



NATIONAL BANK
of California

#169

March 3, 2009

Neil M. Barofsky
Special Inspector General – TARP
1500 Pennsylvania Avenue, NW; Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky,

Please accept this correspondence as the formal response by NCAL Bancorp to your request dated February 6, 2009. Listed below are the responses to each of your requested items.

1(a) Anticipated use of TARP Funds.

Response: NCAL Bancorp intends to utilize all of its TARP funds (\$10 million) to continue lending to small and medium sized businesses in Los Angeles, Ventura, and Orange Counties in California. This is consistent with the plan mentioned in the TARP application.

1(b) Were the TARP funds segregated from other institutional funds?

Response: The funds were not segregated from other institutional funds as the Bank only has one account at the Federal Reserve Bank of San Francisco. The funds were added to the aggregate resources available to the Bank to fund lending operations.

1(c) Actual Use of TARP Funds.

Response: The TARP funds application stated that the intended use of the funds was to increase lending capacity and that remains the plan.

On December 23, 2008, NCAL Bancorp received a wire transfer of \$10 million as its award of TARP funds. The funds were wired to its wholly owned subsidiary bank, National Bank of California, N.A. The appropriate entries were made to reflect the receipt of funds as \$10 million in preferred stock of NCAL Bancorp. Immediately thereafter, the whole amount was then directly invested in common stock of National Bank of California, N.A. The funds were retained in the Bank's account at the Federal Reserve Bank of San Francisco. The immediate effect of the receipt of funds was to reduce the daily borrowings from the Federal Home Loan Bank of San Francisco by \$10 million. The Bank has a loan to deposit ratio in excess of 100% and relies on borrowings from the Federal Home Loan Bank to fund the expansion of lending activities. Subject to normal deposit fluctuations, the Bank typically advances on its line of credit at the Federal Home Loan Bank to fund new loan growth. The receipt of the TARP funds immediately increased the Bank's availability under its line of credit at the Federal Home Loan Bank of San Francisco by \$10 million, allowing for an increase in lending capacity.

In January, the Bank made 6 new loans to small businesses totaling \$5,564,744. In February, 10 new loans were made to small and medium sized businesses totaling \$2,932,250. For the first two months the Bank had the TARP funds, a total of 16 loans were made totaling \$8,496,994. The new borrowers are estimated to employ 250 people and the new loans appear to be helping maintain these jobs. Without the TARP funds, the Bank would have been forced to limit its lending activities since limited funding sources are available elsewhere in the banking industry for small community banks.

1(d) Expected use of unused TARP funds.

Response: The Bank intends on continuing to seek additional loans to small businesses. It is anticipated that the remaining funds will be deployed within 60 to 90 days. (b) (4) (b) (4)

(b) (4)

2 Executive Compensation.

Response: The Bank is in full compliance with all Department of Treasury guidelines regarding executive compensation for bank's receiving TARP funds. Prior to the receipt of the TARP funds, minor changes were made in the salary continuation agreements of the three executive officers that had such benefits to comply with the Treasury requirements. (b) (4) (b) (4)

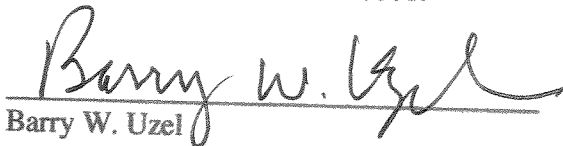
The Bank fully understands your concern over how the TARP funds are being utilized by the recipient banks. I can attest that all of our TARP funds will be used to increase lending to small and medium sized businesses located within our CRA assessment area. Please contact me with any questions.

Sincerely,



Barry W. Uzel, President & Chief Executive Officer

I, Barry W. Uzel, President & Chief Executive Officer of NCAL Bancorp and National Bank of California, N.A., do hereby certify as to the accuracy of all statements and representations made in this correspondence, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.



Barry W. Uzel