BANK ANALYTICAL REPORT

Kaiser Federal Bank

Covina, CA

Star Rating: ★★★★★

Derived from Financial Data Reported as of March 31, 2010

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INTRODUCTION

The financial data used to prepare this report, unless otherwise noted, was compiled from data reported to the Federal Regulators. Although the information obtained from these sources is consistently reliable, the accuracy and completeness of this data cannot be guaranteed by BauerFinancial Inc.

In fact, an astute investor would agree, and experience has shown, that marginally performing institutions sometimes give themselves the benefit of the doubt when filing their reports. Our historical data helps us detect these variances.

STAR RATING SYSTEM

BauerFinancial's star ratings classify each institution based upon a complex formula which factors in relevant data including, but not limited to: current capital levels, proposed regulations, profitability, historical trends, loan delinquencies, repossessed assets, reserves, regulatory compliance and asset quality. Negative trends are projected forward to compensate for the lag time in the data. We employ conservative measures when assigning these ratings and consequently our analysis may be lower than those supplied by other analysts or the institutions themselves. Over twenty-five years of experience has shown this to be a prudent course of action. As a general guideline, however, the following groupings were used:

★★★★★ :Superior. These institutions are on BauerFinancial's Recommended Report.

★★★★ :Excellent. These institutions are also on BauerFinancial's Recommended Report.

★★★½ :Good.

★★★ :Adequate.

★★ :Problematic.

★ :Troubled.

ZERO :Our lowest rating.

FDIC :Institution has failed and/or is operating under FDIC conservatorship.

START-UP :Start-up bank. Institutions that are too new to rate.

Institutions with three or more stars meet all current regulatory capital requirements.

PEER GROUPS

Group 1- Institutions with Domestic & Foreign Offices

Group 2- Domestic Offices only – Assets $1 billion and up

Group 3- $500 – 999 million

Group 4- $300 – 499 million

Group 5- $200 – 299 million

Group 6- $100 – 199 million

Group 7- $50 – 99 million

Group 8- $25 – 49 million

Group 9- $0 – 24 million

A. ABBREVIATED FINANCIAL STATEMENTS

Balance Sheet: ($ millions)

Assets:

Cash & Due From Banks	32.833
Securities & Fed Funds Sold	61.577
Loans (net)	755.655
Real Estate Owned	1.003
Premises & Fixed Assets	2.170
Investments in Subsidiaries	1.321
Intangible Assets	4.049
Other Assets	31.763
Total Assets:	**$890.371**

Liabilities & Owner's Equity:

Non-Interest Bearing Deposits	65.045
Interest Bearing Deposits	589.251
Fed Funds Purch. & Repos	0.000
Subordinated Debt	0.000
Other Borrowed Money	149.039
Other Liabilities	4.704
Limited-Life Preferred Stock	0.000
Total Liabilities:	**$808.039**

Owner's Equity

Preferred Stock	0.000
Common Stock & Surplus	31.840
Retained Earnings	50.492
Other Equity	0.000
Total Equity:	**82.332**
Total Liabilities and Equity:	**$890.371**

Income Statement ($ millions)
For the Calendar Year-to-date Ended March 31, 2010

Interest Income:	11.212
Interest Expense:	4.366
Net Interest Income:	**6.846**
(plus) Non-Interest Income	1.193
(plus) Gains (losses Securities Transactions)	0.000
(minus) Non-Interest Expense	4.247
(minus) Provisions	2.272
(minus) Tax Provision (per Call Report)	0.401
(plus) Other Income (Expense)	0.000
Net Income:	**$1.119**

B. **CAPITAL ADEQUACY. Current regulatory capital requirements include a leverage capital ratio greater than or equal to 4% and a risk-based capital ratio greater than or equal to 8%. The risk-based capital ratio requirement of 8%, also includes a limitation that at least 4% of the 8% must be tier 1 capital (stock equity and retained earnings).**

	Bank	Peer Group
Leverage Capital Ratio:	8.89%	9.72%
Tier 1 Risk-based Capital Ratio:	12.74%	15.03%
Total Risk-based Capital Ratio:	13.99%	16.0%
Regulatory Capital Classification:	WELL-CAPITALIZED	

C. **ASSET QUALITY. The quality of an institution's assets is determined by two factors: what specifically is the asset and how does it relate to the entire portfolio. Asset quality can be the difference between survival and insolvency during periods of poor economic conditions. Please see page 2 for the Peer Group definitions.**

