FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

FIRST FINANCIAL BANCORP /CA/	Mailing Address	Business Address
CIK:**729502**| IRS No.: **942822858** | State of Incorp.:**CA** | Fiscal Year End: **1231**	*701 S HAM LANE*	*701 S HAM LN*
Type: **10-K** | Act: **34** | File No.: **000-12499** | Film No.: **99573966**	*LODI CA 95242*	*LODI CA 95242*
SIC: **6022** State commercial banks		*2093672000*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998

Commission File Number: 0-12499

First Financial Bancorp
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	94-28222858 (I.R.S. Employer Identification No.)
701 South Ham Lane, Lodi, California (Address of principal executive offices)	95242 (Zip Code)

(209)-367-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, no par value

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. [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of January 31, 1999, there were 1,349,292 shares of Common Stock, no par value, outstanding. The aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately $11,356,000 (based on the $11.50 average of bid and ask prices per share on February 2, 1999.)

Documents Incorporated by Reference	Part of Form 10-K into which Incorporated
Proxy Statement for the Annual Meeting of Shareholders to be held on May 18, 1999.	Part III, Items 10, 11, 12, 13

FIRST FINANCIAL BANCORP
1998 FORM 10-K
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PART 1

PART I

ITEM 1. BUSINESS

General:

First Financial Bancorp (the "Company") was incorporated under the laws of the State of California on May 13, 1982, and operates principally as a bank holding company for its wholly owned subsidiary, Bank of Lodi, N.A. (the "Bank"). The Company is registered under the Bank Holding Company Act of 1956, as amended. The Bank is the principal source of income for the Company. The Bank owns the office building where the Bank's Lodi Branch and administrative offices are located, and the Company owns the land upon which the Bank's Woodbridge Branch is located. The Company receives income from the Bank under the lease associated with the Woodbridge property. The Company also holds all of the capital stock of Western Auxiliary Corporation (WAC), a California Corporation which functions as trustee on deeds of trust securing mortgage loans originated by the Bank. All references herein to the "Company" include the Bank and WAC, unless the context otherwise requires.

The Bank:

The Bank was organized on May 13, 1982 as a national banking association. The application to organize the Bank was accepted for filing by the Comptroller of the Currency (the "OCC") on September 8, 1981, and preliminary approval to organize was granted on March 27, 1982. On July 18, 1983 the Bank received from the OCC a Certificate of Authority to Commence the Business of Banking. Subsequently, the Bank opened branch offices in Woodbridge and Lockeford, California. Effective February 22, 1997, the Bank acquired the Galt, Plymouth and San Andreas offices of Wells Fargo Bank. A loan production office in Folsom, California was opened in January, 1998, and a full-service branch was opened in Elk Grove, California in August, 1998.

The Bank's headquarters is located at 701 South Ham Lane, Lodi, California. There is a loan production office in Folsom, California and branch offices are located in Woodbridge, Lockeford, Galt, Plymouth, San Andreas, and Elk Grove, California. The Bank's primary service area, from which the Bank attracts 75% of its business, is the city of Lodi and the surrounding area. This area is estimated to have a population approaching 70,000 persons, with a median annual family income of approximately $30,000. The area includes residential developments, neighborhood shopping centers, business and professional offices and manufacturing and agricultural concerns.

Bank Services:

The Bank offers a wide range of commercial banking services to individuals and business concerns located in and around its primary service area. These services include personal and business checking and savings accounts (including interest-bearing negotiable order of withdrawal ("NOW") accounts and/or accounts combining checking and savings accounts with automatic transfers), and time certificates of deposit. The Bank also offers extended banking hours at its drive-through window, night depository and bank-by-mail services, and travelers' checks (issued by an independent entity). Each branch location has a 24 hour ATM machine, and the Bank has 24 hour telephone banking and bill paying services. The Bank issues MasterCard credit cards and acts as a merchant depository for cardholder drafts under both VISA and MasterCard. In addition, it provides note and collection services and direct deposit of social security and other government checks.

During 1998, the Bank entered into an agreement with Investment Centers of America to offer stocks, bonds, mutual funds, annuities and insurance products through offices located on-site at Bank branches. The first Investment Centers of America office was established at the Lodi branch location, and additional offices are planned for Elk Grove and Folsom.

The Bank engages in a full complement of lending activities, including commercial, Small Business Administration (SBA), residential mortgage, consumer/installment, and short-term real estate loans, with particular emphasis on short and medium-term obligations. Commercial lending activities are directed principally toward businesses whose demand for funds falls within the Bank's lending limit, such as small to medium-sized professional firms, retail and wholesale outlets and manufacturing and agricultural concerns. Consumer lending is oriented primarily to the needs of the Bank's customers, with an emphasis on automobile financing and leasing. Consumer loans also include loans for boats, home improvements, debt consolidation, and other personal needs. Real estate loans include short-term "swing" loans and construction loans. Residential mortgages are generally sold into the secondary market for these loans. SBA loans are made available to small to medium-sized businesses.

Sources of Business:

Management seeks to obtain sufficient market penetration through the full range of services described above and through the personal solicitation of the Bank's officers, directors and shareholders. All officers are responsible for making regular calls on potential customers to solicit business and on existing customers to obtain referrals. Promotional efforts are directed toward individuals and small to medium-sized businesses. The Bank's customers are able in their dealings with the Bank to be served by bankers who have commercial loan experience, lending authority, and the time to serve their banking needs quickly and competently. Bankers are assigned to customers and not transferred from office to office as in many major chain or regional banks. In order to expedite decisions on lending transactions, the Bank's loan committee meets on a regular basis and is available where immediate authorization is important to the customer.

The risk of non-payment (or deferred payment) of loans is inherent in commercial banking. Furthermore, the Bank's marketing focus on small to medium-sized businesses may involve certain lending risks not inherent in loans to larger companies. Smaller companies generally have shorter operating histories, less sophisticated internal record keeping and financial planning capabilities, and greater debt-to-equity ratios. Management of the Bank carefully evaluates all loan applicants and attempts to minimize its credit risk through the use of thorough loan application and approval procedures.

Consistent with the need to maintain liquidity, management of the Bank seeks to invest the largest portion of the Bank's assets in loans of the types described above. Loans are generally limited to less than 75% of deposits and capital funds. The Bank's surplus funds are invested in the investment portfolio, made up of both taxable and non-taxable debt securities of the U.S. government, U.S. government agencies, states, and municipalities. On a day to day basis, surplus funds are invested in federal funds and other short-term money market instruments.

Competition:

The banking business in California generally, and in the northern portion of central California where the Bank is located, is highly competitive with respect to both loans and deposits and is dominated by a relatively small number of major banks with branch office networks and other operating affiliations throughout the State. The Bank competes for deposits and loans with these banks, as well as with savings and loan associations, thrift and loan associations, credit unions, mortgage companies, insurance companies and other lending institutions. Among the advantages certain of these institutions have over the Bank are their ability (i) to finance extensive advertising campaigns, (ii) to allocate a substantial portion of their investment assets in securities with higher yields (not available to the Bank if its investments are to be diversified) and (iii) to make funds available for loans in geographic regions with the greatest demand. In competing for deposits, the Bank is subject to the same regulations with respect to interest rate limitations on time deposits as other depository institutions. See "Supervision and Regulation" below.

Many of the major commercial banks operating in the Bank's service area offer certain services, such as international banking and trust services, which are not offered directly by the Bank, and such banks, by virtue of their greater capitalization, have substantially higher lending limits than the Bank. In addition, other entities, both public and private, seeking to raise capital through the issuance and sale of debt and equity securities compete with the Bank for the acquisition of funds for deposit.

In order to compete with other financial institutions in its primary service area, the Bank relies principally on local promotional activities, personal contacts by its officers, directors, employees and shareholders, extended hours and specialized services. The Bank's promotional activities emphasize the advantages of dealing with a locally-owned and headquartered institution sensitive to the particular needs of the community. The Bank also assists customers in obtaining loans in excess of the Bank's lending limit or services not offered by the Bank by arranging such loans or services in participation with or through its correspondent banks.

The State Bank Parity Act, effective January 1, 1996, eliminated certain existing disparities between California state chartered banks and national banking associations, such as the Bank, by authorizing the California Commissioner of Financial Institutions (the "Commissioner") to address such disparities through a streamlined rule-making process.

Employees:

As of December 31, 1998, the Company employed 97 full-time equivalent employees, including four executive officers. Management believes that the Company's relationship with its employees is good.

Supervision and Regulation

The Company

The common stock of the Company is subject to the registration requirements of the Securities Act of 1933, as amended, and the qualification requirements of the California Corporate Securities Law of 1968, as amended. The Company is also subject to the periodic reporting requirements of Section 13(d) of the Securities Exchange Act of 1934, as amended, which include, but are not limited to, annual, quarterly and other current reports with the Securities and Exchange Commission.

The Company is a bank holding company registered under the Bank Holding Company Act of 1956 (the "Act") and is subject to supervision by the Board of Governors of the Federal Reserve System (the "Board"). As a bank holding company, the Company must file with the Board quarterly reports, annual reports, and such other additional information as the Board may require pursuant to the Act. The Board may also make examinations of the Company and its subsidiaries.

The Act requires prior approval of the Board for, among other things, the acquisition by a bank holding company of direct or indirect ownership or control of more than 5% of the voting shares, or substantially all the assets, of any bank, or for a merger or consolidation by a bank holding company with any other bank holding company. The Act also prohibits the acquisition by a bank holding company or any of its subsidiaries of voting shares, or substantially all the assets, of any bank located in a state other than the state in which the operations of the bank holding company's banking subsidiaries are principally conducted, unless the statutes of the state in which the bank to be acquired is located expressly authorize such acquisition.

With certain limited exceptions, a bank holding company is prohibited from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank or bank holding company and from engaging directly or indirectly in any activity other than banking or managing or controlling banks or furnishing services to, or performing services for, its authorized subsidiaries. A bank holding company may, however, engage in or acquire an interest in a company that engages in activities that the Board has determined to be so closely related to banking or to managing or controlling banks as to be properly incident thereto. In making such a determination, the Board is required to consider whether the performance of such activities reasonably can be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, which outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices. The Board is also empowered to differentiate between activities commenced de novo and activities commenced by the acquisition, in whole or in part, of a going concern.

Additional statutory provisions prohibit a bank holding company and any subsidiary banks from engaging in certain tie-in arrangements in connection with the extension of credit, sale or lease of property or furnishing of services. Thus, a subsidiary bank may not extend credit, lease or sell property, or furnish any services, or fix or vary the consideration for any of the foregoing on the condition that: (i) the customer must obtain or provide some additional credit, property or service from or to such bank other than a loan, discount, deposit or trust service; or (ii) the customer must obtain or provide some additional credit, property or service from or to the company or any other subsidiary of the company; or (iii) the customer may not obtain some other credit, property to service from competitors, except reasonable requirements to assure soundness of the credit extended. These anti-tying restrictions also apply to bank holding companies and their non-bank subsidiaries as if they were banks.

The Company's ability to pay cash dividends is subject to restrictions set forth in the California General Corporation Law. The Bank is a legal entity separate and distinct from the Company, and is subject to various statutory and regulatory restrictions on its ability to pay dividends to the Company. See Note 13(c) to the financial statements for further information regarding the payment of cash dividends by the Company and the Bank.

The Company is a bank holding company within the meaning of Section 3700 of the California Financial Code. As such, the Company and its subsidiaries are subject to examination by, and may be required to file reports with, the Commissioner. Regulations have not yet been proposed or adopted to implement the Commissioner's powers under this statute.

The Bank:

The Bank, as a national banking association whose deposit accounts are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to the maximum legal limits and the Bank is subject to regulation, supervision, and regular examination by the OCC. The Bank is a member of the Federal Reserve System, and, as such, is subject to certain provisions of the Federal Reserve Act and regulations issued by the Board. The Bank is also subject to applicable provisions of California law, insofar as they are not in conflict with, or preempted by, federal law. The regulations of these various agencies govern most aspects of the Bank's business, including reserves against deposits, interest rates payable on deposits, loans, investments, mergers and acquisitions, borrowings, dividends and location of branch offices.

Officers:

Leon Zimmerman, age 56, is President and Chief Executive Officer of the Bank and of the Company; David M. Philipp, age 36, is Executive Vice-President, Chief Financial Officer and Secretary of the Bank and of the Company; Lance Gallagher, age 53, is Senior Vice President and Operations Administrator of the Bank and the Company: and David Redman, age 54, is Senior Vice President and Chief Credit Officer of the Bank and of the Company.

Mr. Zimmerman joined the Company in April, 1990. He was promoted from Executive Vice President and Chief Credit Officer of Bank of Lodi to President and CEO in August of 1994. Mr. Zimmerman became President and CEO of the Company effective August 1995. He lives in Lodi with his wife and has resided and worked in the San Joaquin-Sacramento Valley since 1960, serving in various banking capacities since 1962. Mr. Zimmerman serves on many community boards and committees, including San Joaquin County Education Foundation, Economic Development Task Force and LEED - Sacramento Steering Committee. He is an active member of Rotary, Chamber of Commerce and several other community groups.

Mr. Philipp joined the Company in April, 1992. Prior to joining the Company, Mr. Philipp was the Budget Director and Financial Analyst for Merksamer Jewelers, Inc., at that time the eighth largest jewelry retailer in the United States, headquartered in Sacramento, California. Prior to joining Merksamer Jewelers, Inc., Mr. Philipp was a Supervising Senior Accountant in the Sacramento office of KPMG, LLP. While at KPMG, LLP, Mr. Philipp specialized in providing audit and accounting services to financial institution, agribusiness, and broadcasting clients. Mr. Philipp is a CPA and holds a Bachelor of Science in Business Administration, Accountancy from California State University. He lives in El Dorado Hills with his wife and two children, having been in the Greater Sacramento area for over 25 years. On March 1, 1999 Mr. Philipp gave notice to the Company and the Bank of his intention to resign and pursue other business interests.

Mr. Gallagher joined the Bank in February, 1991. He was promoted from Vice President of Compliance to Senior Vice President and Operations Administrator in January, 1997. As a graduate of the American Bankers Associations Graduate School of Compliance, he is responsible for the Bank's regulatory compliance program in addition to Bank operations and item processing. Prior to joining the Company, Mr. Gallagher was with Wells Fargo Bank for 22 years in various customer service, operations, and human resource capacities of increasing responsibility. He lives in San Joaquin County with his wife and has four boys and a grandson. Mr. Gallagher is a banking instructor for The American Institute of Banking and Delta Community College, serves as a member of the Colleges Banking Advisory Board, a member of the Heald College Employer Advisory Committee, and is the Initiation Coaching Program Director with U. S. Hockey Pacific District.

Mr. Redman joined the Company in December 1997. He has over 33 years of banking experience in central California. He was previously President and CEO of Citizens Bank of Paso Robles, N.A. (1990 to 1995). Mr. Redman assisted in the start up of Commerce Bank of San Luis Obispo and served as Executive Vice President (1985 to 1990). Most recently, he was the organizing President and CEO for Central California Bank (in organization). His banking experience includes several years with two major California banks. Mr. Redman's education includes Porterville Community College and the University of Washington Graduate School of Banking. Community involvement has included the Jaycees, Lions Club, Kiwanis Club, Rotary, Chamber of Commerce, Downtown Merchants Association and the Elks Lodge. He lives in Valley Springs with his wife and has three grown children.

Recent Legislation and Regulations Affecting Banking:

From time to time, new laws are enacted which increase the cost of doing business, limit permissible activities, or affect the competitive balance between banks and other financial institutions. Proposals to change the laws and regulations governing the operations and taxation of bank holding companies, banks and other financial institutions are frequently made in Congress, in the California legislature and before various bank holding company and bank regulatory agencies. The likelihood of any major changes and the impact such changes might have are impossible to predict. Certain significant recently proposed or enacted laws and regulations are discussed below.

Interstate Banking. Since 1986, California has permitted California banks and bank holding companies to be acquired by banking organizations based in other states on a "reciprocal" basis (i.e., provided the other state's laws permit California banking organizations to acquire banking organizations in that state on substantially the same terms and conditions applicable to local banking organizations). Since October 2, 1995, California law implementing certain provisions of prior federal law have (1) permitted interstate merger transactions; (2) prohibited interstate branching through the acquisition of a branch business unit located in California without acquisition of the whole unit of the California bank; and (3) prohibited interstate branching through de novo establishment of California branch offices. Initial entry into California by an out-of-state institution must be accomplished by acquisition of or merger with an existing whole bank which has been in existence for at least five years.

Capital Requirements. Federal regulation imposes upon all FDIC-insured financial institutions a variable system of risk-based capital guidelines designed to make capital requirements sensitive to differences in risk profiles among banking organizations, to take into account off-balance sheet exposures and to aid in making the definition of bank capital uniform internationally. Under the OCC's risk-based capital guidelines, the Bank is required to maintain capital equal to at least 8 percent of its assets, weighted by risk. Assets and off-balance sheet items are categorized by the guidelines according to risk, and certain assets considered to present less risk than others permit maintenance of capital below the 8 percent level. The guidelines established two categories of qualifying capital: Tier 1 capital comprising core capital elements, and Tier 2 comprising supplementary capital requirements. At least one-half of the required capital must be maintained in the form of Tier 1 capital. For the Bank, Tier 1 capital includes only common stockholders' equity and retained earnings, but qualifying perpetual preferred stock would also be included without limit if the Bank were to issue such stock. Tier 2 capital includes, among other items, limited life (and in the case of banks, cumulative) preferred stock, mandatory convertible securities, subordinated debt and a limited amount of the allowance for loan and lease losses.

The guidelines also require all insured institutions to maintain a minimum leverage ratio of 3 percent Tier 1 capital to total assets (the "leverage ratio"). The OCC emphasizes that the leverage ratio constitutes a minimum requirement for the most well-run banking organizations. All other banking organizations are required to maintain a minimum leverage ratio ranging generally from 4 to 5 percent. The Bank's required minimum leverage ratio is 4 percent.

The federal banking agencies during 1996 issued a joint agency policy statement regarding the management of interest-rate risk exposure (interest rate risk is the risk that changes in market interest rates might adversely affect a bank's financial condition) with the goal of ensuring that institutions with high levels of interest-rate risk have sufficient capital to cover their exposures. This policy statement reflected the agencies' decision at that time not to promulgate a standardized measure and explicit capital charge for interest rate risk, in the expectation that industry techniques for measurement of such risk will evolve.

However, the Federal Financial Institutions Examination Council ("FFIEC") on December 13, 1996, approved an updated Uniform Financial Rating System ("UFIRS"). In addition to the five components traditionally included in the so-called "CAMEL" rating system which has been used by bank examiners for a number of years to classify and evaluate the soundness of financial institutions (including capital adequacy, asset quality, management, earnings and liquidity), UFIRS includes for all bank regulatory examinations conducted on or after January 1, 1997, a new rating for a sixth category identified as sensitivity to market risk. Ratings in this category are intended to reflect the degree to which changes in interest rates, foreign exchange rates, commodity prices or equity prices may adversely affect an institution's earnings and capital. The rating system henceforth will be identified as the "CAMELS" system.

As of December 31, 1998, the Bank's total risk-based capital ratio was approximately 11.17 percent and its leverage ratio was approximately 7.35 percent. The Bank does not presently expect that compliance with the risk-based capital guidelines or minimum leverage requirements will have a materially adverse effect on its business in the reasonably foreseeable future. Nor does the Bank expect that its sensitivity to market risk will adversely affect its overall CAMELS rating as compared with its previous CAMEL ratings by bank examiners.

