



## California United Bank Announces Positive Fourth Quarter Performance and Strong 2009 Results

ENCINO, Calif.--([BUSINESS WIRE](#)) -- California United Bank (OTCBB: CUNB) today announced financial results for the year and quarter ended December 31, 2009.

### Year End 2009 Highlights

- Profitable for 2009 with pre-tax income of \$1.4 million and net income of \$745,000
- Record net interest income of \$17.6 million, an increase of 34.2% from 2008
- Loans of \$263.4 million, an increase of 13.4% over 2008
- Record total assets of \$456.7 million, an increase of 20.4% from December 31, 2008
- Non-interest-bearing deposits of \$102.4 million, an increase of 22.8% over 2008
- Total deposits of \$346.3 million, an increase of 41.0% from 2008
- Capital Ratios continued to exceed all regulatory requirements to be “well-capitalized”:

	<i>Minimum Capital to Be Considered “Well-Capitalized”</i>	<u>CUB</u>
Total Risk-Based Capital Ratio	10%	17.50%
Tier 1 Risk-Based Capital Ratio	6%	16.25%
Tier 1 Leverage Capital Ratio	5%	12.67%

### Year End 2009 Results

For 2009, California United Bank reported net income of \$0.7 million, compared to net income of \$1.9 million a year ago. Full year 2008 net income included an income tax benefit of \$2.3 million. Diluted earnings per share for 2009 were \$0.15, compared with diluted earnings per share of \$0.37 in 2008.

“In 2009, the Bank experienced continued growth in assets, loans and deposits and significantly increased our footprint in the Southern California region,” said David Rainer, Chairman, President and Chief Executive Officer. “Our strong growth and solid net interest margin have allowed us to be profitable in this turbulent economic environment.

“CUB has utilized its capital strength to aggressively pursue growth initiatives, including our previously announced post-year-end entries into the Glendale/San Gabriel Valley and Santa Monica markets through additions to our relationship management team. Our efforts in 2009 have substantially increased core deposits and allowed us to reduce Federal Home Loan Bank borrowings as we continued to grow the balance sheet,” Mr. Rainer added. “That financial strength has allowed us to increase long-term shareholder value, notwithstanding continued weakness in the economy. With signs from the Federal Reserve Board that it believes the economy is improving, the conclusion of our



recent annual regulatory examination and substantial capital, we are cautiously optimistic for 2010 and will continue to seek new opportunities in the coming year.”

Net interest income for the year ended December 31, 2009, increased 34.2% over the prior year, to \$17.6 million, primarily due to the increase in interest income of \$3.0 million and the decrease in interest expense of \$1.5 million. The increase in interest income was the result of the increase in interest-earning assets during 2009, which was partially offset by a decrease in market interest rates over the prior year. These lower interest rates resulted in a decrease of interest expense notwithstanding the increase in interest bearing liabilities in 2009. The increases in interest-earning assets and liabilities were a direct result of the Bank’s successful execution of its strategy to build long-term customer relationships.

Interest and fees on loans for 2009 was \$12.7 million, an increase of 4.5% from \$12.1 million the prior year. The increase resulted from a 13.4% increase in loans, net of fees, from 2008.

Interest income on investment securities for 2009 increased 68.8% to \$7.4 million from \$4.4 million for 2008, as a result of an increase in the average balance of investment securities.

Total interest income for the full year increased 17.3% to \$20.1 million from \$17.2 million a year ago.

Interest expense for deposit accounts in 2009 declined 37.4% to \$1.7 million from \$2.7 million in the prior year. Interest expense on borrowings declined 37.1% to \$0.8 million from \$1.3 million in 2008.

Total interest expense in 2009 declined 37.3% to \$2.5 million from \$4.0 million in the prior year. This was primarily the result of the decline in the average interest rates on interest-bearing deposits and borrowings in 2009 compared to 2008.

Net interest income was \$17.6 million for 2009, an increase of 34.2% from \$13.1 million for 2008. The Bank’s net interest margin was 4.28% in 2009, compared with net interest margin of 4.38% the prior year.

“We believe the robust net interest margin, which remained greater than 4% notwithstanding an overall decline in market interest rates on loans, is reflective of effective management over cost of funds and discipline in loan pricing,” said Mr. Rainer.

