UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission file number 000-52498

FIRST CALIFORNIA FINANCIAL GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**38-3737811**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
3027 Townsgate Road, Suite 300	
Westlake Village, California	**91361**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code: (805) 322-9655

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

11,633,289 shares of Common Stock, $0.01 par value, as of June 26, 2009

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FIRST CALIFORNIA FINANCIAL GROUP, INC.

QUARTERLY REPORT ON

FORM 10-Q

For the Quarterly Period Ended March 31, 2009

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (unaudited)

(in thousands)	March 31, 2009	December 31, 2008
Cash and due from banks	$ 48,773	$ 13,712
Federal funds sold	84,285	35,415
Securities available-for-sale, at fair value	271,743	202,462
Loans held-for-sale	31,309	31,401
Loans, net	886,448	780,373
Premises and equipment, net	20,583	20,693
Goodwill	60,705	50,098
Other intangibles, net	12,840	8,452
Deferred tax assets, net	3,596	2,572
Cash surrender value of life insurance	11,461	11,355
Accrued interest receivable and other assets	27,098	21,512
Total assets	$ 1,458,841	$ 1,178,045
Non-interest checking	$ 287,779	$ 189,011
Interest checking	81,670	22,577
Money market and savings	254,583	198,606
Certificates of deposit, under $100,000	207,451	191,888
Certificates of deposit, $100,000 and over	272,095	215,513
Total deposits	1,103,578	817,595
Securities sold under agreements to repurchase	45,000	45,000
Federal Home Loan Bank advances	117,500	122,000
Junior subordinated debentures	26,713	26,701
Accrued interest payable and other liabilities	7,869	7,826
Total liabilities	1,300,660	1,019,122
Perpetual preferred stock; authorized 2,500,000 shares		
Series A - $0.01 par value, 1,000 shares issued and outstanding as of March 31, 2009 and December 31, 2008	1,000	1,000
Series B - $0.01 par value, 25,000 shares issued and outstanding as of March 31, 2009 and December 31, 2008	22,827	22,713
Common stock, $0.01 par value; authorized 25,000,000 shares; 11,977,949 shares issued at March 31, 2009 and 11,807,624 shares issued at December 31, 2008; 11,633,289 and 11,462,964 shares outstanding at March 31, 2009 and December 31, 2008	118	118
Additional paid-in capital	135,843	135,603
Treasury stock, 344,660 shares at cost at March 31, 2009 and December 31, 2008	(3,050)	(3,050)
Retained earnings	9,372	11,559
Accumulated other comprehensive loss	(7,929)	(9,020)
Total shareholders equity	158,181	158,923
Total liabilities and shareholders equity	$ 1,458,841	$ 1,178,045

See accompanying notes to consolidated financial statements.

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FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations (unaudited)

(in thousands, except per share data)	**Three Months Ended March 31, 2009**	**2008**
Interest and fees on loans	$ 12,427	$ 13,823
Interest on securities	3,597	3,070
Interest on federal funds sold and interest bearing deposits	55	12
Total interest income	16,079	16,905
Interest on deposits	3,367	4,249
Interest on borrowings	1,555	1,954
Interest on junior subordinated debentures	487	439
Total interest expense	5,409	6,642
Net interest income before provision for loan losses	10,670	10,263
Provision for loan losses	5,069	450
Net interest income after provision for loan losses	5,601	9,813
Service charges on deposit accounts	1,050	517
Loan sales and commissions	9	54
Net gain on sale of securities	671	
Net gain on derivatives		1,225
Other income	185	362
Total noninterest income	1,915	2,158
Salaries and employee benefits	5,658	4,567
Premises and equipment	1,533	1,128
Data processing	471	387
Legal, audit, and other professional services	620	368
Printing, stationery, and supplies	192	151
Telephone	263	138
Directors expense	115	96
Advertising, marketing and business development	456	259
Postage	55	62
Insurance and regulatory assessments	309	297
Amortization of intangible assets	376	298
Other expenses	729	624
Total noninterest expense	10,777	8,375
Income (loss) before provision for income taxes	(3,261)	3,596
Provision (benefit) for income taxes	(1,383)	1,407
Net income (loss)	$ (1,878)	$ 2,189
Earnings (loss) per share:		
Basic	$ (0.18)	$ 0.19

Diluted	$	(0.18)	$	0.19

See accompanying notes to consolidated financial statements.