	Bank	Peer Group
Repossessed Assets/Net Worth:	1.22%	10.02%
Nonaccrual Loans & Other Loans Past Due Over 89 Days/Net Worth:	29.38%	31.39%
Nonperforming Assets/Net Worth + Reserves:	27.85%	37.73%

The following five ratios describe the nonperforming assets and reserves in the bank's portfolio:

	Bank	Peer Group
Nonperforming Assets/Total Assets:	2.83%	4.25%
Delinquent Loans/Total Loans:	3.17%	4.76%
Repossessed Assets/Total Assets:	0.11%	1.03%
Net Year-to-Date Chargeoffs/Total Loans:	0.0%	0.16%
Loan Loss Reserve/Total Loans:	1.06%	1.48%

C. ASSET QUALITY, Continued. Generally speaking, the more risky loans in a bank's portfolio are construction, commercial real estate, and foreign loans. Local economic conditions cause regional variances. Individuals or businesses interested in obtaining a loan or line of credit should check that the bank is actively engaged in that type of lending. Undercapitalized banks may be required to limit their lending activity due to an effort to shrink their asset size (thus increasing their capital ratios).

	Bank	Peer Group
Construction & Land Development/Total Loans:	0.0%	8.68%
Secured by Farmland/Total Loans:	0.0%	0.0%
Secured by 1-4 Family Residences/Total Loans:	44.81%	51.13%
Commercial Real Estate/Total Loans:	49.12%	29.89%
Commercial & Industrial Loans/Total Loans:	0.0%	6.08%
Loans to Individuals/Total Loans:	6.07%	4.23%
Loans to Foreign Governments/Total Loans:	0.0%	0.0%
Other Loans/Total Loans:	0.0%	0.0%

Loans to executive officers, principal shareholders and their related parties (with or without collateral) are not unusual in the banking industry. However, excessive lending to insiders can cause problems if the loans are not subject to the same arm's length underwriting standards as similar loans to other customers.

	Bank	Peer Group
Loans to Insiders/Total Loans:	0.0%	0.47%
Loans to Insiders/Total Net Worth:	0.0%	3.08%

Intangible assets are acquired by various transactions in which the purchase price exceeds the book value. For example, a bank may buy a branch of another bank for more than its book value; the premium paid would be an intangible asset to the purchaser known as "goodwill". The leverage capital ratio on page 4 excludes most intangible assets.

	Bank	Peer Group
Intangible Assets/Net Worth:	4.92%	9.56%

Investments in unconsolidated subsidiaries and related companies can be a drain on a bank's net worth. If the book value of the subsidiary declines, so does that of the bank.

	Bank	Peer Group
Investments in Subsidiaries/Net Worth:	1.6%	0.0%

D. **LIQUIDITY. Liquidity ratios measure the relationship between current assets and current liabilities; they are indicators of an institution's ability to meet current obligations. Higher ratios reflect a reliance on funding sources that may not be available in times of financial stress or adverse changes in market conditions.**

	Bank	Peer Group
Loans to Deposits:	116.73%	89.13%
Non-core Funding Dependence:	21.26%	22.97%

E. **GROWTH. As a general rule, growth in a bank is considered normal and desirable. If the growth accelerates to a point where it becomes unmanageable, however, it can lead to a situation of capital inadequacy and/or unprofitability. Asset shrinkage could indicate a cutback in lending.**

	Bank	Peer Group
% Change in Assets (year):	1.61%	2.15%
% Change in Equity (year):	3.97%	7.88%

If an institution has to buy high-cost deposits in order to facilitate its growth, it may have to pay a higher rate for the funds than can be obtained on the asset side, thus negatively impacting earnings. Brokered deposits can be an expensive way to fund growth.

	Bank	Peer Group
Brokered Deposits/Total Deposits:	0.0%	3.83%

F. **PROFITABLITY. Standard measures of profitability are Return on Assets and Return on Equity which reflect the percentage of each that has been earned during the current period. The ratios facilitate comparisons between institutions and time periods, as the same dollar figure of net income may be good or bad, depending on the balance sheet of the institution.**

Current quarter’s profit:	$1.119 million
Year-to-date profit:	$1.119 million
Year ended 12/31/09 profit:	$2.642 million
Year ended 12/31/08	$4.748 million

	Bank	Peer Group
Annualized Return on Assets:	0.51%	0.66%
Annualized Return on Equity:	5.48%	6.46%