



CCBN Top Banker Panel

November 5, 2019

The Bank of Hemet

- Founded in 1974
- Strong deposit franchise / Very efficient
- Controlled slow growth business model
- High touch with clients / High productivity
- Strong earnings / Minimal delinquency
- Highly concentrated in CRE / National footprint

Low cost and loyal depositors

- Current COF = 14bps - 2nd percentile in 2018
- Current efficiency ratio of 40% - 2nd percentile in 2018
- Top 50 deposit clients average 25.5 yrs with Bank
- Extremely committed to our communities (cut lots of checks and ribbons, kiss babies, sit on boards)
- No wholesale or brokered borrowings

Controlled loan growth

| (Millions) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------|------|------|------|------|------|------|------|
| New Production | 33 | 110 | 113 | 121 | 112 | 153 | 158 |
| Growth | 3 | 12 | 5 | 8 | 49 | 32 | 46 |
| Sold | 2 | 20 | 65 | 43 | 28 | 48 | 37 |

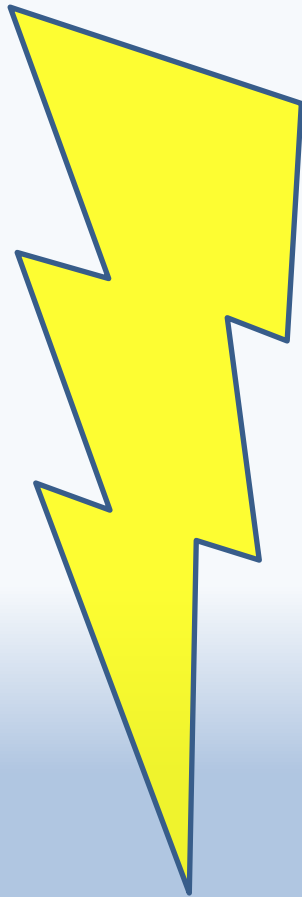


- Manage CRE Concentration
- Control loan growth
- Manage distribution strategy



- Retain client relationships
- 147MM current outstanding (no delinquencies)
- Generates 700k annual servicing income with zero capital required

How we earn business? BOHLT!