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FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (unaudited)

(in thousands)	**Three Months Ended March 31, 2009**	**2008**
Net income (loss)	$ (1,878)	$ 2,189
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Provision for loan losses	5,069	450
Stock-based compensation costs	232	67
Gain on sales of securities and loans	(671)	(26)
Gain on settlement of derivatives		(1,225)
Amortization (accretion) of net premiums (discounts) on securities available-for-sale	136	(170)
Depreciation and amortization of premises and equipment	430	363
Amortization of core deposit and trade name intangibles	376	298
Origination of loans held-for-sale		(12,743)
Proceeds from sale of and payments received from loans held-for-sale	92	296
Increase in cash surrender value of life insurance	(106)	(260)
Increase in deferred tax assets	(1,024)	(4,345)
Increase in accrued interest receivable and other assets, net of effects from acquisition	(5,264)	(4,345)
Decrease in accrued interest payable and other liabilities, net of effects from acquisition	(97)	(2,687)
Net cash used in operating activities	(2,705)	(17,793)
Purchases of securities available-for-sale, net of effects from acquisition	(10,102)	(14,025)
Proceeds from repayment and maturities of securities available-for-sale	32,920	19,483
Purchases of Federal Home Loan Bank stock		(2,503)
Net change in federal funds sold, net of effects from acquisition	48,870	(20)
Loan originations and principal collections, net of effects of acquisition	(10,700)	(8,810)
Purchases of premises and equipment	(320)	(310)
Proceeds from sale of repossessed personal property	31	36
Net cash paid in acquisition	(34,556)	
Net cash provided (used) in investing activities	26,143	(6,149)
Net increase (decrease) in noninterest-bearing deposits, net of effects of acquisition	4,520	(25,819)
Net increase (decrease) in interest-bearing deposits, net of effects of acquisition	11,776	(5,442)
Net increase (decrease) in FHLB advances and other borrowings	(4,487)	57,743
Dividends paid on preferred stock	(194)	
Purchases of treasury stock		(289)
Proceeds from issuance of common stock under compensation plan		23
Proceeds from exercise of stock options	8	10
Net cash provided by financing activities	11,623	26,226
Change in cash and due from banks	35,061	2,284
Cash and due from banks, beginning of period	13,712	17,413
Cash and due from banks, end of period	$ 48,773	$ 19,697
Supplemental cash flow information:		
Cash paid for interest	$ 5,317	$ 7,625
Cash paid for income taxes	$ 58	$ 3,465
Supplemental disclosure of noncash items:		

Net change in unrealized (loss) gain on securities available-for-sale	$	(1,091)	$	422
Transfer of loans to other real estate owned	$	773	$	

See accompanying notes to consolidated financial statements.

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NOTE 1 NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Organization and nature of operations First California Financial Group, Inc., or First California, or the Company, is a bank holding company incorporated under the laws of the State of Delaware and headquartered in Westlake Village, California. The principal asset of the Company is the capital stock of First California Bank, or the Bank. The Bank is a full-service commercial bank headquartered in Westlake Village, California, chartered under the laws of the State of California and subject to supervision by the California Commissioner of Financial Institutions. The Federal Deposit Insurance Corporation, or the FDIC, insures its deposits up to the maximum legal limit.

On January 23, 2009, the Bank assumed the insured, non-brokered deposits of 1st Centennial Bank, totaling approximately $270 million from the FDIC. The Bank also purchased from the FDIC approximately $164 million in cash and cash equivalents, $89 million in securities and $101 million in loans related to 1st Centennial Bank. The assumption of deposits and purchase of assets from the FDIC, or the FDIC-assisted 1st Centennial Bank transaction, was an all-cash transaction with an aggregate transaction value of $113.7 million. The Bank recorded $10.6 million in goodwill in connection with this transaction. All six of the former 1st Centennial Bank branches have been fully integrated into the Bank s full-service branch network.

