



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Beach Business Bank

Person to be contacted regarding this report:	Kathleen Salmons	RSSD: (For Bank Holding Companies)	
CPP Funds Received:	\$6,000,000	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	57678
Date Funded (first funding):	1/30/2009	City:	Manhattan Beach
Date Repaid ¹ :		State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The CPP funds allowed the Bank to continue originating over \$53 million in new loans during the year that it may not otherwise have done. The origination number represents gross new extensions of credit before pay-downs, sold participations or unused available credit.
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<input checked="" type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	<p>Of the \$53mm, the Bank originated over \$10 million in SBA 7a loans during the year and \$31.7 million in commercial loans. Loans grew by 9.05% from 12/08 to 12/09 per our Call Report. Loans secured by real estate decreased by \$5.3 million reflecting the impact of the recession on real estate.</p>
<input type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	
<input type="checkbox"/>	<p>Make other investments</p>	
<input checked="" type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>The Bank increased its Loan Loss Reserve by \$5.8 million in 2009 to \$6.9 million, 3.17% net of loans held for sale, strengthening the reserve to allow us to better deal with lingering problems in the economy.</p>

<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	<p>The Bank had net charge-offs of over \$4 million in 2009 compared to \$282,000 in 2008. Loans secured by RE comprised 73.2% or almost \$3 million of the net charge-off. The CPP funds provided us the ability to recognize these losses and still maintain a healthy capital base.</p>
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	<p>The Bank was able to purchase almost \$19 million of performing loans from First Financial Bank of Ohio that closed a branch in Orange County, CA, as it was outside of their market area. These loans are a great addition to our portfolio and provide income for continued growth and operations.</p>
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

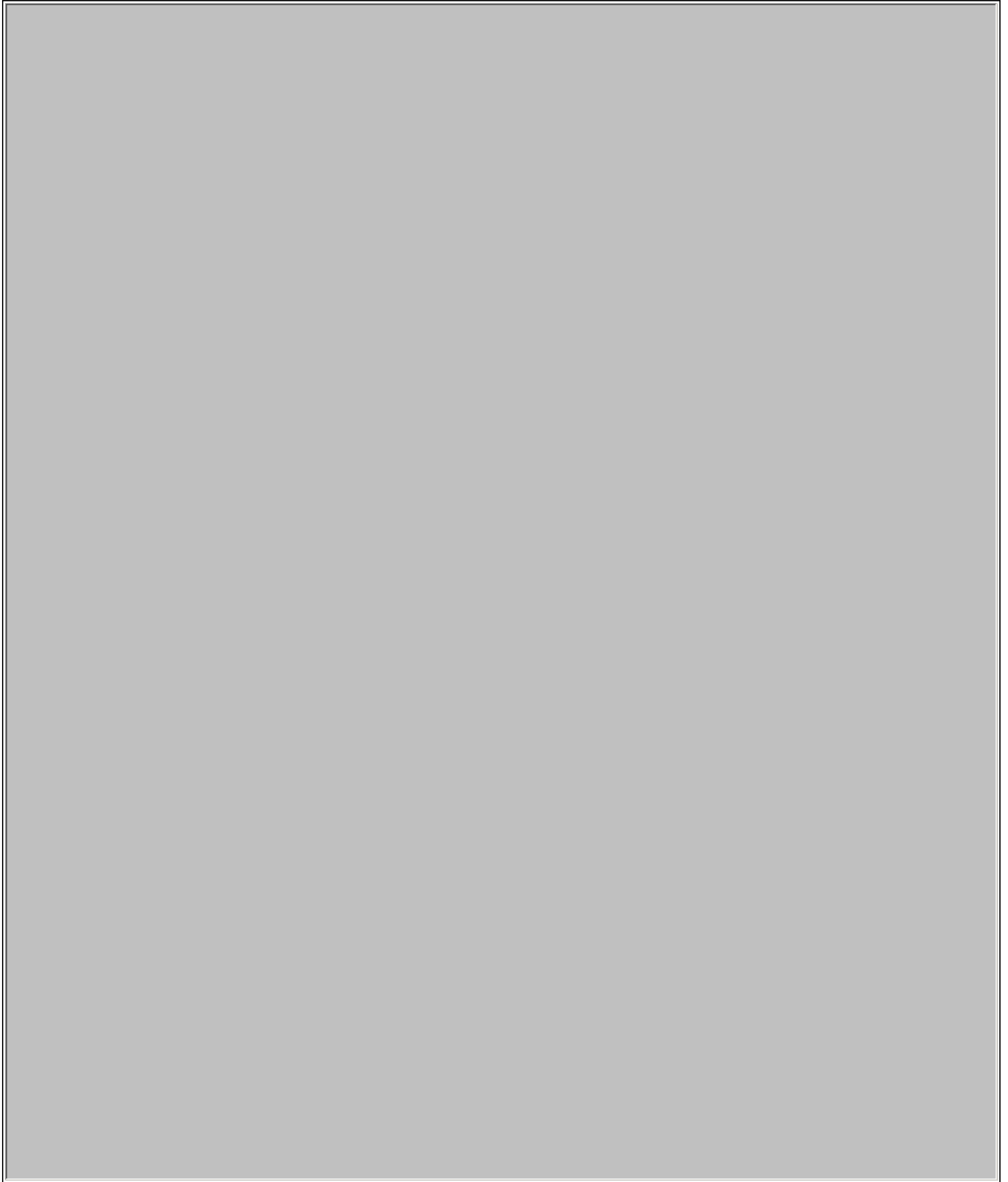
As a result of the CPP funds, Beach Business Bank was able to avoid reducing its loan origination activities, laying-off additional staff, and still maintain a strong capital base while increasing its loan loss reserve and charging-off over \$4 million in loans. The CPP funds allowed the Bank to continue serving its customers and community in Southern California without a reduction in service, locations or offerings.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Certainly, the CPP funds afforded the Bank the opportunity to purchase a strong, performing loan portfolio in 2009 that we may not have been able to do otherwise. Along with the loans, we were able to open a new branch in Costa Mesa, CA and saved the jobs of nine employees associated with portfolio and the branch that was being closed by another institution. The loans, the branch and the people are a great addition to our organization as we continue to grow Beach Business Bank in Southern California.

Furthermore, the CPP funds are reflected as non-cumulative preferred stock and are included in our capital ratios. Beach Business Bank's Tier 1 ratio was 13.48% and its Total Risk Based Capital ratio was 15.53% at 12/31/09. Both ratios are well over the FDIC's regulatory minimums of 5% and 10%, respectively, for a "Well Capitalized" institution. The strong capital base permits the Bank to continue growing in a measured, controlled fashion that best leverages the strengths and skills of the organization.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.



According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.