PACIFIC PREMIER BANCORP INC
Form S-2
September 05, 2003

QuickLinks -- Click here to rapidly navigate through this document

As filed with the Securities and Exchange Commission on September 5, 2003.

Registration No.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-2

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

PACIFIC PREMIER BANCORP, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**33-0743196**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

**1600 Sunflower Avenue, 2nd Floor
Costa Mesa, California 92626
(714) 431-4000**
(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

**Steven R. Gardner
President and Chief Executive Officer
Pacific Premier Bancorp, Inc.
1600 Sunflower Avenue, 2nd Floor
Costa Mesa, California 92626
(714) 431-4000**
(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

With copies to:

Keith T. Holmes, Esq.	**Norman B. Antin, Esq.**
Madge S. Beletsky, Esq.	**Jeffrey D. Haas, Esq.**
King, Holmes, Paterno & Berliner, LLP	**Patton Boggs LLP**
1900 Avenue of the Stars, 25th Floor	**2550 M Street, N.W.**
Los Angeles, California 90067	**Washington, D.C. 20037-1350**
(310) 282-8989; (310) 282-8903 (fax)	**(202) 457-6000; (212) 457-6315 (fax)**

**Approximate Date of Commencement of Proposed Sale to the Public:
As Soon as Practicable after the Effective Date of this Registration Statement.**

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If the registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this form, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If the delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $.01 par value	3,565,000(1)	$7.34	$26,167,100.00(2)	$2,116.92

(1) Includes 465,000 shares issuable upon exercise of the underwriters' over-allotment option.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) and based on the aggregate market value on August 29, 2003.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that his registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this Prospectus is not complete and may be changed. We cannot sell these securities until the Securities and Exchange Commission declares our Registration Statement effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 5, 2003

Prospectus

3,100,000 Shares

PACIFIC PREMIER BANCORP, INC.

Common Stock

We are offering 3,100,000 shares of our common stock, par value $0.01 per share. We will receive all of the net proceeds from the sale of these shares. Our common stock is quoted on the Nasdaq SmallCap Market under the symbol "PPBI." On , 2003, the last reported sale price of our common stock was $ per share.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 8 for a discussion of factors you should consider before buying shares of our common stock.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

We have granted the underwriters an option for a period of 30 days to purchase up to 465,000 additional shares of our common stock at the public offering price to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings or deposit accounts and are not insured by the Federal Deposit Insurance Corporation, Bank Insurance Fund, Savings Association Insurance Fund or any other governmental agency.

We expect the shares of our common stock will be ready for delivery to purchasers on or about , 2003.

FRIEDMAN BILLINGS RAMSEY

The date of this prospectus is , 2003

[MAP]

No dealer, salesperson or other person is authorized to give any information or to make any representation not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy the shares of common stock offered hereby to any person or by anyone in any jurisdiction in which it is unlawful to make such offer or solicitation. The information contained in this prospectus is current only as of its date.

TABLE OF CONTENTS

FORWARD LOOKING STATEMENTS

This prospectus contains or incorporates by reference certain forward-looking statements and we intend that such forward-looking statements be subject to the safe harbor provisions of the federal securities laws. When used, statements which are not historical in nature, including those containing words such as "anticipate," "estimate," "should," "expect," "believe," "intend," and similar expressions are intended to identify forward-looking statements. Statements regarding the following subjects are forward-looking by their nature:

- our business strategy;
- our understanding of our competition;
- market trends;
- projected sources and uses of funds from operations;
- potential liability with respect to legal proceedings;
- anticipated cash flows we will receive from contractual rights relating to previous sales of our residual securities; and
- use of the proceeds of this offering.

These forward-looking statements are subject to various risks and uncertainties, including those relating to:

- assumptions underlying our loan loss allowances;

an increase in the prepayment speed or default rate of our borrowers;

the effect of changes in interest rates;

the negative impact of economic slowdowns or recessions;

actual prepayment rates and credit losses as compared to prepayment rates and credit losses assumed by us for purpose of valuation of our contractual rights relating to previous sales of our residual securities;

the effect of the competitive pressures from other lenders or suppliers of credit in our market; and

Other risks, uncertainties and factors, including those discussed under "Risk Factors" in this prospectus, could cause our actual results to differ materially from those projected in any forward-looking statements we make. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

You should rely only on the information contained in or incorporated by reference into this prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The information in this prospectus is current as of the date of this prospectus. Our business, financial conditions, results of operations and business prospects may have changed since that date.

SUMMARY

This summary contains basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing in us. You should read the entire prospectus carefully, including the section entitled "Risk Factors" and our financial statements and the accompanying notes, before making an investment decision. All references to "we," "us," or "our" mean Pacific Premier Bancorp, Inc. and our consolidated subsidiaries, including Pacific Premier Bank, our primary operating subsidiary. All references to "Bank" refer to Pacific Premier Bank. Unless otherwise specified in this prospectus, all information in this prospectus assumes no exercise of the underwriters' over-allotment option.

Our Company

We are a California-based community banking institution focused on full service banking to small businesses, real estate investors and consumers. Through our operating subsidiary, Pacific Premier Bank, we emphasize the delivery of depository products and services to our customers through our three branches in Orange and San Bernardino Counties in Southern California. Our lending is focused on income property loans and, to a lesser extent, on residential construction loans. Income property lending consists of originating multi-family residential loans (five units and more) and commercial real estate loans within Southern California. We began originating these loans in the second quarter of 2002 with a focus on small to medium-sized loans. Our average multi-family loan and commercial real estate loan originated since June 30, 2002 had balances at origination of $758,000 and $930,000, respectively. At June 30, 2003, we had consolidated total assets of $250.4 million, net loans of $180.9 million, total deposits of $202.5 million, consolidated total stockholders' equity of $11.9 million, and the Bank was considered a "well-capitalized" financial institution for regulatory capital purposes.

At June 30, 2003, an aggregate of 68.3% of our total loans consisted of income property loans, with multi-family loans and commercial real estate loans constituting 59.7% and 8.6%, respectively, of total loans. We generally target multi-family and commercial real estate loans in the $500,000 to $2.0 million range as management believes this market is underserved, especially in Southern California. Substantially all of the income property loans which we originate have adjustable interest rates thereby reducing our interest rate risk with respect to these loans. Income property loans are generally referred to us by mortgage brokers and bankers. In addition, commencing in the third quarter of 2003, we began to offer income property loans directly to real estate investors and through referrals from our retail branches; however, we anticipate the substantial majority of these loans will continue to be obtained through referrals from mortgage brokers and bankers. From time to time we may also obtain income property loans through whole loan purchases and through participations with other banks.

Residential construction lending consists of construction loans for one-to-four family homes, condominiums and small tracts of homes in existing communities. At June 30, 2003, approximately 3.5% of our loan portfolio consisted of construction loans. We generally target residential construction loans in the $500,000 to $1.5 million range. We have historically originated these loans through referrals from developers, builders, investors and our retail branches and will continue to do so in the future. Although we intend to continue to grow our residential construction lending, we currently intend to limit the total amount of these loans to no greater than 10% of our loan portfolio.

California-based multi-family lenders are currently benefiting from strong loan demand and historically high asset quality which provides us with an active market for our loan products and, management believes, a higher risk-adjusted rate of return compared to one-to-four family residential lending. According to 2000 U.S. Census Data and the National Multi Housing Council, California has the single largest collection of multi-family markets in the country, with Los Angeles the second largest market in the country and Orange County the 17th largest market. The Riverside-San Bernardino

market is also a significant multi-family market. Financial institutions currently enjoy strong asset quality in their multi-family lending portfolios, with recent data from the Federal Deposit Insurance Corporation ("FDIC") showing that as of March 31, 2003, multi-family loans originated by FDIC-insured institutions nationally reported the lowest rate of net charge-offs of any loan category at 0.01%. Since we started originating multi-family loans in the second quarter of 2002, we have experienced no delinquencies or charge-offs with respect to these loans.

In addition to an active market with a higher risk-adjusted rate of return, we benefit from the fact that the segmentation of the market for multi-family loans somewhat lessens our competition. The participants in the multi-family loan market can be broken down into three general categories: (i) the government sponsored entities ("GSEs") such as Fannie Mae and Freddie Mac; (ii) mortgage conduits who concentrate on the acquisition and securitization of larger-sized loans; and (iii) portfolio lenders such as ourselves which originate most smaller and medium-sized multi-family loans. The GSEs and mortgage conduits will typically package their loans into a pool structure for securitization, and small to medium-sized multi-family loans are often precluded from being in these pools due to the unique characteristics associated with these loans. Loans less than $2.0 million do not lend themselves to the level of conformity required to create highly efficient secondary market transactions. Accordingly, our competition in Southern California comes primarily from other portfolio lenders like ourselves. While a few larger lenders have a significant share of this market, many loans are originated by numerous other lenders, including community banking institutions like us. We believe this fragmentation in the markets allows for financial institutions such as ourselves, with multi-family lending expertise, knowledge of the local real estate markets, and an emphasis on customer service, to compete more effectively in this market. To a lesser extent, the market for commercial real estate loans is characterized by similar segmentation between large conduit lenders and portfolio lenders. The GSEs, such as Freddie Mac and Fannie Mae, do not acquire or pool commercial real estate loans, again somewhat lessening our competition with respect to these loans. Further, the overall strength and high demand for residential housing throughout Southern California continues to benefit our construction lending activity.

Our Recent Transition

Beginning in late 2000, our current management team, headed by Steven R. Gardner, our President and Chief Executive Officer, was retained and a new business plan was developed to lower the risk profile and recapitalize the Bank, and to oversee the transformation of the Bank to a community banking institution focused on income property loans. From 1994 through early 2000, we operated as a nationwide mortgage banking institution focused on subprime and high loan-to-value debt consolidation loans. By 1999, we began to experience significant problems, including low capital levels, significant problem assets and losses as a result of write-downs on our residual assets and the overall high operating costs associated with our nationwide operations. The business plan formulated by management in the fourth quarter of 2000 focuses on the origination of income property loans and retail branch banking.

In the fourth quarter of 2000, management ceased all subprime lending activities, exited the mortgage banking business, closed one underperforming branch and began disposing of nearly $200 million of high risk loans. During 2001, management continued the disposal of high risk loans, pursued the recapitalization of the Bank, reduced the Bank's interest rate risk and implemented enhanced internal controls. In 2002, we closed our final two underperforming branches, thereby further reducing noninterest expense, and closed on the private placement of a $12.0 million note and warrants which resulted in the recapitalization of the Bank. Since our new management team has assumed responsibility, it has focused on decreasing balance sheet risk through the sale and run off of subprime loans, the strengthening of loss mitigation and collection efforts, decreasing operating costs and reducing higher cost volatile deposits, thus reducing the overall size of our balance sheet. Further, in the second quarter of 2002, we began originating multi-family and commercial real estate loans, and by

June 30, 2003, 68.3% of our loan portfolio consisted of these income property loans. As a result of this strategy, we have already seen a decrease in our delinquent loans from $20.6 million at December 31, 2001 to $5.1 million at June 30, 2003, or a decrease of 75.2%, as well as a decrease in our net nonperforming loans from $14.7 million at December 31, 2001 to $3.3 million at June 30, 2003, or a decrease of 77.3%. In addition, our foreclosed real estate decreased 67.2% from $4.2 million at December 31, 2001 to $1.4 million at June 30, 2003.

During 2000, we ceased accepting brokered deposits and substantially reduced our reliance on wholesale borrowings in favor of a new emphasis on core deposits, consisting of transaction accounts (i.e., checking, money market and passbook accounts) and retail certificates of deposit under $100,000, thereby providing us with a substantially less volatile source of funding for our loans. Since implementing this strategy, we have seen an increase in our transaction accounts from $31.5 million at December 31, 2001 to $57.5 million at June 30, 2003, or an increase of 82.4%. Transaction accounts currently represent 28.4% of our total deposits.