The Bank serves the comprehensive financial needs of businesses and consumers in Los Angeles, Orange, Riverside, San Diego, San Bernardino and Ventura counties through 18 full-service branch locations.

Consolidation The accompanying condensed consolidated financial statements include, in conformity with generally accepted accounting principles in the United States of America, the accounts of the Company, the Bank and SC Financial, an inactive subsidiary of First California. The Company does not consolidate the accounts of FCB Statutory Trust I and First California Statutory Trust I, or the Trusts, in the consolidated financial statements. The Company does include however the junior subordinated debentures issued by the Company to the Trusts on the consolidated balance sheets. Results of operations for the three months ended March 31, 2009 include the effects of the FDIC-assisted 1st Centennial Bank transaction from the date of the transaction. All material intercompany transactions have been eliminated.

Basis of presentation The unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 8-03 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnote disclosures normally required by generally accepted accounting principles for complete financial statements. In our opinion, all normal recurring adjustments necessary for a fair presentation are reflected in the unaudited condensed consolidated financial statements. Operating results for the period ended March 31, 2009 are not necessarily indicative of the results of operations that may be expected for any other interim period or for the year ending December 31, 2009. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s 2008 Annual Report on Form 10-K.

Reclassifications Certain reclassifications have been made to the 2008 consolidated financial statements to conform to the current year presentation.

Management s estimates and assumptions The preparation of the consolidated financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported revenues and expenses for the reporting periods. Actual results could differ significantly from those estimates. Significant estimations made by management primarily involve the calculation of the allowance for loan losses, the carrying amount of deferred tax assets, the assessments for impairment related to goodwill and securities and the effectiveness of derivative instruments in offsetting changes in fair value or cash flows of hedged items.

Allowance for loan losses The allowance for loan losses is established through a provision charged to expense. Loans are charged against the allowance when management believes that the collectability of principal is unlikely. The allowance is an amount that management believes will be adequate to absorb probable losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower s ability to pay. Various regulatory agencies, as a regular part of their examination process, periodically review the Company s allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgment of information available to them at the time of their examinations. The allowance for loan losses was $11.3 million at March 31, 2009 and $8.0 million at December 31, 2008.

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Deferred income taxes Deferred income tax assets and liabilities represent the tax effects of the differences between the book and tax basis of the various balance sheet assets and liabilities. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. An estimate of probable income tax benefits that will not be realized in future years is required in determining the necessity for a valuation allowance for deferred tax assets. There was no valuation allowance at March 31, 2009 or December 31, 2008. There were deferred tax assets of $3.6 million at March 31, 2009 and $2.6 million at December 31, 2008.

Derivative instruments and hedging The Company assesses the effectiveness of derivative instruments designated in cash flow hedging relationships in off-setting changes in the overall cash flows of designated hedged transactions on a quarterly basis. During the first quarter of 2008, the effectiveness assessments indicated that the instruments were partially effective. To the extent the transactions were not effective the unrealized gains or losses on those instruments were reflected directly in current period earnings. During the first quarter of 2008, the Company also owned an interest rate floor, which was not designated in a hedging relationship. Accordingly, all changes in fair value of the floor were recognized directly in current period earnings. As of and subsequent to December 31, 2008, the Company no longer owns any derivative instruments.

Assessments of impairment Goodwill is assessed for impairment on an annual basis or at interim periods if an event occurs or circumstances change which may indicate a change in the implied fair value of the goodwill. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. First California uses independent data where possible in determining the fair value of the Company and in determining appropriate market factors used in the fair value calculations. At December 31, 2008 the annual assessment resulted in the conclusion that goodwill was not impaired. At March 31, 2009, because of the net loss for the first quarter of 2009, an interim assessment was performed and resulted in the conclusion that goodwill was not impaired.