The provision for loan losses for 2009 was \$3.5 million, compared to \$1.2 million for the prior year. The increase resulted from continued loan growth, an increase in the allowance for loan losses of \$1.5 million, net of charge-offs, and management’s assessment of the risks inherent in the Bank’s loan portfolio.



Net interest income after the provision for loan losses in 2009 increased 18.5% to \$14.1 million from \$11.9 million in 2008. The increase from the prior year stemmed from an increase in interest-earning assets in 2009 over 2008.

Total non-interest income increased 12.6% to \$1.2 million in 2009 from \$1.1 million in the prior year. Other non-interest income grew by 37.0% to \$0.9 million, due to an increase in normal banking fee-generating activity. Gain on sale of securities was \$0.3 million in 2009, compared to \$0.4 million a year ago.

Total non-interest expense was \$14.0 million in 2009, compared to \$13.4 million in the prior year. The increase was attributed to significantly higher FDIC insurance costs of \$0.6 million, the recognition of a \$0.1 million FHLB prepayment penalty on the extinguishment of a borrowing prior to maturity and smaller increases in employee benefits and office occupancy expenses compared to 2008. These increases were partially offset by reductions in stock-based compensation expense and lower impairment losses of investment securities.

Net income before provision for income tax expense was \$1.4 million in 2009, compared to a net loss before income tax benefit of \$0.4 million in 2008.

Full-year 2009 income tax expense was \$0.6 million, compared to a benefit for income taxes of \$2.2 million a year ago.

#### **Fourth Quarter 2009 Results**

Net income for the fourth quarter of 2009 improved to \$43,000 from a net loss of \$0.6 million in the same period of 2008

Net interest income increased 22.3% to \$4.7 million from the same period of the prior year, as a result of an increase in total interest income and a decline in total interest expense. The improvement in interest income and expense stemmed from growth in the Bank's loan portfolio and a decline in the average interest rate on interest-bearing deposits, respectively, from the prior year period.

Total non-interest expense declined 21.7% to \$3.7 million from \$4.7 million in the fourth quarter of 2008. This was primarily the result of lower impairment losses of investment securities of \$0.2 million, compared to impairment losses on securities of \$1.4 million a year ago, and a 15% reduction in salaries and employee benefit costs. This reduction is substantially attributable to actions taken by the Bank's senior executives, who will not receive cash bonuses for 2009, in recognition of the challenging operating and economic environment.

#### **Credit Quality**



As of December 31, 2009, the allowance for loan losses was \$4.8 million, compared to \$4.3 million at September 30, 2009, and \$3.2 million a year ago. The level of the allowance for loan losses reflects growth in the Bank's loan portfolio, 2009 charge offs net of recoveries of \$1.9 million and the increased impact of negative economic pressure in the Bank's market during 2009.

The Bank had no REOs and no loans in foreclosure at December 31, 2009. At year end 2009, the Bank had \$5.1 million in non-performing loans, or 1.95% of outstanding loans, and no loans in 30+ day delinquencies, unchanged from the year-ago period.

Private Issue CMO Securities totaled \$5.5 million at December 31, 2009, a decline of 32.3% from \$8.1 million at December 31, 2008. Pre-payments on these securities remained strong during 2009.

"We continued to proactively manage risk in our portfolio," Mr. Rainer said. "CUB has weathered the economic environment well, which we attribute to our rigorous lending standards and dedication to maintaining superior credit quality."

### **Asset Growth**

At December 31, 2009, total assets were \$456.7 million, an increase of 20.4% from December 31, 2008. The increase in total assets resulted from increases of \$5.9 million in investment securities, \$36.4 million in cash and cash equivalents and \$31.2 million in total loans. The increase in investment securities, to \$113.2 million, was primarily from an increase in U.S. Government Agency Securities held by the Bank.

### **Deposit Growth**

Total deposits were \$346.3 million at December 31, 2009, an increase of 41.0% from December 31, 2008. The growth in deposits was the result of new banking relationships and increased deposits from existing customers. Non-interest-bearing deposits increased 22.8% to \$102.4 million, or 29.6% of total deposits, from \$83.4 million a year ago. The Bank does not engage in any advertising of its certificate of deposit products. Growth in deposits in 2009 enabled the Bank to reduce total borrowings to \$8.0 million at December 31, 2009, compared to \$58.0 million at December 31, 2008.