On January 17, 2002, we completed a recapitalization through the private placement of a $12.0 million senior secured note due 2007 (the "Note") together with warrants to purchase 1,166,400 shares of common stock at an exercise price of $0.75 per share (the Warrants"). The recapitalization provided us with the resources to assemble a loan origination team experienced in income property lending in the markets which we serve, to invest in the infrastructure which we believe is capable of supporting our growth plans with respect to income property lending, and to fully implement the other aspects of our community banking business model. Following the recapitalization, the Bank qualified as a "well capitalized" institution under applicable banking regulations. See "Business Our History Our Recapitalization." Simultaneously with the closing of our recapitalization transaction, the Office of Thrift Supervision (the "OTS") notified us that it had terminated the Order to Cease and Desist issued on September 25, 2000, the Marketing Assistance Agreement and Consent to the Appointment of a Conservator or Receiver dated October 25, 2001 and the Supervisory Agreement issued on September 25, 2000. See "Business Our History Regulatory Matters."

Growth and Operating Strategies

Although we only completed the full implementation of our community banking business model during 2002, we are already realizing the results of our new strategy. In addition to achieving profitability in 2002, our loan and deposit profile has changed dramatically in the past year. The following are our growth and operating strategies:

Growth of our Loan Portfolio. We intend to continue to grow our loan portfolio by increasing our production of multi-family and commercial real estate loans as well as residential construction loans. In addition to our traditional methods of obtaining multi-family and commercial real estate loans through referrals from mortgage brokers and bankers, we also initiated in the third quarter of 2003 a retail origination channel for these loans. Our originators, who we recruited from other Southern California banks, have established relationships with mortgage brokers, bankers and real estate investors, which we intend to develop further to increase our market share of income property loans. We have grown our income property loan portfolio from $14.0 million at December 31, 2001 to $126.5 million at June 30, 2003.

Emphasis on Retail Branch Banking. We currently have three retail branch offices, one each in Huntington Beach and Seal Beach in Coastal Orange County, California and one in San Bernardino in San Bernardino County, California. We intend to expand the growth of our core deposits through an emphasis on relationship banking, thereby lowering our cost of funds and building franchise value. Funds for lending may also be generated, as needed, from Federal Home Loan Bank ("FHLB") and other borrowings.

Additional Retail Products and Services. We believe it is important to have multiple account relationships with our customers in order to retain their lower cost transaction accounts and maximize our fee income. As a result, we believe it is essential to be able to offer our customers a wide array of products and services. In this regard, management has introduced several new products and services to attract new deposit relationships and to expand the relationships with our existing customers. We have introduced the following new products and services: merchant services for small business handling the processing of credit and debit cards, payroll processing services, contract collections for investors and small business to process contract payments, courier services and group employee banking services for business owners. We are currently implementing an overdraft privilege product and an airline travel Visa card which is through a third party provider. We intend to launch these products and services in the third quarter of 2003. In addition, we offer our customers the convenience of insurance and mutual fund products at our retail branches. Although we intend to continue to focus on our multi-family and commercial real estate lending, we will also continually monitor our customers' needs and will consider additional loan and deposit products in the future which are consistent with our community banking business model.

Reducing Risk. As we continue to originate higher quality income property loans, which we began originating in the second quarter of 2002, the amount of subprime loans remaining in our portfolio will continue to be proportionately reduced. Further, an internal asset review which we conducted in the fourth quarter of 2002 and first quarter of 2003 resulted in the write-down or charge-off of many of our loans 90 days or more past due which were concentrated in our one-to-four family loan portfolio, leaving us with approximately $9.6 and $7.3 million of subprime loans and high loan-to-value loans, respectively, in our portfolio at June 30, 2003. We may also sell additional subprime loans in the future. In addition to a reduction of risk in our loan portfolio, we also intend to continue to improve our interest rate risk profile through the continued origination of income property loans which we only originate on an adjustable-rate basis, thereby subjecting us to less interest rate risk, and through the growth of our core deposits.

General Information

Our executive offices are located at 1600 Sunflower Avenue, 2nd Floor, Costa Mesa, California 92626 and our telephone number is (714) 431-4000. Our internet address is www.pacificpremierbank.com. The information contained in our website, or in any websites linked by our website, is not a part of this prospectus and you should not rely on such information in deciding whether to invest in our company. Unless otherwise indicated, all information in this prospectus assumes that the underwriters have not exercised their over-allotment option.

The Offering

Shares offered	3,100,000 shares
Common stock to be outstanding after this offering	4,433,572 shares(1)
Use of proceeds	Our net proceeds from this offering are estimated to be approximately $ million. We intend to use an aggregate of $13.5 million of the net proceeds to pay off existing indebtedness, including the repayment of the $12.0 million Note and $1.5 million of subordinated debentures, with the remaining $ in net proceeds to be used to increase our capital base to support additional growth and for general corporate purposes.
Nasdaq SmallCap Symbol	PPBI

(1) The number of shares of our common stock that will be outstanding after this offering includes 1,333,572 shares outstanding as of August 31, 2003 and excludes the following shares:

- 122,372 shares of common stock underlying options which have been granted and are outstanding as of August 31, 2003, and 72,628 additional shares issuable upon exercise of stock options available for grant under our stock option plan at August 31, 2003.

- Up to 1,166,400 shares of common stock issuable upon exercise of outstanding Warrants as of August 31, 2003, of which 233,280 Warrants are currently exercisable, 116,640 of which Warrants will become exercisable in January 2004 and all of which remaining Warrants will become exercisable in January 2005.

Summary Consolidated Financial Data

The summary financial information below as of the years ended December 31, 2002, December 31, 2001 and December 31, 2000, and for each of the three years ended December 31, 2002, is derived in part from our audited financial statements and related notes. Our audited financial statements as of the years ended December 31, 2002 and December 31, 2001, and for each of the three years ended December 31, 2002, are included elsewhere herein. The summary financial information as of June 30, 2003 and 2002 and for each of the six months then ended is derived in part from our unaudited financial statements and related notes, which are included elsewhere herein, and which, in the opinion of management, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of such periods. The summary information set forth below should be read in conjunction with, and is qualified in its entirety by, our historical consolidated financial statements, including the related notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein. Consolidated operating results for the six months ended June 30, 2003 are not necessarily indicative of results that may be expected for the entire year.

	As of and For the Six Months Ended June 30,		As of and For the Years Ended December 31,		
	2003	**2002**	**2002**	**2001**	**2000**
	(Dollars in thousands, except per share data)				
Operating Data:					
Interest income	$ 8,171	$ 10,225	$ 18,872	$ 24,442	$ 41,519
Interest expense	3,856	4,595	8,910	16,191	28,446
Net interest income	4,315	5,630	9,962	8,251	13,073
Provision for loan losses	681	191	1,133	3,313	2,910
Net interest income after provision for loans losses	3,634	5,439	8,829	4,938	10,163
Net gains (losses) from mortgage banking	207	(244)	(261)	402	(5,684)
Other noninterest income	1,163	933	2,130	3,590	3,548
Noninterest expense	4,796	5,505	10,165	14,340	25,806
Income (loss) before income tax provision (benefit)	208	623	533	(5,410)	(17,779)
Income tax (benefit) provision(1)	(398)	(18)	(2,345)	642	3,003
Net income (loss)	$ 606	$ 641	$ 2,878	$ (6,052)	$ (20,782)
Share Data:					
Net income (loss) per share:					
Basic	$ 0.45	$ 0.48	$ 2.16	$ (4.54)	$ (15.58)
Diluted	$ 0.24	$ 0.27	$ 1.16	$ (4.54)	$ (15.58)
Weighted average common shares outstanding:					
Basic	1,333,572	1,333,572	1,333,572	1,333,630	1,333,646
Diluted	2,552,066	2,411,119	2,476,648	1,333,630	1,333,646
Book value per share (basic)(2)	$ 8.90	$ 6.95	$ 8.72	$ 5.73	$ 10.42
Book value per share (diluted)(3)	$ 4.65	$ 3.85	$ 4.69	$ 5.73	$ 10.42
Balance Sheet Data:					
Total assets	$ 250,429	$ 246,381	$ 238,278	$ 243,667	$ 414,421
Securities	46,528	90,531	58,243	34,659	42,370
Loans held for sale, net(4)	1,816	2,737	1,866	4,737	

	As of and For the Six Months Ended June 30,		As of and For the Years Ended December 31,		
Loans held for investment, net[4]	179,114	126,670	156,365	182,439	316,724
Participation Contract	5,379	5,884	4,869	4,428	4,428
Allowance for loan losses	2,656	3,460	2,835	4,364	5,384
Total deposits	202,450	200,529	191,170	232,160	345,093
Borrowings	33,810	32,870	32,940	1,500	48,620
Total stockholders' equity	11,868	9,272	11,623	7,648	13,900

Performance Ratios:[5]					
Return on average equity[6,7]	10.77%	15.26%	30.70%	(53.43)%	(66.44)%
Return on average assets[7,8]	0.51%	0.52%	1.18%	(1.92)%	(3.99)%
Average equity to average assets	4.72%	3.41%	3.85%	3.60%	6.01%
Equity to total assets at end of period	4.74%	3.76%	4.88%	3.14%	3.35%
Average interest rate spread[7,9]	3.98%	4.86%	4.44%	2.91%	2.82%
Net interest margin[7,10]	3.91%	4.82%	4.37%	2.81%	2.79%
Efficiency ratio[7,11]	83.47%	84.84%	85.19%	113.97%	230.57%
Average interest earning assets to average interest-bearing liabilities	97.88%	99.10%	98.45%	98.35%	99.56%
Capital Ratios:[12]					
Tier 1 capital to adjusted total assets	6.81%	6.65%	7.03%	5.06%	4.33%
Tier 1 capital to total risk-weighted assets	9.81%	13.42%	11.29%	5.37%	5.73%
Total capital to total risk-weighted assets	10.96%	14.68%	12.54%	6.62%	6.99%
Asset Quality Ratios:					
Nonperforming loans, net to total loans[13]	1.80%	4.45%	3.07%	7.54%	7.97%
Nonperforming assets, net as a percent of total assets[14]	1.88%	3.57%	3.12%	7.75%	6.85%
Net charge-offs to average total loans[7]	1.01%	1.29%	1.74%	1.76%	0.07%

Allowance for loan losses to total loans at period end	1.43%	2.56%	1.74%	2.24%	1.61%
Allowance for loan losses to nonperforming loans at period end[13]	68.11%	47.42%	50.35%	27.23%	19.87%

(1) In the six months ended June 30, 2003, and the year ended December 31, 2002, we reversed $400,000 and $2.0 million, respectively, of our deferred tax valuation allowance due to our improved financial outlook.

(2) Basic book value per share is based upon the shares outstanding at the end of each period, adjusted retroactively for the June 2001 1:5 reverse stock split.

(3) Diluted book value per share is based on the weighted average diluted shares outstanding at the end of each period, adjusted retroactively for the June 2001 1:5 reverse stock split.

(4) Loans are net of the allowance for loan losses and deferred fees.

(5) All average balances consist of average daily balances.

(6) Net income divided by average stockholders' equity.

(7) Ratios for the six months ended June 30, 2003 and 2002 have been annualized.

(8) Net income divided by average total assets.

(9) Represents the weighted average yield on interest-earning assets less the weighted average cost of interest-bearing liabilities.

(10) Represents net interest income as a percentage of average interest-earning assets.

(11) Represents the ratio of noninterest expense less (gain) loss on foreclosed real estate to the sum of net interest income before provision for loan losses and total noninterest income.

(12) Calculated with respect to the Bank. See "Regulation Federal Savings Institution Regulation Capital Requirements."

(13) Nonperforming loans consist of loans past due 90 days or more and foreclosures in process less than 90 days and still accruing interest.