An impairment assessment is performed regularly on the securities available-for-sale portfolio in accordance with SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities,* FSP FAS 115-1 and FAS 124-1 *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,* EITF 99-20 *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets* and FSP 157-3 *Determining the Fair Value of a Financial Asset When the Market for that Asset is not Active.* If it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the debt security not impaired at acquisition, an other-than-temporary impairment is considered to have occurred. When an other-than-temporary impairment occurs, the cost basis of the security is written down to its fair value (as the new cost basis) and the write-down is accounted for as a realized loss. Other-than-temporary declines in fair value are assessed based on the duration the security has been in a continuous unrealized loss position, the severity of the decline in value, the rating of the security, the long-term financial outlook of the issuer, the expected future cash flows and the Company s ability and intent on holding the securities until the fair values recover. The Company concluded that there were no securities with an other-than-temporary impairment at March 31, 2009. The Company will continue to evaluate the securities portfolio for other-than-temporary impairment at each reporting date and no assurance can be provided that there will not be an other-than-temporary impairment in future periods.

NOTE 2 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2007, Statement of Financial Accounting Standard, or SFAS, No. 141R *Business Combinations*, was issued and was effective on January 1, 2009. SFAS 141R changes the way acquisitions are accounted for in the following ways: (1) the measurement date for consideration transferred, including equity securities, is the date when control is obtained, generally the closing date; previously, equity securities issued in a business combination were measured at the combination s announcement date; (2) acquisition and restructuring costs are generally expensed as incurred rather than being considered part of the cost of the business combination; (3) contractual contingencies are measured on the closing date at fair value with adjustments to such fair value recorded in earnings when new information is obtained; and (4) contingent consideration is measured at its fair value on the closing date with subsequent adjustments based on changes in fair value. The Company adopted SFAS No. 141R effective January 1, 2009, and applied this new standard to the FDIC-assisted 1st Centennial transaction. This did not have a material impact on either the Company s financial condition or operating results.

In June 2008, the Financial Accounting Standards Board, or FASB, issued FASB Staff Position, or FSP, EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*, or FSP EITF 03-6-1. FSP EITF 03-6-1 clarified that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities and are included in the two-class method of computing basic and diluted earnings per share. The Company adopted FSP EITF 03-6-1 effective January 1, 2009 and this did not have a material impact on the Company s financial condition, operating results or earnings per share amounts and disclosures.

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In April 2009, the FASB issued the following three FASB Staff Positions intended to provide additional guidance and enhance disclosures regarding fair value measurements and impairment of securities:

FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have decreased significantly. FSP 157-4 also provides guidance on identifying circumstances that indicate a transaction was not orderly. The provisions of FSP 157-4 are effective for the Company s interim period ending on June 30, 2009. Management is currently evaluating the effect that the provisions of FSP 157-4 may have on the Company s consolidated financial statements.

FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, requires disclosures about fair value of financial instruments in interim reporting periods of publicly traded companies that were previously only required to be disclosed in annual financial statements. The provisions of FSP FAS 107-1 and APB 28-1 are effective for the Company s interim period ending on June 30, 2009. As FSP FAS 107-1 and APB 28-1 amends only the disclosure requirements about fair value of financial instruments in interim periods, the adoption of FSP FAS 107-1 and APB 28-1 is not expected to affect the Company s consolidated financial statements.

FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, amends current other-than-temporary impairment guidance in generally accepted accounting principles for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. However, it does change the presentation of other-than-temporary impairments in the financial statements. Under this FSP, only credit-related losses will be realized through the income statement. Interest rate and market-related losses will be recorded in other comprehensive income on the balance sheet and will not affect the cost basis of the security. The provisions of FSP FAS 115-2 and FAS 124-2 are effective for the Company s interim period ending on June 30, 2009. Management is currently evaluating the effect that the provisions of FSP FAS 115-2 and 124-2 may have on the Company s consolidated financial statements.