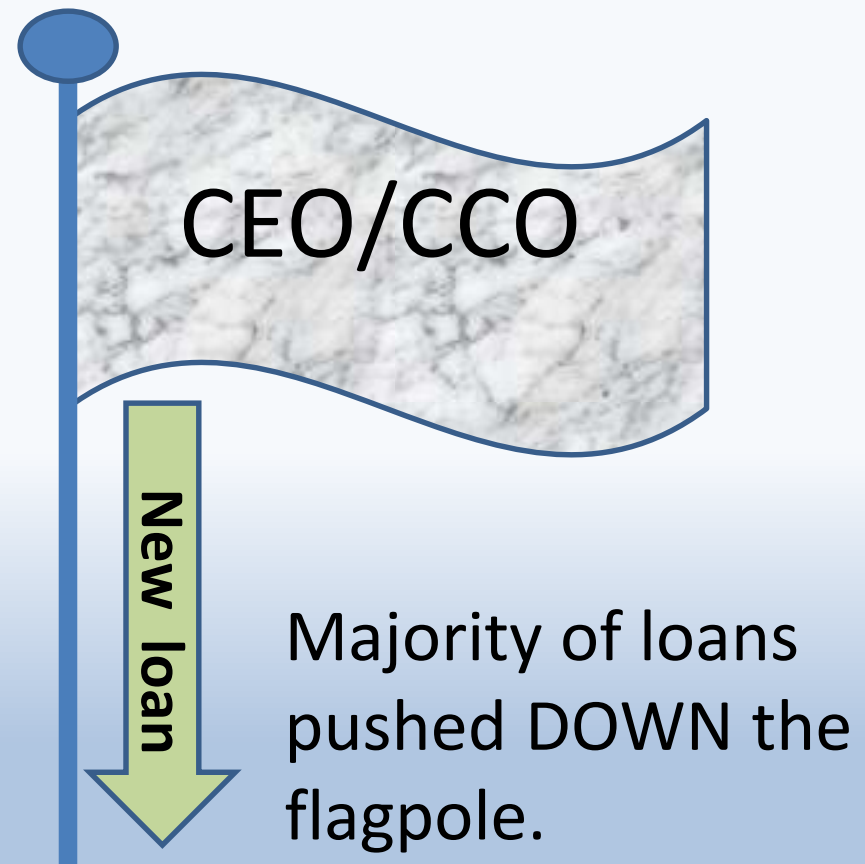
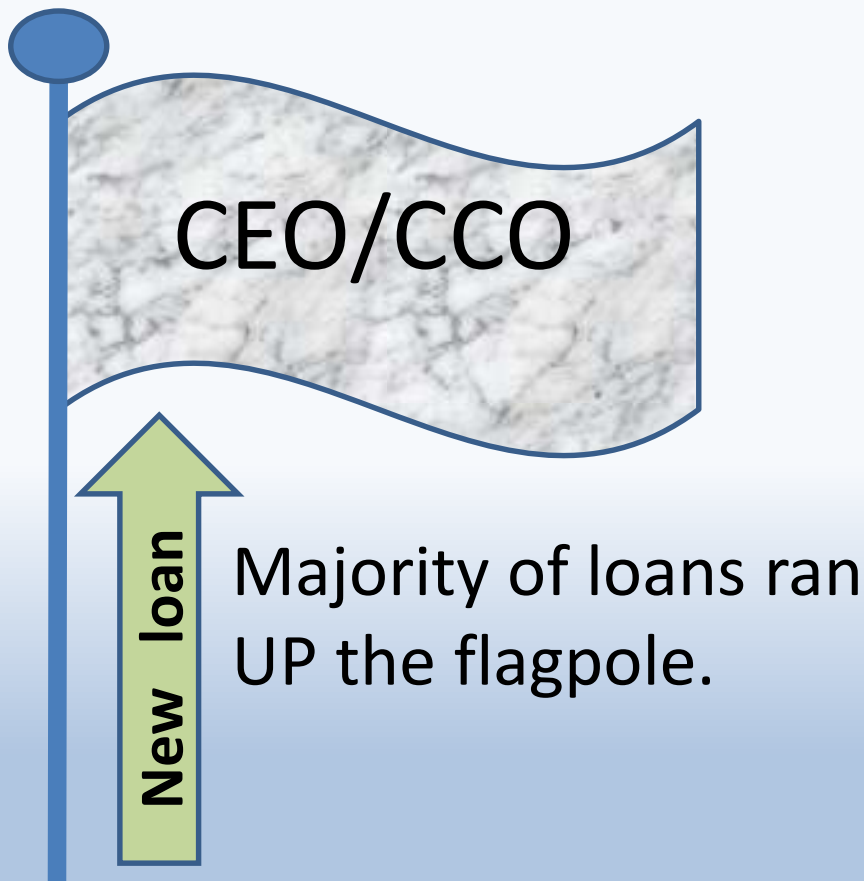


Bank
Of
Hemet
Lending
Team

- *Be responsive!*
- *Promptly return calls/emails*
- *24 – 48 hour term sheets*
- *Common sense underwriting*
- *Flexible terms*
- *Most importantly... (next slide)*