(14) Nonperforming assets consist of nonperforming loans (see footnote 13 above) and foreclosed real estate owned.

RISK FACTORS

You should carefully consider the risks described below before making a decision to buy our common stock. If any of the following events or conditions actually occurs, our business could be harmed. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. When determining whether to buy our common stock you should also refer to the other information in this prospectus, including our financial statements and the related notes.

We have a limited operating history under our new business strategy which makes it difficult to predict our future prospects and financial performance.

We had not substantially implemented our community-based banking model, including our new lending strategy focused on originating multi-family loans, commercial real estate loans and residential construction loans until 2002. We will continue to introduce new products consistent with this model in the future. We have only recently become profitable and there can be no assurance that our strategy will continue to be a profitable one for us. Although we realized net income of $606,000 and $2.9 million for the six months ended June 30, 2003 and the year ended December 31, 2002, respectively, we incurred losses of $6.1 million and $20.8 million for the years ended December 31, 2001 and 2000, respectively. We may not be able to sustain or increase our profitability in future periods. The failure to remain profitable may reduce the value of investment in our common stock.

Our multi-family residential and commercial real estate loans are relatively unseasoned, and defaults on such loans would adversely affect our financial condition and results of operations.

At June 30, 2003, our multi-family residential loans amounted to $110.6 million, or 59.7% of our total loans. At June 30, 2003, our commercial real estate loans amounted to $15.8 million, or 8.6% of our total loans. Our multi-family residential and commercial real estate loan portfolios consist primarily of loans originated after June 30, 2002 and are, consequently, unseasoned. In addition, such loans originated after June 30, 2002 had average loan balances at origination of $758,000 in the case of multi- family loans and $930,000 in the case of commercial real estate loans, so that a default on a multi-family or commercial real estate loan may have a greater impact on us than default on a single-family residential loan which is generally smaller in size. Further, the payment on multi-family and commercial real estate loans is typically dependent on the successful operation of the project, which is affected by the supply and demand for multi-family residential units and commercial property within the relevant market. If the market for multi-family units and commercial property experiences a decline in demand, multi-family and commercial borrowers may suffer losses on their projects and be unable to repay their loans. Defaults on these loans would negatively affect our financial condition, results of operations and financial prospects.

The estimation of the future cash flows under the Participation Contract may fluctuate decreasing our anticipated income.

Based on our analysis of the expected default rates, future loan prices, and prepayment speeds of the loans underlying the contract pursuant to which we sold our residual mortgage-backed securities retained from prior securitizations of subprime and high loan-to-value mortgage loans and related servicing rights on December 31, 1999 (the "Participation Contract"), we have estimated the total cash to be received by us in the future under the Participation Contract as of June 30, 2003 to be approximately $11 to $13 million over the next five years. Due to changing market conditions and other unforeseen events beyond our control, the actual default rates, future loan prices and prepayment speeds may vary considerably, thus changing the amount of cash proceeds received from the underlying loans, and thus reducing our anticipated cash flows from the Participation Contract. Further, the Participation Contract is recorded in our financial statements at June 30, 2003 at a value of $5.4 million. We have estimated this value using a cash flow model which determines the present value of the estimated expected cash flow from the contract. To the extent our anticipated cash flows are materially reduced, we may be required to reduce the carrying valve of the Participation Contract in

our financial statements. In addition, the income we recognized from the Participation Contract for the six months ended June 30, 2003 and the year ended December 31, 2002, was $1.6 million and $3.8 million, respectively, or 19.0% and 20.3% of our total interest income, respectively. Although we anticipate future cash flows from the Participation Contract over the next five years, the cash flows from the Participation Contract will cease when the underlying loans are paid off or sold, and income from the Participation Contract should not be viewed as a continuing source of future income. See "Business Our History Participation Contract."

We may be unable to successfully compete in our industry.

We face direct competition from a significant number of financial institutions, many with a state-wide or regional presence, and in some cases a national presence, in both originating loans and attracting deposits. Competition in originating loans comes primarily from other banks and mortgage companies that make loans in our primary market areas. We also face substantial competition in attracting deposits from other banking institutions, money market and mutual funds, credit unions and other investment vehicles. In addition banks with larger capitalizations and non-bank financial institutions that are not governed by bank regulatory restrictions have large lending limits and are better able to serve the needs of larger customers. Many of these financial institutions are also significantly larger and have greater financial resources than us, and have established customer bases and name recognition. We compete for loans principally on the basis of interest rates and loan fees, the types of loans which we originate and the quality of service which we provide to our borrowers. Our ability to attract and retain deposits requires that we provide customers with competitive investment opportunities with respect to rate of return, liquidity, risk and other factors. To effectively compete, we may have to pay higher rates of interest to attract deposits, resulting in reduced profitability. In addition, we rely upon local promotional activities, personal relationships established by our officers, directors and employees and specialized services tailored to meet the individual needs of our customers in order to compete. If we are not able to effectively compete in our market area, our profitability may be negatively affected.

Loans to borrowers with subprime credit involve a higher risk of default, and although we no longer originate these loans, we still have a significant amount of such loans in our portfolio.

Subprime loans are loans to borrowers who generally do not satisfy the credit or underwriting standards prescribed by conventional mortgage lenders and loan buyers, such as Fannie Mae and Freddie Mac. At June 30, 2003, we still had $9.6 million of subprime loans which represented 5.2% of our total loans. While we believe that the underwriting procedures and appraisal processes employed with respect to such loans enabled us to somewhat reduce the risks inherent in loans made to these borrowers, we cannot assure you that such procedures or processes will afford adequate protection against such risks, and we could suffer additional losses as a result of these subprime loans.

Loans that are not fully secured involve a higher risk of loss, and although we no longer originate high loan-to-value loans, we still have a significant amount of such loans in our portfolio.

We no longer originate high loan-to-value junior real estate secured loans, where the amount of the loan, together with more senior loans secured by the real estate, exceeded the value of the real estate at origination. However, at June 30, 2003, we still had $7.3 million of these loans in our portfolio, which represented 3.9% of total loans. In the event of a default on such a loan by a borrower, there may be insufficient collateral to pay off the balance of the loan and, as holder of a junior lien on the property, we may lose all or a substantial portion of our investment.

The availability of our net operating loss carryforwards will be reduced as a result of this offering.

Section 382 of the Internal Revenue Code ("IRC") imposes a limitation on the use of net operating loss ("NOL") carryforwards if there has been an "ownership change." This offering will create an ownership change for purposes of Section 382 and therefore limit the amount of NOLs that

we may use in future years to offset our taxable income. At June 30, 2003, we had federal tax net operating loss carryforwards of approximately $24.3 million, with our first NOL carryforward occurring in the taxable year 2000. It is estimated that with the change of control which will result for purposes of Section 382 of the IRC as a result of this offering, that approximately $8.5 million of our NOLs will be disallowed for federal income tax purposes. We currently estimate the annual limitation on the use of our NOLs as a result of the application of Section 382 will be between $750,000 and $900,000. The use of NOLs for federal income tax purposes is limited in that they can be carried forward and deducted from taxable income for only the 20 succeeding taxable years after being incurred. In addition to a Federal tax NOL, we also have a California State tax NOL of approximately $12.8 million. We anticipate that a change of control would reduce our state tax NOL by approximately $8.5 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Change in Control and Net Operating Loss Carryforward."

Our origination of multi-family and commercial real estate loans is dependent on the mortgage brokers who refer these loans to us.

Our primary method of originating multi-family and commercial real estate loans is through referrals by mortgage brokers. Since we began originating these loans in the second quarter of 2002, one mortgage broker has referred to us approximately 43.2% of all the multi-family and commercial real estate loans in our loan portfolio and only five brokers account for a total of 68.4% of our loan volume. Although we have in-house account managers whom we have recently retained who have the responsibility of developing relationships with additional mortgage brokers which may refer us the types of loans we target, should we not be successful in developing relationships with additional mortgage brokers and should we lose referrals from one or more mortgage brokers on whom we depend for a large percentage of our multi-family and commercial real estate loans, our loan originations could be substantially less than we anticipate, thus reducing our anticipated income from these loans.

We face lending risks on our construction loans, and defaults on these loans would adversely affect our financial condition and results of operations.

At June 30, 2003, construction loans accounted for approximately 3.5% of our loan portfolio. Our construction loans are based upon estimates of costs and value associated with the completed projects. These estimates may be inaccurate. Construction lending involves additional risks when compared with permanent residential lending because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. In addition, during the term of a construction loan, no payment from the borrower is required since the accumulated interest is added to the principal of the loan through an interest reserve. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss.

Interest rate fluctuations, which are out of our control, could harm profitability.

Our profitability depends to a large extent upon net interest income, which is the difference between interest income on interest-earning assets, such as loans and investments, and interest expense on interest-bearing liabilities, such as deposits and borrowings. Any change in general market interest rates, whether as a result of changes in the monetary policy of the Federal Reserve or otherwise, may have a significant effect on net interest income. The assets and liabilities may react differently to changes in overall market rates or conditions. See "Management's Discussion and Analysis of Financial

Condition and Results of Operations Interest Rate Risk." Moreover, in periods of rising interest rates, financial institutions typically originate fewer mortgage loans adversely effecting our interest income on loans. Further, if interest rates decline, our loans may be refinanced at lower rates or paid off and our investments may be prepaid earlier than expected. If that occurs, we may have to redeploy the loan or investment proceeds into lower yielding assets, which might also decrease our income.

We may experience loan losses in excess of our allowance for loan losses.

We try to limit the risk that borrowers will fail to repay loans by carefully underwriting the loans, nevertheless losses can and do occur. We create an allowance for estimated loan losses in our accounting records, based on estimates of the following:

- industry standards;
- historical experience with our loans;
- evaluation of economic conditions;
- regular reviews of the quality mix and size of the overall loan portfolio;
- regular reviews of delinquencies; and
- the quality of the collateral underlying our loans.

We maintain an allowance for loan losses at a level that we believe is adequate to absorb any specifically identified losses as well as any other losses inherent in our loan portfolio. However, changes in economic, operating and other conditions, including changes in interest rates, that are beyond our control, may cause our actual loan losses to exceed our current allowance estimates. If the actual loan losses exceed the amount reserved, it will hurt our business. In addition, the OTS, as part of its supervisory function, periodically reviews our allowance for loan losses. Such agency may require us to increase our provision for loan losses or to recognize further loan losses, based on their judgments, which may be different from those of our management. Any increase in the allowance required by the OTS could also hurt our business.

Upon exercise of the Warrant shareholders will experience significant dilution in their shares of common stock.

The holder of the Warrant has the right to purchase 1,166,400 shares of our common stock at an exercise price of $0.75 per share, which shares, once exercised, would represent approximately 20.8% of our issued and outstanding shares on a pro forma basis following this offering.

The Warrant is currently exercisable for an aggregate of 233,280 shares of our common stock, with warrants to purchase an additional 116,640 shares becoming exercisable in January 2004, and all of the shares underlying the Warrant becoming exercisable in January 2005. The trading price of our common stock has been significantly higher than $0.75 per share for the last two and one-half fiscal years and at , 2003, the closing price of our common stock was $ per share. Upon exercise of the Warrant, existing shareholders will experience significant dilution of the shares of our common stock which they hold.

You may have difficulty selling your shares in the future if a more active trading market in our common stock does not develop and if the Warrant is exercised.

Although our common stock is traded on the Nasdaq SmallCap Market, trading in our common stock has not been extensive and cannot be characterized as amounting to an active trading market. Further, following the exercise of the Warrant in full, which full exercise could occur in January 2005, an additional 1,166,400 shares of our stock would be issued and outstanding and would be eligible for sale in the public market upon registration thereof under the Securities Act of 1933, as amended. The availability of sale, as well as actual sale, of shares exercisable upon the exercise of the Warrant would likely depress the market price of our common stock.

Adverse outcomes of litigation against us could harm our business and results of operation.