Deposit Insurance Assessments. In 1995, the FDIC, pursuant to Congressional mandate, reduced bank deposit insurance assessment rates to a range from $0 to $.27 per $100 of deposits, dependent upon a bank's risk. The FDIC has continued these reduced assessment rates through 1998. Based upon the above risk-based assessment rate schedule, the Bank's current capital ratios, the Bank's current level of deposits, and assuming no further change in the assessment rate applicable to the Bank during 1999, the Bank estimates that its annual noninterest expense attributed to the regular assessment schedule will not increase during 1999.

Prompt Corrective Action. Prompt Corrective Action Regulations (the "PCA Regulations") of the federal bank regulatory agencies established five capital categories in descending order (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized), assignment to which depends upon the institution's total risk-based capital ratio, Tier 1 risk-based capital ratio, and leverage ratio. Institutions classified in one of the three undercapitalized categories are subject to certain mandatory and discretionary supervisory actions, which include increased monitoring and review, implementation of capital restoration plans, asset growth restrictions, limitations upon expansion and new business activities, requirements to augment capital, restrictions upon deposit gathering and interest rates, replacement of senior executive officers and directors, and requiring divestiture or sale of the institution. The Bank has been classified as a well-capitalized bank since adoption of the PCA Regulations.

Community Reinvestment Act. Community Reinvestment Act ("CRA") regulations effective as of July 1, 1995 evaluate banks' lending to low and moderate income individuals and businesses across a four-point scale from "outstanding" to "substantial noncompliance," and are a factor in regulatory review of applications to merge, establish new branches or form bank holding companies. In addition, any bank rated in "substantial noncompliance" with the CRA regulations may be subject to enforcement proceedings. The Bank has a current rating of "satisfactory" CRA compliance.

Year 2000 Compliance. The Federal Financial Institutions Examination Council has issued an interagency statement to the chief executive officers of all federally supervised financial institutions, including the Bank, regarding Year 2000 project management awareness. Unless financial institutions address the technology issues associated with Year 2000, the Council anticipates there could occur major disruptions in the operations of financial institutions. The interagency statement provides guidance to financial institutions, to providers of data services, and all examining personnel of the federal banking agencies regarding Year 2000 issues. The federal banking agencies intend to conduct Year 2000 compliance examinations, and the failure to implement a Year 2000 program may constitute an unsafe and unsound banking practice. See the discussion of this subject at the heading "Year 2000 Preparedness" under Item 7 herein, Management's Discussion and Analysis of Financial Condition and Results of Operations, and at footnote 23 to the Company's Consolidated Financial Statements.

Safety and Soundness Standards. Federal bank regulatory agency safety and soundness standards for insured financial institutions establish standards for (1) internal controls, information systems and internal audit systems; (2) loan documentation; (3) credit underwriting; (4) interest rate exposure; (5) asset growth; and (6) compensation, fees and benefits. In addition, the standards prohibit the payment of compensation which is excessive or which could lead to material financial loss. If an agency determines that an institution fails to meet any standard established by the guidelines, the agency may require the financial institution to submit to the agency an acceptable plan to achieve compliance with the standard. Agencies may elect to initiate enforcement action in certain cases where failure to meet one or more of the standards could threaten the safe and sound operation of the institution. The Bank has not been and does not expect to be required to submit a safety and soundness compliance plan because of a failure to meet any of the safety and soundness standards.

Permitted Activities. In recent years, the Federal banking agencies, especially the OCC and the Board, have taken steps to increase the types of activities in which national banks and bank holding companies can engage, and to make it easier to engage in such activities. On November 20, 1996, the OCC issued final regulations permitting national banks to engage in a wider range of activities through subsidiaries. "Eligible institutions" (those national banks that are well capitalized, have a

high overall rating and a satisfactory CRA rating, and are not subject to an enforcement order) may engage in activities related to banking through operating subsidiaries after going through a new expedited application process. In addition, the new regulations include a provision whereby a national bank may apply to the OCC to engage in an activity through a subsidiary in which the bank itself may not engage. Although the Bank in not currently intending to enter into any new type of business, this OCC regulation could be advantageous to the Bank if the Bank determines to expand its operations in the future, depending on the extent to which the OCC permits national banks to engage in new lines of business and whether the Bank qualifies as an "eligible institution" at the time of making application.

Monetary Policies. Banking is a business in which profitability depends on rate differentials. In general, the differences between the interest rate received by a bank on loans extended to its customers and securities held in that bank's investment portfolio and the interest rate paid on its deposits and its other borrowings constitute the major portion of the bank's earnings. To the extent that a bank is not able to compensate for increases in the cost of deposits and other borrowings with greater income from loans, securities and fees, the net earnings of that bank will be reduced. The interest rates paid and received by any bank are highly sensitive to many factors which are beyond the control of that bank, including the influence of domestic and foreign economic conditions. See Item 7 herein, Management's Discussion and Analysis of Financial Condition and Results of Operations.

The earnings and growth of a bank are also affected by the monetary and fiscal policy of the United States Government and its agencies, particularly the Board. These agencies can and do implement national monetary policy, which is used in part to curb inflation and combat recession. Among the instruments of monetary policy used by these agencies are open market transactions in United States Government securities, changes in the discount rates of member bank borrowings, and changes in reserve requirements. The actions of the Board have had a significant effect on banks' lending, investments and deposits, and such actions are expected to continue to have a substantial effect in the future. However, the nature and timing of any further changes in such policies and their impact on banks cannot be predicted.

Proposed Legislation and Regulation. Certain legislative and regulatory proposals that could affect the Bank and the banking business in general are pending or may be introduced before the United States Congress, the California State Legislature and Federal and state government agencies. The United States Congress is considering numerous bills that could reform banking laws substantially. For example, proposed bank modernization legislation under consideration would, among other matters, include a repeal of the Glass-Steagall Act restrictions on banks that now prohibit the combination of commercial and investment banks.

It is not known whether any of these current legislative proposals will be enacted and what effect such legislation would have on the structure, regulation and competitive relationships of financial institutions. It is likely, however, that many of these proposals would subject the Bank to increased regulation, disclosure and reporting requirements and would increase competition to the Bank and its cost of doing business.

In addition to pending legislative changes, the various banking regulatory agencies frequently propose rules and regulations to implement and enforce already existing legislation. It cannot be predicted whether or in what form any such rules or regulations will be enacted or the effect that such rules and regulations may have on the Bank's business.

The above description of the business of the Bank should be read in conjunction with Item 7 herein, Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 2. PROPERTIES

The Bank owns a 0.861 acre lot located at the corner of Ham Lane and Tokay Street, Lodi, California. A 34,000 square foot, tri-level commercial building for the main branch and administrative offices of the Company and the Bank was constructed on the lot. The Company and the Bank use approximately 75% of the leasable space in the building and the remaining area is either leased or available for lease as office space to other tenants. The construction of this building in 1991 has enabled the Bank to better serve its customers with more teller windows, four drive-through lanes and expanded safe deposit box capacity.

The Company owns a 10,000 square foot lot located on Lower Sacramento Road in the unincorporated San Joaquin County community of Woodbridge, California. The entire parcel has been leased to the Bank on a long term basis at market rates. The Bank has constructed, furnished and equipped a 1,437 square foot branch office on the parcel and commenced operations of the Woodbridge Branch on December 15, 1986.

The Bank assumed a long-term ground lease on 1.7 acres of land at 19000 North Highway 88, Lockeford, California. The building previously occupying the Lodi site at 701 South Ham Lane was moved to Lockeford, California, and has become the permanent branch office of the Bank at that location. A temporary 1,000 square foot office had been used by the Bank at the Lockeford location. The permanent office was opened on April 1, 1991. The temporary office, along with a portion of the permanent building, are leased by the Bank to two tenants.

On February 22, 1997, the Bank acquired the Galt, Plymouth and San Andreas branches of Wells Fargo Bank. The transaction included the assumption of the 6,000 square foot branch building lease in Galt with a remaining term of two years, and the purchase of the branch building and land for the Plymouth and San Andreas offices. The Plymouth and San Andreas offices are approximately 1,200 and 5,500 square feet, respectively. In November, 1998, upon expiration of the Galt lease, the Galt branch was relocated to a new 3,000 square foot leased facility one block west of the old location. The new Galt location is leased under a five year lease with three successive five-year renewal options.

In January, 1998, the Bank opened a 1,220 square foot loan production office in Folsom, California. The office was leased for one year with a one year renewal option which has been exercised by the Bank. In August, 1998, the Bank opened a 4,830 square foot full service branch in Elk Grove, California. The office is leased under a three year lease with two successive three-year renewal options.

ITEM 3. LEGAL PROCEEDINGS

Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is no established public trading market for the common stock of the Company. The Company's common stock is traded in the over-the-counter market and is not presently listed on a national exchange or reported by the NASDAQ Stock Market. Trading of the stock has been limited and has been principally contained within the Company's general service area. As of March 1, 1999, there were 1,037 shareholders of record of the Company's common stock. Set forth below is the range of high and low bid prices for the common stock during 1997 and 1998.

	1998		1997	
Bid Price of Common Shares	High	Low	High	Low

First Quarter	$ 13.25	13.00	$ 10.25	9.50
Second Quarter	14.50	13.63	10.25	9.63
Third Quarter	14.63	13.25	12.75	9.81
Fourth Quarter	13.38	12.00	13.00	12.13

The foregoing prices are based on trades of which Company is aware and reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not necessarily represent actual transactions.

<TABLE>
ITEM 6. SELECTED FINANCIAL DATA

<CAPTION>
(in thousands except per share amounts)

Consolidated Statement of Income	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Interest Income	$ 11,508	10,592	8,045	8,089	7,462
Interest Expense	4,028	3,785	3,254	3,138	2,767
Net Interest Income	7,480	6,807	4,791	4,951	4,695
Provision for Loan Losses	250	(60)	310	115	323
Noninterest Income	1,878	1,423	1,067	940	1,050
Noninterest Expense	7,712	6,796	4,654	4,534	5,137
Net Income	$ 1,052	1,015	640	843	338
Per Share Data					
Basic Earnings	$ .78	.77	.49	.65	.26
Diluted Earnings	.74	.73	.48	.64	.26
Cash Dividends Declared	$ .20	.20	.20	.15	--
Consolidated Balance Sheet Data					
Federal Funds Sold	$ 4,800	4,900	1,100	3,300	2,000
Investment Securities	45,647	61,917	36,913	36,945	33,100
Loans, net of loss reserve and deferred fees	91,078	62,228	52,672	50,524	55,812
Total Assets	164,400	147,850	104,913	103,972	105,167
Total Deposits	149,544	133,891	92,207	89,216	89,979
Note Payable	--	--	--	2,585	2,618
Total Stockholders' Equity	$ 13,857	12,861	11,889	11,564	10,610

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this Annual Report on Form 10-K include forward-looking information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the "safe harbor" created by those sections. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors: competitive pressure in the banking industry; changes in the interest rate environment; general economic conditions, either nationally or regionally becoming less favorable than expected and resulting in, among other things, a deterioration in credit quality and an increase in the provision for possible loan losses; changes in the regulatory environment; changes in business conditions; volatility of rate sensitive deposits; operational risks, including data processing system failures or fraud; asset/liability matching risks and liquidity risks; and changes in the securities markets.

The following discussion addresses information pertaining to the financial condition and results of operations of the Company that may not be otherwise apparent from a review of the consolidated financial statements and related footnotes. It should be read in conjunction with those statements and notes found on pages 36 through 63, as well as other information presented throughout this report.

<TABLE>
<CAPTION>
Summary of Earnings Performance

For the Year Ended December 31:

<S> <C> <C> <C>

	1998	1997	1996
Earnings (in thousands)	$ 1,052	1,015	640
Basic earnings per share	$ .78	.77	.49
Diluted earnings per share	$ .74	.73	.48
Return on average assets	0.68%	0.75%	0.60%
Return on average equity	7.90%	8.18%	5.44%
Dividend payout ratio	25.57%	26.11%	42.55%
"Cash" earnings (in thousands) (1)	$ 1,268	1,293	640
Diluted "cash" earnings per share	$ .89	.93	.48
"Cash" return on average assets	0.82%	0.96%	0.60%
"Cash" return on average equity	9.52%	10.42%	5.44%
Operating "Cash" earnings (in thousands) (2)	$ 1,375	1,293	640
Diluted operating "cash" earnings per share	$ .97	.93	.48
Operating "Cash" return on average assets	0.89%	0.96%	0.60%
Operating "Cash" return on average equity	10.32%	10.42%	5.44%
Average equity to average assets	8.64%	9.12%	11.12%

<FN>
(1) "Cash" earnings represent earnings based upon generally accepted accounting principles plus the after-tax, non-cash effect on earnings of the amortization of intangible assets. Following the 1997 acquisition of three branches from Wells Fargo Bank, the "cash" earnings, return on assets, and return on equity are the most comparable to prior year numbers. They are also the more relevant performance measures for shareholders because they measure the Company's ability to support growth and pay dividends.
(2) Operating "Cash" net income is computed by excluding the after-tax impact of significant elements of revenue or costs that obscure the operating results of core operations. Adjustments for the twelve months ended December 31, 1998 have been made to exclude from net income the preliminary costs of a strategic growth initiative for which the company ceased further pursuit in May, 1998.
</FN>
</TABLE>

During 1998, the Company aggressively pursued a number of strategic growth opportunities. One such opportunity significantly impacted expenses and the amount of expenses related thereto has been added back to "cash" earnings to determine operating "cash" earnings. Operating "cash" earnings per share increased by 4% in 1998 compared to 1997. If significant loan loss recoveries were excluded from the computation of operating "cash" earnings in 1997, operating "cash" earnings in 1998 would be approximately 50% greater than 1997. The increase is attributable to loan and deposit growth of 45% and 12%, respectively, as well as record levels of mortgage loan origination and sales volumes. As a result of the earnings in 1998, the Company continued the practice of paying a quarterly dividend of $.05 per share that began in the first quarter of 1995.

Diluted earnings per share for 1998 increased by 1.4% over 1997, while 1998 "cash" earnings per share declined by 4% compared to 1997. Diluted and cash earnings per share for 1997 were 52% and 94%, respectively, above the comparable levels for 1996. "Cash" return on equity for 1998 decreased by 9% compared to 1997, while "cash" return on equity in 1997 was 92% above 1996. Financial leverage improved as a result of deposit growth in both 1998 and 1997. Average equity to average assets was reduced by 48 and 200 basis points in 1998 and 1997, respectively. As a result each dollar of equity supported $12 and $11 in assets in 1998 and 1997, respectively, compared to $11 and $9 in 1997 and 1996, respectively. Deposits grew in connection with business development efforts in both 1998 and 1997 as well as the acquisition of three branches from Wells Fargo Bank on February 22, 1997. The acquisition increased deposits by $34 million as of the closing date of the transaction.

Earnings per share increased in 1997 versus 1996 as a result of a 30% increase in net interest income, a 120% reduction in the provision for loan losses and a 31% increase in noninterest income. The foregoing improvements were partially offset by a 45% increase in noninterest expenses. While net interest income increased in part because of significant loan loss recoveries, the growth in net interest income was also the result of both increases in the volume of earning assets and deposits and an increase in net interest margin. Noninterest income in 1997 increased due in part to record volumes in both SBA and mortgage lending of the Bank. Service charges and noninterest expenses increased principally as a result of the acquisition of three branches from Wells Fargo Bank on February 22, 1997.

Branch Expansion and Acquisitions

In August, 1998, the Bank opened a full-service branch in the Elk Grove, California market. The Elk Grove office is approximately 30 miles North of the Bank's corporate headquarters in Lodi, California and it effectively expands the Bank's trade area into South Sacramento County.

In January, 1998, the Bank opened a loan production office in the growing market of Folsom, California. The Folsom office is approximately 45 miles Northeast of the Bank's corporate headquarter's in Lodi, California and effectively expanded the Bank's trade area into the greater Sacramento area.

On February 22, 1997, the Bank completed the acquisition of the Galt, Plymouth, and San Andreas, California, branches of Wells Fargo Bank. The Bank purchased the premises and equipment of the Plymouth and San Andreas branches and assumed the building lease for the Galt branch. The Bank also purchased the furniture and equipment of all three branches and paid a premium for the deposits of each branch. The total cost of acquiring the branches, including payments to Wells Fargo Bank as well as other direct costs associated with the purchase, was $2.86 million. The transaction was accounted for using the purchase method of accounting. Accordingly, the purchase price was allocated first to identifiable tangible assets based upon those assets' fair value and then to identifiable intangible assets based upon the assets' fair value. The excess of the purchase price over identifiable tangible and intangible assets was allocated to goodwill. Allocations to identifiable tangible assets, identifiable intangible assets, and goodwill were $856 thousand, $1.98 million, and $24 thousand, respectively. Deposits totaling $34 million were acquired in the transaction.

<TABLE>
Net Interest Income

The following table provides a detailed analysis of net interest spread and net interest margin for the years ended December 31, 1998, 1997, and 1996, respectively:
<CAPTION>

	For the Year Ended December 31, 1998 (in thousands)			For the Year Ended December 31, 1997 (in thousands)			For the Year Ended December 31, 1996 (in thousands)		
	Average Balance	Income/ Expenses	Yield	Average Balance	Income/ Expenses	Yield	Average Balance	Income/ Expense	Yield
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Earning Assets:									
Investment securities(1)	$ 53,370	3,431	6.43%	53,580	3,519	6.57%	34,700	2,233	6.44%
Federal funds sold	6,780	348	5.13%	8,400	461	5.49%	3,790	199	5.25%
Loans (2)	73,720	7,729	10.48%	58,600	6,612	11.28%	54,520	5,613	10.30%
	133,870	11,508	8.60%	120,580	10,592	8.78%	93,010	8,045	8.65%
Liabilities:									
Noninterest bearing deposits	$ 17,080	--	--	13,470	--	--	8,280	--	--
Savings, money market, & NOW deposits	76,600	1,652	2.16%	67,520	1,660	2.46%	47,820	1,193	2.49%
Time deposits	46,800	2,376	5.08%	41,550	2,125	5.11%	34,320	1,799	5.24%

Note payable	--	--	--	--	--	--	2,440	262	10.74%
Total Liabilities	$140,480	4,028	2.87%	122,540	3,785	3.09%	92,860	3,254	3.50%
Net Spread			5.73%			5.69%			5.15%

	Earning Assets	Income (Expense)	Yield	Earning Assets	Income (Expense)	Yield	Earning Assets	Income (Expense)	Yield
Yield on average earining assets	133,870	11,508	8.60%	120,580	10,592	8.78%	93,010	8,045	8.65%
Cost of funds for average earning assets	133,870	(4,028)	3.01%	120,580	(3,785)	(3.13%)	93,010	(3,254)	(3.50)%
Net Interest Margin	$ 133,870	7,480	5.59%	120,580	6,807	5.65%	93,010	4,791	5.15%

<FN>
(1) Income on tax-exempt securities has not been adjusted to a tax equivalent basis.
(2) Nonaccrual loans are included in the loan totals for each year.
</FN>
</TABLE>

Net interest income increased by 10% in 1998 after increasing by 42% in 1997. The increase in 1998 was the result of both growth in earning assets and deposits as well as decreased deposit costs. The increase in 1997 was also the result of both growth in earning assets and deposits as well as increased earning asset yields and decreased deposit costs. The increase in 1997 also included $445 thousand in interest received in connection with significant loan loss recoveries. Excluding these recoveries from 1997, net interest income would have increased by 18% in 1998.

