

mortgage

5.6%

Commercial

real estate

3.6%

Construction

2.5%

Other real

estate

1.4%

1

Net of specific loan loss allowance

\$32,548

\$44,676

\$56,963

\$80,998

\$88,257

\$98,222

\$0

\$20,000

\$40,000

\$60,000

\$80,000

\$100,000

\$120,000

Q4 '08

Q1 '09

Q2 '09

Q3 '09

Q4 '09

Q1 '10

18

Migration Analysis

Note: Represents delinquencies in the Bank's loans held for investment as of the dates indicated, gross of specific loan loss allowance  
(Dollars in Thousands)

As of the Period Ended:

September 30, 2009

June 30, 2009

March 31, 2009

December 31, 2008

September 30, 2008

30-89 Days  
Non-Performing  
30-89 Days  
Non-Performing  
30-89 Days  
Non-Performing  
30-89 Days  
Non-Performing  
30-89 Days  
Non-Performing  
Single-family mortgage  
\$12,170  
\$98,390  
\$9,192  
\$81,016  
\$10,237  
\$78,744  
\$9,019  
\$55,663  
\$5,225  
\$36,351  
Multi-family  
0  
5,676  
0  
5,643  
423  
4,794  
0  
1,236  
0  
4,783  
Commercial real estate  
0  
3,859  
0  
3,368  
0  
2,275  
0  
1,520  
950  
571  
Construction  
0  
3,658  
400  
3,816  
0  
3,816



0  
3,816  
0  
4,105  
Other real estate  
0  
1,292  
0  
1,623  
0  
1,000  
0  
1,047  
0  
92  
Commercial  
0  
1,807  
0  
1,809  
149  
619  
0  
587  
0  
59  
Consumer  
116  
0  
14  
0  
14  
0  
2  
0  
7  
0  
Total  
\$12,286  
\$114,682  
\$9,606  
\$97,275  
\$10,823  
\$91,248  
\$9,021  
\$63,869  
\$6,182  
\$45,961

19

Historical Credit Loss and Allowance Allocation

Consumer

0.0%

Commercial

business

1.5%

Single-family

mortgage

85.8%

Multi-family  
mortgage

6.3%

Commercial  
real estate

3.6%

Construction

2.7%

Other real  
estate

0.1%

Allowance By Loan Category

Management believes that the allowance can be allocated by category only on an approximate basis. The allocation of the allowance is based upon an asset classification matrix

(Dollars in Thousands)

For the Quarter Ended,

For the Fiscal Year Ended,

9/30/09

6/30/09

3/31/09

6/30/09

6/30/08

6/30/07

Allowance at beginning of period

\$45,445

\$42,178

\$34,953

\$19,898

\$14,845

\$10,307

Provision for loan losses

17,206

12,863

13,541

48,672

13,108

5,078

Recoveries:

Mortgage loans:

Single-family

28

5

44

160

188

0

Construction

35

44

21  
115  
32  
0  
Consumer loans  
0  
0  
0  
1  
3  
1  
Total  
63  
49  
65  
276  
223  
1  
Charge-offs:  
Mortgage loans:  
Single-family  
(4,567)  
(9,389)  
(6,350)  
(22,999)  
(6,028)  
(535)  
Multi-family  
(132)  
0  
0  
0  
(335)  
0  
Commercial real estate  
0  
(104)  
0  
(104)  
0  
0  
Construction  
0  
0  
0  
(73)  
(1,911)  
0  
Other  
0

(149)

(29)

(216)

0

0

Consumer loans

(2)

(3)

(2)

(9)

(4)

(6)

Total

(4,701)

(9,645)

(6,381)

(23,401)

(8,278)

(541)

Net charge-offs

(4,638)

(9,596)

(6,316)

(23,125)

(8,055)

(540)

Allowance at end of period

\$58,013

\$45,445

\$42,178

\$45,445

\$19,898

\$14,845

20

Loan Portfolio

Single-Family Mortgage

1

Current loan balance in comparison to the original appraised value.

2

At time of loan origination.

3

Other than the Inland Empire.

4

Other than the Inland Empire and Southern California.

As of 09/30/2009

2001 & Prior

2002

2003

2004

2005

2006

2007

2008

YTD 2009

TOTAL

Loan Balance (In Thousands)

\$11,416

\$3,036

\$24,799

\$92,642

\$211,138

\$165,996

\$106,142

\$47,786

\$1,473

\$664,428

Weighted Avg. LTV (1)

50%

65%

71%

76%

72%

70%

73%

75%

64%

72%

Weighted Avg. Age

(In Years)

15.26

7.11

6.08

5.05

4.20

3.21

2.23

1.49

0.42

3.83

Weighted Avg. FICO (2)

695

697

723

721

731

742

733

743

756

733

Number of Loans

143

11

94

275

542

369

202

87

5

1,728

Geographic Breakdown (%)

Inland Empire

36%

34%

39%

31%

32%

29%

29%

25%

96%

30%

Southern California (3)

53%

66%

58%

63%

60%

53%

42%

48%

1%

55%

Other California (4)

7%

0%

3%

5%

7%

16%

28%

27%



3%  
14%  
Other States  
4%  
0%  
0%  
1%  
1%  
2%  
1%  
0%  
0%  
1%  
100%  
100%  
100%  
100%  
100%  
100%  
100%  
100%  
100%  
100%  
100%  
100%  
Year of Origination

21

Loan Portfolio

Multi-Family

1

Current loan balance in comparison to the original appraised value.