We are currently involved in a securities class action lawsuit relating to our 1997 public offering of securities. Although the securities litigation is currently in settlement negotiations and we believe we have made an adequate reserve to pay any settlement amount we may be obligated to pay what is not covered by our insurance carrier, if the action should settle at an amount greater than our reserve and the amount covered by our insurance carrier, or if the action should not settle and should proceed to trial, a significant settlement amount or judgment against us could harm our business and results of operations. We are also currently involved in other litigation involving former subprime mortgage sales and other actions arising in the ordinary course of our business. We also anticipate that due to the consumer-oriented nature of the subprime mortgage industry in which we previously actively operated and uncertainties with respect to the application of various laws and regulations in some circumstances, we may be named from time to time as a defendant in litigation involving alleged violations of federal and state consumer lending or other similar laws and regulations. A significant judgment against us in connection with any pending or future litigation could harm our business and results of operations. See "Business Legal Proceedings."

Poor economic conditions in California may cause us to suffer higher default rates on our loans and decreased value of the assets we hold as collateral.

A substantial majority of our assets and deposits are generated in Southern California. As a result, poor economic conditions in Southern California may cause us to incur losses associated with higher default rates and decreased collateral values in our loan portfolio. In addition, demand for our products and services may decline. The Southern California markets have experienced a downturn in economic activity in line with the slowdown in California during the past two years. Economic activity slowed significantly immediately following the September 11, 2001 terrorist attacks. Unemployment levels have increased since mid 2001, especially in Southern California, which is our geographic center and the base of our deposit and lending activity. Although economic forecasters are currently mixed on the future economic outlook, if the current recessionary conditions continue or deteriorate, we expect that our level of problem assets would increase accordingly, resulting in increases in the level of delinquencies and losses for us.

Further, a downturn in the Southern California real estate market could hurt our business. Our business activities and credit exposure are concentrated in Southern California. A downturn in the Southern California real estate market could hurt our business because the vast majority of our loans are secured by real estate located within Southern California. As of June 30, 2003, approximately 79.9% of our loan portfolio consisted of loans secured by real estate located in California, the substantial majority of which was located in Southern California. If there is a significant decline in real estate values, especially in Southern California, the collateral for our loans will provide less security. As a result, our ability to recover on defaulted loans by selling the underlying real estate would be diminished, and we would be more likely to suffer losses on defaulted loans. Real estate values in Southern California could be affected by, among other things, earthquakes and other natural disasters particular to Southern California.

We do not expect to pay cash dividends in the foreseeable future.

We do not intend to pay cash dividends on our common stock in the foreseeable future. Instead, we intend to reinvest our earnings in our business. In addition, in order to pay cash dividends to our shareholders, we would most likely need to obtain funds from our subsidiary, Pacific Premier Bank. The Bank's ability, in turn, to pay dividends to us is limited by federal banking law. It is possible, depending on the financial condition of the Bank and other factors, that the OTS could assert that payment of dividends by the Bank is an unsafe or unsound practice. In addition, under the terms of the loan documents relating to the Note and our subordinated debentures, we are prohibited from paying cash dividends on our common stock until the Note is repaid in full.

Federal law imposes conditions on the ability to acquire control of our common stock at specified threshold percentages, which could discourage a change in control.

Acquisition of control of a federal savings bank or its holding company, requires advance approval by the OTS. Under federal law, the acquisition of more than 10% of our common stock would result in a rebuttable presumption of control and the ownership of more than 25% of our voting stock would result in conclusive control. Depending on the circumstances, the foregoing requirements may prevent or restrict a change in control of us.

Our directors and executive officers control a large amount of our stock, and your interests may not always be the same as those of the board and management.

One of our directors is currently the beneficial owner of the Warrant which is currently exercisable to purchase 233,280 shares of our common stock, or 5.0% of the issued and outstanding shares on a pro forma basis following the offering, which Warrant will increase to the right to purchase 1,166,400 shares of our common stock in January 2005, representing 20.8% of our shares on a pro forma basis following the offering. In addition, as of June 30, 2003, our directors and executive officers beneficially owned an aggregate of approximately 27.5% of our outstanding voting stock (including vested option shares and Warrants). Although our certificate of incorporation includes a provision which provides that record holders of our common stock who beneficially own in excess of 10% of our common stock are not entitled to vote in respect of shares held in excess of this 10% limit, if our management were to take a common position, they would be able to significantly affect the election of directors as well as the outcome of most corporate actions requiring shareholder approval, such as the approval of mergers or other business combinations. Such concentration may also have the effect of delaying or preventing a change in control. See "Description of Capital Stock Anti-takeover Provisions of our Charter, By-Laws and Delaware General Corporation Law Limitation on Voting our Common Stock."

Our business may be adversely affected by the highly regulated environment in which we operate.

We are subject to extensive federal and state legislation, regulation and supervision. Recently enacted, proposed and future legislation and regulations have had and are expected to continue to have a significant impact on the financial services industry. Some of the legislative and regulatory changes may benefit us. However, other changes could increase our costs of doing business or reduce our ability to compete in certain markets.

Anti-takeover defenses may delay or prevent future transactions

Our Certificate of Incorporation and Bylaws, among other things:

- divide the board of directors into three classes with directors of each class serving for a staggered three year period;
- provides that only our directors may fill vacancies on the board;
- permit the issuance, without shareholder approval, of shares of preferred stock having rights and preferences determined by the board of directors;
- provide that stockholders holding 80% of our issued and outstanding shares must vote to approve certain business combinations and other transactions involving holders of more than 10% of our common stock or our affiliates;
- provide that stockholders holding 80% of our issued and outstanding shares must vote to remove directors for cause; and

provide that record holders of our common stock who beneficially own in excess of 10% of our common stock are not entitled to vote shares held by them in excess of 10% of our common stock.

In addition, Mr. Gardner's employment agreement provides that in the event of a change of control in which Mr Gardner's employment is terminated, Mr. Gardner will be entitled to severance payments equal to two times his annual base salary plus an amount equal to his incentive bonus for the previous year.

These provisions in our certificate of incorporation, by-laws and Mr. Gardner's employment agreement could make the removal of incumbent directors more difficult and time-consuming and may have the effect of discouraging a tender offer or other takeover attempts not previously approved by our board of directors.

We are dependent on our key personnel

Our future operating results depend in large part on the continued services of our key personnel, including Steven R. Gardner, our President and Chief Executive Officer, who developed and implemented our new business strategy. The loss of Mr. Gardner could have a negative impact on the success of our new business strategy. In addition, we rely upon the services of John Shindler, our Senior Vice President and Chief Financial Officer, and our ability to attract and retain highly-skilled personnel. We cannot assure you that we will be able to continue to attract and retain the qualified personnel necessary for the development of our business. We do not maintain key-man life insurance on any employee nor have we entered into an employment agreement with any of them other than Mr. Gardner, whose current employment agreement will expire on January 5, 2004, unless extended for an additional one-year term at the option of our board of directors.

After an initial period of restriction, there will be a significant number of shares of our common stock available for future sale, which may depress our stock price.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market after this offering, or even the perception that such sales could occur. We have agreed not to, and our directors and executive officers have also agreed not to offer, sell, contract to sell or otherwise dispose of, any of our securities that are substantially similar to our common stock, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, our common stock or any substantially similar securities, for a period of 180 days after the date of this prospectus without the prior written consent of Friedman Billings Ramsey.

Notwithstanding these arrangements, there will be 4,433,572 shares of common stock outstanding immediately following this offering, or 4,898,572 shares if the underwriters exercise their over-allotment option in full. Of these shares, the following will be available-for-sale in the public market as follows:

shares will be eligible for sale upon completion of this offering.

shares will be eligible for sale 180 days from the date of this prospectus upon the expiration of the lock-up agreements described above (including 69,338 shares eligible for sale upon the exercise of vested options held by our directors and executive officers);

4,033 shares will be eligible for sale upon the exercise of vested options upon completion of this offering (not including vested options held by our directors and executive officers).

233,280 shares will be eligible for sale (i) to the public 180 days from the date of this prospectus upon the expiration of the lock-up agreements described above, or (ii) in a private transaction upon completion of this offering, upon the exercise of vested Warrants beneficially owned by one of our directors, and an additional 116,640 shares will be eligible for sale upon exercise of the Warrant in January 2004, and an additional 816,480 shares will be eligible for sale upon exercise of the Warrant in January 2005.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of 3,100,000 shares of our common stock will be approximately $ million, after deducting the underwriting discounts and commissions and the estimated expenses of the offering, or $ million if the underwriters exercise the over-allotment option in full. We intend to utilize $12.0 million of the net proceeds to prepay the Note in full, and $1.5 million of the net proceeds to prepay our junior subordinated debentures due March 15, 2004, with the remainder of approximately $ of net proceeds to be used to increase our capital base to support additional growth and for general corporate purposes.

The $12.0 million Note currently bears interest at 13%, escalating to 14% in 2004, 15% in 2005 and 16% in 2006. Interest only on the $12.0 million Note is due quarterly. The Note may be prepaid without penalty in whole or in part. The Note was issued in connection with our recapitalization in January 2002. The Note is secured by substantially all of our assets including the stock of Pacific Premier Bank and the Participation Contract, which constitute substantially all of our assets. See "Business History Our Recapitalization." The $1.5 million in junior subordinated debentures bear interest at the rate of 13.5% per annum, payable semi-annually.

CAPITALIZATION

The following table sets forth our total deposits, indebtedness, stockholders' equity and total capitalization at June 30, 2003, and as adjusted to reflect (i) the issuance and sale of 3,100,000 shares of our common stock in this offering at an assumed offering price of $ per share, net of our estimated offering expenses and the underwriting discount and commissions, and (ii) the repayment of the Note and subordinated debentures out of the proceeds of this offering. This information should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of June 30, 2003	
	Actual	**As Adjusted**
	(Dollars in Thousands)	
Deposits	$ 202,450	$ 202,450
Indebtedness:		
FHLB advances	20,800	20,800
Subordinated debentures	1,500	
Notes payable, net of discount	11,510	
Total indebtedness	$ 33,810	$ 20,800
Stockholders' equity:		
Preferred stock, $.01 par value; 1,000,000 shares authorized; shares issued and outstanding at June 30, 2003		
Common stock, $.01 par value; 15,000,000 shares authorized:		
Outstanding: 1,333,572 at June 30, 2003		
Adjusted: 4,433,572 after offering	13	44
Additional paid-in capital	43,328	
Accumulated deficit	(31,480)	(31,480)
Accumulated other comprehensive income	7	7
Total stockholders' equity	$ 11,868	$

Bank regulatory capital ratios[1]

	As of June 30, 2003	
Tier 1 capital to adjusted total assets	6.81%	%
Tier 1 capital to total risk-weighted assets	9.81%	%
Total capital to total risk-weighted assets	10.96%	%

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations Regulation Federal Savings Institution Regulation Capital Requirements." The as adjusted ratios assume the contribution of $3.0 million of the net proceeds of this offering to the Bank and the deployment of such proceeds in assets with a % risk-weighting under applicable regulations.

This table excludes the following shares:

- 122,372 shares of common stock underlying options which have been granted and are outstanding as of August 31, 2003.

- Up to 1,166,400 shares of common stock issuable upon exercise of outstanding warrants as of August 31, 2003, 233,280 of which warrants are currently exercisable, 116,640 of which warrants will become exercisable in January 2004 and all of which remaining warrants will become exercisable in January 2005.

DILUTION

If you invest in our common stock your interest will not be diluted since the assumed offering price of $ per share is less than our book value of $8.90 per share at June 30, 2003. However, because we have options and Warrants outstanding to purchase an aggregate of 1,283,772 shares of our common stock at a weighted average exercise price of $1.68 per share, if you invest in our common stock your interest will be diluted on a fully diluted basis.