Average earning assets increased by 11% in 1998 compared to 1997 and 30% in 1997 compared to 1996. The increase in average earning assets was driven by growth in average deposits during both years. Average deposits increased by 15% in 1998 compared to 1997 and 36% in 1997 compared to 1996.

The mix of earning assets in 1998 changed as a result of year-over-year loan growth of 45% compared to 18% in 1997. Average loans in 1998 increased 26% compared to 1997. The increase absorbed the liquidity created by the growth in deposits during 1998 and offset the impact of falling interest rates in all asset categories. The loan growth also increased the average

loan-to-deposit ratio to 52% in 1998 compared to 48% in 1997. The loan-to-deposit ratio declined to 48% in 1997 from 60% in 1996 as a result of the deposits acquired in branch purchases. Average investments were nearly unchanged in 1998 compared to 1997. The investment portfolio, into which the proceeds from the 1997 branch acquisition were initially invested, increased on average by 54% in 1997.

Net interest margin declined by 6 basis points in 1998 after increasing by 50 basis points in 1997. Excluding the impact of interest from the recovery of loan losses in 1997, net interest margin would have increased by 31 basis points in 1998. This adjusted increase in 1998 was the result of several key items:

- o The impact on average earning asset yields of declining interest rates was overcome by the growth in loans that had higher yields than investments and federal funds sold. While the yields on federal funds and investments declined by 36 and 14 basis points, respectively, earning asset yields decreased by 18 basis points.
- o The general decline in interest rates helped to bring down the cost of average NOW, savings and certificates of deposit by 32, 26, and 3 basis points, respectively.
- o The mix of noninterest bearing deposits increased to 12% of average deposits in 1998 from 11% in 1997.

Net interest margin increased by 50 basis points in 1997 after declining by 37 basis points in 1996. The increase in 1997 was the result of several key items:

- o The general level of short-term interest rates as indicated by the comparative yields on federal funds sold increased by approximately 24 basis points.
- o Approximately $445 thousand in loan interest income was recognized

during 1997 as a result of nonaccrual loan payoffs. The recovery of nonaccrual interest increased loan yields and net interest margin for the year by 76 basis points and 37 basis points respectively.

o The general decline in interest rates helped to bring down the cost of average certificates of deposit by 13 basis points, while a new tiered rate pricing structure for savings, money market, and NOW accounts reduced the cost of those funds by 3 basis points.
o In addition to changes in the pricing structure of deposits, the mix of noninterest bearing and lower cost transaction accounts increased for 1997, while the mix of higher cost certificates of deposit declined.
o The mortgage note payable, which carried a yield of 10.45%, was paid off during November 1996.

<TABLE>
The following table presents the monetary impact of the aforementioned changes in earning asset and deposit volumes, yields and mix for the three years ended December 31, 1998, 1997, and 1996
<CAPTION>

	1998 compared to 1997 (in thousands) Change due to:				1997 compared to 1996 (in thousands) Change due to:				1996 compared to 1995 (in thousands) Change due to:			
Interest Income:	Volume	Rate	Mix	Total	Volume	Rate	Mix	Total	Volume	Rate	Mix	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment securities	$ 391	(79)	(398)	(86)	661	46	578	1,285	67	135	255	457
Federal funds sold	51	(30)	(134)	(113)	59	9	194	262	7	(17)	8	(2)
Loans	735	(470)	850	1,115	1,664	539	(1,203)	1,000	229	(300)	(428)	(499)
Total interest income	$ 1,177	(579)	318	916	2,384	594	(431)	2,547	303	(182)	(165)	(44)
Interest Expense:												
Noninterest-bearing deposits	--	--	--	--	--	--	--	--	--	--	--	--
Savings, money market, & NOW accounts	$ 243	(206)	(45)	(8)	382	(16)	103	469	56	(27)	(22)	7
Time deposits	311	(15)	(45)	251	573	(44)	(205)	324	79	35	13	127
Note payable	--	--	--	--	84	(262)	(84)	(262)	13	--	(30)	(17)
Total interest expense	$ 554	(221)	(90)	243	1,039	(322)	(186)	531	148	8	(39)	117
Net interest income	$ 623	(358)	408	673	1,345	916	(245)	2,016	155	(190)	(126)	(161)

</TABLE>

The volume, rate, and mix variances for net interest income in 1998 compared to 1997 indicate that a negative rate variance driven by falling interest rates was offset by a positive mix variance driven by a 26% increase in average loans. That left the net increase in net interest income approximately equal to the positive volume variance from the 11% growth in average earning assets. The net interest income rate variance is significantly impacted by $445 thousand in 1997 interest income recognized in connection with loan loss recoveries. Excluding the recovered interest from 1997, the rate variance would have been a positive $87 thousand despite falling earning asset yields. The benefit from declining deposit rates more than offsets declines in interest income that resulted from falling earning asset yields.

The increase in net interest income for 1997 attributable to volume is illustrative of the principal impact of acquiring the new branches. Interest income increased by $2.4 million as a result of volume, while interest expense increased by $1.0 million. Approximately 49% of the positive rate variance of

$916 thousand for 1997 compared to 1996 is the result of the nonaccrual interest recoveries realized during the year. The remainder of the variance is principally the result of paying off the mortgage note payable and yield increases for loans and investments. The negative impact of earning asset mix variances with respect to loans was minimized for 1997 relative to 1996 due to favorable mix changes in the deposit base. Noninterest bearing demand deposits increased to 11% of average deposits for 1997 compared to 9% for 1996. NOW accounts increased to 37% of average deposits compared to 34% in 1996.

Allowance for Loan Losses

<TABLE>

The following table reconciles the beginning and ending allowance for loan losses for the previous five years. Reconciling activity is broken down into the three principal items that impact the reserve: (1) reductions from charge-offs; (2) increases from recoveries; and (3) increases or decreases from positive or negative provisions for loan losses.

<CAPTION>

(in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Balance at beginning of period	$ 1,313	1,207	959	1,127	924
Charge-offs:					
Commercial	67	249	237	357	98
Real estate	25	--	--	30	--
Consumer	40	41	97	95	77
Total Charge-offs	$ 132	290	334	482	175
Recoveries:					
Commercial	112	434	260	174	37
Real estate	--	--	--	--	--
Consumer	21	22	12	25	18
Total Recoveries	133	456	272	199	55
Net charge-offs	$ (1)	(166)	62	283	120
Additions charged to operations	250	(60)	310	115	323
Balance at end of period	$ 1,564	1,313	1,207	959	1,127
Ratio of net charge-offs to average loans outstanding	(.001%)	(.28%)	0.11%	0.50%	0.20%

<FN>

Footnote 1(g) to the consolidated financial statement discusses the factors used in determining the provision for loan losses and the adequacy of the allowance for loan losses.

</FN>

</TABLE>

Charge-off activity declined by 54% in 1998 compared to 1997, while recoveries declined by 71% for the same period. The decline in charge-offs is consistent with the asset quality statistics discussed below in the Asset Quality section. The Bank has not modified or significantly excepted its underwriting standards despite growing competition within the industry. The decline in recoveries is a function of the significant recoveries that were realized in 1997.

Charge-off activity declined by 31% and 13%, respectively, in 1996 and 1997, while recoveries increased by 37% and 68%, respectively, for the same periods. These trends are consistent with the improvements discussed below in the Asset Quality section. The principal reason for the increases in recoveries was improvement in the repayment capacity of certain credits that had previously been charged off combined with the Bank's continued efforts subsequent to charge-off to work diligently toward collection.

The loan loss provision for 1998 increased significantly relative to 1997. The reason for the increase was twofold. With year-over-year increase in the loan portfolio of 45%, a larger provision was necessitated by the significant growth in lending volume and the losses inherent in that volume. In addition, the 1997 provision was negative as a result of the significant recoveries that effectively amplified the year-to-year change in the provision with respect to both 1998 and 1996. The declining charge-offs and larger recoveries during 1997 increased the loan loss reserve by more than management believed was necessary to provide for loss potential in the loan portfolio. Accordingly, a negative provision resulted from the reversal of a portion of the reserve. The loan loss provision for 1996 exceeded the provision for 1995 by 170%. Although net charge-offs declined from 1995 to 1996, management determined that the loan loss provision of $310 thousand was necessary to provide for the loss potential with respect to a specific group of loan relationships that exhibited increased credit risk at that time.

Noninterest Income
<TABLE>
Noninterest income increased by 32% and 33% in 1998 and 1997, respectively. SBA revenue for 1998 was even with 1997. The increases in 1998 came from growth in the other major components of noninterest income: service charges, mortgage income, and other noninterest income. The following table summarizes the significant elements of service charge, SBA, mortgage and Farmer Mac revenue for the three years ending 1998, 1997, and 1996:
<CAPTION>

(in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Periodic deposit account charges	$ 352	307	192
Returned item charges	344	332	259
Ancillary services charges	82	70	33
Other service charges	68	57	75
Total service charge revenue	846	766	559
Gain on sale of SBA loans	191	217	163
SBA loan servicing revenue	226	199	183
Total SBA revenue	417	416	346
Gain on sale of mortgage loans	243	77	44
Mortgage loan servicing revenue	92	53	41
Total mortgage revenue	335	130	85
Farmer Mac origination, sale and servicing	32	29	20
Total loan origination, sale and servicing revenue	$ 784	575	451

</TABLE>

Service charge revenue increased by 10% in 1998 compared to 1997 and 37% in 1997 compared to 1996. The growth in service charge income for 1998 was driven by deposit growth. Average deposits grew 15% in 1998. The growth in service charge revenue for 1997 resulted primarily from the acquisition of three branches as discussed above in "Branch Acquisition." The acquisition increased deposits by approximately 37%. In addition to deposit growth, the Bank's service charge schedule was reviewed during 1997, and certain rates were increased in areas where the Bank's rates were more than competitive.

Revenue from SBA loan sales was nearly comparable to the record level set in 1997, when SBA loan sales revenue increased by 33% over 1996. While SBA loan originations increased in 1998 relative to 1997, the production cycle for many of these loans extended relative to 1997, and fewer loans were sold. Partially disbursed SBA loans at December 31, 1998 were $6.4 million compared to $1.1 million at December 31, 1997. The 33% increase in 1997 was the result of both increases in the volume of loans originated and sold as well as a general increase in the loan sale premiums realized in the secondary market for SBA loan sales. During 1996, a new incentive compensation program was put into place. The program was designed to provide incentives for increasing levels of production. As production increased, the SBA servicing portfolio increased and resulted in the 13% and 9% increases in SBA servicing revenue for 1998 and 1997, respectively.

Revenue from mortgage loan sales reached a new record in 1998, surpassing the previous record by 216%. Mortgage revenue for 1997 increased by 75% over 1996. Mortgage operations were reorganized in 1994, and part of the annual increases since that time are the result of the relationships that have been developed with builders, realtors, and title companies. In addition to reorganized operations, housing activity in the Bank's trade area continued to improve in 1998, building on the improvements in 1997. The Bank continues to package home construction and mortgage take-out loans in a competitive manner and has successfully marketed this product in the new trade areas that were opened as a result of the acquisition of branches from Wells Fargo Bank in early 1997 (see "Branch Acquisition" above). Finally, declining mortgage rates during 1998 and 1997 had a favorable impact on mortgage loan refinance volumes.

The Bank began to participate in the Federal Agricultural Mortgage Corporation ("Farmer Mac") lending program in late 1994, whereby qualifying mortgage loans on agricultural property are originated and sold.

Noninterest Expenses

Noninterest expenses increased by 13% in 1998 compared to 1997 and 46% in 1997 compared to 1996. Growth in the Bank's branch network in 1998 and 1997 had a significant impact on year-to-year comparability as did certain strategic expenses incurred in 1998. Noninterest expenses for 1998 included 12 months of expenses for the three new branches purchased in 1997 compared to ten months for those branches in 1997. In addition, a loan production office in Folsom, California was opened in January, 1998, and a full service branch in Elk Grove, California was opened in August, 1998. Excluding the above factors, noninterest expense increased by 5.5% in 1998 compared to 1997.

The single biggest factor behind the increase in 1997 compared to 1996 was the acquisition of three branches from Wells Fargo Bank on February 22, 1997 as discussed above in "Branch Acquisition." Excluding the expenses associated with the three new branches in 1997 noninterest expenses increased by 17% in 1997 compared to 1996.

Noninterest expense is broken down into four primary categories each of which is discussed in this section.

Salaries and Employee Benefits
<TABLE>
The following table provides the detail for each major segment of salaries and employee benefits together with relevant statistical data:
<CAPTION>

(in thousands except full time equivalents)	1998	1997	1996
<S>	<C>	<C>	<C>
Regular payroll, contract labor, and overtime	$ 2,641	2,298	1,699
Incentive compensation and profit sharing	339	335	125
Payroll taxes and employment benefits	576	459	381
Total Salaries and Employee Benefits	$ 3,556	3,092	2,205
Number of full-time equivalent employees	95.00	82.00	62.25
Regular payroll per full-time equivalent employee	27.80	28.02	27.29
Incentive compensation to regular payroll	12.8%	14.6%	7.4%
Payroll taxes and benefits per full-time equivalent employee	6.06	5.60	6.12

</TABLE>

Total salaries and benefits expense increased by 15% in 1998 and 40% in 1997. Excluding the timing of expenses from new branches, the increases were 10% and 4% respectively. The adjusted rate of change for 1998 includes both wage adjustments, additional positions added in the mortgage and SBA departments to support growth and supplemental compensation accruals made pursuant to the agreements summarized in Footnote 9 to the 1998 Consolidated Financial Statements. The adjusted rate of change for 1997 reflects wage adjustments and higher incentive compensation accruals related to increased profitability. Regular payroll increased by 35% in 1997 compared to 1996 due primarily to the increase in personnel from the three branches purchased from Wells Fargo Bank (see "Branch Acquisition above"). At the closing date of the transaction, the branch acquisition added 20 full-time equivalents. Regular payroll per full-time equivalent declined by less than 1% in 1998 after increasing by 2.7% in 1997.

Incentive compensation includes bonus awards under the Incentive Compensation Plan, contributions to the Employee Stock Ownership Plan and matching contributions to the 401(k) Stock Ownership Plan. The Incentive Compensation Plan pays bonuses to officers based upon the actual results of departmental and Bank-wide performance in comparison to predetermined targets. Contributions to the Employee Stock Ownership Plan are made at the discretion of the board of directors based upon profitability. Matching contributions to the 401(k) Stock Ownership Plan are made at the rate of 50% of the first 4% of compensation contributed by employees. The rate of incentive compensation for 1997 was nearly double the rate in 1996 based upon increased profitability.

Payroll taxes and employee benefits per full-time equivalent increased in 1998 compared to 1997 and declined in 1997 compared to 1996. The increase in 1998 is related primarily to supplemental compensation accruals made pursuant to the agreements summarized in Footnote 9 to the 1998 Consolidated Financial Statements. The decline in 1997 was because certain benefit expenses did not increase proportionately with the increase in full-time equivalents. Despite an increase of 20 full-time equivalents, workers compensation insurance declined slightly in 1997, and medical insurance per full-time equivalent declined by $377.

Occupancy Expense

<TABLE>

The following table provides the detail for each major segment of occupancy expense:

<CAPTION>

(in thousands except square footage and cost per sq. ft.)	1998	1997	1996
<S>	<C>	<C>	<C>
Depreciation	$289	265	251
Property taxes, insurance, and utilities	220	204	168
Property maintenance	144	154	109
Net rental expense (income)	62	(30)	(45)
Total Occupancy	$715	593	483
Square footage of occupied and unoccupied space	42,945	40,725	28,312
Occupancy cost per square foot	$16.65	14.56	17.06
Locations	8	6	3

</TABLE>

Occupancy expenses increased by 21% in 1998 compared to 1997 and 23% in 1997 compared to 1996.

The primary reason for the increase in 1998 is the increase in net rental expense. The increase is related to the January opening of a loan production office in Folsom, California and the August opening of a full service branch in Elk Grove, California. In addition, the Galt branch was relocated in November, 1998. While the new rental expense in Galt is lower than it would have been absent a relocation, it is higher per month than it was in 1997. With respect to the three branches acquired from Wells Fargo Bank in 1997, 1998 includes two additional months of occupancy expenses compared to 1997.

The increase in 1997 is attributable to the acquisition of three branches from Wells Fargo Bank (see "Branch Acquisition"). Approximately 13,500 square feet of space was added by the branch acquisition. Two of the locations were purchased and the third, representing 6,000 square feet, was leased. The occupancy cost per square foot declined by 15% as the acquired locations had a lower cost per square foot than existing locations.

Equipment Expense

The following table provides the detail for each major segment of equipment expense:

(in thousands)	1998	1997	1996
Depreciation	$ 406	318	232
Maintenance	104	136	109
Rental expense	26	1	26

Total Equipment	$ 536	455	367

Equipment expense increased by 18% in 1998 compared to 1997 and increased by 24% in 1997 compared to 1996.

The increase in 1998 was driven by two additional months of costs in 1998 for the three branches acquired from Wells Fargo Bank in 1997 and the loan production office and full service branch opened in the communities of Folsom and Elk Grove California, respectively, in January and August of 1998, respectively. The Galt branch was also relocated in November, 1998, and some equipment was replaced.

The increase in 1997 was a function of the equipment acquired in, or purchased as a result of, the acquisition of three branches from Wells Fargo Bank (see "Branch Acquisition"). The increase in 1997 was also due in part to the depreciation expense taken on when a new banking information system, the Phoenix Banking System, was put into place in June of 1996. 1997 was the first full year of depreciation and followed six months of depreciation in 1996. The old system was no longer operationally or technologically current. As such, it was subject to significant maintenance and repair expenses. Those costs declined by 24% in 1996 as a result of the new system. Concurrent with conversion to the Phoenix Banking System, the bank also contracted with an outside vendor to process customer checks and statements. These functions had previously been done internally with rented equipment. As a result of this change, rental expenses for equipment were nearly eliminated in 1997 compared to 1996.

Other Noninterest Expense

<TABLE>

The following table provides the detail for each major segment of other noninterest expense:

<CAPTION>

(in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Third party data processing	$ 719	642	371
Intangible amortization	372	479	---
Professional fees	423	401	372
Telephone and postage	217	182	132
Director fees and retirement	223	150	124
Office supplies	176	142	113
Marketing	213	120	121
Printing	145	117	86
Other real estate owned losses and holding costs	(12)	94	49
Business development	57	55	43
Regulatory assessments	51	53	40
Other	320	220	148
Total Other Noninterest Expense	$ 2,905	2,656	1,599

</TABLE>

Other noninterest expenses increased by 10% in 1998 compared to 1997 and 66% in 1997 compared to 1996.

Approximately 3% out of the 10% increase in 1998 compared to 1997 is the result of the new branches in 1998 and the inclusion of the three branches acquired in 1997 for twelve months in 1998 compared to 10 months for 1997. The remainder of the increase is driven primarily by volume related costs. Average loans and deposit volumes increased by 26% and 15%, respectively.

The most significant items behind the increase for 1997 were the acquisition of three branches from Wells Fargo Bank (see Branch Acquisition), the outsourcing of more functions to third party processors and increased losses and holding costs on other real estate owned.