NOTE 3 ACQUISITION

On January 23, 2009, or the Transaction Date, the Bank assumed the insured, non-brokered deposits of 1st Centennial Bank from the FDIC, acting in its capacity as receiver of 1st Centennial Bank. Under the terms of the purchase and assumption agreement between the Bank and the FDIC, the Bank also purchased certain assets from the FDIC at the close of the transaction. The Bank paid cash consideration of $113.7 million to the FDIC for the assets acquired and liabilities assumed. The Bank continues to operate the former 1st Centennial Bank s six branch locations as part of the Bank s eighteen branch locations. The Company desired this transaction to enter into new markets and to assume a diversified deposit portfolio with a large percentage of stable core deposits.

Under the acquisition method of accounting, the Bank recorded the assets acquired and liabilities assumed based on their estimated fair values as of the Transaction Date. Results of operations for the three months ended March 31, 2009 include the effects of the assumption of deposits and purchase of assets from the FDIC from the Transaction Date. The excess of the purchase price over the estimated fair values of the underlying assets acquired, the identified intangible assets, and liabilities assumed was allocated to goodwill.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed as of the Transaction Date.

(Dollars in thousands)	
Assets Acquired:	
Cash and cash equivalents	$ 64,863
Federal Funds sold	113,090
Securities	88,969
Loans	101,217
Goodwill	10,606
Core deposit intangible	4,755
Other assets	968
Total assets acquired	384,468

Liabilities Assumed:	
Deposits	269,688
Other liabilities	1,127
Total liabilities assumed	270,815
Total cash consideration paid to FDIC	$ 113,653

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The Bank based the allocation of the purchase price above on the fair values of the assets acquired and the liabilities assumed. All of the resulting goodwill is expected to be deductible for tax purposes.

The following information presents the pro forma results of operations for the three months ended March 31, 2009, as though the transaction had occurred on January 1, 2009. The pro forma data was derived by combining the historical consolidated financial information of First California and the results of operations from the assets purchased and liabilities assumed from the FDIC using the acquisition method of accounting for business combinations. The pro forma results do not necessarily indicate results that would have been obtained had the transaction actually occurred on January 1, 2009 or the results that may be achieved in the future.

(in thousands, except per share data)	Pro forma Three months ended March 31, 2009
Net interest income	$ 11,276
Noninterest income	2,003
Noninterest expense	10,999
Provision for loan losses	5,069
Income (loss) before provision for income taxes	(2,789)
Income tax benefit	1,194
Net income (loss)	$ (1,595)
Pro forma income (loss) per common share:	
Basic	$ (0.15)
Diluted	$ (0.15)
Pro forma weighted average shares:	
Basic	11,528
Diluted	11,528

The amount of net revenue from the assets acquired and liabilities assumed since the Transaction Date included in the consolidated statement of operations is $2.1 million. The income included in the consolidated statement of operations from the assets acquired and liabilities assumed since the Transaction Date is $461,000.

The assets purchased and liabilities assumed were comprised mainly of specific securities, loans and deposit accounts. It is impractical to present comparative pro-forma results as if the acquisition occurred at the beginning of the period ended March 31, 2008 as the balances and rates of the individual assets and liabilities is in some cases not applicable (did not exist in prior period) or the individual account balance and/or rate during the prior period is not known.

Per the terms of the purchase and assumption agreement, the Bank was given the exclusive option to purchase 1st Centennial Bank loans at par from the FDIC during the 30-day period subsequent to the Transaction Date. The Bank purchased $100 million of loans at par from the FDIC under this option and recorded these loans at fair value, which materially approximates the amortized cost of the loans, given that the loans are currently performing in accordance with the loan contracts at interest rates that approximate market rates. The loans purchased are comprised of $42 million of commercial mortgages, $40 million of commercial loans and lines, $10 million of residential 1-4 mortgages, $5 million of multifamily mortgages, $2 million of construction loans and $1 million of home equity loans and lines. The Bank also has an option to purchase the furniture, fixtures and equipment related to the six branch locations at fair value from the FDIC. The fair value and the purchase of these assets were not yet finalized as of the date of this report. Other settlements are still pending with the FDIC, and once settled, may result in adjustments to the above amounts, including goodwill.