The net tangible book value of our common stock as of June 30, 2003 was $11,868,000, or $8.90 per share, based on the number of shares outstanding as of June 30, 2003. Historical net tangible book value per share is equal to the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding as of June 30, 2003. After (i) giving effect to the sale of the shares of common stock in this offering, at an estimated price of $ per share, assuming that the underwriters' over-allotment option is not exercised, and (ii) deducting underwriting discounts, commissions and estimated offering expenses, our pro forma net tangible book value as of June 30, 2003 would be $ million or $ per share. If we further assume that all of the issued and outstanding options and Warrants are exercised as of June 30, 2003, then our pro forma net tangible book value as of June 30, 2003 would be $ million or $ per share. Accordingly, if the options and Warrants are not exercised the offering will result in an immediate decrease in net tangible book value of $ per share to existing stockholders and an immediate increase in net tangible book value of $ per share to new stockholders. However, if the outstanding options and Warrants were exercised in full[1], the offering will result in an immediate dilution of $ per share to existing shareholders and an immediate dilution of $ per share to new investors. Dilution is determined by subtracting pro forma net tangible book value per share after this offering from the assumed offering price of $ per share. The following tables illustrate this per share dilution.

Dilution if No Options and Warrants Exercised				
Assumed public offering price per share			$	
Net tangible book value per share at June 30, 2003	$	8.90		
Decrease in net tangible book value per share attributable to new investors	$			
Pro forma net tangible book value per share at June 30, 2003			$	
Dilution (increase) per share to new investors			$	( )

Dilution Upon Full Exercise of Options and Warrants		
Assumed public offering price per share	$	

Net tangible book value per share at June 30, 2003	$ 8.90	
Decrease in net tangible book value per share attributable to new investors	$	
Decrease in net tangible book value per share assuming full exercise of options and Warrants		
Pro forma net tangible book value per share at June 30, 2003		$
Dilution per share to new investors		$

(1) At June 30, 2003 options and Warrants to purchase an aggregate of 278,452 shares of our common stock were exercisable, with all additional option shares becoming exercisable by March 2004, and all additional Warrants becoming exercisable by January 2005.

TRADING HISTORY AND DIVIDEND POLICY

Market Information

Our common stock is traded on the Nasdaq SmallCap Market under the symbol "PPBI." The following table sets forth for the periods indicated the high and low reported closing sales price per share of our common stock as reported by the Nasdaq SmallCap Market. All prices in the following table have been adjusted to reflect a 1:5 reverse stock split effective on June 7, 2001.

	Sale Price of Common Stock	
	High	**Low**
2001		
First Quarter	$ 4.69	$ 2.66
Second Quarter	$ 4.40	$ 2.75
Third Quarter	$ 3.39	$ 0.90
Fourth Quarter	$ 2.05	$ 1.00
2002		
First Quarter	$ 3.76	$ 2.10
Second Quarter	$ 3.95	$ 2.97
Third Quarter	$ 7.10	$ 2.60
Fourth Quarter	$ 7.09	$ 3.85
2003		
First Quarter	$ 6.50	$ 4.76
Second Quarter	$ 8.49	$ 5.16
Third Quarter (through August 28, 2003)	$ 8.24	$ 7.16

On September 3, 2003, the last reported sale price of our common stock on the Nasdaq SmallCap Market was $7.46 per share.

As of June 30, 2003 there were approximately 123 shareholders of record of our common stock.

Dividends

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any earnings for use in our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, under the terms of the Note and Warrant Purchase Agreement which we entered into in connection with our recapitalization, we are prohibited from paying dividends, without the consent of the holder of the Note, for so long as the Note remains outstanding.

Our ability to pay a dividend on our common stock will depend upon, among other things, future earnings, operating and financial condition, capital requirements and general business conditions. In addition, our ability to pay dividends at any time may be limited by the

Bank's ability to pay dividends to us. Until recently, because the Bank was subject to more than normal supervision by the OTS, the Bank could not pay cash dividends without the prior approval of the OTS. Although the Bank is currently under no regulatory restriction with respect to the payment of dividends, OTS regulations require that the Bank must give prior notice to the OTS before making any cash distributions and the amount of cash distributions the Bank may make without the prior approval of the OTS is limited by OTS regulations. Further, if the OTS should decide that to pay a dividend would place the Bank in an unsafe or unsound financial condition, it can prohibit the payment of dividends. See "Regulation Federal Savings Institution Regulation Limitations on Capital Distributions" and "Regulation Federal Savings Institution Regulation Prompt Corrective Action Regulations."

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data below as of the years ended December 31, 2002, December 31, 2001, December 31, 2000, December 31, 1999 and December 31, 1998, and for each of the five years ended December 31, 2002, is derived in part from our audited financial statements and related notes. Our audited financial statements as of the years ended December 31, 2002 and December 31, 2001, and for each of the three years ended December 31, 2002, are included elsewhere herein. The selected consolidated financial data as of June 30, 2003 and 2002 and for the six months then ended is derived in part from our unaudited financial statements and related notes, which are included elsewhere herein, and which, in the opinion of management include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of such periods. Such selected financial data should be read in conjunction with, and is qualified in its entirety by, our historical consolidated financial statements, including the related notes thereto, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" also included elsewhere herein. Consolidated operating results for the six months ended June 30, 2003 are not necessarily indicative of results that may be expected for the entire year.

	As of and For the Six Months Ended June 30,		As of and For the Years Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
	(Dollars in Thousands, except per share data)						
Operating Data:							
Interest income	$ 8,171	$ 10,225	$ 18,872	$ 24,442	$ 41,519	$ 46,378	$ 41,104
Interest expense	3,856	4,595	8,910	16,191	28,446	25,577	22,915
Net interest income	4,315	5,630	9,962	8,251	13,073	20,801	18,189
Provision for loan losses	681	191	1,133	3,313	2,910	5,382	4,166
Net interest income after provision for loans losses	3,634	5,439	8,829	4,938	10,163	15,419	14,023
Net gains (losses) from mortgage banking	207	(244)	(261)	402	(5,684)	7,451	23,444
Other noninterest income (loss)	1,163	933	2,130	3,590	3,548	(22,471)	(8,490)
Noninterest expense	4,796	5,505	10,165	14,340	25,806	29,643	27,190
Income (loss) before income tax provision (benefit)	208	623	533	(5,410)	(17,779)	(29,244)	1,787
Income tax (benefit) provision[(1)]	(398)	(18)	(2,345)	642	3,003	(11,405)	728
Net income (loss)	$ 606	$ 641	$ 2,878	$ (6,052)	$ (20,782)	$ (17,839)	$ 1,059
Share Data:							
Net income (loss) per share:							
Basic	$ 0.45	$ 0.48	$ 2.16	$ (4.54)	$ (15.58)	$ (13.57)	$ 0.81
Diluted	$ 0.24	$ 0.27	$ 1.16	$ (4.54)	$ (15.58)	$ (13.57)	$ 0.78

	As of and For the Six Months Ended June 30,		As of and For the Years Ended December 31,				
Weighted average common shares outstanding:							
Basic	1,333,572	1,333,572	1,333,572	1,333,630	1,333,646	1,315,038	1,310,949
Diluted	2,552,066	2,411,119	2,476,648	1,333,630	1,333,646	1,315,038	1,361,165
Book value per share (basic)(2)	$ 8.90	$ 6.95	$ 8.72	$ 5.73	$ 10.42	$ 25.90	$ 39.62
Book value per share (diluted)(3)	$ 4.65	$ 3.85	$ 4.69	$ 5.73	$ 10.42	$ 26.21	$ 38.20
Balance Sheet Data:							
Total assets	$ 250,429	$ 246,381	$ 238,278	$ 243,667	$ 414,421	$ 551,901	$ 428,078
Securities	46,528	90,531	58,243	34,659	42,370	32,833	4,471
Loans held for sale, net(4)	1,816	2,737	1,866	4,737		330,727	243,497
Loans held for investment, net(4)	179,114	126,670	156,365	182,439	316,724	103,601	90,827
Participation Contract	5,379	5,884	4,869	4,428	4,428	9,288	
Allowance for loan losses	2,656	3,460	2,835	4,364	5,384	2,749	2,777
Residual mortgage-backed securities at fair value							50,296
Mortgage servicing rights	44	58	51	101	5,652	6,431	13,119
Total deposits	202,450	200,529	191,170	232,160	345,093	468,859	323,433
Borrowings	33,810	32,870	32,940	1,500	48,620	19,373	41,477
Total stockholders' equity	11,868	9,272	11,623	7,648	13,900	34,462	51,998

Performance Ratios:(5)							
Return on average equity(6)(7)	10.77%	15.26%	30.70%	(53.43)%	(66.44)%	(32.13)%	1.92%
Return on average assets(7)(8)	0.51%	0.52%	1.18%	(1.92)%	(3.99)%	(3.16)%	0.23%
Average equity to average assets	4.72%	3.41%	3.85%	3.60%	6.01%	9.82%	12.14%
Equity to total assets at end of period	4.74%	3.76%	4.88%	3.14%	3.35%	6.24%	12.15%
Average interest rate spread(7)(9)	3.98%	4.86%	4.44%	2.91%	2.82%	3.95%	3.83%
Net interest margin(7)(10)	3.91%	4.82%	4.37%	2.81%	2.79%	4.21%	4.36%
Efficiency ratio(7)(11)	83.47%	84.84%	85.19%	113.97%	230.57%	512.23%	79.08%
Average interest earning assets to average interest-bearing liabilities	97.88%	99.10%	98.45%	98.35%	99.56%	105.01%	109.81%
Capital Ratios:(12)							
Tier 1 capital to adjusted total assets	6.81%	6.65%	7.03%	5.06%	4.33%	6.28%	7.21%
Tier 1 capital to total risk-weighted assets	9.81%	13.42%	11.29%	5.37%	5.73%	9.54%	9.94%
Total capital to total risk-weighted	10.96%	14.68%	12.54%	6.62%	6.99%	7.45%	10.90%

assets							
Asset Quality Ratios:							
Nonperforming loans net, to total loans[13]	1.80%	4.45%	3.07%	7.54%	7.97%	0.88%	2.19%
Nonperforming assets, net as a percent of total assets[14]	1.88%	3.57%	3.12%	7.75%	6.85%	1.13%	2.17%
Net charge-offs to average total loans[7]	1.01%	1.29%	1.74%	1.76%	0.07%	1.32%	1.20%
Allowance for loan losses to total loans at period end	1.43%	2.56%	1.74%	2.24%	1.61%	0.60%	0.82%
Allowance for loan losses to nonperforming loans at period end[13]	68.11%	47.42%	50.35%	27.23%	19.87%	68.43%	36.81%

(1) In the six months ended June 30, 2003 and the year ended December 31, 2002, we reversed $400,000 and $2.0 million, respectively, of our deferred tax valuation allowance due to our improved financial outlook.

(2) Basic book value per share is based upon the shares outstanding at the end of each period, adjusted retroactively for the June 2001 1:5 reverse stock split.

(3) Diluted book value per share is based on the weighted average diluted shares outstanding at the end of each period, adjusted retroactively for the June 2001 1:5 reverse stock split.

(4) Loans are net of the allowance for loan losses and deferred fees.

(5) All average balances consist of average daily balances after 1999. Average balances for 1999 and 1998 are calculated using average monthly balances.

(6) Net income divided by average stockholders' equity.

(7) Ratios for the six months ended June 30, 2003 and 2002 have been annualized.

(8) Net income divided by total average assets.

(9) Represents the weighted average yield on interest-earning assets less the weighted average cost of interest-bearing liabilities.

(10) Represents net interest income as a percentage of average interest-earning assets.

(11) Represents the ratio of noninterest expense less (gain) loss on foreclosed real estate to the sum of net interest income before provision for loan losses and total noninterest income.

(12) Calculated with respect to the Bank. See "Regulation Federal Securities Institution Regulation Capital Requirements."