The acquisition of new branches in 1997 affected noninterest expenses in varying degrees depending upon the fixed or variable nature of expenses. The most definitive impact was the amortization of the core deposit and goodwill intangible assets purchased in the acquisition. Amortization for 1997 amounted to 24% of the purchase price of the related assets and represented 45% of the increase in other noninterest expense for 1997 compared to 1996. The Bank is using an accelerated method of amortization for these assets over an eight year period. Excluding intangible amortization, the increase in other noninterest expenses in 1997 was 36%.

As discussed under "Equipment Expense" above, the Bank outsourced the processing of customer checks and statements to a third party in June of 1996. As a result of this change in mid 1996, third party data processing costs increased in both 1996 and 1997. The acquisition of new branches approximately doubled the Bank's customer base and added to the increase in third party data processing volumes for 1997 compared to 1996.

Losses and holding costs for other real estate owned nearly doubled in 1997 compared to 1996. The Bank moved aggressively in 1997 to reduce other real estate owned. In connection with that effort, carrying values and asking prices were reduced to facilitate the sale of properties. In addition, new properties were brought in during 1997 and increased holding costs, such as taxes and bonds, compared to 1996.

Income Taxes

The provision for income taxes as a percentage of pretax income for 1998, 1997, and 1996 was 25%, 32%, and 28%, respectively. The effective rate is lower than the combined marginal rate for state and federal taxes due primarily to the level of tax exempt income relative to total pre-tax income. Tax exempt income increased in 1998 compared to 1997 due to an investment of $4.2 million in the cash surrender value of life insurance as discussed below under Balance Sheet Review. Tax exempt income declined during 1997 and 1996 in order to recoup alternative minimum taxes paid in previous periods. As of December 31, 1998, substantially all of these credits have been recovered, and the Company is in a position to benefit from tax exempt income on a current basis. Footnote 12 to the Consolidated Financial Statements contains a detailed presentation of the income tax provision and the related current and deferred tax assets and liabilities.

Balance Sheet Review
<TABLE>
The following table presents average balance sheets for the years ended December 31, 1998, 1997 and 1996.
<CAPTION>

	For the Year Ended December 31, 1998 (in thousands)		For the Year Ended December 31, 1997 (in thousands)		For the Year Ended December 31, 1996 (in thousands)	
	Amount	Percent	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:						
Cash & Due from banks	$ 6,701	4.32%	5,362	3.94%	4,020	3.80%
Federal funds sold	6,780	4.37%	8,400	6.17%	3,790	3.58%
Investment securities	53,370	34.42%	53,580	39.36%	34,700	32.82%
Loans (net of allowance for loan losses and deferred income)	71,752	46.29%	56,744	41.68%	53,213	50.33%
Premises and equipment, net	7,188	4.64%	7,227	5.31%	7,044	6.66%
Other assets	9,220	5.96%	4,830	3.54%	2,966	2.81%
Total Assets	$155,011	100.00%	136,143	100.00%	105,733	100.00%
Liabilities & Stockholders' Equity:						
Deposits	$140,480	90.63%	122,540	90.00%	90,420	85.52%
Note payable	--	--	--	--	2,440	2.31%
Other liabilities	1,215	.78%	1,193	.88%	1,113	1.05%
Stockholders' equity	13,316	8.59%	12,410	9.12%	11,760	11.12%
Total Liabilities & Stockholders' Equity	$155,011	100.00%	136,143	100.00%	105,733	100.00%

</TABLE>

Average total assets increased by 14% in 1998 compared to 1997 and 29% in 1997 compared to 1996. Year-end asset totals at December 31, 1998 reached $164.4 million and represented an increase of 11% over December 31, 1997. The increase in 1998 is a function of deposit growth throughout the Bank's branch network, as average deposits increased by 15% in 1998. The increase in 1997 is largely attributable to $34 million in deposits acquired in connection with the acquisition of three branches from Wells Fargo Bank (see "Branch Acquisition"). Deposits at December 31, 1997 increased by 45%, or $41.6 million, compared to December 31, 1996. Average deposits for 1997 exceeded 1996 by 36%. The increase in deposits reduced the ratio of average equity to average assets by 200 basis points in 1997 to 9.12% and provided for a more efficient use of capital.

The liquidity generated by the growth in deposits funded growth in the loans during 1998 and both loans and investment securities in 1997. Average loans increased by 26% and 7% in 1998 and 1997, respectively, while loans at December 31, 1998 and 1997 were 45% and 18%, respectively, above the comparable prior year-end totals. The average investment portfolio for 1997 was 54% larger than in 1996.

Investment Securities
<TABLE>
The following table presents the investment portfolio at December 31, 1998, 1997 and 1996 by security type, maturity, and yield:
<CAPTION>

Book Value at December 31 (in thousands):	1998 Amount	1998 Yield(a)	1997 Amount	1997 Yield(a)	1996 Amount	1996 Yield(a)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury Securities:						
Within 1 year	$ 1,000	5.87%	2,995	5.94%	600	8.09%
Ater 1 year, within 5 years	--	--	1,000	5.87%	3,972	5.93%
After 5 years, within 10 years	--	--	--	--	--	--
After 10 years	--	--	--	--	--	--
Total U.S. Treasury	$ 1,000	5.87%	3,995	5.92%	4,572	6.21%
U.S. Agency Securities:						
Within 1 year	1,512	5.68%	2,101	7.06%	4,023	5.94%
After 1 year, within 5 years	13,482	6.50%	13,997	6.46%	8,537	6.71%
After 5 years, within 10 years	3,000	6.93%	9,986	7.07%	5,038	7.04%
After 10 years	1,500	6.85%	4,993	7.63%	483	8.30%
Total U.S. Agency	$19,494	6.53%	31,077	6.88%	18,081	6.67%
Collateralized Mortgage Obligations:						
Within 1 year	--	--	--	--	--	--
After 1 year, within 5 years	--	--	225	6.08%	329	5.65%
After 5 years, within 10 years	153	5.51%	277	6.27%	376	5.84%
After 10 years	304	8.34%	534	6.57%	534	6.40%
Total Collateralized Mortgage Obligations	$ 457	7.39%	1,036	6.38%	1,239	6.03%
Municipal Securities:						
Within 1 year	1,196	6.20%	688	6.67%	250	6.33%
After 1 year, within 5 years	2,439	7.08%	3,118	6.94%	3,455	6.88%

After 5 years, within 10 years	--	--	530	7.60%	886	6.14%
After 10 years	--	--	--	--	--	--
Total Municipals	$ 3,635	6.79%	4,336	6.98%	4,591	6.71%
Other Debt Securities:						
Within 1 year	93	8.50%	22	7.86%	27	8.57%
After 1 year, within 5 years	113	6.83%	2,748	7.41%	492	8.25%
After 5 years, within 10 years	2,509	7.28%	7	9.73%	1,097	7.33%
After 10 years	--	--	972	7.67%	33	8.15%
Total Other Debt Securities	$ 2,813	7.36%	3,749	7.48%	1,649	7.64%
Money Market Mutual Fund	17,602	4.83%	17,200	6.12%	6,482	5.28%
Federal Agency Stock	126	6.00%	126	6.00%	83	6.00%
Unrealized Holding Gain/(Loss)	520	--	398	--	216	--
Total	$45,647	5.93%	61,917	6.59%	36,913	6.39%

<FN>
(a) The yields on tax-exempt obligations have not been computed on a tax-equivalent basis.
</FN>
</TABLE>

The investment portfolio at December 31, 1998 was 26% below the prior year total after increasing by 68% in 1997 compared to 1996. The decline in the portfolio during 1998 funded increases in loan volume. The growth in the portfolio during 1997 resulted from the investment of the deposit liquidity that was received when the Bank purchased three branches from Wells Fargo Bank (see "Branch Acquisition").

With the exception of the sale of money market mutual fund shares, the decline in the portfolio during 1998 came solely from maturities and calls. The general decline in interest rates during 1998 led to the call of several agency securities that were purchased in 1997. Maturities and calls during 1998 were approximately $20.9 million. At December 31, 1998, the portfolio included $9.0 million in callable agency securities with an average maturity, months-to-call, and yield of 8.33%, 7.0%, and 6.9%, respectively.

The growth in the portfolio during 1997 was focused primarily in the U.S. Agency segment and more specifically callable U.S. Agency bonds. The callable bonds provide attractive yields relative to noncallable securities for the same contractual maturity. In a rising rate scenario, the call option to the issuer loses economic advantage. As a result, the securities estimated life extends but the yield in excess of non-callable yields at the purchase date provides some compensation for the extended life. In a falling rate scenario, the call option to the issuer gains economic advantage. As a result, the likelihood of the bond being called increases. While the proceeds from the call would need to be reinvested at lower rates, the higher coupon on the callable bond compensates for the risk of the bond being called. The callable U.S Agency securities purchases were diversified. Final maturities ranged from three to fifteen years with call protection from three months to two years. At December 31, 1997, the Bank's callable U.S. Agency portfolio totaled $21 million and had an average final maturity of nine years with average call protection of ten months.

A portion of the investment portfolio contains structured notes. Structured notes generally carry terms that reference some index or predefined schedule as a means of determining the coupon rate of interest to be paid on the security, and there may also be interest rate caps or floors that limit the extent to which the coupon rate can adjust in any given period and/or for the life of the security. Depending upon the referenced index or predefined schedule as well as the interest rate cap or floor, the coupon rate of a structured note can lead, lag, move in tandem with, or move in the opposite direction of market interest rates. As a result, the market value of the note can be favorably or adversely impacted depending upon the direction and magnitude of change in market interest rates. Structured notes may also contain provisions that give the issuer the right to call the security away from the owner at a predetermined price; therefore, the contractual, expected, and actual final maturity of the notes may differ. Both the collateralized mortgage obligations and the structured agency bonds are considered to be derivative securities under the broadest definitions of derivatives, however, derivative investments in the Bank's portfolio are structured such that they fall on the conservative end of the derivative risk spectrum.

The amortized cost of the Bank's structured note portfolio at December 31, 1998 and 1997 was $.50 million and $1.0 million, respectively, and represented approximately 1.1% and 1.6%, respectively, of the investment portfolio. The market value of the structured note portfolio at December 31, 1998 and 1997 was $.50 million and $1.0 million, respectively. All of the structured notes were issued by Federal Agencies and therefore carry the implied AAA credit rating of the Federal Government. The structured note portfolio at December 31, 1998 and 1997 carries only floating rate coupons that generally lag overall movements in market interest rates.

Loans
<TABLE>
The following table summarizes gross loans and the components thereof as of December 31 for each of the last five years:
<CAPTION>

	Outstanding at December 31 (in thousands):				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Commercial	$77,956	53,684	45,322	41,538	44,847
Real estate construction	11,743	6,900	5,802	7,549	9,809
Installment and other	3,463	3,525	3,155	2,757	2,656
	$93,162	64,109	54,279	51,844	57,312

</TABLE>

Gross loans outstanding as of December 31, 1998 and 1997 exceeded the comparable prior year-end totals by 45% and 18%, respectively. Improving economic conditions and business development efforts were the foundation for the growth in both years. A significant amount of effort was put forth by management during 1994 to improve the credit quality of the loan portfolio and alter the labor intensiveness of certain segments of the portfolio. The portfolio dollars declined in 1995 as a result of these efforts. During 1995 and thereafter, management's focus expanded to business development and the approach to business development was refined. The growth in 1996 through 1998 is attributable to diligent application of those business development disciplines.

The most significant segment of the loan portfolio is commercial loans, which represented 84% of the total portfolio at December 31, 1998 and 1997. Commercial loans include agricultural loans, working capital loans to businesses in a number of industries, and loans to finance commercial real estate. Agricultural loans represented approximately 14% and 21% of the commercial loan portfolio at December 31, 1998 and 1997, respectively. Agricultural loans are diversified throughout a number of agricultural business segments, including dairy, orchards, row crops, vineyards, cattle and contract harvesting. Agricultural lending risks are generally related to the potential for volatility of agricultural commodity prices. Commodity prices are affected by government programs to subsidize certain commodities, weather, and overall supply and demand in wholesale and consumer markets. Excluding agricultural loans, the remaining portfolio is principally dependent upon the health of the local economy and related to the real estate market.
<TABLE>
The maturity and repricing characteristics of the loan portfolio at December 31, 1998 are as follows:
<CAPTION>

Due: (1)	Fixed Rate	Floating Rate	Total
<S>	<C>	<C>	<C>
In 1 year or less	$ 13,039	18,294	31,333
After 1 year through 5 years	20,867	15,916	36,783
After 5 years	9,705	15,341	25,046
Total Loans	$ 43,611	49,551	93,162

<FN>
(1) Scheduled repayments are reported in the maturity category in which the payment is due.
</FN>
</TABLE>

Approximately 47% of the loan portfolio carries a fixed rate of interest as of December 31, 1998, while approximately 73% of the portfolio matures within five years.

Deposits
<TABLE>
The following table summarizes average deposit balances and rates for the years ended December 31, 1998, 1997, and 1996:
<CAPTION>

(in thousands)	For the Year Ended December 31, 1998		For the Year Ended December 31, 1997		For the Year Ended December 31, 1996	
Type	Average Amount	Average Rate	Average Amount	Average Rate	Average Amount	Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Demand - non-interest bearing	$ 17,080	N/A	13,470	N/A	8,280	N/A
NOW accounts	34,311	1.31%	27,520	1.68%	19,561	1.89%
Money market accounts	16,829	3.13%	17,870	3.09%	12,469	2.95%
Savings	25,460	2.66%	22,130	2.92%	15,790	2.89%
Time deposits	46,800	5.08%	41,550	5.11%	34,320	5.24%
Total Deposits	$140,480	2.87%	122,540	3.09%	90,420	3.31%

</TABLE>

Average deposits increased by approximately 15% and 36% in 1998 and 1997, respectively, while the average rate declined by 22 basis points in each year. The deposit growth in 1998 came from account growth at all branches throughout the Bank's network. The growth was the result of business development efforts in the lending area as well as a continued influx of "large" bank customers that have grown tired of merger activity among large institutions. The majority of the deposit growth in 1997 came from the acquisition of three branches with $34 million in deposits from Wells Fargo Bank on February 22, 1997 (see "Branch Acquisition"). Deposits also grew as a result of internal growth that resulted from the focused business development efforts of Bank officers and staff.

The reduced rates on the deposit portfolio in 1998 and 1997 are a function of changes in mix, pricing, and the general level of interest rates. The mix of deposits has become more cost efficient over the past three years. The mix of noninterest bearing deposits was 12%, 11%, and 9% for 1998, 1997, and 1996, respectively. The mix of certificates of deposit declined significantly from 1996 to 1997 in favor of NOW, money market and savings accounts. The savings, money market, and NOW accounts were repriced in early 1997. The basis used to pay interest on these accounts was changed from a flat rate of interest regardless of balance to a tiered rate of interest with increasingly higher rates paid on incrementally higher balances. The base rates in the pricing mechanism for these accounts have been reduced in conjunction with the overall decline in market interest rates.

Certificates of deposit contain regular and individual retirement account balances. There are no brokered certificates of deposit in the portfolio. Certificates of $100,000 or more represent approximately 32% of the certificate of deposit portfolio at December 31, 1998, and the maturities of those certificates are as follows:

(in thousands)	1998
Three months or less	$ 9,054
Four months to six months	2,609
Seven months to twelve months	2,694
Over twelve months	608

Total time deposits of $100,000 or more	$14,965

Asset Quality

<TABLE>

The following table contains asset quality information with respect to the loan portfolio and other real estate owned:

<CAPTION>

(in thousands except multiples and percentages)	1998	1997	1996	1995	1994
	Asset Quality Statistics at December 31				
Nonaccrual loans	$ 248	340	898	987	765
Accruing loans past due more than 90 days	191	65	52	118	40
Total nonperforming loans	$ 439	405	950	1,105	805
Allowance for loan losses	1,564	1,313	1,207	959	1,127
Allowance for loan losses to nonperforming loans	356%	324%	127%	87%	140%
Total loan portfolio delinquency	1.40%	1.09%	2.14%	2.57%	2.71%
Allowance for loan losses to total gross loans	1.69%	2.05%	2.22%	1.85%	1.97%
Other real estate owned	$ 129	159	400	357	175

</TABLE>

The Company's nonaccrual policy is discussed in note 1(c) to the consolidated financial statements. Interest income recorded on these nonaccrual loans was approximately $2,000, $8,000, $7,000, $13,000 and $14,000 in 1998, 1997, 1996, 1995 and 1994, respectively. Interest income foregone or reversed on these loans was approximately $43,000, $45,000, $149,000, $161,000 and $74,000 in 1998, 1997, 1996, 1995 and 1994, respectively. At December 31, 1998, there were no individually material or a material amount of loans in the aggregate for which management had serious doubts as to the borrower's ability to comply with present loan repayment terms and which may result in the subsequent reporting of such loans as nonaccrual.

<TABLE>

Nonperforming loans increased by 8%, or $34 thousand, after having declined in 1997 and 1996. Portfolio delinquency also declined in 1997 and 1996, while the 1998 level increased to 1.4% The allowance for loan losses increased for each of the last three years after declining by 15% in 1995 compared to 1994. As a result, the allowance coverage ratio for nonperforming loans increased in 1996, 1997, and 1998, reaching 3.56 times at December 31, 1998. Notwithstanding the stable asset quality statistics in 1998 and 1997, the allowance for loan losses was increased in order to provide for the inherent loss potential in the new loan portfolio growth. The following table summarizes the allocation of the allowance for loan losses at December 31 for each of the last five years:

<CAPTION>

(in thousands) except percentages	December 31, 1998		December 31, 1997		December 31, 1996		December 31, 1995		December 31, 1994	
Loan Category	Amount	% Loans	Amount	% Loans	Amount	% Loans	Amount	% Loans	Amount	% Loans
Commercial	$ 240	63.16%	309	60.95%	490	91.42%	295	84.29%	376	78.25%
Real estate	129	33.95%	192	37.87%	45	8.40%	38	10.86%	121	17.12%
Consumer	11	2.89%	6	1.18%	1	0.19%	17	4.86%	4	4.63%
Unallocated	1,184	N/A	806	N/A	671	N/A	609	N/A	629	N/A
	$1,564	100.00%	1,313	100.00%	1,207	100.00%	959	100.00%	1,127	100.00%

</TABLE>

Please also see "Allowance for Loan Losses".

Market Risk
<TABLE>
While there are several varieties of market risk, the market risk material to the Company and the Bank is interest rate risk. Within the context of interest rate risk, market risk is the risk of loss due to changes in market interest rates that have an adverse effect on net interest income, earnings, capital or the fair value of financial instruments. Exposure to this type of risk is a regular part of a financial institution's operations. The fundamental activities of making loans, purchasing investment securities, and accepting deposits inherently involve exposure to interest rate risk. As described in "Asset Liability Management," the Company monitors the repricing differences between assets and liabilities on a regular basis and estimates exposure to net interest income, net income, and capital based upon assumed changes in the market yield curve. The following table summarizes the expected maturity, principal repayment and fair value of the financial instruments that are sensitive to changes in interest rates as of December 31, 1998.

