COMMONWEALTH cbb
BUSINESS BANK

February 24, 2009

Via Email and U.S. Mail

Mr. Neil M. Barofsky
Special Inspector General
Trouble Asset Relief Program
United States Department of the Treasury
1500 Pennsylvania Avenue, NW, Suite 1064
Washington, D.C. 20220
Email: SIGTARP.response@do.treas.gov

RE: Commonwealth Business Bank - $7.7 million TARP Investment

Dear Mr. Barofsky:

We are forwarding our report pursuant to your request dated February 6, 2009 regarding our use of TARP funds and our compliance with EESA's executive compensation requirements. We received the TARP funds from the Treasury in the amount of $7.701 million on January 23, 2009.

USE OF TARP PREFERRED STOCK INVESTMENT

We are a small community bank headquartered in Los Angeles, California with 3 branches in Los Angeles and Orange Counties. With total assets of approximately $300 million, we specialize in small business lending. We are an SBA's Preferred Lender (PLP) and have originated many small business loans since we first opened our business in March 2005. During the past three years, we had two stock offerings to the public, one at the inception and the second one in 2006. Like any other fast growing community bank, we need to raise new capital every two to three years or so in order to grow and maintain adequate capital.

The reasons for our decision to accept the TARP investment were two fold: secure liquidity to support future loan growth and to shun the negative publicity associated with failure to receive the TARP investment from the Treasury.

In anticipation of the TARP investment, we originated $8.4 million in new loans during the past two months, in addition to $11.0 million in renewals. It is difficult for us to segregate the loans specifically funded using the TARP investment, however, we can assure you that our lending activity has increased with the TARP investment. [redacted]

COMPLIANCE WITH EESA'S EXECUTIVE COMPENSATION REQUIREMENTS

We have not used the TARP funds to pay compensation, bonus or any other benefits to our management or staff. The Board Compensation Committee reviews senior management's performance and approves the incentive bonus based on pre-determined compensation formula. [redacted]

We are attaching a copy of our recent press release as well as the 2009 balance sheet forecast which reflects our loan growth.

The undersigned hereby certifies that the statements made herein and in any supporting documents provided herewith are true, complete, and correct to the best of my knowledge and belief, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Please do not hesitate to give us a call if you have any question.

Very truly yours,

Wun Hway (Jack) Choi
President & CEO

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Mr. Barofsky

cc: G. Timothy Haight,
Chairman of the Board
Commonwealth Business Bank

(b) (6) [redacted]
Horgan, Rosen, Beckham & Coren, LLP
Attorney for Commonwealth Business Bank

(b) (6) [redacted]
Federal Reserve Bank

(b) (6) [redacted]
Department of Financial Institutions

Enclosure

COMMONWEALTH BUSINESS BANK
STATEMENT OF CONDITION
PROJECTION JAN 2009 - DEC 2009

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[redacted]

ASSETS	12/31/2008 Current Bal
Cash and due from banks	$ 5,846
Due from banks time	5,000
CASH & DUE FROM	**10,846**
FED FUNDS SOLD	**3,190**
Investment securities available-for-sale	23,361
Investment securities held-to-maturity	7,506
INVESTMENT SECURITIES	**30,867**
Loans and lease financing	**247,867**
Less Allowance for loan losses	(4,260)
Unamortized deferred loan fees	(258)
LOANS, NET	**243,349**
PREMISE & FIXED ASSETS	**1,662**
ACCRUED INTEREST RECEIVABLE	**988**
BA - Customer Liability	**-**
FRB & FHLB Stocks	**2,376**
OTHER ASSETS	**3,214**
TOTAL ASSETS	**$ 296,492**
LIABILITIES & SHAREHOLDERS' EQUITY	
Demand deposits	$ 36,197
Super Now	224
Money market deposits	25,045
Savings deposits	772
Time deposits under $100,000	39,655
Time deposits of $100,000 or more	54,604
Wholesale Deposits	81,985
TOTAL DEPOSITS	**238,482**
FHLB Borrowing	14,000
ACCRUED INTEREST PAYABLE	883
BA- Customer Liability	-
OTHER LIABILITIES	1,410
TOTAL LIABILITIES	**254,776**
Preferred stock	
Common stock, no par	39,434
APIC - stock option expense	1,505
Accumulated OCI, net	202
Beg. Retained earnings	210
Dividend TARP	
Current Years earnings	366
SHAREHOLDER'S EQUITY	**41,717**
TOTAL LIAB & SHRHOLDER'S EQUITY	**$ 296,492**

PRESS RELEASE

Commonwealth Business Bank Reports Fourth Quarter and Full Year 2008 Results

LOS ANGELES – BUSINESS WIRE – February 10, 2009 – Commonwealth Business Bank (OTCBB: CWBB.OB) today reported net income of $370,000 or $0.12 diluted earnings per share for full year 2008 and a net loss of $467,000 or ($0.15) diluted earnings per share for fourth quarter.