(13) Nonperforming loans consist of loans past due 90 days or more and foreclosures in process less than 90 days and still accruing interest.

(14) Nonperforming assets consist of nonperforming loans (see footnote 13 above) and foreclosed real estate owned.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information about our results of operations, financial condition, liquidity and asset quality. The information is intended to facilitate the understanding and assessment of significant changes and trends related to our financial condition and results of operations. This discussion and analysis should be read in conjunction with our consolidated financial statements and the accompanying notes presented elsewhere in this prospectus.

Overview

We are a California-based community banking institution focused on full service banking to small businesses, real estate investors and consumers. Through our subsidiary, Pacific Premier Bank, we emphasize the delivery of depository products and services to our customers through our three retail branches. Our lending is concentrated on originating income property loans within Southern California. At June 30, 2003 we had consolidated total assets of $250.4 million, net loans of $180.9 million and total deposits of $202.5 million and consolidated total stockholders' equity of $11.9 million.

We recently completed a transition from a nationwide mortgage banking institution focused on subprime and high loan-to-value debt consolidation loans to a community-based institution focused on the origination of multi-family and commercial real estate loans, which loans we began originating in the second quarter of 2002, and retail branch banking.

In the fourth quarter of 2000, management ceased all subprime lending activities, exited the mortgage banking business, closed one underperforming branch and began disposing of nearly $200 million of high risk loans. During 2001, management continued the disposal of high risk loans, pursued the recapitalization of the Bank, reduced the Bank's interest rate risk and implemented enhanced internal controls. In 2002, we closed our final two underperforming branches thereby further reducing noninterest expense and in January 2002 we completed a recapitalization through the private placement of the Note and the Warrants, which provided us sufficient capital to implement our community-based banking business model.

Critical Accounting Policies and Estimates

Management has established various accounting policies which govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in the notes to the consolidated financial statements included elsewhere herein. Certain accounting policies require management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. Management considers these to be critical accounting policies. The estimates and assumptions management uses are based on historical experience and other factors which management believes to be reasonable under the circumstances. Actual results could differ significantly from these estimates and assumptions, which could have a material impact on the carrying value of our assets and liabilities and our results of operations for future reporting periods. In management's opinion, our critical accounting policies deal with the following areas: the allowance for loan losses, the method for recognition of income on the Participation Contract, and the valuation allowance on deferred taxes. See Note 1 to notes to consolidated financial statements "Description of Business and Summary of Significant Accounting Policies " " Participation Contract," " Allowance for Loan Losses," and " Income Taxes"."

Results of Operations

General. Net income for the six months ended June 30, 2003 and 2002 was $606,000 and $641,000, respectively. Included in the $606,000 is a $400,000 benefit from a partial reversal of the

21

deferred tax valuation allowance. On a per diluted share basis, net income was $0.24 and $0.27 for the six months ended June 30, 2003 and 2002, respectively. Net income (loss) for the years ended December 31, 2002, 2001 and 2000 was $2.9 million, ($6.1) million and ($20.8) million, respectively. Included in the $2.9 million net income for 2002 is a $2.0 million benefit from a partial reversal of the deferred tax valuation allowance. See "Provision (Benefit) for Income Taxes." On a per share diluted basis, net income (loss) was $1.16, ($4.54) and ($15.58) for the years ended December 31, 2002, 2001 and 2000, respectively. Earnings per share figures for the periods 2001 and 2000 have been adjusted for the 1 for 5 reverse stock split declared in June 2001.

Net Interest Income. Our primary source of revenue is net interest income, which is the difference between interest income on earning assets and interest expense on interest-bearing liabilities. Net interest income and net interest margin are affected by several factors including

(1) the level of, and the relationship between, the dollar amount of interest-earning assets and interest-bearing liabilities, (2) the relationship between repricing or maturity of our variable-rate and fixed-rate loans and securities, and our deposits and borrowings, and (3) the magnitude of our noninterest earning assets, including non-accrual loans and foreclosed real estate.

For the six months ended June 30, 2003, net interest income before provision for loan losses decreased 23.4% to $4.3 million compared with $5.6 million for the same period a year earlier. Net interest margin for the six months ended June 30, 2003 was 3.91% compared with 4.82% for the same period a year earlier. The decrease in our net interest margin is primarily due to a decline in the average yield on our loans receivable of 113 basis points which is due to a run-off of our higher yielding subprime loans and the origination of higher quality and lower yielding income property loans, and a decline in the average yield of our investment securities of 145 basis points, which is due to a lower overall market interest rate environment. In addition, for the six months ended June 30, 2003, the cost of funds decreased 47 basis points, interest earning assets decreased by $13.0 million, and average interest-bearing liabilities decreased $10.4 million from the same prior year period. Total interest income decreased $2.0 million, or 20.1% from $10.2 million for the six months ended June 30, 2002 to $8.2 million for the six months ended June 30, 2003, while total interest expense decreased $739,000, or 16.1%, from $4.6 million for six months ended June 30, 2002 to $3.9 million for the six months ended June 30, 2003. The discount accretion included in interest income for the six months ended June 30, 2003 and June 30, 2002 was $1.6 million and $2.1 million, respectively. The discount accretion is based on our projections of the expected performance of the residual assets underlying the Participation Contract. However, the actual performance of the residual assets and cash realized by us could vary significantly from our projections. The assumptions utilized in the projections that could cause a substantial change in the cash realized from the Participation Contract are the estimated levels of future loan losses, future loan prices and the rate of prepayment speeds estimated for the loans underlying the residual assets. The reduction in the cost of interest-bearing liabilities is due to our continued focus on increasing lower cost core deposit accounts, namely consumer and small business transaction accounts, as well as the overall lower interest rate environment.

Net interest income before provision for loan losses was $10.0 million for the year ended December 31, 2002, compared to $8.3 million for the year ended December 31, 2001. The $1.7 million increase in net interest income before provision for loan losses is primarily due to the discount accretion on the Participation Contract in 2002 of $3.8 million, declining market rates of interest on deposits during 2002, and our focus on increasing lower cost transaction accounts in 2002, partially offset by a decrease in 2002 of average loans outstanding and loan interest yield of $92.8 million and 87 basis points, respectively. Our average cost of interest-bearing liabilities decreased to 3.85% for the year ended December 31, 2002, compared with 5.42% for the year ended December 31, 2001. Our cost of deposits for 2002 was 3.12%. Our yield on average earning assets was 8.29% for the year ended December 31, 2002, compared with 8.33% for the year ended December 31, 2001. Total interest income decreased $5.6 million, or 22.8%, from $24.4 million for the year ended December 31, 2001 to

$18.9 million for the year ended December 31, 2002, while total interest expense decreased $7.3 million, or 44.9% from $16.2 million for the year ended December 31, 2001 to $8.9 million for the year ended December 31, 2002. Interest expense decreased primarily due to declining interest rates and redemption of all broker deposits and most wholesale deposits which led to a reduction in average interest-bearing deposits of $78.8 million.

Net interest income before provision for loan losses was $8.3 million for the year ended December 31, 2001, compared to $13.1 million for the year ended December 31, 2000. The $4.8 million decrease in net interest income before provision for loan losses is reflective of a lower average balance and yield on interest-earning assets. Average earning assets declined from $468.0 million in 2000 to $293.6 million in 2001. The decrease is directly attributable to management's focus on the disposal and run-off of higher risk loans. Our yield on average earning assets was 8.33% for the year ended December 31, 2001, compared with 8.87% for the same period in 2000. Average interest-bearing liabilities declined by $171.6 million in 2001 compared to the balance in 2000. Our average cost of interest-bearing liabilities decreased to 5.42% during the year ended 2001, compared with 6.05% during the same period in 2000. Total interest income decreased $17.1 million, or 41.1% from $41.5 million at December 31, 2000 to $24.4 million at December 31, 2001, while total interest expense decreased $12.3 million, or 43.1% from $28.4 million for the year ended December 31, 2000 to $16.2 million for the year ended December 31, 2001.

The following distribution, yield and rate analysis tables for the six months ended June 30, 2003 and 2002 and for each of the past three years, shows the rate earned on each component of our earning assets, the rates paid on each segment of our interest-bearing liabilities, and our net interest income, net interest spread and net interest margin. The same tables also show the annual average balance for each principal balance sheet category, and the amount of interest income or interest expense associated with that category. The yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. Average balances are measured on a daily basis. The yields and costs include fees, which are considered adjustments to yields.

For the Six Months Ended June 30,

	For the Six Months Ended June 30,					
	2003			2002		
	Average Balance	Interest Income/ Expense	Average Rate/Yield(1)	Average Balance	Interest Income/ Expense	Average Rate/Yield(1)
	(Dollars in Thousands)					
Assets:						
Interest-earning assets:						
Cash and cash equivalents	$ 767	$ 13	3.39%	$ 5,682	$ 71	2.50%
Federal funds sold			0.00%	375	3	1.60%
Investment securities(2)	44,515	651	2.92%	53,578	1,172	4.37%
Participation contract	5,211	1,556	59.72%	4,791	2,099	87.62%
Loans receivable, net(3)	170,322	5,951	6.99%	169,407	6,880	8.12%
Total interest-earning assets	220,815	8,171	7.40%	233,833	10,225	8.75%
Total noninterest-earning assets	17,675			12,773		
Total assets	$ 238,490			$ 246,606		

23

Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Transaction accounts(4)	53,558	$ 381	1.42%	$ 37,103	$ 264	1.42%
Certificate accounts	143,622	2,160	3.01%	174,544	3,144	3.60%
Total interest-bearing deposits	197,180	2,541	2.58%	211,647	3,408	3.22%
Other borrowed funds:						
FHLB advances	15,450	254	3.29%	12,429	201	3.24%
Notes payable	11,474	955	16.65%	10,386	881	16.97%
Subordinated debentures	1,500	106	14.13%	1,500	105	14.01%
Total interest-bearing liabilities	225,604	3,856	3.42%	235,962	4,595	3.89%
Noninterest-bearing liabilities	1,634			2,242		
Total liabilities	227,238			238,204		
Stockholders' equity	11,252			8,402		
Total liabilities and stockholders' equity	$ 238,490			$ 246,606		

Net interest income	$ 4,315		$ 5,630	
Net interest spread(5)		3.98%		4.86%
Net interest margin(6)		3.91%		4.82%
Ratio of average interest-earning assets to average interest-bearing liabilities		97.88%		99.10%

(1) Average rates/yields for these periods have been annualized.

(2) Includes unamortized discounts and premiums and certificates of deposit.

(3) Amount is net of deferred loan origination fees, unamortized discounts, premiums and the allowance for loan losses, and includes loans held for sale and nonperforming loans. Loan fees were approximately $817,000 and $1.0 million for the six months ended June 30, 2003 and 2002, respectively.

(4) Consists of checking, money market and passbook accounts.

(5) Represents the weighted average yield on interest-earning assets less the weighted average cost of interest-bearing liabilities.

(6) Represents net interest income (before provision for loan losses) as a percentage of average interest-earning assets.