<CAPTION>

In Thousands	1999	Expected Maturity / Principal Repayment 2000	2001	2002	2003	after 03	Total Balance	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-Sensitive Assets:								
Federal funds sold	$ 4,800	--	--	--	--	--	4,800	4,800
Fixed rate investments (1)	3,346	1,982	4,554	5,233	1,585	9,315	26,015	26,015
Floating rate investments (1)	18,102	--	--	91	--	1,439	19,632	19,632
Fixed rate loans (2)	13,039	3,333	5,066	6,628	5,840	9,705	43,611	44,481
Floating rate loans (2)	18,294	4,862	1,633	3,700	5,721	15,341	49,551	49,551
Interest-Sensitive Liabilities:								
NOW account deposits (3)	--	--	--	--	--	36,181	36,181	36,181
Money market deposits (3)	--	--	--	--	--	19,482	19,482	19,482
Savings deposits (3)	--	--	--	--	--	25,987	25,987	25,987
Certificates of deposit	45,799	2,234	371	615	340	--	49,359	49,447
Interest-Sensitive Off-Balance Sheet Items:								
Loans serviced for others	--	--	--	--	--	--	66,903	670
Commitments to lend	--	--	--	--	--	--	21,290	213
Standby letters of credit	--	--	--	--	--	--	156	2

<FN>
(1) Expected maturities for investment securities are based upon anticipated prepayments as evidenced by historical prepayment patterns.
(2) Expected maturities for loans are based upon contractual maturity dates.
(3) NOW, money market and savings deposits do not carry contractual maturity dates; therefore, they have been shown in the "after 03" category. The actual maturities of NOW, money market, and savings deposits could vary substantially if future prepayments differ from the Company's historical experience.
</FN>
</TABLE>

Asset Liability Management
<TABLE>
The primary goal of the Company's asset and liability management system is to maximize net interest margin within reasonable risk parameters with respect to the maturity and pricing structure of assets and liabilities. The Company monitors the repricing differences between assets and liabilities on a regular basis and estimates exposure to net interest income, net income, and capital

based upon assumed changes in the market yield curve. The following table summarizes the repricing intervals for the balance sheet at December 31, 1998:

(in thousands)	Within three months	After three months, within six months	After six months, within one year	After one year, within five years	After five years	Noninterest bearing funds	Total
	By Repricing Interval						
Assets							
Federal funds sold	$ 4,800	--	--	--	--	--	4,800
Investment securities	19,225	148	4,126	16,473	5,675	--	45,647
Loans	51,324	3,881	3,369	22,285	12,303	--	93,162
Noninterest earning assets and allowance for loan losses	--	--	--	--	--	20,791	20,791
Total Assets	$ 75,349	4,029	7,495	38,758	17,978	20,791	164,400
Liabilities and Stockholders' Equity							
Savings, money market & NOW deposits	$ 81,650	--	--	--	--	--	81,650
Time deposits	25,573	10,097	10,129	3,560	--	--	49,359
Other liabilities and stockholders' equity	--	--	--	--	--	33,391	33,391
Total Liabilities and Stockholders' Equity	$ 107,223	10,097	10,129	3,560	--	33,391	164,400
Interest Rate Sensitivity Gap	$ (31,874)	(6,068)	(2,634)	35,198	17,978	(12,600)	--
Cumulative Interest Rate Sensitivity Gap	$ (31,874)	(37,942)	(40,576)	(5,378)	(12,600)	--	--

The interest rate gaps reported in the table arise when assets are funded with liabilities having different repricing intervals. Since these gaps are actively managed and change daily as adjustments are made in interest rate forecasts and market outlook, positions at the end of any period may not be reflective of the Company's interest rate sensitivity in subsequent periods. Active management dictates that longer-term economic views are balanced against prospects for short-term interest rate changes in all repricing intervals. For purposes of the above analysis, repricing of fixed-rate instruments is based upon the contractual maturity of the applicable instruments. In addition, repricing of assets and liabilities is assumed in the first available repricing period. Actual payment patterns may differ from contractual payment patterns, and it has been management's experience that repricing does not always correlate directly with market changes in the yield curve.

Fluctuations in interest rates can also impact the market value of assets and liabilities either favorably or adversely depending upon the nature of the rate fluctuations as well as the maturity and repricing structure of the underlying financial instruments. To the extent that financial instruments are held to contractual maturity, market value fluctuations related to interest rate changes are realized only to the extent that future net interest margin is either higher or lower than comparable market rates for the period. To the extent that liquidity management dictates the need to liquidate certain assets prior to contractual maturity, changes in market value from fluctuating interest rates will be realized in income to the extent of any gain or loss incurred upon the liquidation of the related assets.

Liquidity

Liquidity is managed on a daily basis by maintaining cash, federal funds sold, and short-term investments at levels commensurate with the estimated requirements for loan demand and fluctuations in deposits. Loan demand and deposit fluctuations are affected by a number of factors, including economic conditions, seasonality of the borrowing and deposit bases, and the general level of interest rates. The Bank maintains two lines of credit with correspondent banks as a supplemental source of short-term liquidity in the event that saleable investment securities and loans or available new deposits are not adequate to meet liquidity needs. The Bank may also borrow on a short-term basis from the Federal Reserve in the event that other liquidity sources are not adequate.

At December 31, 1998, liquidity was considered adequate, and funds available in the local deposit market and scheduled maturities of investments are considered sufficient to meet long-term liquidity needs. Compared to 1997, liquidity declined in 1998 as a result of the growth in loans. The growth was adequately funded by investment portfolio maturities and deposit portfolio growth.

Capital Resources

Consolidated capital increased by $1 million, or 8%, during 1998. The increase was due primarily to net income of $1.05 million. The increase in the net unrealized gain on available for sale securities of $84 thousand together with capital paid in upon exercise of stock options of $129 thousand offset $269 thousand in capital used to pay dividends. The consolidated capital to assets ratio declined by 27 basis points, to 8.43% from 8.70%, due to the growth in assets related to the growth in deposits.

The Bank's total risk-based and leverage capital ratios at December 31, 1998 were 11.17% and 7.35%, respectively, at December 31, 1998 compared to 12.9% and 7.1%, respectively, at December 31, 1997. The decline in the total risk-based ratio reflects the additional leverage created by the growth in deposits as well as increased lending which moves assets from lower risk-weight categories to the higher risk-weight categories of loans. The total risk-based and leverage capital ratios at December 31, 1998, are in excess of the required regulatory minimums of 10% and 5%, respectively, for well-capitalized institutions.

Year 2000 Preparedness

Preparedness for the year 2000 date change with respect to computer systems is recognized as a serious issue throughout the banking industry. Both the Company and the Bank have a detailed year 2000 compliance plan that has been approved by their respective boards of directors. The potential impact of the Year 2000 compliance issue on the financial services industry could be material, as virtually every aspect of the industry and processing of transactions will be affected. Due to the size of the task facing the financial services industry and the interdependent nature of its transactions, the Company may be adversely affected by this problem, depending on whether it and the entities with which it does business address this issue successfully. The impact of Year 2000 issues on the Company will depend not only on corrective actions that the Company takes, but also on the way in which Year 2000 issues are addressed by governmental agencies, businesses and other third parties that provide services or data to, or receive services or data from, the Company, or whose financial condition or operational capability is important to the Company.

The Company's State of Readiness

The Company engages the services of third-party software vendors and service providers for substantially all of its electronic data processing. Thus, the focus of the Company is to monitor the progress of its primary software providers toward Year 2000 compliance and prepare to test future-data sensitive data of the Company in simulated processing.

The Company's Year 2000 compliance program has been divided into phases, all of them common to all sections of the process: (1) inventorying date-sensitive information technology and other business systems; (2) assigning priorities to identified items and assessing the efforts required for Year 2000 compliance of those determined to be material to the Company; (3) upgrading or replacing material items that are determined not to be Year 2000 compliant and testing material items; (4) assessing the status of third party risks; and (5) designing and implementing contingency and business continuation plans.

As part of the on-going supervision of the banking industry, bank regulatory agencies are continuously surveying the Company's progression and results of each one of these phases.

In the first phase, the Company conducted a thorough evaluation of current information technology systems, software and embedded technologies, resulting in the identification of 21 Mission Critical Systems that could be affected by Year 2000 issues. Non-information technology systems such as climate control systems, elevators and vault security equipment, were also surveyed. This stage of the Year 2000 process is complete.

In phase two of the process, results from the inventory were assessed to determine the Year 2000 impact and what actions were required to obtain Year 2000 compliance. For the Company's mission-critical systems, actions needed consist principally of upgrades to application versions that vendors have tested for Year 2000 compliance. The Bank's core information system is The Phoenix Banking System (PBS) from Phoenix International Ltd., which was developed in the early 1990's. The Bank converted to PBS in 1996. PBS was developed with a four-digit year field. Phoenix International Ltd. has completed year 2000 testing on version 2.01 of PBS. No code changes to PBS were necessary to complete those tests.

The third phase includes the upgrading, replacement and/or retirement of systems, and testing. This stage of the Year 2000 process was substantially completed for mission critical systems by February 28, 1999. The Company and the Bank upgraded to version 2.01 of PBS during the fourth quarter of 1998 and completed on-site testing by January 31, 1999. Each of the upgrades, to the extent economically feasible, is run through a test environment before it is implemented. It is also tested to see how well it integrates with the Company's overall data processing environment. Final "future-date" testing of system upgrades and replacements is scheduled to be completed by March 31, 1999.

The fourth phase, assessing third party risks, includes the process of identifying and prioritizing critical suppliers and customers at the direct interface level, as well as other material relationship with third parties, including various exchanges, clearing houses, other banks, telecommunication companies and public utilities. This evaluation includes communicating with the third parties about their plans and progress in addressing Year 2000 issues. Detailed evaluations of the most critical third parties have been initiated. These evaluations will be followed with contingency plans, which are ongoing and scheduled to be completed in the second quarter of 1999, with follow up reviews scheduled through the remainder of 1999.

Contingency Plan

The final phase of the Company's Year 2000 compliance program relates to contingency plans. The Company maintains contingency plans in the normal course of business designed to be deployed in the event of various potential business interruptions. These plans have been expanded to address Year 2000-specific interruptions such as power and telecommunication infrastructure failures, and will continue to be supplemented if and when the results of systems integration testing identify additional business functions at risk. The Company is defining core business processes that are dependent upon mission-critical systems and reviewing the business impact on those processes from the failure of mission critical systems in order to develop specific business resumption contingency plans.

Costs

As the Company relies upon third-party software vendors and service providers for substantially all of its electronic data processing, the primary cost of the Year 2000 Project has been and will continue to be the reallocation of internal resources and, therefore, does not represent incremental expense to the Company. Management estimates that the incremental cost of mitigating Year 2000 risk exclusive of management time that has been redirected to focus on this matter will be approximately $50 thousand.

Risks

Failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. The Company believes that, with the implementation of upgraded business systems and completion of the Year 2000 Project as scheduled, the possibility of significant interruptions of normal operations due to the failure of those systems will be reduced. However, the Company is also dependent upon the power and telecommunications infrastructure within the United States, and processes large volumes of transactions through various clearing houses and correspondent banks. The most reasonably likely worst case scenario would be that the Company may experience disruption in its operations if any of these third-party suppliers reported a system failure. Although the Company's Year 2000 Project will reduce the level of uncertainty about the compliance and readiness of its material third-party providers, due to the general uncertainty over Year 2000 readiness of these third-party suppliers, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
See Item 14(a) herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
Not Applicable

PART III

ITEMS 10, 11, 12 and 13.

The information required by these items is contained in the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 18, 1999, and is incorporated herein by reference. The definitive Proxy Statement will be filed with the Commission within 120 days after the close of the Company's fiscal year pursuant to Regulation 14A of the Securities Exchange Act of 1934.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Financial Statements and Schedules

(b) Reports on Form 8-K

On October 30, 1998 the Company filed a Current Report on Form 8-K regarding its press release of the same date, reporting the Company's results of operations for the quarter ended September 30, 1998 and the declaration of a cash dividend of $.05 per share, payable November 27, 1998 to shareholders of record on November 13, 1998.

On January 29, 1999 the Company filed a Current Report on Form 8-K regarding its press release of the same date, reporting the Company's results of operations for the year ended December 31, 1998 and the declaration of a cash dividend of $.05 per share, payable February 26, 1999 to shareholders of record on February 12, 1999.

(c) Exhibits

Exhibit No.	Description
3(a)	Articles of Incorporation, as amended, filed as Exhibit 3.1 to the Company's General Form for Registration of Securities on Form 10, filed on September 21, 1983, is hereby incorporated by reference.
3(b)	Bylaws, as amended.
4	Specimen Common Stock Certificate, filed as Exhibit 4.1 to the Company's General Form for Registration of Securities on Form 10, filed on September 21, 1983, is hereby incorporated by reference.
10(a)	First Financial Bancorp 1991 Director Stock Option Plan and form of Nonstatutory Stock Option Agreement, filed as Exhibit 4.1 to the Company's Form S-8 Registration Statement (Registration No. 33-40954), filed on May 31,

1991, is hereby incorporated by reference.

10(b)	Amendment to First Financial Bancorp 1991 Director Stock Option Plan, filed as Exhibit 4.3 to the Company's Post-Effective Amendment No. 1 to Form S-8 Registration Statement (Registration No. 33-40954), filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 1995, is hereby incorporated by reference.
10(c)	First Financial Bancorp 1991 Employee Stock Option Plan and forms of Incentive Stock Option Agreement and Nonstatutory Stock Option Agreement, filed as Exhibit 4.2 to the Company's Form S-8 Registration Statement (Registration No. 33-40954), filed on May 31, 1991, is hereby incorporated by reference.
10(d)	Bank of Lodi Employee Stock Ownership Plan, filed as Exhibit 10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992, is hereby incorporated by reference.
10(e)	First Financial Bancorp 1997 Stock Option Plan, filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, is hereby incorporated by reference.
10(f)	Bank of Lodi Incentive Compensation Plan, filed as Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, is hereby incorporated by reference.
10(g)	First Financial Bancorp 401(k) Profit Sharing Plan, filed as Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, is hereby incorporated by reference.
10(h)	Employment Agreement dated as of September 30, 1998, between First Financial Bancorp and Leon J. Zimmerman., filed as Exhibit 10(h) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.
10(i)	Employment Agreement dated as of September 30, 1998, between First Financial Bancorp and David M. Philipp, filed as Exhibit 10(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.
10(j)	Executive Supplemental Compensation Agreement effective as of April 3, 1998, between Bank of Lodi, N.A. and Leon J. Zimmerman, filed as Exhibit 10(j) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.
10(k)	Executive Supplemental Compensation Agreement effective as of April 3, 1998, between Bank of Lodi, N.A. and David M. Philipp, filed as Exhibit 10(k) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.
10(l)	Life Insurance Endorsement Method Split Dollar Plan Agreement effective as of April 3, 1998, between Bank of Lodi, N.A. and Leon J. Zimmerman, filed as Exhibit 10(l) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.
10(m)	Life Insurance Endorsement Method Split Dollar Plan Agreement effective as of April 3, 1998, between Bank of Lodi, N.A. and David M. Philipp,

filed as Exhibit 10(m) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.

10(n)	Form of Director Supplemental Compensation Agreement, effective as of April 3, 1998, as executed between Bank of Lodi, N.A. and each of Benjamin R. Goehring, Michael D. Ramsey, Weldon D. Schumacher and Dennis R. Swanson, filed as Exhibit 10(n) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.
10(o)	Form of Life Insurance Endorsement Method Split Dollar Plan Agreement, effective as of April 3, 1998, as executed between Bank of Lodi, N.A. and each of Benjamin R. Goehring, Michael D. Ramsey, Weldon D. Schumacher and Dennis R. Swanson, filed as Exhibit 10(o) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.
10(p)	Form of Director Supplemental Compensation Agreement, effective as of April 3, 1998, as executed between Bank of Lodi, N.A. and each of Angelo J. Anagnos, Raymond H. Coldani, Bozant Katzakian and Frank M. Sasaki, filed as Exhibit 10(p) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.
10(q)	Form of Life Insurance Endorsement Method Split Dollar Plan Agreement, effective as of April 3, 1998, as executed between Bank of Lodi, N.A. and each of Angelo J. Anagnos, Raymond H. Coldani, Bozant Katzakian and Frank M. Sasaki, filed as Exhibit 10(q) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.
11	Statement re computation of earnings per share is incorporated herein by reference to Footnotes 1(k) and 13 to the consolidated financial statements included in this report.
21	Subsidiaries of the Company: The Company owns 100 percent of the capital stock of Bank of Lodi, National Association, a national banking association, and 100 percent of the capital stock of Western Auxiliary Corporation.
23	Consent of KPMG LLP, independent auditors.
27	Financial Data Schedule.

(d) Financial Statement Schedules

No financial statement schedules are included in this report on the basis that they are either inapplicable or the information required to be set forth therein is contained in the financial statements included in this report.

Independent Auditors' Report

The Board of Directors

First Financial Bancorp:

We have audited the accompanying consolidated balance sheets of First Financial

Bancorp and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Financial Bancorp and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Sacramento, California

February 19, 1999

<TABLE>

FIRST FINANCIAL BANCORP AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands)
December 31, 1998 and 1997

<CAPTION>

Assets	1998	1997
<S>	<C>	<C>
Cash and due from banks (note 2)	$ 7,329	7,183
Federal funds sold	4,800	4,900
Investment Securities: (note 3)		
Held-to-maturity securities (at amortized cost, market value of $1,785 in 1997)	--	1,716
Available-for-sale securities at fair value	45,647	60,201
Total investments	45,647	61,917
Loans, net of deferred loan fees and allowance for loan losses of $2,084 and $1,881 in 1998 and 1997, respectively (notes 4 & 14)	91,078	62,228
Premises and equipment, net (note 5)	7,261	7,233
Accrued interest receivable	1,353	1,473
Other Assets (note 6)	6,932	2,916
	$164,400	147,850

Liabilities and Stockholders' Equity		
Liabilities:		
Deposits (notes 7 & 14):		
Noninterest bearing	$ 18,535	14,928
Interest bearing	131,009	118,963
Total deposits	149,544	133,891
Accrued interest payable	389	429
Other liabilities	610	669
Total liabilities	150,543	134,989

Stockholders' equity (notes 13 & 17):		
Common stock - no par value; authorized 9,000,000 shares, issued and outstanding in 1998, 1,349,292 shares; in 1997, 1,332,842 shares	7,584	7,455
Retained earnings	5,971	5,188
Accumulated other comprehensive income	302	218
Total stockholders' equity	13,857	12,861
Commitments and contingencies (notes 8, 9, 10 & 19)		
	$164,400	147,850

<FN>

See accompanying notes to consolidated financial statements.