"After three consecutive years of profits, we are disappointed to report our first quarterly loss for 2008. Despite our continued effort to vigilantly monitor the credit portfolio, many of our customers have been adversely affected by the recession and it had a negative impact on our credit performance. Our loan delinquency and nonperforming loans increased during the fourth quarter, and we increased the provisions for credit losses to support the risk profile within the loan portfolio. The recession is most likely to continue through 2009, and we expect to see elevated credit problems", stated Jack Choi, President and CEO.

The Bank recorded a net loss of $467,000 or ($0.15) diluted earnings per share in fourth quarter compared to a net income of $154,000 or $0.05 diluted earnings per share of the previous quarter. Net interest income for fourth quarter of $2.3 million, decreased by $145,000 or 6 percent from the third quarter. While the volume of earning assets grew, the net interest margin experienced further compression to 3.13 percent compared to 3.41 percent during the third quarter as prime-based loans repriced downward faster than the deposit rates declined. The provision for credit losses increased by $1.0 million to $1.6 million. There was no gain on sale of SBA loans during the fourth quarter, and noninterest income decreased to $281,000 from $311,000 reported in the third quarter. Noninterest expenses increased slightly to $1.78 million resulting in the efficiency ratio increasing to 70.0 percent. ROA and ROE for the quarter decreased to -0.63 percent and -4.38 percent, respectively, from 0.21 percent and 1.45 percent, respectively, during the third quarter.

For the twelve months ended December 31, 2008, net interest income decreased slightly to $9.2 million despite the growth of earning assets. Noninterest income for the year ending December 31, 2008 also decreased slightly to $1.6 million compared to the comparable period in 2007 as an increase in service charge income was offset by a reduction in gain on sale of SBA loans. Noninterest expense increased to $7.3 million for the year compared with $6.8 million reported in the corresponding period in 2007. This increase was mainly due to an increase in salary expenses associated with growth as well as non-recurring professional expenses associated with the Hana Financial Group's transaction. In light of the continuing challenges in the credit market, the Bank increased its provisions for credit losses to $2.9 million during 2008. This represents an increase of $556,000 compared to 2007. Net income for 2008 decreased to $370,000 or $0.12 per diluted share, compared to $1.2 million, or $0.36 per diluted share reported in 2007. The efficiency ratio increased to 67.3 percent during 2008. ROA and ROE for 2008 equaled 0.13 percent and 0.88 percent, respectively. ROA and ROE for 2007 were 0.44 percent and 2.90 percent, respectively.

As of December 31, 2008, total assets were $296.5 million compared to $295.8 million at September 30, 2008 and $257.7 million at the year-end 2007. Gross loans increased by $9.2 million or 3.9 percent to $247.6 million at year-end 2008 compared to $238.4 million at September 30, 2008 and by $36.4 million or 17.3 percent when compared to $211.2 million reported at December 31, 2007. At year-end 2008, total nonperforming loans increased to $2.1 million or 0.83 percent of total loans but still remains well below the peer average. Total nonperforming loans were $1.0 million or 0.42 percent of total loans and $426,000 or 0.20 percent of total loans at September 30, 2008 and December 31, 2007, respectively. Net charge-offs were $806,000 and $989,000 during fourth quarter and for the full year 2008, respectively. The allowance for credit losses at the year-end totaled $4.3 million or 1.72% of the gross loans compared to $3.5 million or 1.45% at September 30, 2008, or $2.3 million or 1.07% at December 31, 2007. Aggressive deposit promotions by other local banks triggered demands for higher deposit rates by customers. The Bank elected not to renew some of its high cost jumbo CDs, and total deposits decreased by $3.7 million or 1.5 percent to $238.5 million at year-end 2008 compared to $242.2 million reported in the preceding quarter. However, total deposits increased by $24.7 million or 11.6 percent when compared to $213.7 million reported at December 31, 2007. The Bank borrowed an additional $5 million in a short-term fixed rate advance from FHLB during fourth quarter increasing the total outstanding FHLB advances to $14 million.

"We recognize that the downturn of financial conditions in 2009 will continue to adversely impact the overall credit markets and profitability on a broader scale, and our focus will be on improving net interest margin and reducing overhead expenses as well as strengthening our balance sheet and enhancing risk management," commented Jack Choi.