	For the Years Ended December 31,								
	2002			2001			2000		
	Average Balance	Interest Income/ Expense	Average Rate/Yield	Average Balance	Interest Income/ Expense	Average Rate/Yield	Average Balance	Interest Income/ Expense	Average Rate/Yield
	(Dollars in Thousands)								
Assets:									
Interest-earning assets:									
Cash and cash equivalents	$ 4,071	$ 100	2.46%	$ 20,331	$ 982	4.83%	$ 2,087	$ 278	13.35%
Federal funds sold	186	2	1.39%	444	16	3.72%	3,535	209	5.91%
Securities held under repurchase agreements							205	13	6.45%
Investment securities(1)	65,658	2,590	3.94%	27,148	1,471	5.42%	44,690	2,721	6.09%
Participation Contract	5,093	3,835	75.22%			0.00%			
Loans receivable, net(2)	152,738	12,345	8.08%	245,629	21,973	8.95%	417,498	38,298	9.17%
Total interest-earning assets	227,746	18,872	8.29%	293,552	24,442	8.33%	468,015	41,519	8.87%
Total noninterest earning assets	15,446			21,101			52,354		

	For the Years Ended December 31,								
Total assets	$ 243,192			$ 314,653			$ 520,369		
Liabilities and Stockholders' Equity:									
Interest-bearing liabilities:									
Transaction accounts[3]	$ 41,916	638	1.52%	$ 27,326	374	1.37%	$ 31,665	667	2.10%
Certificate accounts	160,752	5,677	3.53%	254,145	14,615	5.75%	400,593	24,905	6.22%
Total interest-bearing deposits	202,668	6,315	3.12%	281,471	14,989	5.33%	432,258	25,572	5.91%
Other borrowed funds:									
FHLB Advances	16,257	535	3.29%	15,494	992	6.40%	36,339	2,664	7.33%
Notes payable	10,899	1,850	16.98%						
Subordinated debentures	1,500	210	14.01%	1,500	210	14.00%	1,500	210	14.00%
Total interest-bearing liabilities	231,324	8,910	3.85%	298,465	16,191	5.42%	470,097	28,446	6.05%
Noninterest-bearing liabilities:	2,494			4,862			18,994		
Total liabilities	233,818			303,327			489,091		
Stockholders' equity	9,374			11,326			31,278		
Total liabilities and stockholders' equity	$ 243,192			$ 314,653			$ 520,369		
Net interest income		$ 9,962			$ 8,251			$ 13,073	
Net interest spread[4]			4.44%			2.91%			2.82%
Net interest margin[5]			4.37%			2.81%			2.79%
Ratio of average interest-earning assets to average interest-bearing liabilities			98.45%			98.35%			99.56%

(1) Includes unamortized discounts and premiums and certificates of deposit.

(2) Amount is net of deferred loan origination fees, unamortized discounts, premiums and the allowance for loan losses, and includes loans held for sale and nonperforming loans. Loan fees were approximately $1 million, $1.8 million and $3.5 million for the years ended December 31, 2002, 2001 and 2000, respectively.

(3) Consists of checking, money market and passbook accounts.

(4) Represents the weighted average yield on interest-earning assets less the weighted average cost of interest-bearing liabilities.

(5) Represents net interest income (before provision for loan losses) as a percentage of average interest-earning assets.

The following rate/volume analysis table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected our interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Six Months Ended June 30, 2003 vs. 2002			Year Ended December 31, 2002 vs. 2001			Year Ended December 31, 2001 vs. 2000		
	Increase (Decrease) Due to Change In			Increase (Decrease) Due to Change In			Increase (Decrease) Due to Change In		
	Average Volume	Rate	Net	Average Volume	Rate	Net	Average Volume	Rate	Net
	(Dollars In Thousands)								
Interest-earning assets:									
Cash and cash equivalents	$ (77)	$ 19	$ (58)	$ (546)	$ (336)	$ (882)	$ 986	$ (282)	$ 704
Federal funds sold	(2)	(1)	(3)	(6)	(8)	(14)	(136)	(57)	(193)
Securities held under repurchase agreements							(6)	(7)	(13)
Investment securities	(176)	(345)	(521)	1,610	(491)	1,119	(976)	(274)	(1,250)
Participation contract	171	(714)	(543)		3,835	3,835			
Loans receivable, net	37	(966)	(929)	(7,671)	(1,957)	(9,628)	(15,397)	(928))	(16,325)
Total interest-earning assets	(47)	(2,007)	(2,054)	(6,613)	1,043	(5,570)	(15,529)	(1,548)	(17,077)
Interest-bearing liabilities:									
Transaction accounts	117	(0)	117	218	45	263	(82)	(210)	(292)
Certificate accounts	(509)	(475)	(984)	(4,360)	(4,577)	(8,937)	(8,538)	(1,753)	(10,291)
Notes payable	91	(16)	75	1,850		1,850			
Subordinated debentures									
FHLB advances	50	3	53	47	(504)	(457)	(1,370)	(302)	(1,672)
Total interest bearing liabilities	(251)	(488)	(739)	(2,245)	(5,036)	(7,281)	(9,990)	(2,265)	(12,255)
Change in net interest income	$ 204	$ (1,519)	$ (1,315)	$ (4,368)	$ 6,079	$ 1,711	$ (5,539)	$ 717	$ (4,822)

Provision for Loan Losses. Provision for loan losses was $681,000 for the six months ended June 30, 2003, compared to $191,000 for the same period in 2002. Net charge-offs totaled $860,000 for the six months ended June 30, 2003 with $561,000 of this amount attributable to a project initiated in the fourth quarter of 2002 to re-evaluate all loans 90 days or more past due and to write-down or charge-off the loans based on the findings of this analysis, if so warranted. Our Loss Mitigation Department continues collection efforts on loans written-down and/or charged-off to maximize potential recoveries.

The provision for loan losses decreased to $1.1 million for the year ended December 31, 2002 from $3.3 million for the year ended December 31, 2001. Net nonperforming loans decreased by 66.03% from $14.7 million at December 31, 2001 to $5.0 million at December 31, 2002, with a corresponding decrease in net charge-offs from $4.3 million in 2001 to $2.7 million in 2002. The decrease in nonperforming loans during 2002 was primarily due to the sale of delinquent loans in the second quarter of 2002, and improved loss mitigation practices implemented during 2001. Average loans outstanding during 2002 decreased by $92.9 million, or 37.8%, over 2001, while the provision for loan losses decreased $2.2 million in 2002, or 65.8%, compared to the 2001 provision.

The provision for loan losses increased to $3.3 million for the year ended December 31, 2001 from $2.9 million for the year ended December 31, 2000. Net nonperforming loans decreased by 44.90%

from $26.7 million at December 31, 2000 to $14.7 million at December 31, 2001, partially resulting in an increase in net charge-offs from $275,000 in 2000 to $4.3 million in 2001. Average loans outstanding during 2001 decreased by $171.9 million, or 41.2%, over 2000, while the provision for loan losses increased $403,000 in 2001 or 13.8%, compared to the 2000 provision. In June 2001, we transferred $9.3 million in nonperforming loans from loans held for investment to loans held for sale in anticipation of a loan sale that did not materialize. At that time, a lower of cost or market adjustment of $634,000 was recorded as a charge-off against the allowance for loan losses.

As of June 30, 2003, our allowance for loan losses, which includes both general and specific reserves, was $2.7 million or 1.43% of total gross loans, and 68.11% of nonperforming loans, compared to an allowance for loan losses of $2.8 million at December 31, 2002 or 1.74% of gross loans and 50.35% of nonperforming loans. The following table sets forth activity in our allowance for loan losses for the periods set forth in the table.

	As of and For the Six Months Ended June 30,		As of and For the Years Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
			(Dollars in Thousands)				
Balances:							
Average net loans outstanding during period	$ 170,322	$ 169,407	$ 152,738	$ 245,629	$ 417,498	$ 411,189	$ 329,699
Total loans outstanding at end of period	185,341	135,227	163,097	195,145	335,266	458,556	337,554
Allowance for Loan Losses:							
Balance at beginning of period	2,835	4,364	4,364	5,384	2,749	2,777	2,573
Provision for loan losses	681	191	1,133	3,313	2,910	5,382	4,166
Charge-offs:							
Real estate:							
One-to-four family	959	929	1,908	3,829	273	3,163	1,023
Multi-family							
Commercial							
Construction and land			386				
Other loans	182	362	820	847	134	2,677	3,048
Total charge-offs	1,141	1,291	3,114	4,676	407	5,840	4,071
Recoveries:							
Real estate:							
One-to-four family	79	161	295	125	31	92	2
Multi-family							
Commercial							
Construction and land							
Other loans	202	35	157	218	101	338	107
Total recoveries	281	196	452	343	132	430	109
Net loan charge-offs (recoveries)	860	1,095	2,662	4,333	275	5,410	3,962
Balance at end of period	2,656	3,460	2,835	4,364	5,384	2,749	2,777

	As of and For the Six Months Ended June 30,		As of and For the Years Ended December 31,				
Ratios:							
Net loan charge-offs to average total loans	1.01%	1.29%	1.74%	1.76%	0.07%	1.32%	1.20%
Allowance for loan losses to gross loans at end of period	1.43%	2.56%	1.74%	2.24%	1.61%	0.60%	0.82%
Allowance for loan losses to total nonperforming loans	68.11%	47.42%	50.35%	27.23%	19.87%	68.42%	36.81%

Noninterest Income (Loss). The following table sets forth the various components of our noninterest income for the periods indicated.

	For the Six Months Ended June 30,				For the Years Ended December 31,					
	2003		2002		2002		2001		2000	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in Thousands)									
Loan servicing and mortgage banking fee income	$ 372	27.2%	$ 466	67.6%	$ 761	40.7%	$ 1,893	47.4%	$ 6,987	(327.1)%
Bank and other fee income	208	15.2%	290	42.1%	531	28.4%	649	16.3%	568	(26.6)%
Net gain (loss) from mortgage banking operations	207	15.1%	(244)	(35.4)%	(261)	(14.0)%	402	10.1%	(5,684)	266.1%
Net gain (loss) on Participation Contract and investment securities	143	10.4%	(15)	(2.2)%	424	22.7%	884	22.1%	(4,848)	227.0%
Net gain on residual mortgage-backed securities		0.0%		0.0%		0.0%		0.0%	295	(13.8)%
Other income(1)	440	32.1%	192	27.9%	414	22.2%	164	4.1%	546	(25.6)%
Total noninterest income (loss)	1,370	100.0%	689	100.0%	1,869	100.0%	3,992	100.0%	(2,136)	100.0%
As a percentage of average earning assets	1.2%		0.6%		0.8%		1.4%		(0.5)%	

(1) Consists primarily of gain from sale of assets and miscellaneous operating income.

Total noninterest income was $1.4 million for the six months ended June 30, 2003 compared with $689,000 for the same period a year earlier. The increase in 2003 was primarily due to a $143,000 gain on sale of GNMA mortgage-backed securities which were sold to fund our loan production, a $207,000 gain on sale of $8.9 million of commercial real estate secured loans, which were sold to manage the Bank's capital ratios, and the gain of $279,000 from the sale of two assets that were previously written-off in prior periods.

Noninterest income was $1.9 million for the year ended December 31, 2002, compared to $4.0 million for the year ended December 31, 2001. This $2.1 million decrease is primarily due to lower loan servicing income which is reflective of the fewer number of accounts in our loan portfolio in 2002 and our exit from the mortgage banking business. Loan servicing and mortgage banking income was $761,000 for the year ended December 31, 2002 compared to $1.9 million for the year ended December 31, 2001. This $1.1 million decrease is primarily due to the decline in the prepayment penalties income of $446,000, late charge fees of $262,000 and servicing income on loans sold of $208,000. The number of accounts owned or serviced as of December 31, 2002 was 1,418 compared to 2,491 as of December 31, 2001.

Noninterest income was $4.0 million for the year ended December 31, 2001, compared to a loss of $2.1 million for the year ended December 31, 2000. This $6.1 million increase is primarily due to a lower of cost or market adjustment in 2000 of $3.0 million against the held-for-sale loan portfolio to adjust the value to the lower of cost or market, the write-down of the Participation Contract of $4.9 million and $2.7 million in losses from the sale of loans in 2000 as a result of our exit from mortgage banking.

Loan servicing and mortgage banking income was $1.9 million for the year ended December 31, 2001 compared to $7.0 million for the year ended December 31, 2000. This $5.1 million decrease is primarily due to the decline in servicing fee income after the sale in the first quarter of 2001 of substantially all of our mortgage servicing rights, which resulted in a gain of $166,000. This sale was

consistent with our strategy to reduce risk in our balance sheet. The number of accounts owned or serviced as of December 31, 2001 was 2,491 compared to 9,483 as of December 31, 2000.