</FN>

</TABLE>

<TABLE>

FIRST FINANCIAL BANCORP AND SUBSIDIARIES
Statements of Stockholders' Equity
(in thousands except share amounts)
Years Ended December 31, 1998, 1997 and 1996

<CAPTION>

Description	Common Stock Shares	Common Stock Amounts	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995	1,306,996	$ 7,314		4,059	191	11,564
Comprehensive income:						
Net income			$ 640	640		640
Other comprehensive loss:						
Unrealized holding losses arising during the current period, net of tax effect of $48			(64)			
Total other comprehensive loss			(64)		(64)	(64)
Comprehensive income			$ 576			
Options exercised (Note 13)	1,954	10				10
Cash dividend declared (Note 13)				(261)		(261)
Balance at December 31, 1996	1,308,950	7,324		4,438	127	11,889
Comprehensive income:						
Net income			$ 1,015	1,015		1,015
Other comprehensive income:						
Unrealized holding gains arising during the current period, net of tax effect of $92			91			
Total other comprehensive income			91		91	91
Comprehensive income			$ 1,106			
Options exercised (Note 13)	23,892	131				131
Cash dividend declared (Note 13)				(265)		(265)
Balance at December 31, 1997	1,332,842	7,455		5,188	218	12,861
Comprehensive income:						
Net income			$ 1,052	1,052		1,052
Other comprehensive income:						
Unrealized holding gains arising during the current period, net of tax effect of $39			84			
Total other comprehensive income			84		84	84
Comprehensive income			$ 1,136			
Options exercised (Note 13)	16,450	129				129

Cash dividend declared (Note 13)			(269)		(269)
Balance at December 31, 1998	1,349,292	$ 7,584	5,971	302	13,857

<FN>
See accompanying notes to consolidated financial statements.
</FN>
</TABLE>

<TABLE>

FIRST FINANCIAL BANCORP AND SUBSIDIARIES
Consolidated Statements of Income
(in thousands except per share amounts)
Years Ended December 31, 1998, 1997 and 1996

<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Interest income:			
Loans, including fees	$ 7,729	6,612	5,613
Interest on investment securities availablefor sale:			
Taxable	3,191	3,252	1,918
Exempt from Federal taxes	240	150	202
Interest on investment securities held to maturity:			
Exempt from Federal taxes	--	117	113
Federal funds sold	348	461	199
Total interest income	11,508	10,592	8,045
Interest expense:			
Deposit accounts	4,028	3,785	2,992
Other	--	--	262
Total interest expense	4,028	3,785	3,254
Net interest income	7,480	6,807	4,791
Provision for loan losses (note 4)	250	(60)	310
Net interest income after provision for loan losses	7,230	6,867	4,481
Noninterest income:			
Service charges	846	766	559
Premiums and fees from SBA and mortgage operations	784	575	451
Other	248	82	57
Total noninterest income	1,878	1,423	1,067
Noninterest expense:			
Salaries and employee benefits	3,556	3,092	2,205
Occupancy	715	593	483
Equipment	536	455	367
Other (Note 11)	2,905	2,656	1,599
Total noninterest expense	7,712	6,796	4,654
Income before provision for income taxes	1,396	1,494	894
Provision for income taxes (note 12)	344	479	254
Net income	$ 1,052	1,015	640
Earnings per share:			
Basic (Note 13)	$ .78	.77	.49
Diluted (Note 13)	$ .74	.73	.48

<FN>
See accompanying notes to consolidated financial statements.
</FN>
</TABLE>

<TABLE>

FIRST FINANCIAL BANCORP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)
Years Ended December 31, 1998, 1997, and 1996

<CAPTION>

		1998	1997	1996
Cash flows from operating activities:				
<S>	<C>		<C>	<C>
Net income	$	1,052	1,015	640
Adjustments to reconcile net income to net cash flows provided by operating activities:				
Increase in loans held for resale		(811)	(1,318)	(166)
(Decrease) increase in deferred loan income		(49)	168	40
Provision for other real estate owned losses		(16)	60	35
Depreciation and amortization		1,071	1,066	481
Provision for loan losses		250	(60)	310
Provision for deferred taxes		(52)	(28)	(98)
Decrease (increase) in accrued interest receivable		120	(413)	79
(Decrease) increase in accrued interest payable		(40)	105	(84)
Increase in cash surrender value of life insurance		(149)	--	--
Increase in other assets		(145)	(492)	(79)
(Decrease) increase in other liabilities		(59)	176	294
Net cash provided by operating activities		1,172	279	1,610
Cash flows from investing activities:				
Proceeds from maturity of held-to-maturity securities		540	70	249
Proceeds from maturity of available-for-sale securities		20,317	19,230	30,780
Proceeds from sale of available-for-sale securities		8,500	28,077	--
Purchases of available-for-sale securities		12,964)	(72,201)	(31,107)
Increase in loans made to customers		(28,240)	(7,928)	(2,629)
Proceeds from the sale of other real estate		45	285	209
Purchases of bank premises, equipment and intangible assets		(712)	(3,127)	(1,207)
Purchase of cash surrender value life insurance		(4,125)	--	--
Net cash used in investing activities		(16,639)	(35,594)	(3,705)
Cash flows from financing activities:				
Net increase in deposits		15,653	41,684	2,991
Payments on notes payable		--	--	2,585)
Proceeds received upon exercise of stock options		129	131	10
Dividends paid		(269)	(265)	(261)
Net cash provided by financing activities		15,513	41,550	155
Net increase (decrease) in cash and cash equivalents		46	6,235	(1,940)
Cash and cash equivalents at beginning of year		12,083	5,848	7,788
Cash and cash equivalents at end of year	$	12,129	12,083	5,848
Supplemental Disclosures of Cash Flow Information:				
Cash paid during the year for:				
Interest	$	4,068	3,680	3,338
Income taxes		677	476	242

<FN>

See accompanying notes to consolidated financial statements.

</FN>
</TABLE>

FIRST FINANCIAL BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 1998, 1997 and 1996

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of First Financial Bancorp (the Company) and its subsidiaries, Bank of Lodi, N.A., (the Bank) and Western Auxiliary Corporation (WAC) conform with generally accepted accounting principles and prevailing practices within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenue and expense for the period. Actual results could differ from those estimates applied in the preparation of the consolidated financial statements. The following are descriptions of the significant accounting and reporting policies:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries for all periods presented. All material intercompany accounts and transactions have been eliminated in consolidation.

(b) Investment Securities

The Company designates a security as held-to-maturity or available-for-sale when a security is purchased. The selected designation is based upon investment objectives, operational needs, intent and ability to hold. The Company does not engage in trading activity.

Held-to-maturity securities are carried at cost, adjusted for accretion of discounts and amortization of premiums, which are recognized as adjustments to interest income using the interest method. Available-for-sale securities are recorded at fair value with unrealized holding gains and losses, net of the related tax effect reported as a separate component of stockholders' equity until realized. Effective October 1, 1998, all held-to-maturity securities with an amortized cost of $1,174,000, were transferred to the available-for-sale category when Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities was adopted. For the year ended December 31, 1997, there were no transfers between classifications.

To the extent that the fair value of a security is below cost and the decline is other than temporary, a new cost basis is established using the current market value, and the resulting loss is charged to earnings.

Gains and losses realized upon disposition of securities are recorded as a component of noninterest income on the trade date, based upon the net proceeds and the adjusted carrying value of the securities using the specific identification method.

(c) Loans

Loans are stated at principal balances outstanding, net of deferred origination fees, costs and loan sale premiums. A loan is considered impaired when based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the "contractual terms" of the loan agreement, including scheduled interest payments. For a loan that has been restructured, the contractual terms of the loan agreement refer to the contractual terms specified by the original loan agreement, not the contractual terms specified by the restructuring agreement. An impaired loan is measured based upon the present value of future cash flows discounted at the loan's effective rate, the loan's observable market price, or the fair value of collateral if the loan is collateral dependent. Interest on impaired loans is recognized on a cash basis. Large groups of small balance, homogenous loans are collectively evaluated for impairment. If the measurement of the impaired loan is less than the recorded investment in the loan, an impairment is recognized by increasing the allowance for loan losses. Loans held for sale are carried at the lower of aggregate cost or market.

Interest on loans is accrued daily. Nonaccrual loans are loans on which the accrual of interest ceases when the collection of principal or interest is determined to be doubtful by management. It is the general policy of the Bank to discontinue the accrual of interest when principal or interest payments are delinquent 90 days or more unless the loan is well secured and in the process of collection. When a loan is placed on non-accrual status, accrued and unpaid interest is reversed against current period interest income. Interest accruals are resumed when such loans are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest.

(d) Loan Origination Fees and Costs

Loan origination fees, net of certain direct origination costs, are deferred and amortized as a yield adjustment over the life of the related loans using the interest method, which results in a constant rate of return. Loan commitment fees are also deferred. Commitment fees are recognized over the life of the resulting loans if the commitments are funded or at the expiration of the commitments if the commitments expire unexercised. Origination fees and costs related to loans held for sale are deferred and recognized as a component of gain or loss when the related loans are sold.

(e) Gain or Loss on Sale of Loans and Servicing Rights

Transfers and servicing of financial assets and extinguishments of liabilities are accounted for and reported based on consistent application of a financial-components approach that focuses on control. Transfers of financial assets that are sales are distinguished from transfers that are secured borrowings. Servicing assets and other retained interests in transferred assets are measured by allocating the previous carrying amount of the transferred assets between the assets sold, if any and retained interests, if any, based on their relative fair value at the date of transfer. Liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets are to be initially measured at fair value. Servicing assets and liabilities are to be subsequently amortized in proportion to and over the period of estimated net servicing income or loss and assessed for asset impairment or increased obligation based on fair value.

The Bank recognizes a gain and a related asset for the fair value of the rights to service loans for others when loans are sold. The fair value of the servicing assets is estimated based upon the present value of the estimated expected future cash flows. The Bank measures the impairment of the servicing asset based on the difference between the carrying amount of the servicing asset and its current fair value. As of December 31, 1998 and 1997, there was no impairment in mortgage servicing asset.

A gain or loss is recognized to the extent that the sales proceeds and the fair value of the servicing asset exceed or are less than the book value of the loan. Additionally, a normal cost for servicing the loan is considered in the determination of the gain or loss.

When servicing rights are sold, a gain or loss is recognized at the closing date to the extent that the sales proceeds, less costs to complete the sale, exceed or are less than the carrying value of the servicing rights held.

(g) Allowance for Loan Losses

The allowance for loan losses is established through a provision charged to expense. Loans are charged off against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. Recoveries of amounts previously charged off are added back to the allowance. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans, standby letters of credit, overdrafts and commitments to extend credit based on evaluations of collectibility and prior loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, commitments, and current and anticipated economic conditions that may affect the borrowers' ability to pay. While management uses these evaluations to recognize the provision for loan losses, future provisions may be necessary based on changes in the factors used in the evaluations. The allowance for loan losses is also subject to review by the Comptroller of the Currency, the Bank's principal regulator.

(h) Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Building	35 years
Improvements, furniture, and equipment	3 to 10 years

Expenditures for repairs and maintenance are charged to operations as incurred; significant betterments are capitalized. Interest expense attributable to construction-in-progress is capitalized.

(i) Intangible Assets

Goodwill, representing the excess of purchase price over the fair value of net assets acquired, results from branch acquisitions made by the Bank. Goodwill is being amortized on an accelerated basis over eight years. Core deposit intangibles are amortized on an accelerated basis over eight years. Intangible assets are reviewed on a periodic basis for other than temporary impairment. If such impairment is indicated, recoverability of the asset is assessed based upon expected undiscounted net cash flows.

(j) Other Real Estate Owned

Other real estate owned (OREO) consists of property acquired through foreclosure and is recorded at the time of foreclosure at its fair market value. Thereafter, it is carried at the lower of cost or fair market value less estimated completion and selling costs. If at foreclosure, the loan balance is greater than the fair market value of the property acquired, the excess is charged against the allowance for loan losses. Subsequent operating expenses or income, changes in carrying value, and gains or losses on disposition of OREO are reflected in other noninterest expense. Fair market value is generally determined based upon independent appraisals.

Revenue recognition on the disposition of OREO is dependent upon the transaction meeting certain criteria relating to the nature of the property sold and the terms of the sale. Under certain circumstances, revenue recognition may be deferred until these criteria are met.

(k) Earnings Per Share

Basic earnings per share (EPS) includes no dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings of an entity.

(l) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Income tax expense is allocated to each entity of the Company based upon analyses of the tax consequences of each company on a stand alone basis.

(m) Comprehensive Income

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, Reporting Comprehensive Income. SFAS No. 130 established standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The Company adopted SFAS No. 130 as of January 1, 1998 and discloses comprehensive income in the consolidated statements of stockholders' equity.

(n) Statements of Cash Flows

For purposes of the statements of cash flows, cash, non-interest bearing deposits in other banks and federal funds sold, which generally have maturities of one day, are considered to be cash equivalents.

(o) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(p) Stock Based Compensation

The Company accounts for its stock option plan using the intrinsic value method. Compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price.

(q) Segment Reporting

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the way public business enterprises are to report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS No. 131 supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise" but retains the requirements to report information about major customers. As of December 31, 1998 and 1997, the Company did not have any reportable segments under the provisions of SFAS No. 131.

(2) Restricted Cash Balances

The Bank is required to maintain certain daily reserve balances in accordance with Federal Reserve Board requirements. Aggregate reserves of $1,855,000 and $1,053,000 were maintained to satisfy these requirements at December 31, 1998 and 1997, respectively.

(3) Investment Securities

<TABLE>

Investment securities at December 31, 1998 and 1997 consisted of the following:

<CAPTION>

December 31, 1998	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<S>	<C>	<C>	<C>	<C>
Available for Sale				
U.S. Treasury securities	$ 1,000,000	3,000	--	1,003,000
U.S. Agency securities	19,494,000	311,000	7,000	19,798,000
Municipal securities	3,635,000	175,000	--	3,810,000
Collateralized mortgage obligations	457,000	5,000	4,000	458,000
Other debt securities	2,813,000	37,000	--	2,850,000
Money market mutual fund	17,602,000	--	--	17,602,000
Investment in Federal Agency stock	126,000	--	--	126,000
Total	$ 45,127,000	531,000	11,000	45,647,000

</TABLE>
<TABLE>
<CAPTION>

December 31, 1997	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<S>	<C>	<C>	<C>	<C>
Held to Maturity				

Municipal Securities	$ 1,716,000	69,000	--	1,785,000
Available for Sale				
U.S. Treasury securities	3,995,000	5,000	--	4,000,000
U.S. Agency securities	31,077,000	208,000	14,000	31,271,000
Municipal securities	2,620,000	155,000	--	2,775,000
Collateralized mortgage obligations	1,036,000	5,000	17,000	1,024,000
Other debt securities	3,749,000	58,000	2,000	3,805,000
Money market mutual fund	17,200,000	--	--	17,200,000
Investment in Federal Agency stock	126,000	--	--	126,000
	59,803,000	431,000	33,000	60,201,000
Total	$ 61,519,000	500,000	33,000	61,986,000

</TABLE>

Investment securities totaling $4,559,000 and $4,631,000 were pledged as collateral to secure Local Agency Deposits as well as treasury, tax and loan accounts with the Federal Reserve at December 31, 1998 and 1997, respectively.

Proceeds from the sale of Available for Sale securities during 1998 and 1997 were $8,500,000 and $28,077,000, respectively, and represented the sale of money market mutual fund shares at book value. Accordingly, no gain or loss was realized. There were no sales of Available for Sale securities during 1996.

Federal Agency stock dividends paid to the Company were $7,000, $7,000, and $5,000 in 1998, 1997 and 1996, respectively.

The amortized cost and estimated fair value of debt securities at December 31, 1998, by contractual maturity, or expected maturity where applicable, are shown below. Expected maturities will differ from contractual maturities because certain securities provide the issuer with the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

<S>	December 31, 1998 Amortized Cost <C>	Market Value <C>
Due in one year or less	$ 3,801,000	3,846,000
Due after one year through five years	16,034,000	16,449,000
Due after five years through 10 years	3,251,000	3,277,000
Due after 10 years	4,313,000	4,347,000
	$ 27,399,000	27,919,000

</TABLE>

(4) Loans

The Bank grants commercial, installment, real estate construction and other real estate loans to customers primarily in the trade areas served by its branches. Generally, the loans are secured by real estate or other assets. Although the Bank has a diversified loan portfolio, a significant portion of its debtors' ability to honor their contract is dependent upon the condition of the local real estate markets in which the loans are made.

<TABLE>

Outstanding loans consisted of the following at December 31:

<CAPTION>

<S>	1998 <C>	1997 <C>
Commercial	$73,195,000	50,155,000
Real estate construction	11,743,000	6,900,000
Other real estate	4,761,000	3,529,000
Installment and other	3,463,000	3,525,000
	93,162,000	64,109,000
Deferred loan fees and loan sale premiums	(520,000)	(568,000)
Allowance for loan losses	(1,564,000)	(1,313,000)

	$91,078,000	62,228,000

</TABLE>

Included in total loans are loans held for sale of $2,619,000 and $1,807,000 for 1998 and 1997, respectively. SBA and mortgage loans serviced by the Bank totaled $66,903,000 and $45,939,000, and $41,319,000 in 1998, 1997, and 1996, respectively.

<TABLE>

Changes in the allowance for loan losses were as follows:

<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Balance, beginning of year	$ 1,313,000	1,207,000	959,000
Loans charged off	(132,000)	(290,000)	(334,000)
Recoveries	133,000	456,000	272,000
Provision charged to operations	250,000	(60,000)	310,000
Balance, end of year	$ 1,564,000	1,313,000	1,207,000

</TABLE>

Nonaccrual loans totaled $248,000, $340,000, and $898,000 at December 31, 1998, 1997 and 1996, respectively. Interest income which would have been recorded on nonaccrual loans was $43,000, $45,000 and $149,000, in 1998, 1997, and 1996, respectively.

Impaired loans are loans for which it is probable that the Bank will not be able to collect all amounts due. At December 31, 1998 and 1997, the Bank had outstanding balances of $248,000 and $821,000 in impaired loans which had valuation allowances of $32,000 in 1998 and $100,000 in 1997. The average outstanding balances of impaired loans for the years ended December 31, 1998, 1997 and 1996 were $535,000, $1,150,000 and $1,116,000 respectively, on which $40,000, $47,000 and $45,000, respectively, was recognized as interest income.

At December 31, 1998 and 1997, the collateral value method was used to measure impairment for all loans classified as impaired. Impaired loans at December 31, 1998 and 1997 consisted solely of commercial loans.

(5) Premises and Equipment

<TABLE>

Premises and equipment consisted of the following at December 31:

<CAPTION>

<S>	1998 <C>	1997 <C>
Land	$ 874,000	874,000
Building	5,705,000	5,705,000
Leasehold improvements	1,477,000	1,258,000
Furniture and equipment	3,069,000	2,616,000
	11,125,000	10,453,000
Accumulated depreciation and amortization	(3,864,000)	(3,220,000)
	$ 7,261,000	7,233,000

</TABLE>

The Bank leases a portion of its building to unrelated parties under operating leases which expire in various years.

The minimum future rentals to be received on noncancelable leases as of December 31, 1998 are summarized as follows:

Year Ending December 31,	
1999	$ 63,000
2000	48,000
2001	1,000
Total minimum future rentals	$ 102,000

(6) Other Assets

Other assets includes the cash surrender value of life insurance of $4,274,000 at December 31, 1998. The cash surrender value of life insurance consists primarily of the Bank's contractual rights under single-premium life insurance policies written on the lives of certain officers and the directors of the Company and the Bank. The policies were purchased in order to indirectly offset anticipated costs of certain benefits payable upon the retirement, and the death or disability of the directors and officers pursuant to deferred compensation agreements. The cash surrender value accumulates tax-free based upon each policy's crediting rate which is adjusted by the insurance company on an annual basis.

Other real estate owned is also included in other assets and was $129,000 and $159,000 at December 31, 1998 and 1997, respectively. During 1998, 1997, and 1996, other real estate owned of $0, $170,000 and $297,000, respectively, was acquired through foreclosure as settlement for loans. These amounts represent noncash transactions, and accordingly, have been excluded from the Consolidated Statements of Cash Flows.

(7) Deposits

The following is a summary of deposits at December 31:

	1998	1997
Demand	$ 18,535,000	14,928,000
NOW and Super NOW Accounts	36,181,000	29,734,000
Money Market	19,482,000	20,456,000
Savings	25,987,000	24,802,000
Time,$100,000 and over	14,965,000	13,484,000
Other Time	34,394,000	30,487,000
	$ 149,544,000	133,891,000

Interest paid on time deposits in denominations of $100,000 or more was $737,000, $620,000 and $607,000 in 1998, 1997 and 1996, respectively.

