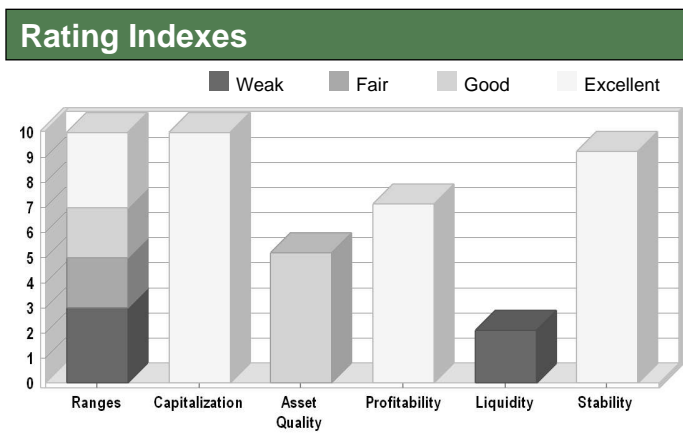


Company	FARMERS & MERCH BK LONG BEACH
Group Affiliation	PALOMAR ENTERPRISES, LLC, LONG BEACH CA
Safety Rating	B+ (Good Financial Strength)
Address	302 Pine Avenue, Long Beach, CA 90802
Date Reviewed	January 6, 2010 (No Change) based on data through September 30, 2009
Next Review Date	April 2010

The B+ rating means that, in our opinion, this institution offers good financial security and has the resources to deal with a variety of adverse economic conditions. It comfortably exceeds the minimum levels for all of our rating criteria and is likely to remain healthy for the near future. Nevertheless, in the event of a severe recession or major financial crisis, we feel this assessment should be reviewed to make sure the institution is still maintaining adequate financial strength.

TheStreet.com Financial Strength Ratings represent a completely independent, unbiased opinion of an institutions financial strength. The ratings are derived, for the most part, from quarterly financial statements filed with state and federal regulators.

Ratings are assigned by our analysts based on a complex analysis of hundreds of factors that are synthesized into five indexes: capitalization, asset quality, profitability, liquidity and stability. These indexes are then used to arrive at a letter grade rating. The primary components of TheStreet.com Financial Strength Rating are as follows:



- **Capitalization Index** gauges capital adequacy in terms of each institution's cushion to absorb future operating losses under various potential business and economic scenarios as they may impact the company's net interest margin, securities values, and the collectibility of its loans.
- **Asset Quality Index** measures the quality of the institutions past underwriting and investment practices, as well as its loss reserve coverage.
- **Profitability Index** measures the soundness of the company's operations and the contribution of profits to the company's financial strength.
- **Liquidity Index** values a company's ability to raise the necessary cash to satisfy creditors and honor depositor withdrawals in the event the institution suffers from problems in other areas such as capital adequacy.
- **Stability Index** integrates a number of sub-factors that affect consistency (or lack thereof) in maintaining financial strength over time. Sub-factors include 1) risk diversification in terms of company size and loan diversification; 2) deterioration of operations as reported in critical asset, liability, income and expense items, such as an increase in loan delinquency rates or a sharp increase in loan originations; 3) years in operation; 4) former problem areas where, despite recent improvement, the company has yet to establish a record of stable performance; and 5) relationships with holding companies and affiliates.

Terms & Conditions: This Document is prepared strictly for the confidential use of our customer(s) and those advising our customers. It has been provided to you at your specific request. This Document is not intended for the direct or indirect solicitation of business. TheStreet.com Ratings, Inc. expressly disclaims any warranty of merchantability or fitness for any particular purpose that may exist with respect to this Document. The information contained herein has been derived from data furnished by official sources that we deem reliable. Data is provided from the Regulatory Filings via SNL Financial, Inc. However, TheStreet.com Ratings, Inc. has not independently verified the data. The data and information contained herein is, therefore, provided 'as is' without warranty of any kind. Copyright © 2010 TheStreet.com Ratings, Inc., all rights reserved. Go to www.thestreet.com/ratings/products/disclaimer.asp for full disclaimer.