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NOTE 4 SECURITIES

The amortized cost, unrealized gains, unrealized losses and estimated fair values of securities available-for-sale at March 31, 2009 and December 31, 2008 are summarized as follows:

	March 31, 2009			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury notes	$ 599	$	$	$ 599
U.S. government agency collateralized mortgage obligations	70,597	826	(17)	71,406
U.S. government agency mortgage-backed securities	126,873	4,340	(2)	131,211
Private label collateralized mortgage obligations	56,004	10	(16,100)	39,914
Municipal securities	26,123	414	(198)	26,339
Other domestic debt securities	4,907		(2,633)	2,274
Securities available-for-sale	$ 285,103	$ 5,590	$ (18,950)	$ 271,743

	December 31, 2008			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agency notes	$ 2,000	$ 20	$	$ 2,020
U.S. government agency collateralized mortgage obligations	8,934	278	(5)	9,207
U.S. government agency mortgage-backed securities	129,060	3,197	(46)	132,211
Private label collateralized mortgage obligations	54,184		(15,493)	38,691
Municipal securities	17,327	220	(123)	17,424
Other domestic debt securities	4,941		(2,032)	2,909
Securities available-for-sale	$ 216,446	$ 3,715	$ (17,699)	$ 202,462

The Company performs regular impairment analyses on the securities available-for-sale portfolio in accordance with SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities,* FSP FAS 115-1 and FAS 124-1 *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,* EITF 99-20 *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets* and FSP 157-3 *Determining the Fair Value of a Financial Asset When the Market for that Asset is not Active.* If it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the debt security not impaired at acquisition, an other-than-temporary impairment is considered to have occurred. When an other-than-temporary impairment occurs, the cost basis of the security is written down to its fair value (as the new cost basis) and the write-down is accounted for as a realized loss. Other-than-temporary declines in fair value are assessed based on the duration the security has been in a continuous unrealized loss position, the severity of the decline in value, the rating of the security, the long-term financial outlook of the issuer, the expected future cash flows and our ability and intent on holding the securities until the fair values recover.

Based upon the results of the other-than-temporary impairment analysis as of March 31, 2009, and as of December 31, 2008, management did not identify any securities to be other-than-temporarily impaired.

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NOTE 5 LOANS AND ALLOWANCE FOR LOAN LOSSES

The loan portfolio by type consists of the following:

(in thousands)	At March 31, 2009	At December 31, 2008
Commercial mortgage	$ 355,006	$ 302,016
Commercial loans and lines of credit	251,456	228,958
Construction and land development	121,346	133,054
Multifamily mortgage	75,052	51,607
Home mortgage	50,552	45,202
Home equity loans and lines of credit	38,147	22,568
Installment and credit card	6,164	5,016
Total loans	897,723	788,421
Allowance for loan losses	(11,275)	(8,048)
Loans, net	$ 886,448	$ 780,373
Loans held-for-sale	$ 31,309	$ 31,401

At March 31, 2009 and December 31, 2008, loans held-for-sale were $31.3 million and $31.4 million, respectively. Loans held-for-sale are carried at the lower of aggregate cost or market value. Loan sale gains or losses are recorded in noninterest income based on the difference between loan sale proceeds and carrying value. Loans held-for-sale at March 31, 2009 represent performing multifamily residential mortgage loans originated from January 2008 to December 2008 at interest rates which approximate market rates. In the first quarter of 2009, the Bank identified two prospective buyers for these loans and they undertook their purchase due diligence shortly after year-end. The Bank accepted a bid from one of these buyers in March subject to completion of due diligence. This remaining prospective buyer aggregates loans and re-sells them to the Federal National Mortgage Association, or FNMA. Subsequent to accepting the bid, FNMA changed its underwriting and documentation standards and we have and continue to work with the prospective buyer and our borrowers to meet these new standards. The Bank can provide no assurance that that we will be able to meet these new documentation standards or that we will be able to complete the intended sale of loans. Should the Bank ultimately not be able to complete the sale, the Bank will attempt to identify other prospective buyers. Alternatively, the Bank may return these loans to our regular loan portfolio at the lower of cost or their fair value.