2

At time of loan origination.

3

Other than the Inland Empire.

4

Other than the Inland Empire and Southern California.

As of 09/30/2009

2001 & Prior

2002

2003

2004

2005

2006

2007

2008

YTD 2009

TOTAL

Loan Balance (In Thousands)

Weighted Avg. LTV (1)

Weighted Avg. Debt Coverage Ratio (2)

Weighted Avg. Age

(In Years)

Weighted Avg. FICO (2)

Number of Loans

Geographic Breakdown (%)

Inland Empire

Southern California (3)

Other California (4)

Other States

100%

100%

100%

100%

100%

100%

100%

100%

100%

100%

Year of Origination

%

x

%

%

%

%

\$1,975

29

2.58

14.65

720

7

78

22

0

0  
%  
x  
%  
%  
%  
%  
\$4,247  
45  
1.56  
6.95  
744  
8  
16  
84  
0  
0  
%  
x  
%  
%  
%  
%  
\$18,401  
57  
1.43  
6.11  
732  
31  
5  
87  
8  
0  
%  
x  
%  
%  
%  
%  
\$42,268  
52  
1.46  
5.26  
710  
57  
21  
75  
3  
1  
%

x  
%  
%  
%  
%  
\$58,933  
54  
1.29  
4.24  
711  
94  
8  
64  
27  
1  
%  
x  
%  
%  
%  
%  
\$107,900  
57  
1.27  
3.27  
714  
119  
11  
59  
27  
3  
%  
x  
%  
%  
%  
%  
\$103,333  
57  
1.25  
2.23  
701  
123  
3  
83  
14  
0  
%  
x  
%

%  
%  
%  
\$1,741  
53  
1.21  
0.62  
735  
1  
0  
100  
0  
0  
%  
x  
%  
%  
%  
%  
\$20,081  
56  
1.28  
1.32  
763  
23  
8  
91  
1  
0  
%  
x  
%  
%  
%  
%  
\$358,879  
55  
1.31  
3.50  
719  
463  
9  
72  
18  
1

22

Loan Portfolio

Commercial Real Estate

1

Current loan balance in comparison to the original appraised value.

2

At time of loan origination.

3

Other than the Inland Empire.

4

Other than the Inland Empire and Southern California.

5

Comprised

of

the

following:

\$29.1

million

in

Retail;

\$26.9

million

in

Office;

\$15.1

million

in

Light

Industrial/Manufacturing;

\$12.1

million

in

Mixed

Use;

\$10.7

million

in

Medical/Dental

Office;

\$6.4

million

in

Warehouse;

\$4.1

million

in

Restaurant/Fast

Food;

\$3.7

million

in

Mini-

Storage;

\$3.1

million

in

Research

and

Development;

\$2.7



million  
in  
Mobile  
Home  
Parks;  
\$1.9  
million  
in  
Hotel  
and  
Motel;  
\$1.8  
million  
in  
Automotive

Non  
Gasoline;  
\$1.3  
million in Schools; and \$819,000 in Other.  
6

Consisting of \$76.1 million or 63.6% in investment properties and \$43.6 million or 36.4% in owner occupied properties.

As of 09/30/2009

2001 & Prior

2002

2003

2004

2005

2006

2007

2008

YTD 2009

TOTAL (5) (6)

Loan Balance (In Thousands)

\$3,268

\$6,858

\$13,424

\$13,220

\$20,727

\$25,211

\$22,659

\$6,329

\$8,023

\$119,719

Weighted Avg. LTV (1)

38%

52%

47%

52%

50%

55%

56%

38%

67%

52%

Weighted Avg. Debt Coverage Ratio (2)

1.42x

1.45x

1.63x

2.23x

2.01x

2.45x

2.34x

1.74x

1.19x

2.03x

Weighted Avg. Age

(In Years)

14.68

7.21

6.27

5.20

4.20

3.18

2.25

1.43

0.40

4.02

Weighted Avg. FICO (2)

750

735

730

713

710

724

717

756

722

722

Number of Loans

11

5

22

22

25

30

26

12

2

155

Geographic Breakdown (%)

Inland Empire

78%

96%

51%

49%

72%

26%

45%

7%

80%

51%

Southern California (3)

19%

4%

49%

51%

28%

73%

47%

93%

0%

46%

Other California (4)

3%

0%

0%

0%

0%

1%

8%

0%

0%

2%

Other States

0%

0%

0%

0%

0%

0%

0%

0%

20%

1%

100%

100%

100%

100%

100%

100%

100%

100%

100%

100%

Year of Origination

23  
Investment Portfolio  
U.S.  
government  
sponsored  
enterprise  
debt securities  
9.9%  
U.S.  
government

agency MBS

60.5%

U.S.

government

sponsored

enterprise

MBS

26.8%

Private issue

CMO

2.8%

Recent activity: Sold \$55 million of MBS for a gain of \$1.9 million in the quarter ended September 30, 2009

Weighted average coupon yield: 4.06% as of 09/30/09

Ratings: AAA

24  
Investment Highlights  
Severe  
dislocation  
in  
existing  
market  
areas  
provides  
opportunity

to  
capture  
greater market share and opportunistically expand our business  
Largest independent community bank headquartered in Riverside county with a  
significant and growing market share  
Scalable  
mortgage  
banking  
platform  
supplements  
profitability  
and  
diversifies  
income stream  
Substantial ownership by management and board  
Appealing long-term market demographics despite current conditions  
Attractive valuation