At December 31, 1998, the aggregate maturities for time deposits is as follows:

1999	$45,799,000
2000	2,234,000
2001	371,000
2002	615,000
2003	340,000
Total	$49,359,000

(8) Operating Leases

The Bank has noncancelable operating leases with unrelated parties for office space and equipment. The lease payments for future years are as follows:

Year Ending December 31,	Lease Payments
1999	$ 127,000
2000	108,000
2001	67,000
2002	52,000
2003	52,000
Thereafter	44,000
	$ 450,000

Total rental expense for operating leases was $114,000, $32,000 and $35,000 in 1998, 1997 and 1996 respectively.

(9) Supplemental Compensation Agreements

Effective April 3, 1998 the Company and the Bank entered into nonqualified supplemental compensation agreements with all of the directors and certain executive officers for the provision of death, disability and post-employment/retirement benefits. The agreement with directors includes elective provisions for service as a director emeritus following termination of service as a member of the Bank's Board of Directors. Directors who elect to serve as a director emeritus receive certain benefits during such period of service in addition to benefits applicable to all directors which commence upon expiration of the three year emeritus period. The Company will accrue for the compensation based on anticipated years of service and the vesting schedule provided in the agreements. The executive officer agreements are defined contribution agreements whereby the benefit accruals under the plan are

the amount by which, if any, the increase in cash surrender value of the related insurance policies exceeds a predetermined profitability index. At December 31, 1998, accrued compensation under both plans was $72,000. The Company adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Post Retirement Benefits." SFAS No. 132 does not change the measurement or recognition of expenses under the supplemental compensation agreements.

(10) Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit and standby letters of credit.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

At December 31, 1998 and 1997, financial instruments whose contract amounts represent credit risk are as follows:

	1998	1997
Commitments to extend credit	$ 21,290,000	17,950,000
Standby letters of credit	$ 156,000	50,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates, other termination clauses and may require payment of a fee. Many of the commitments are expected to expire without being drawn upon and accordingly, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. Upon extension of credit, the amount of collateral obtained, if any, is based on management's credit evaluation of the counter-party. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing or other real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral obtained, if any, is varied.

(11) Other Noninterest Expense

<TABLE>

Other noninterest expense for the years 1998, 1997 and 1996 included the following significant items:

	1998	1997	1996
Intangible amortization	$ 372,000	479,000	--
Ancillary data processing expense	385,000	326,000	105,000
Directors' fees	199,000	150,000	124,000
Legal fees	197,000	166,000	207,000
Provision for other real estate owned losses	(16,000)	60,000	35,000

(12) Income Taxes

The provision for income taxes for the years 1998, 1997 and 1996 consisted of the following:

1998	Federal	State	Total
Current	$ 252,000	144,000	396,000
Deferred, net	(12,000)	(40,000)	(52,000)
Income tax expense	$ 240,000	104,000	344,000
1997			
Current	$ 312,000	195,000	507,000
Deferred, net	16,000	(44,000)	(28,000)
Income tax expense	$ 328,000	151,000	479,000
1996			
Current	$ 212,000	140,000	352,000
Deferred, net	(66,000)	(32,000)	(98,000)
Income tax expense	$ 146,000	108,000	254,000

Income taxes receivable of $117,000 are included in other assets at December 31, 1998. Income taxes payable of $164,000 are included in other liabilities at December 31, 1997.

The provision for income taxes differs from amounts computed by applying the statutory Federal income tax rate to operating income before income taxes. The reasons for these differences are as follows:

	1998		1997		1996	
	Amount	Rate	Amount	Rate	Amount	Rate
Federal income tax expense, at statutory income tax rates	$ 475,000	34%	508,000	34%	304,000	34%
State franchise tax expense, net of federal income tax benefits	100,000	7%	107,000	7%	63,000	7%
Tax-free interest income	(136,000)	(10%)	(83,000)	(6%)	(97,000)	(11%)
Change in the beginning of the year deferred tax asset valuation allowance	(45,000)	(3%)	32,000	2%		
Other	(50,000)	(3%)	(85,000)	(5%)	(16,000)	(2%)
	$ 344,000	25%	479,000	32%	254,000	28%

<TABLE>
The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1998 and 1997 are presented below.
<CAPTION>

Deferred tax assets:	1998	1997
Allowance for loan losses	$ 553,000	419,000
Allowance for losses on other real estate owned	14,000	60,000
Deferred loan income	145,000	157,000
Accumulated Amortization	260,000	154,000
Deferred compensation	74,000	53,000
Alternative minimum tax credit carryforwards	2,000	60,000
Other	86,000	93,000
Total gross deferred tax assets	1,134,000	996,000
Less valuation allowance	(120,000)	(165,000)
Deferred tax assets, net of allowance	1,014,000	831,000
Deferred tax liabilities:		
Accumulated depreciation	(103,000)	(61,000)
Deferred loan origination costs	(173,000)	(108,000)
Unrealized gain on available-for-sale securities, net	(219,000)	(180,000)
Other	(100,000)	(76,000)
Total gross deferred tax liabilities	(595,000)	(425,000)
Net deferred tax asset	$ 419,000	406,000

</TABLE>

The valuation allowance for deferred tax assets decreased by $45,000 for the year ended December 31, 1998. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 1998 and 1997.

(13) Stockholders' Equity

(a) Stock Options

In December 1982, the Board of Directors adopted the First Financial Bancorp 1982 Stock Incentive Plan. A total of 250,000 shares of the Company's common stock were reserved for issuance under the Plan. Options were granted at an exercise price not less than the fair market value of the stock at the date of grant and became exercisable over varying periods of time and expired 10 years from such date.

In February 1991, the Board of Directors adopted the First Financial Bancorp 1991 Employee Stock Option Plan and Director Stock Option Plan. The maximum number of shares issuable under the Employee Stock Option Plan is 178,500. The maximum number of shares issuable under the Director Stock Option Plan was 55,000. Options are granted at an exercise price of at least 100% and 85% of the fair market value of the stock on the date of grant for the Employee Stock Option Plan and the Director Stock Option Plan, respectively. The 1991 Plans replaced the 1982 Plan; however, this does not adversely affect any stock options outstanding under the 1982 Plan.

In February 1997, the Board of Directors adopted the First Financial Bancorp 1997 Stock Option Plan. The maximum number of shares issuable under the Plan is 393,207 less any shares reserved for issuance pursuant to the 1991 Plans. Options are granted at an exercise price of at least 100% and 85% of the fair market value of the stock on the date of grant for employee stock options and director stock options, respectively. The 1997 Plan replaces the 1991 Plans; however, this does not adversely affect any stock options outstanding under the 1991 Plans.

<TABLE>

Stock option plan activities are summarized as follows:

<CAPTION>

<S>	Options <C>	Options Outstanding Exercise Price Per Share <C>
Balance, December 31, 1995	209,724	$ 5.74 - 10.43
Options exercised	(3,675)	$ 5.78 - 8.57
Options expired	(10,374)	$ 5.74 - 10.43
Balance, December 31, 1996	195,675	$ 5.74 - 8.57
Options granted	76,500	$10.00 - 12.50
Options exercised	(27,600)	$ 5.74 - 8.57
Options expired	(28,000)	$ 6.80 - 10.00
Balance, December 31, 1997	216,575	$ 5.74 - 12.50
Options exercised	(16,450)	$ 5.74 - 6.80
Options expired	(17,525)	$ 6.75 - 12.50
Balance, December 31, 1998	182,600	$ 5.74 - 12.50

</TABLE>

At December 31, 1998, the weighted-average remaining contractual life of all outstanding options was 5.16 years, respectively. At December 31, 1998, the number of options exercisable was 142,700 and the weighted-average exercise price of those options was $7.20.

There were no stock options granted during 1998 or 1996. The per share weighted-average fair value of stock options granted during 1997 was $3.03. The fair value of each option grant is estimated on the date of grant using the Black-Sholes option-pricing model with the following weighted-average assumptions used for grants: dividend yield of 2.18%; expected volatility of 18.4%; risk-free interest rate of 6.2%; and an expected life of five years.

<TABLE>

No compensation cost has been recognized for its stock options in the accompanying consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options, the Company's net income would have been reduced to the pro forma amounts indicated below for the period ended December 31:

<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Net Income			
As reported	$1,052,000	$1,015,000	$640,000
Pro forma	1,022,000	985,000	630,000
Basic Net Income Per Share			
As reported	$ .78	$ .77	$ .49
Pro forma	.76	.75	.48
Diluted Net Income Per Share			
As reported	$ .74	$ .73	$ .48
Pro forma	.72	.71	.47

</TABLE>

Pro forma net income reflects only options granted after 1994. Therefore, the full impact of calculating compensation cost for stock options using the fair value method is not reflected in the pro forma net income amounts presented above because compensation cost is reflected over the options' vesting period of five years and compensation cost for options granted prior to January 1, 1995 is not considered.

(b) Employee Stock Ownership Plan

Effective January 1, 1992, the Bank established the Bank of Lodi Employee Stock Ownership Plan. The plan covers all employees, age 21 or older, beginning with the first plan year in which the employee completes at least 1,000 hours of service. The Bank's annual contributions to the plan are made in cash and are at the discretion of the Board of Directors based upon a review of the Bank's profitability. Contributions for 1998, 1997 and 1996 totaled approximately $116,000, $98,000, and $37,000, respectively.

Contributions to the plan are invested primarily in the Common Stock of First Financial Bancorp and are allocated to participants on the basis of salary in the year of allocation. Benefits become 20% vested after the third year of credited service, with an additional 20% vesting each year thereafter until 100% vested after seven years. As of December 31, 1998, the plan owned 34,714 shares of Company Common Stock.

(c) Dividends and Dividend Restrictions

On January 28, 1999, the Company's Board of Directors declared a cash dividend of five cents per share payable on February 26, 1999, to shareholders of record on February 12, 1999.

The Company's principal source of funds for dividend payments is dividends received from the Bank. Under applicable Federal laws, permission to pay a dividend must be granted to a bank by the Comptroller of the Currency if the total dividend payment of any national banking association in any calendar year exceeds the net profits of that year, as defined, combined with net profits for the two preceding years. At December 31, 1998, there were Bank retained earnings of $2,420,000 free of this condition.

(d) Weighted Average Shares Outstanding

<TABLE>

Basic and diluted earnings per share for the years ended December 31, 1998, 1997, and 1996 were computed as follows:

<CAPTION>

1998	Income (numerator)	Shares (denominator)	Per-Share Amount
<S>	<C>	<C>	<C>
Basic earnings per share	$ 1,052,000	1,341,192	$ .78
Effect of dilutive securities	--	84,234	--
Diluted earnings per share	$ 1,052,000	1,425,426	$ .74

1997	Income (numerator)	Shares (denominator)	Per-Share Amount
Basic earnings per share	$ 1,015,000	1,323,398	$ .77
Effect of dilutive securities	--	68,678	--
Diluted earnings per share	$ 1,015,000	1,392,076	$ .73

1996	Income (numerator)	Shares (denominator)	Per-Share Amount
Basic earnings per share	$ 640,000	1,307,364	$ .49
Effect of dilutive securities	--	32,547	--
Diluted earnings per share	$ 640,000	1,339,911	$ .48

</TABLE>

(14) Related Party Transactions

During the normal course of business, the Bank enters into transactions with related parties, including directors, officers, and affiliates. These transactions include borrowings from the Bank with substantially the same terms, including rates and collateral, as loans to unrelated parties. At December 31, 1998 and 1997, respectively, such borrowings totaled $1,018,000 and $922,000, respectively. Deposits of related parties held by the Bank totaled $671,000 and $1,000,000 at December 31, 1998 and 1997, respectively.

<TABLE>
The following is an analysis of activity with respect to the aggregate dollar amount of loans made by the Bank to directors, officers and affiliates for the years ended December 31:
<CAPTION>

<S>	1998 <C>	1997 <C>
Balance, beginning of year	$ 922,000	1,176,000
Loans funded	738,000	524,000
Principal repayments	(642,000)	(778,000)
Balance, end of year	$1,018,000	922,000

</TABLE>

(15) Parent Company Financial Information

This information should be read in conjunction with the other notes to the consolidated financial statements. The following presents summary balance sheets as of December 31, 1998 and 1997, and statements of income, and cash flows information for the years ended December 31, 1998, 1997, and 1996.

<TABLE>
<CAPTION>
Balance Sheets:

Assets <S>	1998 <C>	1997 <C>
Cash in bank	$ 121,000	139,000
Investment securities available-for-sale, at fair value	5,000	5,000
Premises and equipment, net	64,000	66,000
Investment in wholly-owned subsidiaries	13,521,000	12,548,000
Other assets	146,000	107,000
	$ 13,857,000	12,865,000
Liabilities and Stockholders' Equity		
Accounts payable and other liabilities	$ --	4,000
Common stock	7,584,000	7,455,000
Retained earnings	5,971,000	5,188,000
Accumulated other comprehensive income	302,000	218,000
Total stockholders' equity	13,857,000	12,861,000
	$ 13,857,000	12,865,000

</TABLE>

<TABLE>
<CAPTION>

Statements of Income: <S>	1998 <C>	1997 <C>	1996 <C>
Rent from subsidiary	$ 5,000	6,000	356,000
Interest from unrelated parties	--	2,000	9,000
Other expenses	(316,000)	(215,000)	(626,000)
Equity in income of subsidiaries	1,154,000	1,100,000	832,000

Income tax benefit	209,000	122,000	69,000
Net income	$ 1,052,000	1,015,000	640,000

Statements of Cash Flows:	1998	1997	1996
Net Income	$1,052,000	1,015,000	640,000
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:			
Depreciation and amortization	2,000	2,000	125,000
Provision for deferred taxes	27,000	(36,000)	7,000
(Decrease) increase in other liabilities	(4,000)	(23,000)	27,000
(Increase) decrease in other assets	(66,000)	(15,000)	3,000
Increase in equity of subsidiaries	(879,000)	(774,000)	(832,000)
Net cash provided by (used in) operating activities	132,000	169,000	(30,000)
Proceeds from sale of available-for-sale securities	--	75,000	302,000
Investment in subsidiary	(10,000)	--	--
Capital expenditures	--	--	(4,000)
Net cash (used in) provided by investing activities	(10,000)	75,000	298,000
Payments on notes payable	--	--	(33,000)
Proceeds received upon exercise of stock options	129,000	131,000	10,000
Dividends paid	(269,000)	(265,000)	(261,000)
Net cash used by financing activities	(140,000)	(134,000)	(284,000)
Net (decrease) increase in cash	(18,000)	110,000	(16,000)
Cash at beginning of year	139,000	29,000	45,000
Cash at end of year	$ 121,000	139,000	29,000

(16) Lines of Credit

The Bank has two lines of credit with correspondent banks totaling $5,000,000. As of December 31, 1998 and 1997, no amounts were outstanding under these lines of credit.

(17) Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate mandatory and possibly additional discretionary actions by regulators, that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measure of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below).

First, a bank must meet a minimum Total Risk-Based Capital to risk-weighted assets ratio of 8%. Risk-based capital and asset guidelines vary from Tier I capital guidelines by redefining the components of capital, categorizing assets into different classes, and including certain off-balance sheet items in the calculation of the capital ratio. The effect of the risk-based capital guidelines is that banks with high exposure will be required to raise additional capital while institutions with low risk exposure could, with the concurrency of regulatory authorities, be permitted to operate with lower capital ratios. In addition, a bank must meet minimum Tier I Capital to average assets ratio.

Management believes, as of December 31, 1998, that the Bank meets all capital adequacy requirements to which it is subject. As of December 31, 1998, the most recent notification, the Federal Deposit Insurance Corporation (FDIC) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately capitalized, the Bank must meet the minimum ratios as set forth below. There are no conditions or events since that notification that management believes have changed the Bank's category.

<TABLE>

The Bank's actual capital amounts and ratios as of December 31, 1998 are as follows:

<CAPTION>

	Actual Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Risk-based capital (to Risk weighted assets)	$13,084,000	11.17%	less than $9,371,000	less than 8.0%	less than $11,714,000	less than 10.0%
Tier I Capital (to Risk Weighted assets)	$11,620,000	9.92%	less than $4,685,000	less than 4.0%	less than $ 7,028,000	less than 6.0%
Tier I Capital (to Average Assets)	$11,620,000	7.35%	less than $6,324,000	less than 4.0%	less than $ 7,905,000	less than 5.0%

</TABLE>

The Bank's actual capital amounts and ratios as of December 31, 1997 are as follows:

<TABLE>
<CAPTION>

	Actual Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Risk-based capital (to Risk weighted assets)	$11,459,000	12.95%	less than $7,081,000	less than 8.0%	less than $8,851,000	less than 10.0%
Tier I Capital (to Risk Weighted assets)	$10,352,000	11.70%	less than $3,541,000	less than 4.0%	less than $5,310,000	less than 6.0%
Tier I Capital (to Average Assets)	$10,352,000	7.11%	less than $5,828,000	less than 4.0%	less than $7,285,000	less than 5.0%

</TABLE>

(18) Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet for cash and due from banks and federal funds sold are a reasonable estimate of fair value.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. (See note 3).

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for fixed-rate loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Commitments to extend credit and standby letters of credit: The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the present creditworthiness of the counter parties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based upon fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligation with the counter parties at the reporting date.

Deposit liabilities: The fair values disclosed for demand deposits (e.g., interest and non-interest checking, savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on time deposits to a schedule of aggregated expected monthly maturities on time deposits.

Limitations: Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets and liabilities that are not considered financial assets or liabilities include deferred tax assets, premises, and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in many of the estimates.

<TABLE>

The estimated fair values of the Company's financial instruments are approximately as follows:

<CAPTION>

		1998 Carrying Amount	1998 Fair Value
<S>	<C>		<C>
Financial assets:			
Cash and due from banks and federal funds sold	$	12,129,000	12,129,000
Investment securities		45,647,000	45,647,000
Loans:			
Gross Loans		93,162,000	94,032,000
Allowance for loan losses		(1,564,000)	(1,564,000)
Deferred loan fees and loan sale premiums		(520,000)	(520,000)
Net loans	$	91,078,000	91,948,000
Financial liabilities:			
Deposits:			
Demand	$	18,535,000	18,535,000
Now and Super Now accounts		36,181,000	36,181,000
Money Market		19,482,000	19,482,000
Savings		25,987,000	25,987,000
Time		49,359,000	49,447,000
Total deposits	$	149,544,000	149,632,000

</TABLE>

<TABLE>
<CAPTION>

	Contract Amount	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>
Unrecognized financial instruments:			

	Contract Amount	Carrying Amount	Fair Value
Commitments to extend credit	$ 21,290,000	--	213,000
Standby letters of credit	156,000	--	2,000

</TABLE>

<TABLE>
<CAPTION>

	1997 Carrying Amount	1997 Fair Value
<S>	<C>	<C>
Financial assets:		
Cash and due from banks and federal funds sold	$ 12,083,000	12,083,000
Investment securities	61,917,000	61,986,000
Loans:		
Gross Loans	64,109,000	64,556,000
Allowance for loan losses	(1,313,000)	(1,313,000)
Deferred loan fees and loan sale premiums	(568,000)	(568,000)
Net loans	$ 62,228,000	62,675,000
Financial liabilities:		
Deposits:		
Demand	$ 14,928,000	14,928,000
Now and Super Now accounts	29,734,000	29,734,000
Money Market	20,456,000	20,456,000
Savings	24,802,000	24,802,000
Time	43,971,000	43,911,000
Total deposits	$ 133,891,000	133,831,000

</TABLE>

<TABLE>
<CAPTION>

	Contract Amount	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>
Unrecognized financial instruments:			
Commitments to extend credit	$ 17,950,000	--	180,000
Standby letters of credit	50,000	--	1,000

</TABLE>

(19) Legal Proceedings

The bank is involved in various legal actions arising in the ordinary course of business. In the opinion of management, after consulting with legal counsel, the ultimate disposition of these matters will not have a material effect on the Bank's financial condition, results of operations, or liquidity.