Clients deal with decision makers

Traditional Bank VS Bank of Hemet

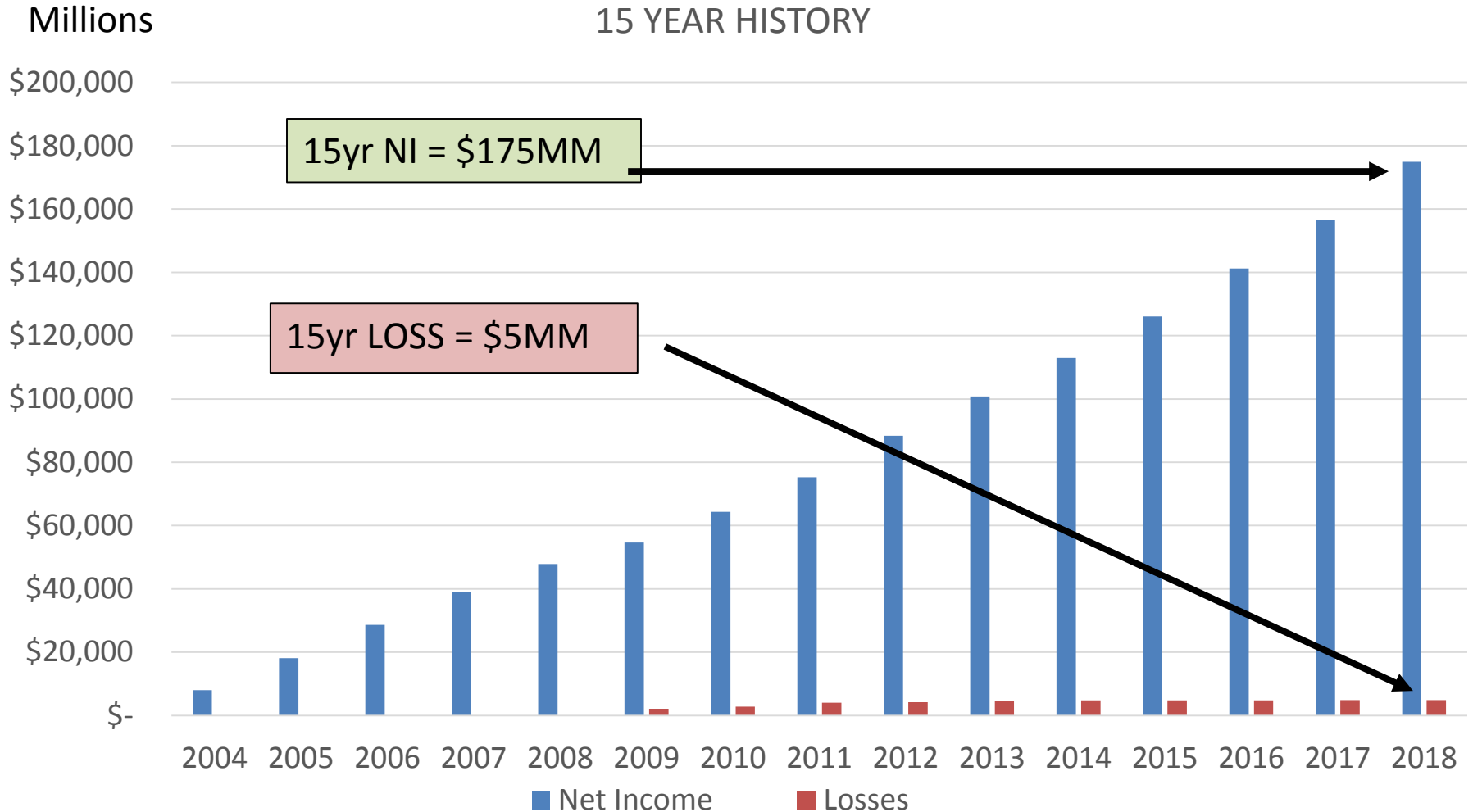


Yes, we are over 600% in CRE...

How we manage?

- CRE Concentration Committee
- CRE Concentration Risk Assessment (over 20 risk factors stressed and monitored)
- 3% in A & D loans
- Slow growth – Avg. 4.5% over last 15yrs
- Conservative underwriting (avg LTV 45%, zero non-performing loans)
- Strong historical performance

Net Income VS Losses - Cumulative



Challenges and Opportunities

Challenges

- Prepare for slowing economy
- Regulatory changes
- Is there a “Rocket Mortgage” for Commercial Loans
- Amazonable – Avoid loans to businesses impacted by e-commerce

Opportunities

- Other business lines – Focus on fee income (stay in our lane)
- Improve lending practices by taking advantage of technology
- Improve deposit growth on lending side

end