At March 31, 2009, loans with a balance of $434.9 million were pledged as security for Federal Home Loan Bank, or FHLB, advances. Loan balances include net deferred fees of $1.6 million and $1.8 million at March 31, 2009 and December 31, 2008, respectively.

Most of the Company s lending activity is with customers located in the six Southern California counties where our branches are located. The Company has no significant credit exposure to any individual customer; however, the economic condition in Southern California could adversely affect customers. A significant portion of our loans are collateralized by real estate. Changes in the economic condition in Southern California could adversely affect the value of real estate.

Changes in the allowance for loan losses were as follows:

(in thousands)	Three Months Ended March 31, 2009	2008
Beginning balance	$ 8,048	$ 7,828
Provision for loan losses	5,069	450
Loans charged-off	(1,847)	(606)
Recoveries on loans previously charged-off	5	36
Ending balance	$ 11,275	$ 7,708

Past due loans and foreclosed assets consist of the following:

(dollars in thousands)	At March 31, 2009	At December 31, 2008
Accruing loans past due 30 - 89 days	$ 6,395	$ 2,644
Accruing loans past due 90 days or more	$ 65	$ 429
Nonaccrual loans	$ 8,380	$ 8,475
Foreclosed assets	$ 1,069	$ 327

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There were $8.4 million and $5.7 million of nonaccrual loans at March 31, 2009 and March 31, 2008, respectively. Had these loans performed according to their original terms, additional interest income of approximately $154,000 and $117,000 would have been recognized in the three month periods ended March 31, 2009 and March 31, 2008, respectively.

The Company considers a loan to be impaired when, based on current information and events, the Company does not expect to be able to collect all amounts due according to the loan contract, including scheduled interest payments. Due to the size and nature of the loan portfolio, impaired loans are determined by periodic evaluation on an individual loan basis. The average balance of impaired loans was $35.6 million for the three months ended March 31, 2009 and $2.9 million for the three months ended March 31, 2008. Impaired loans were $36.6 million at March 31, 2009 and $34.5 million at December 31, 2008. Reserves for individually impaired loans are computed in accordance with SFAS No. 114 *Accounting by Creditors for Impairment of a Loan*, and are based on either the estimated collateral value less estimated selling costs (if the loan is a collateral-dependent loan), or the present value of expected future cash flows discounted at the loan s effective interest rate. Of the $36.6 million of impaired loans at March 31, 2009, $5.8 million had specific reserves of $0.1 million. Of the $34.5 million of impaired loans at December 31, 2008, $2.0 million had specific reserves of $0.6 million.

NOTE 6 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill was $60.7 million at March 31, 2009 and $50.1 million at December 31, 2008. The $10.6 million increase in goodwill represents the goodwill recognized from the purchase of certain assets and the assumption of certain deposit liabilities from the FDIC in its capacity as receiver of 1st Centennial Bank. No impairment loss was recognized for the periods ended March 31, 2009 and December 31, 2008.

Core deposit intangibles, net of accumulated amortization, were $9.7 million at March 31, 2009 and $5.2 million at December 31, 2008. The $4.7 million increase in core deposit intangibles represents the core deposit intangible recognized from the assumption of certain deposit liabilities from the FDIC in its capacity as receiver of 1st Centennial Bank. Amortization expense for the three months ended March 31, 2009 and 2008 was $277,000 and $198,000, respectively.

Trade name intangible, net of accumulated amortization, was $3.2 million at March 31, 2009 and $3.3 million at December 31, 2008. Amortization expense for the three months ended March 31, 2009 and 2008 was $100,000 in each period.