Noninterest Expense. The following table sets forth the various components of our noninterest expense for the periods indicated.

	For the Six Months Ended June 30,				For the Years Ended December 31,					
	2003		2002		2002		2001		2000	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in Thousands)									
Compensation and benefits	$ 2,278	47.5%	$ 2,233	40.6%	$ 4,448	43.8%	$ 5,448	38.0%	$ 11,337	43.9%
Premises and occupancy	708	14.8%	1,012	18.4%	1,890	18.6%	2,513	17.5%	4,266	16.5%
Data processing and communications	197	4.1%	287	5.2%	541	5.3%	712	5.0%	1,072	4.2%
Net loss on foreclosed real estate	51	1.1%	144	2.6%	86	0.8%	387	2.7%	589	2.3%
Restructuring charges									849	3.3%
Other expense(1)	1,562	32.6%	1,829	33.2%	3,200	31.5%	5,280	36.8%	7,693	29.8%
Total noninterest expense	4,796	100.0%	5,505	100.0%	10,165	100.0%	14,340	100.0%	25,806	100.0%
As a percentage of average earning assets	4.3%		4.7%		4.5%		4.9%		5.5%	

(1) Consists primarily of loan servicing expense, loan expense, SAIF insurance premiums, professional expenses and telephone expenses.

Noninterest expenses were $4.8 million for the six months ended June 30, 2003, compared to $5.5 million for the six months ended June 30, 2002. The $709,000 decrease is the result of actions taken by management during 2002 to reduce overall operating expenses. These actions included, but are not limited to, closing our two smallest depository branches in the second quarter of 2002 and the relocation of our corporate headquarters during the third quarter of 2002.

Noninterest expense for the year ended December 31, 2002 was $10.2 million compared to $14.3 million for the year ended December 31, 2001. The $4.2 million decrease in noninterest expense was primarily comprised of decreases in compensation and benefits of $1.0 million, other expenses of $2.1. million, premises and occupancy of $623,000 and losses on foreclosed real estate of $301,000. The decrease in compensation is primarily due to the reduction of employees from 66 full-time employees at December 31, 2001 to 57 full-time employees at December 31, 2002. As a result of management's continuing efforts to reduce our operating expenses, and the reduction of loan accounts being serviced, other expenses decreased by a net $2.1 million, primarily due to declines in loan servicing expense of $1.3 million.

Noninterest expense for the year ended December 31, 2001 was $14.3 million compared to $25.8 million for the year ended December 31, 2000. The $11.5 million decrease in noninterest expense was primarily comprised of a decrease in compensation and benefits of $5.9 million and a $2.4 million net decrease in other expenses. The decrease in compensation is primarily due to the reduction of employees from 100 full-time employees at December 31, 2000 to 66 full-time employees at December 31, 2001. As a result of our exit from mortgage banking and management's continuing efforts to reduce our operating expenses, other expenses decreased by a net $2.4 million, primarily due to declines in loan servicing expense of $1.1 million, postage expense of $409,000, and stationary and

office supplies of $355,000, partially offset by an increase of $808,000 in our deposit insurance premiums in 2001.

Provision (Benefit) for Income Taxes. We reported a benefit for income taxes for the six months ended June 30, 2003 of $398,000 compared to a benefit of $18,000 for the six months ended June 30, 2002. We reversed $400,000 of a deferred tax valuation allowance during 2003. We have a consolidated deferred tax asset of $12.0 million on which we have established a $9.2 million valuation allowance due to the uncertainty of the realization of the deferred tax asset. In the future, the allowance may be further reduced depending on our profitability.

The provision for income taxes decreased to a tax benefit of $2.3 million for the year ended December 31, 2002 compared to a provision of $642,000 for the year ended December 31, 2001. We had income before income taxes of $533,000 for the year ended December 31, 2002 compared to $5.4 million loss before tax provision for the year ended December 31, 2001. We increased the deferred tax asset $2.0 million from $350,000 in 2001 to $2.4 million in 2002 based on estimated future taxable income.

The provision for income taxes decreased to a tax provision of $642,000 for the year ended December 31, 2001 compared to a provision of $3.0 million for the year ended December 31, 2000. The loss before income taxes decreased to $5.4 million for the year ended December 31, 2001 compared to $17.8 million loss before income taxes for the year ended December 31, 2000. We increased the deferred tax valuation allowance by $1.7 million from $9.9 million in 2000 to $11.6 million, as it was more likely than not that the benefit would not be realized.

Change in Control and Net Operating Loss Carryforward. If there is an ownership change of control, as defined by IRC Section 382, the amount of our deferred tax asset to be recovered could be limited. Under IRC Section 382, a limitation is placed on the use of NOL carryforwards on an annual basis. Since we are offering more than 50% of our issued and outstanding shares in this offering, this offering will result in an ownership change under IRC Section 382 and limit the NOL amounts that we may use in future years to reduce our taxable income. The IRC Section 382 limitation is calculated by taking the value of our company multiplied by the long-term tax exempt rate. In accordance with IRC Section 382(f)(2), the adjusted federal long-term rate is determined under IRC Section 1274(d). In general, under IRC Section 382(e)(1) the value of our company will be the value of our stock (including any preferred stock described in IRC Section 1504(a)(4)), as well as certain options and warrants outstanding immediately before the ownership change. IRC Section 382 also applies in the case of a corporation that has a "net unrealized built-in loss" or "net unrealized built-in-gain" at the time of the ownership change.

At June 30, 2003, we have federal tax net operating loss carryforwards of approximately $24.3 million, of which we incurred $14.7 million, $4.2 million, $4.6 million and $756,000 in NOLs in the years 2000, 2001, 2002 and the six months ended June 30, 2003, respectively. In addition to the IRC Section 382 limitation, the utilization of NOL carryforwards is also limited to the succeeding 20 years after being incurred. We estimate that $8.5 million of our NOLs will be disallowed as a result of the IRC Section 382 limitation and the expiration of unused NOL amounts, assuming a 34% tax rate. This disallowed $8.5 million of NOL results in a decrease in our deferred tax assets of $2.9 million. We have a current valuation allowance of $9.2 million which we believe should cover the loss of this $2.9 million of deferred tax assets. We currently estimate that the annual limitation on the use of our NOLs as a result of the application of IRC Section 382 will be between $750,000 and $900,000. In addition to a Federal tax NOL, we also have a California State NOL of approximately $12.8 million. We anticipate that a change in control would reduce our state NOL by approximately $8.5 million and the state deferred tax asset by an estimated $922,000, assuming a tax rate of 10.84%. The previously mentioned valuation allowance includes $2.2 million for state deferred taxes, which should also cover any loss of our state deferred tax asset due to a change in control.

Comparison of Financial Condition

Assets. Our total assets were $250.4 million at June 30, 2003 compared to $238.3 million and $243.7 million at December 31, 2002 and December 31, 2001, respectively. The 5.1% increase in total assets from December 31, 2002 to June 30, 2003 was due primarily to a $22.7 million growth in net loans, partially offset by a $11.2 million decrease in our investment portfolio.

Investment Securities. Our investment policy as established by our board of directors attempts to provide and maintain liquidity, generate a favorable return on investments without incurring undue interest rate and credit risk, and complement our lending activities. Specifically, our policies limit investments to U.S. government securities, federal agency-backed securities, non-government guaranteed securities, including corporate debt obligations which are investment grade, and mutual funds comprised of the above.

At June 30, 2003, our FHLB stock was reclassified in our financial statements from available for sale to held to maturity due to the FHLB requirement that the Bank hold FHLB capital stock based upon a formula using the outstanding advances and loan collateral securing the advances. Prior periods' balances for investments were not reclassified in this document. The amount of FHLB stock owned at June 30, 2003 and at December 31, 2002 and 2001 was $1.6 million, $1.9 million and $3.1 million, respectively.

Our investment securities portfolio amounted to $51.9 million at June 30, 2003 as compared to $63.1 million at December 31, 2002 and $39.1 million at December 31, 2001. As of June 30, 2003 the portfolio consisted of $13.2 million of mortgage-backed securities, $31.7 million of mutual funds, $1.6 million of FHLB stock and the Participation Contract with a carrying value at June 30, 2003 of $5.4 million. The decrease in securities in 2003 is due to the sale of $13.0 million of mortgage-backed securities for the purpose of funding new loan originations. The increase in securities in 2002 was due to excess cash generated by the sale and run-off of subprime loans.

At June 30, 2003, our $13.2 million of mortgage-backed securities are all insured or guaranteed by Freddie Mac or the Veteran's Administration and are accounted for as available for sale. In addition, our mutual funds consist of $21.4 million of the Asset Management Fund Adjustable Rate Mortgage ("ARM") Fund and $10.3 million of the Asset Management Fund Intermediate Fund. The ARM Fund invests in U.S. government agency adjustable-rate mortgage-backed securities, fixed and floating-rate collateralized mortgage obligations and investment grade corporate debt instruments. The Intermediate Fund invests in mortgage-backed securities, U.S. government notes and U.S. government agency debentures. We may increase or decrease our investment in mortgage-backed securities and mutual funds in the future depending on our liquidity needs and market opportunities.

Beginning in June 2001, the residual assets underlying the Participation Contract began to generate cash flow to the lead participants in the contract. As a result, we began receiving cash from the Participation Contract during the second quarter of 2002 and as of June 30, 2003, we have received an aggregate of $4.4 million in cash under the Participation Contract. Based on the our analysis of the expected performance of the underlying loans, the future cash to us under the Participation Contract is expected to be approximately $11 to $13 million over the next five years. For additional information regarding the Participation Contract see "Business Our History Participation Contract."

We do not believe there is an active market for an asset such as the Participation Contract and have determined the estimated fair value utilizing a cash flow model which determines the present value of the estimated expected cash flows from this contract using a discount rate we believe is commensurate with the risks involved. However, the actual performance of the residual assets and cash realized by us could vary significantly from our projections. The assumptions utilized in the projections that could cause a substantial change in the cash realized from the Participation Contract are the estimated levels of future loan losses, future loan prices and the rate of prepayment speeds estimated

for the loans underlying the residual assets. We commenced accreting the discount (recognizing interest income) and the expected yield differential (the difference between the fair market value and the book value) on the Participation Contract during 2002 over the expected remaining life of the contract using a level yield methodology. The accretion will be adjusted for any changes in the expected performance of the contract. We recorded discount accretion or the recognition of interest income of $1.6 million for the six months ended June 30, 2003 and $3.8 million for the year ended December 31, 2002. The Participation Contract has been pledged as collateral for the Note.

The following table sets forth certain information regarding the amortized cost and fair values of the securities in our investment portfolio at the dates indicated:

	As of June 30, 2003		As of December 31, 2002		2001	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value

	As of December 31,					
	(Dollars in Thousands)					
Available for Sale:						
Mortgage-backed securities	$ 13,182	$ 13,179	$ 29,691	$ 30,039	$ 8,508	$ 8,584
Mutual funds	31,718	31,728	26,244	26,264	23,081	22,963
FHLB stock			1,940	1,940	3,112	3,112
Participation Contract					4,428	4,428
Total securities and Participation Contract available for sale	44,900	44,907	55,935	58,243	39,129	39,087
Held to Maturity:						
Mortgage-backed securities						
Mutual funds						
FHLB stock	1,621	1,621				
Participation Contract	5,379	7,376	4,869	7,025		
Total securities and Participation Contract held to maturity	7,000	8,997	4,869	7,025		
Total investment securities	$ 51,900	$ 53,904	$ 62,744	$ 65,268	$ 39,129	$ 39,087

The tables below set forth certain information regarding the carrying value, weighted average yields and contractual maturities of our securities as of June 30, 2003.

	As of June 30, 2003,									
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in Thousands)									
Available for Sale:										