



CCBN CFO Panel

November 5, 2019

The Bank of Hemet

- Founded in 1974
- Assets of about \$725 million
- 6 branches in Riverside County
- 86 FTE
- Sub S

Financial Highlights

(\$ in 000's) as of 12/31/2018	
Total Assets	\$724,035
Total Net Loans	\$516,353
Total Deposits	\$645,701
Net Income	\$18,284
ROAA	2.57%
ROAA (adjusted for S Corp)	2.10%
ROAE	25.60%
ROAE (adjusted for S Corp)	20.92%
Net Interest Margin	4.20%
Cost of Funds	0.14%
Efficiency Ratio	40.20%

Strengths, Weaknesses, Challenges and Opportunities

Strengths

- High Earnings
- Solid Asset Quality

Weaknesses

- CRE Concentration
- Slow Growth Market Area, Still Hasn't Fully Recovered From Last Recession
- Lack of Bench Strength

Challenges and Opportunities

- Margin compression
- Capital demands
- Recruiting the next generation
- Growth

What is the Optimal Growth Rate??



Loan Growth Rate



Net Income Growth



Source: UBPR

A Shareholder's Perspective

	The Bank of Hemet/ Hemet Bancorp	Another Great Bank	
<i>As of 1/2000</i>			
Cash paid	\$ 150,000	\$ 150,000	
Price per share	\$ 29.88	\$ 11.33	a
Shares purchased	5,020	13,239	
<i>As of 12/1999</i>			
Assets	\$ 270,269,000	\$ 2,008,388,000	b
Net Income	\$ 2,708,000	\$ 29,178,000	b
ROAA	1.04%	1.54%	
Effective 1/2003, Hemet Bancorp converts to S Corporation			
Total Shares after six stock splits at Another Great Bank		39,110	a

a – Source: Nasdaq

b – Source: FDIC.gov

Shareholder Return Comparison

	<i>As of 12/2018</i>			
Price per share based upon stated value	\$	102.50	c	\$ 20.23 a
Share value based upon stated value	\$	514,558		\$ 791,193
Less: original investment	\$	(150,000)		\$ (150,000)
Cumulative Dividends/Distributions, net of taxes owed, 2000 - 2018	\$	319,111	d	\$ 176,994 e
Shareholder return	\$	683,670		\$ 818,187
		24%		29%
Price per share based upon latest trade	\$	187.00		\$ 20.23 a
Share value based upon latest trade	\$	938,755		\$ 791,193
Less: original investment	\$	(150,000)		\$ (150,000)
Cumulative Dividends/Distributions, net of taxes owed, 2000 - 2018	\$	319,111	d	\$ 176,994 e
Shareholder return	\$	1,107,866		\$ 818,187
		39%		29%

a – Source: Nasdaq

b– Not used on this slide

c – Source: Board determined value, based upon appraisal

d– Dividends in 2000 – 2002 are net of the maximum effective Federal and California tax rate for C Corporation investors and distributions in 2003 – 2018 are net of maximum effective Federal and California tax rate for S Corporation investors income attribution.

e-- Dividends per Nasdaq, shares owned adjusted for stock split in effective period, net of application of maximum effective Federal and California tax rate for C Corporation investor dividends

Summary

- Both banks provided shareholders with an excellent return
- During period, Bank of Hemet/Hemet Bancorp stuck to traditional banking with few product line changes and did no mergers or acquisitions
- Hemet Bancorp shareholders have liquidity risk with their investment
- Done right, both the “tortoise strategy” and the “hare strategy” can be effective