NOTE 7 EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share , or EPS, excludes dilution and is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflect the potential dilution that could occur if common shares were issued pursuant to the exercise of common stock options under the Company s stock option plans and if common shares were issued from the conversion of the convertible preferred stock.

The following table illustrates the computations of basic and diluted EPS for the periods indicated:

	Three months ended March 31,			
	2009		**2008**	
(in thousands, except per share data)	***Diluted***	***Basic***	***Diluted***	***Basic***
Net income (loss) as reported	$ (1,878)	$ (1,878)	$ 2,189	$ 2,189
Less preferred stock dividend declared	(194)	(194)		
Net income (loss) available to common shareholders	$ (2,072)	$ (2,072)	$ 2,189	$ 2,189
Weighted average common shares outstanding-Basic	11,528	11,528	11,485	11,485
Options				
Restricted stock				
Convertible preferred stock			273	
Weighted average common shares outstanding-Diluted(1)	11,528	11,528	11,758	11,485
Earnings (loss) per common share	$ (0.18)	$ (0.18)	$ 0.19	$ 0.19

(1) In accordance with SFAS No. 128 *Earnings Per Share*, due to the net loss for the three months ended March 31, 2009, the impact of securities convertible to common stock is not included as its effect would be anti-dilutive.

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NOTE 8 COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is the change in equity during a period from transactions and other events and circumstances from non-owner sources. Total comprehensive income (loss) was as follows:

(in thousands)	Three Months ended March 31, 2009	2008
Other comprehensive income (loss):		
Unrealized gain (loss) on interest rate swaps used in cash flow hedges	$	$ (200)
Unrealized gain (loss) on securities available for sale	1,965	(612)
Reclassification adjustment for securities gains included in net income	(671)	
Other comprehensive income (loss), before tax	1,294	(812)
Income tax benefit (expense) related to items of other comprehensive income	(203)	390
Other comprehensive income (loss)	1,091	(422)
Net income (loss)	(1,878)	2,189
Comprehensive income (loss)	$ (787)	$ 1,767

NOTE 9 FAIR VALUE MEASUREMENT

The Company adopted SFAS No. 157 effective January 1, 2008. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurement. This standard applies to all financial assets and liabilities that are being measured and reported at fair value on a recurring and non-recurring basis. Upon adoption of SFAS No. 157, there was no cumulative effect adjustment to beginning retained earnings and no impact on the financial statements in the first quarter of 2008.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table presents information about the Company s assets and liabilities measured at fair value on a recurring and non-recurring basis as of March 31, 2009 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) for identical instruments that are highly liquid, observable and actively traded in over-the-counter markets. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable and can be corroborated by market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The Company uses fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure for accounting. This is done primarily for available-for-sale securities and derivatives. Fair value is used on a nonrecurring basis to measure certain assets when applying lower of cost or market accounting or when adjusting carrying values, such as for loans held-for-sale, impaired loans, and other real estate owned. Fair value is also used when evaluating impairment on certain assets, including securities, goodwill, core deposit and other intangibles, for valuing assets and liabilities acquired in a business combination and for annual disclosures required by SFAS No. 107, *Disclosures about Fair Value of Financial Instruments.*

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The following tables present information on the assets measured and recorded at fair value on a recurring and nonrecurring basis at and for the three months ended March 31, 2009.

		Financial Assets Measured at Fair Value on a Recurring Basis at March 31, 2009, Using		
(in thousands)	**Fair value at March 31, 2009**	**Quoted prices in active markets for identical assets (Level 1)**	**Other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Available-for-sale securities	$ 271,743	$	$ 271,743	$
Total assets measured at fair value	$ 271,743	$	$ 271,743	$

		Assets Measured at Fair Value on a Non-Recurring Basis at March 31, 2009, Using		
(in thousands)	**Fair value at March 31, 2009**	**Quoted prices in active markets for identical assets (Level 1)**	**Other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Impaired loans	$ 5,710	$	$	$ 5,710
Foreclosed assets	1,069			1,069