### **Capital Position**

At year end 2009, capital ratios exceeded all regulatory requirements to be "well-capitalized" (the highest level determined by the regulatory agencies).

### **About the Bank**



California United Bank provides a full range of financial services, including credit and deposit products, cash management, and Internet banking for business, professionals and high net worth individuals. The Bank operates from its headquarters office at 15821 Ventura Boulevard, Suite 100, Encino, CA 91436; West Los Angeles Regional Office at 1640 South Sepulveda Boulevard, Suite 114, Los Angeles, CA 90025; Santa Clarita Valley Regional Office at 25350 Magic Mountain Parkway, Suite 100, Valencia CA 91355, Conejo Valley Loan Production Office at 4333 Park Terrace Drive, Suite 215, Westlake Village, CA 91361 and South Bay Commercial Center at 1025 W. 190<sup>th</sup> Street, Gardena, California 90248. Information on products and services may be obtained by calling (818) 257-7700 or visiting the Bank's website at [www.californiaunitedbank.com](http://www.californiaunitedbank.com).

### **SAFE-HARBOR LANGUAGE**

This news release contains forward-looking statements about the Bank, for which the Bank claims the protection of the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management's knowledge and belief as of today and include information concerning the Bank's possible or assumed future financial condition, and its results of operations, business and earnings outlook. These forward-looking statements are subject to risks and uncertainties. A number of factors, some of which are beyond the Bank's ability to control or predict, could cause future results to differ materially from those contemplated by such forward-looking statements. These factors include (1) difficult and adverse conditions in the global and domestic capital and credit markets, (2) continued volatility and further deterioration of the capital and credit markets, (3) significant changes in banking laws or regulations, (4) a more adverse than expected decline or continued weakness in general business and economic conditions, which may affect, among other things, the level of nonperforming assets, charge-offs and provision expense, (5) changes in market rates and prices which may adversely impact the value of financial products, (6) changes in the interest rate environment and market liquidity which may reduce interest margins and impact funding sources, (7) increased competition in the Bank's markets, (8) changes in the financial performance and/or condition of the Bank's borrowers, (9) increases in Federal Deposit Insurance Corporation premiums due to market developments and regulatory changes, (10) earthquake, fire, pandemic or other natural disasters, (11) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or regulatory agencies, and (12) the success of the Bank at managing the risks involved in the foregoing.

Forward-looking statements speak only as of the date they are made, and the Bank does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the statements are made, or to update earnings guidance, including the factors that influence earnings.

For a more complete discussion of these risks and uncertainties, see the Bank's Annual Report on Form 10-K for the year ended December 31, 2008, and particularly Part I, Item 1A, titled "Risk Factors."

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Source: California United Bank



**CALIFORNIA UNITED BANK  
BALANCE SHEETS**

(Dollars in thousands)