"We issued $7.7 million in preferred stock through the Treasury's Capital Purchase Program during January 2009 which increased our total shareholder's equity to $49.4 miliion. We are "well-capitalized" under all regulatory categories with a total risk-based capital ratio of 19.89%, a Tier 1 risk-based capital ratio of 18.63%, and a Tier 1 leverage ratio of 16.64% at January 31, 2009. Although many lenders tightened the availability of credit, we valued our partnership with our customers and continued to make loans to meet their credit needs. In addition to renewals, we provided substantial amount of new credits to our credit-worthy customers during fourth quarter. We maintain a strong financial position, and are ready to take on the challenges of the next phase of growth."

BALANCE SHEETS (Unaudited)

($ in thousands, expect per share amounts)

	December 31, 2008	September 30, 2008	December 31, 2007
Assets			
Cash & due from banks	$ 5,847	$ 5,473	$ 4,622
Interest-bearing due from banks	5,000	3,000	-
Fed funds sold	3,190	15,810	15,670
Investment securities	30,867	28,507	21,963
Loans, net of deferred fees	247,609	238,377	211,161
Allowance for loan losses	(4,300)	(3,467)	(2,257)
Net loans	243,309	234,910	208,904
Premises and equipments, net	1,662	1,743	1,453
Accrued interest receivable	988	1,063	1,062
Customer liability on acceptances	-	-	457
Other assets	5,591	5,341	3,607
Total Assets	**$ 296,454**	**$ 295,847**	**$ 257,738**
Liabilities and Shareholders' Equity			
Noninterest-bearing deposits	$ 36,198	$ 31,148	$ 28,455
Interest-bearing deposits	202,286	211,042	185,283
Total deposits	238,484	242,190	213,738
FHLB advance	14,000	9,000	-
Accrued interest payable	883	997	1,155
Bank liability on acceptances	-	-	457
Other liabilities	1,365	1,736	1,518
Total Liabilities	**254,732**	**253,923**	**216,868**
Total shareholders' equity	41,722	41,924	40,870
Total Liabilities and Shareholders' Equity	**$ 296,454**	**$ 295,847**	**$ 257,738**
Book value	$ 13.46	$ 13.53	$ 13.44

STATEMENTS OF OPERATIONS (Unaudited)

($ in thousands, except per share amounts)

	Three Months Ended		
	Dec. 31, 2008	**Sept. 30, 2008**	**Dec. 31, 2007**
Interest income	$ 4,085	$ 4,256	$ 4,639
Interest expense	1,828	1,854	2,144
Net interest income	2,257	2,402	2,495
Provision for loan losses	1,597	628	1,612
Non interest income	281	311	447
Non interest expense	1,776	1,771	1,655
Income (loss) before income taxes	(835)	314	(325)
Income taxe provision (benefits)	(368)	160	(48)
Net income (loss)	**(467)**	**154**	**(277)**
Earnings (loss) per share (EPS):			
Basic	$ (0.15)	$ 0.05	$ 0.08
Diluted	$ (0.15)	$ 0.05	$ 0.08
STATEMENT OF OPERATIONS RATIOS			
Return on average assets	-0.63%	0.21%	-0.45%
Return on average equity	-4.38%	1.45%	-2.67%
Net interest margin	3.13%	3.41%	4.19%
Efficiency ratio	69.98%	66.55%	56.25%

	Twelve Months Ended December 31,	
	2008	**2007**
Interest income	$ 16,924	$ 17,531
Interest expense	7,676	7,987
Net interest income	9,248	9,544
Provision for loan losses	2,871	2,315
Non interest income	1,577	1,718
Non interest expense	7,289	6,762
Income before income taxes	665	2,185
Income tax provision	295	1,009
Net income	**$ 370**	**$ 1,176**
Basic EPS	$ 0.12	$ 0.38
Diluted EPS	$ 0.12	$ 0.36
INCOME STATEMENT RATIOS		
Return on average assets	0.13%	0.44%
Return on average equity	0.88%	2.90%
Net interest margin	3.41%	4.34%
Efficiency ratio	67.33%	60.04%

The Bank's Call Reports are available for review or download directly from the FDIC website at www.fdic.gov, or through the link at the Bank's website at www.cwbbank.com.

C*ertain matters discussed in this press release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and factors such as: (1) the impact of changes in interest rates, (2) fluctuation in economic conditions, (3) competition in the Bank's defined market, (4) the Bank's ability to sustain its internal growth rate and to preserve its earning assets quality, and (5) government regulations. Although the Bank believes the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct.*

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