	<u>December 31, 2009</u>	<u>September 30, 2009</u>	<u>December 31, 2008</u>
	Unaudited	Unaudited	Audited
<b>Assets:</b>			
Cash and Due From Banks	\$ 8,001	\$ 6,057	\$ 4,417
Federal Funds Sold	6,065	-	16,305
Interest-Earning Deposits In Other Financial Institutions	<u>54,565</u>	<u>63,268</u>	<u>11,492</u>
<b>Total Cash and Cash Equivalents</b>	<u>68,631</u>	<u>69,325</u>	<u>32,214</u>
U.S. Govt & U.S. Sponsored Agency Guaranteed Mortgage-Backed Securities	50,160	58,396	63,425
Private Issue CMO Securities	5,479	6,145	8,093
U.S. Govt Agency Securities	56,688	67,925	34,851
SBA Issued Securities	<u>912</u>	<u>939</u>	<u>1,000</u>
<b>Total Investment Securities</b>	<u>113,239</u>	<u>133,405</u>	<u>107,369</u>
 <b>Total Investment Securities, Cash &amp; Cash Equivalents</b>	 <u>181,870</u>	 <u>202,730</u>	 <u>139,583</u>
 Loans Net of Deferred Loan Fees	 263,421	 250,650	 232,204
Allowance for Loan Losses	<u>(4,753)</u>	<u>(4,252)</u>	<u>(3,205)</u>
<b>Loans Net of Allowance for Loan Losses</b>	<u>258,668</u>	<u>246,398</u>	<u>228,999</u>
Total Other Assets	<u>16,199</u>	<u>12,462</u>	<u>10,672</u>
<b>Total Assets</b>	<b>\$ <u>456,737</u></b>	<b>\$ <u>461,590</u></b>	<b>\$ <u>379,254</u></b>
<b>Liabilities:</b>			
Non-Interest-Bearing Demand Deposits	\$ <u>102,360</u>	\$ <u>121,049</u>	\$ <u>83,366</u>
Interest-Bearing Demand Deposits (NOW Deposits)	57,502	53,144	42,861
Money Market Deposits	121,569	117,289	87,745
Savings Deposits	869	854	820
Certificates of Deposit	<u>63,991</u>	<u>62,091</u>	<u>30,886</u>
<b>Total Interest Bearing Deposits</b>	<u>243,931</u>	<u>233,378</u>	<u>162,312</u>
<b>Total Deposits</b>	<u>346,291</u>	<u>354,427</u>	<u>245,678</u>
 Securities Sold Under Agreements to Repurchase	 45,137	 35,739	 16,662
Borrowings	<u>8,000</u>	<u>13,000</u>	<u>58,000</u>
<b>Total Deposits &amp; Borrowings</b>	<u>399,428</u>	<u>403,166</u>	<u>320,340</u>
 Accrued Interest Payable and Other Liabilities	 <u>1,407</u>	 <u>1,699</u>	 <u>2,271</u>
<b>Total Liabilities</b>	<u>400,835</u>	<u>404,865</u>	<u>322,611</u>
<b>Shareholders' Equity:</b>			
Common Stock	56,901	56,901	56,831
Additional Paid in Capital	3,853	3,729	3,263
Prior Year Accumulated Deficit	(3,364)	(3,364)	(5,970)
Current Year-to-Date Income	745	702	1,893
Accumulated Other Comprehensive Income (Loss)	<u>(2,233)</u>	<u>(1,243)</u>	<u>626</u>
<b>Total Shareholders' Equity</b>	<u>55,902</u>	<u>56,725</u>	<u>56,643</u>
 <b>Total Liabilities &amp; Shareholders' Equity</b>	 <b>\$ <u>456,737</u></b>	 <b>\$ <u>461,590</u></b>	 <b>\$ <u>379,254</u></b>



**CALIFORNIA UNITED BANK**  
**STATEMENTS OF OPERATIONS**  
For the Three Months Ended December 31, 2009 and December 31, 2008  
(Dollars in thousands except per share data)

	For the three months ended	
	December 31, 2009	December 31, 2008
	Unaudited	Unaudited
<b>Interest Income:</b>		
Interest and Fees on Loans	\$ 3,530	\$ 3,142
Interest on Federal Funds Sold	-	32
Interest on Deposits in Other Financial Institutions	39	15
Interest on Investment Securities	1,738	1,461
<b>Total Interest Income</b>	5,307	4,650
<b>Interest Expense:</b>		
Interest on Savings & Interest-Bearing Demand Deposit Accounts	71	87
Interest on Money Market Accounts	226	262
Interest on Certificates of Deposit	157	119
Interest on Securities Sold Under Agreements to Repurchase and Borrowings	181	363
<b>Total Interest Expense</b>	635	831
<b>Net Interest Income</b>	4,672	3,819
Provision for Loan Losses	1,279	543
<b>Net Interest Income After Provision for Loan Losses</b>	3,393	3,276
<b>Non-Interest Income:</b>		
Gain on sale of investment securities	99	7
Non-interest Income	211	232
<b>Total Non-Interest Income</b>	310	239
<b>Non-Interest Expense:</b>		
Salaries and Employee Benefits	1,621	1,906
Stock Based Compensation Expense	124	163
Occupancy Expenses	567	497
Other Operating Expenses	1,190	702
Impairment losses of investment securities	165	1,415
<b>Total Non-Interest Expense</b>	3,667	4,683
<b>Income/(Loss) before Provision/(Benefit) for Income Taxes</b>	36	(1,168)
<b>Benefit for Income Taxes</b>	(7)	(544)
<b>Net Income/(Loss)</b>	\$ 43	\$ (624)
<b>Basic Earnings (Loss) per share</b>	\$ 0.01	\$ (0.13)
<b>Diluted Earnings (Loss) per share</b>	\$ 0.01	\$ (0.13)
<b>Averages shares outstanding</b>	4,962,265	4,934,939
<b>Diluted average shares outstanding</b>	5,080,019	4,934,939





**CALIFORNIA UNITED BANK**  
**STATEMENTS OF INCOME**  
**For the Years Ended December 31, 2009 and December 31, 2008**  
**(Dollars in thousands except per share data)**

	For the years ended	
	December 31, 2009	December 31, 2008
	Unaudited	Audited
<b>Interest Income:</b>		
Interest and Fees on Loans	\$ 12,659	\$ 12,118
Interest on Federal Funds Sold	11	79
Interest on Deposits in Other Financial Institutions	111	606
Interest on Investment Securities	7,350	4,355
<b>Total Interest Income</b>	<b>20,131</b>	<b>17,158</b>
<b>Interest Expense:</b>		
Interest on Savings & Interest-Bearing Demand Deposit Accounts	206	344
Interest on Money Market Accounts	662	1,928
Interest on Certificates of Deposit	831	441
Interest on Securities Sold Under Agreements to Repurchase and Borrowings	838	1,333
<b>Total Interest Expense</b>	<b>2,537</b>	<b>4,046</b>
<b>Net Interest Income</b>	<b>17,594</b>	<b>13,112</b>
Provision for Loan Losses	3,461	1,185
<b>Net Interest Income After Provision for Loan Losses</b>	<b>14,133</b>	<b>11,927</b>
<b>Non-Interest Income:</b>		
Gain on sale of investment securities	255	375
Non-interest Income	941	687
<b>Total Non-Interest Income</b>	<b>1,196</b>	<b>1,062</b>
<b>Non-Interest Expense:</b>		
Salaries and Employee Benefits	6,992	6,801
Stock Based Compensation Expense	590	772
Occupancy Expenses	1,999	1,809
Other Operating Expenses	3,716	2,579
Impairment losses of investment securities	663	1,415
<b>Total Non-Interest Expense</b>	<b>13,960</b>	<b>13,376</b>
<b>Income/(Loss) before Provision/(Benefit) for Income Taxes</b>	<b>1,369</b>	<b>(387)</b>
<b>Provision/(Benefit) for Income Taxes</b>	<b>624</b>	<b>(2,280)</b>
<b>Net Income</b>	<b>\$ 745</b>	<b>\$ 1,893</b>
<b>Basic Earnings per share</b>	<b>\$ 0.15</b>	<b>\$ 0.39</b>
<b>Diluted Earnings per share</b>	<b>\$ 0.15</b>	<b>\$ 0.37</b>
<b>Average shares outstanding</b>	<b>4,955,637</b>	<b>4,903,923</b>
<b>Diluted average shares outstanding</b>	<b>5,009,019</b>	<b>5,002,286</b>



**CALIFORNIA UNITED BANK**  
**Supplemental Data**  
(Dollars in thousands)

	<u>December 31, 2009</u>	<u>September 30, 2009</u>	<u>December 31, 2008</u>
	Unaudited	Unaudited	Unaudited
<b>Capital Ratios Table:</b>			
Tier 1 leverage ratio	12.67%	13.27%	15.77%
Tier 1 risk based capital ratio	16.25%	16.86%	18.86%
Total risk-based capital ratio	17.50%	18.11%	19.98%
<b>Asset Quality Table:</b>			
Loans on non-accrual	\$ 5,128	\$ 1,879	\$ 0
Loans 30 days or more past due on accrual status	0	722	0
Other Real Estate Owned	<u>0</u>	<u>0</u>	<u>0</u>
Total non-accrual loans, loans 30 days or more past due on accrual status and Other Real Owned	<u>\$ 5,128</u>	<u>\$ 2,601</u>	<u>\$ 0</u>
Net charge-offs year to date	\$ 1,913	\$ 1,135	\$ 0
Loans on non-accrual as a % of total loans	1.95%	0.75%	0.00%
Loans 30 days or more past due on accrual status as a % of total loans	0.00%	0.29%	0.00%
Total non-accrual loans, loans 30 days or more past due on accrual status and Other Real Owned as a % of total assets	1.12%	0.56%	0.00%
Allowance for loan losses as a % of total loans	1.80%	1.70%	1.38%
Net charge-offs as a % of average loans	0.80%	0.49%	0.00%
Allowance for loan losses as a % of non- accrual loans	92.7%	226.3%	—%