(20) Derivative Financial Instruments

As of December 31, 1998 and 1997, the Company has no off-balance sheet derivatives. The Company held $457,000 and 1,036,000 in collateralized mortgage obligations and $500,000 and $1,000,00 in structured notes as of December 31, 1998 and 1997 respectively. These investments are held in the available for sale portfolio.

(21) Acquisition of Branches

On February 22, 1997, the the Bank, completed the acquisition of the Galt, Plymouth, and San Andreas, California, branches of Wells Fargo Bank. The Bank purchased the premises and equipment of the Plymouth and San Andreas branches and assumed the building lease for the Galt branch. The Bank also purchased the furniture and equipment of all three branches and paid a premium for the deposits of each branch. The total cost of acquiring the branches, including payments to Wells Fargo Bank as well as other direct costs associated with the purchase, was $2.86 million. The transaction was accounted for using the purchase method of accounting. Accordingly, the purchase price was allocated first to identifiable tangible assets based upon those assets' fair value and then to identifiable intangible assets based upon the assets' fair value. The excess of the purchase price over identifiable tangible and intangible assets was allocated to goodwill. Allocations to identifiable tangible assets, identifiable intangible assets, and goodwill were $856 thousand, $1.98 million, and $24 thousand, respectively. Deposits totaling $34 million were acquired in the transaction.

(22) Western Auxiliary Corporation

On June 9, 1998 the Company incorporated Western Auxiliary Corporation (WAC). The Company capitalized WAC as a wholly-owned subsidiary during the quarter ended September 30, 1998 with an initial capitalization of $10,000. WAC earns fee income by acting as trustee on the Bank's trust deed transactions and receives the necessary operational resources under an intercompany services agreement between WAC and the Bank.

(23) Year 2000

Both the Company and the Bank have a detailed year 2000 compliance plan that has been approved by their respective board of directors. The Bank's core banking system, The Phoenix Banking System, uses a four-digit date field; therefore, it is expected to be year 2000 compliant. Testing to confirm this status was completed by the Bank in early 1999. With respect to external systems, the Company and the Bank are in contact with vendors and customers in order to monitor the progress with year 2000 compliance efforts and assess the need for contingency plans, if applicable. To date vendors and customers have provided confirmations that they are either compliant or are making progress toward planned compliance prior to the end of 1999. The cost of year 2000 compliance efforts are not expected to be material to the financial position, the results of operations, or liquidity of the Company.

(24) Prospective Accounting Pronouncements

Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise

In October 1998, the FASB issued SFAS No. 134, Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise. SFAS No. 134 requires that after the securitization of mortgage loans held for sale, an entity engaged in mortgage banking activities classify the resulting mortgage-backed securities or other retained interests based on its ability and intent to sell or hold those investments. SFAS No. 134 is effective for the first fiscal quarter beginning after December 15, 1998. The Company will adopt the statement beginning January 1, 1999. Management does not expect that adoption of SFAS No. 134 will have a material impact on the Company's consolidated financial statements.

Accounting for the Costs of Computer Software Developed or Obtained for Internal Use

In March 1998, the American Society of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. SOP 98-1 provides guidance on accounting for the costs of computer software developed or obtained for internal use. It specifies that computer software meeting certain characteristics be designated as internal-use software and sets forth criteria for expensing, capitalizing, and amortizing certain costs related to the development or acquisition of internal-use software. SOP 98-1 is effective for fiscal years beginning after December 15, 1998. The Company will adopt the statement beginning January 1, 1999. Management does not expect that adoption of SOP 98-1 will have a material impact on the Company's consolidated financial statements.

Reporting on the Costs of Start-Up Activities

In April 1998, the AICPA issued SOP 98-5, Reporting on the Costs of Start-Up Activities. SOP 98-5 provides guidance on the financial reporting of start-up costs and organization costs. It requires costs of start-up activities and organization costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. The Company will adopt the statement beginning January 1, 1999. Management does not expect that adoption of SOP 98-5 will have a material impact on the Company's consolidated financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 26th day of March, 1999.

FIRST FINANCIAL BANCORP

/s/ LEON J. ZIMMERMAN

Leon J. Zimmerman
President and Chief Executive Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	Capacity	Date
/s/ BENJAMIN R. GOEHRING Benjamin R. Goehring	Director and Chairman of the Board	March 26, 1999
/s/ WELDON D. SCHUMACHER Weldon D. Schumacher	Director and Vice Chairman of the Board	March 26, 1999
/s/ BOZANT KATZAKIAN Bozant Katzakian	Director	March 26, 1999
/s/ ANGELO J. ANAGNOS Angelo J. Anagnos	Director	March 26, 1999
/s/ RAYMOND H. COLDANI Raymond H. Coldani	Director	March 26, 1999
Michael D. Ramsey	Director	March 26, 1999
Dennis Swanson	Director	March 26, 1999
/s/ LEON J. ZIMMERMAN Leon J. Zimmerman	Director, President and Chief Executive Officer (Principal Executive Officer)	March 26, 1999
/s/ DAVID M. PHILIPP David M. Philipp	Executive Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 26, 1999

INDEX TO EXHIBITS

Exhibit 3(b) Bylaws, as amended

BYLAWS

OF

FIRST FINANCIAL BANCORP

a California corporation
(as amended through January 29, 1999)

Article I. Offices

Section 1.01. Principal Office. The Board of Directors shall fix the location of the principal executive office of the Corporation at any place within or without the State of California. If the principal executive office is located outside this State, and the Corporation has one or more business offices in this State, the Board of Directors shall fix and designate a principal business office in the State of California.

Section 1.02. Other Offices. The Board of Directors may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to do business.

Article II. Meetings of the Shareholders

Section 2.01. Place of Meetings. Meetings of shareholders shall be held at any place within or without the State of California designated by the Board of Directors. In the absence of any such designation, shareholders' meetings shall be held at the principal office of the Corporation.

Section 2.02. Annual Meetings; Shareholder Proposals. Annual meetings of shareholders of the Corporation for the purpose of electing directors and for the transaction of such other proper business as may come before such meetings may be held at such time, date and places as the Board of Directors shall determine by resolution.

Notice of proposals which shareholders intend to present at any annual meeting of shareholders and wish to be included in the proxy statement of management of the corporation distributed in connection with such annual meeting must be received a the principal executive offices of the corporation not less than 120 days prior to the date on which, during the previous year, management's proxy statement for the previous year's annual meeting was first distributed to shareholders. Any such proposal, and the proponent shareholder, must comply with the eligibility requirements set forth in Rule 14a-8 of the Securities and Exchange Commission.

Section 2.03. Special Meetings. Special meetings of the shareholders may be called at any time, for any purpose or purposes whatsoever, by the President, by the Chairman of the Board, by the Secretary, by the Board of Directors or by one or more shareholders holding not less than ten percent (10%) of the voting shares of the Corporation.

Section 2.04. Notice of Meetings.

(A) Written notice of all meetings of the shareholders shall be given to each shareholder entitled to vote by the Secretary or by any Assistant-Secretary, or by any other person whom the Board of Directors may charge with that duty. Such notice shall be given, either personally or by mail or other means of written communication, addressed to the shareholder at the address of such shareholder appearing on the books of the Corporation or given by the shareholder to the Corporation for the purpose of notice; or if no such address appears or is given, at the place where the principal executive office of the Corporation is located or by publication at least once in a newspaper of general circulation in the county in which the principal executive office is located. The notice or report shall be deemed to have been given when delivered personally or deposited in the mail or sent by other means of written communication. An affidavit of mailing of any notice

or report in accordance with these Bylaws executed by the Secretary, Assistant-Secretary or any transfer agent shall be prima facie evidence of the giving of the notice or report. If any notice or report addressed to the shareholder at the address of such shareholder appearing on the books of the Corporation is returned to the Corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice or report to the shareholder at such address, then all future notices shall be deemed to have been duly given without further mailing if the same shall be available for the shareholder upon written demand at the principal executive office of the Corporation for a period of one year from the date of giving of the notice or report to the other shareholders.

(B) All notices shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting to each shareholder entitled to vote thereat. Such notice shall state the place, the date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (ii) in the case of the annual meeting, those matters that the Board, at the time of the mailing of the notice, intends to present for action by the shareholders, provided, however, that any shareholder approval at an annual meeting, other than unanimous approval by those entitled to vote on any matter specified in

Section 310, 902, 1201, 1900 or 2007 of the California General Corporation Law, shall be valid only if the general nature of the proposal so approved was stated in the notice of meeting or in any written waiver of notice; and provided further, that any unanimous shareholder approval at an annual meeting by those entitled to vote on any matter specified in Section 310, 902, 1201, 1900 or 2007 of the California General Corporation Law shall be valid even though the general nature of the proposal so approved was not stated in the notice of meeting or in any written waiver of notice. A notice of any meeting at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by management for election.

Section 2.05. Nominations for Directors. Nominations for election to the Board of Directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of directors, Nominations, other than those made by the Board of Directors, shall be made in writing and shall be delivered or mailed, with first-class United States mail postage prepaid, to the Secretary not less than 20 days nor more than 50 days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than 25 days notice of the meeting is given to the shareholders, such nomination shall be mailed or delivered to the Secretary not later than the close of business on the seventh day following the day on which the notice of the meeting was mailed. Shareholder nominations shall contain the following information: (a) the name, age, business address and, if known, residence address of each proposed nominee; (b) the principal occupation or employment of each proposed nominee; (c) the total number of shares of capital stock of the Corporation that are beneficially owned by each proposed nominee and by the nominating shareholder; (d) the name and residence address of the notifying shareholder; and (e) any other information the Corporation must disclose regarding director nominees in the Corporation's proxy solicitation. Nominations not made in accordance with this Section may be disregarded by the Chairman of the meeting, and if the Chairman so instructs, the inspectors of election may disregard all votes cast for each such nominee.

Section 2.06. Quorum. The presence in person or by proxy of the persons entitled to vote a majority of the voting shares of the Corporation at any meeting shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by a least a majority of the shares required to constitute a quorum.

Section 2.07. Adjourned Meeting and Notice Thereof. Any shareholder's meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the shares represented either in person or by proxy, but in the absence of a quorum no other business may be transacted at such meeting, except as provided in Section 2.06 of these Bylaws. It shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat, other than by announcement at the meeting at which such adjournment is taken except that, when any meeting is adjourned for more than forty-five (45) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote thereat. At the adjourned meeting the Corporation may transact any business which could have been transacted at the original meeting.

Section 2.08. Voting at Meetings.

(A) The shareholders entitled to notice of any meeting or to vote at any such meeting shall be the persons in whose name shares stand on the stock records of the Corporation on the record date determined in accordance with Section 2.09 of these Bylaws.

(B) Voting shall in all cases be subject to the provisions of Chapter 7 of the California General Corporation Law and to the following provisions:

(1) subject to clause (8), shares held by an administrator, executor, guardian, conservator or custodian may be voted by such holder either in person or by proxy, without a transfer of the shares into the holder's name;

(2) subject to clause (8), shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but no trustee shall be entitled to vote shares so held without a transfer of them into the trustee's name.

(3) shares standing in the name of a receiver may be voted by such receiver; and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into the receiver's name if authority to do so is contained in the order of the court by which such receiver was appointed;

(4) subject to the provisions of Section 705 of the California General Corporation Law and of Section 2.10 of these Bylaws, and except where otherwise agreed in writing between the parties, a shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred;

(5) shares standing in the name of a minor may be voted and the Corporation may treat all rights incident thereto as exercisable by the minor, in person or by proxy, whether or not the corporation has notice, actual or constructive, of the nonage, unless a guardian of the minor's property has been appointed and written notice of such appointment has been given to the Corporation;

(6) shares standing in the name of another corporation,

domestic or foreign, may be voted by such officer, agent or proxyholder as the bylaws of such other corporation may prescribe or, in the absence of such provision, as the Board of Directors of such other corporation may determine or, in the absence of such determination, by the chairman of the board, president or any vice-president of such other corporation, or by any other person authorized to do so by the chairman of the board, president or any vice-president of such other corporation. Shares which are purported to be voted or any proxy purported to be executed in the name of a corporation (whether or not any title of the person signing is indicated) shall be presumed to be voted or the proxy executed in accordance with the provisions of this subdivision, unless the contrary is shown;

(7) shares of the Corporation owned by any subsidiary of the Corporation shall not be entitled to vote on any matter;

(8) shares held by the Corporation in a fiduciary capacity, and shares of the Corporation held in a fiduciary capacity, and shares of the Corporation held in a fiduciary capacity by any subsidiary of the Corporation, shall not be entitled to vote on any matter, except to the extent that the settlor or beneficial owner possesses and exercises a right to vote or to give the Corporation binding instructions as to how to vote such shares;

(9) if shares stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, voting trustees, persons entitled to vote under a shareholder voting agreement or otherwise, or if two or more persons (including proxyholders) have the same fiduciary relationship respecting the same shares, unless the Secretary of the Corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

(a) if only one votes, such act binds all;

(b) if more than one vote, the act of the majority so voting binds all;

(c) if more than one vote, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionately.

If the instrument so filed or the registration of the shares shows that any such tenancy is held in unequal interests, a majority or even split for the purpose of the above shall be a majority or even split in interest.

(C) Subject to the following sentence and to the provisions of

Section 708 of the California General Corporation Law, every shareholder entitled to vote at any election of directors may cumulate his votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which his shares are entitled (except for this Section 2.08(C) as to cumulative voting), or distribute his votes on the same principle among as many candidates as he may see fit. No shareholder shall be entitled to cumulate votes for any candidate or candidates pursuant to the preceding sentence unless such candidate or candidates' name(s) have been placed in nomination before the voting and the shareholder has given notice, at the meeting and before the voting, of his intention to cumulate his votes. If any one shareholder has given such notice, then all shareholders may cumulate their votes for candidates in nomination.

(D) Elections shall be by written ballot.

(E) In any election of directors, the candidates receiving the highest number of votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares are elected.

Section 2.09. Record Date.

(A) The Board of Directors may fix a time in the future as a record date for the determination of the shareholders entitled to notice of, and to vote at, any meeting of the shareholders or entitled to receive any dividend or distribution, or any allotment of rights, or to exercise rights in respect to any change, conversion or exchange of shares. The record date so fixed shall not be more than sixty (60) nor fewer than ten (10) days before the date of the meeting, nor more than sixty (60) days before any other action. When a record date is so fixed, only shareholders of record on that date shall be entitled to notice of, and to vote at, the meeting, or to receive the dividend, distribution or allotment of rights, or to exercise the rights, as the case may be, notwithstanding any transfer of shares on the books of the Corporation after the record date. A determination of shareholders of record entitled to notice of, or to vote at, a meeting of the shareholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date or the meeting is adjourned for more than forty-five (45) days from the date set for the original meeting.

(B) If the Board of Directors does not fix a record date, then the record date for determining which shareholders are entitled to notice of, or to vote at, a meeting of the shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, of notice is waived, at the close of business on the business day next preceding the day on which the meeting is held. The record date for determining shareholders for any purpose other than those set forth in this Section and Section 2.13 of these Bylaws shall be at the close of business on the day on which the Board of Directors adopts the resolutions relating thereto, or on the sixtieth (60) day before the date of such other action, whichever is later.

Section 2.10. Proxies.

(A) Every person entitled to vote or to execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such a person or his duly authorized agent and filed with the Secretary of the Corporation. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy. Every proxy continues in full force and effect until revoked by the person executing it before the vote pursuant thereto, except as otherwise provided in this Section 2.10 or by law. Revocation may be effected by a writing delivered to the Corporation stating that the proxy is revoked or by a subsequent proxy executed by, or by

attendance at the meeting and voting in person by, the maker. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmarked date on the envelopes in which they are mailed. A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted, written notice of the death or incapacity is received by the Corporation.

(B) Except when other provision shall have been made by written agreement between the parties, the record-holder of shares held by a pledgee or otherwise as security or belonging to another shall issue to the pledgor or to the owner of such shares, upon demand therefor and payment of necessary expenses thereof, a proxy to vote or take other action.

(C) A proxy stating that it is irrevocable is irrevocable for the period specified therein when it is held by any of the following or a nominee of any of the following:

(1) a pledgee;

(2) a person who has bought or agreed to buy or holds an option to buy the shares of a person who has sold a portion of such person's shares in the Corporation to the maker of the proxy;

(3) a creditor or creditors of the Corporation or the shareholder who extended or continued credit to the Corporation or the shareholder in consideration of the proxy, if the proxy states that it was given in consideration of such extension or continuation of credit and the name of the person extending or continuing credit;

(4) a person who has contracted to perform services as an employee of the Corporation, if a proxy is required by the contract of employment and if the proxy states that it was given in consideration of such contract of employment, the name of the employee and the period of employment contracted for.

(D) Notwithstanding the period of irrevocability specified, the proxy becomes revocable when the pledge is redeemed, the option or the agreement to buy is terminated or the seller no longer owns any shares of the Corporation or dies, the debt of the Corporation or the shareholder is paid, or the period of employment provided for in the contract of employment has terminated.

(E) The proxy solicited by management for any annual meeting of shareholders shall confer discretionary authority upon management's proxy holders to vote with respect to any shareholder proposal offered at such meeting, the proponent of which has not notified the corporation, within the time period specified by Section 2.02 of these Bylaws, of his or her intention to present such proposal at the annual meeting. Specific reference to such voting authority shall be made in management's proxy statement for each annual meeting.

Section 2.11. Inspectors of Election.

(A) In advance of any meeting of the shareholders, the Board of Directors may appoint inspectors of election to act at such meeting and any adjournment thereof. If the Board of Directors does not appoint inspectors of election, then the Chairman of any such meeting may, and on the request of any shareholder or his proxy shall, make such appointment at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more shareholders or proxies, the majority of shares present shall determine whether one or three inspectors are to be appointed. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the Board of Directors before the meeting, or at the meeting by the Chairman.

(B) The inspectors of election, impartially, in good faith, to the best of their ability, and as expeditiously as is practical, shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, shall receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, shall count and tabulate all votes or consents, determine the result, and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. If there are three inspectors of election, the decision, act or certificate of a majority of them shall be effective in all respects as the decision, act or certificate of all. On request of the Chairman of the meeting or of any shareholder or his proxy, the inspectors shall make a report in writing of any challenge or question or matter determined by

them and shall execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Section 2.12. Shareholders' Right to Inspect Corporate Records.

(A) A shareholder or shareholders holding at least five percent (5%) in the aggregate of the outstanding voting shares of the Corporation or who hold at least one percent (1%) of such voting shares and have filed a Schedule 14-B with the securities and Exchange Commission relating to the election of directors of the Corporation shall have an absolute right to do either or both of the following: (i) inspect and copy the record of shareholders' names and addresses and shareholdings during usual business hours upon five business days' advance written demand upon the Corporation or, (ii) obtain from the transfer agent for the Corporation, upon five business days' advance written notice and upon the tender of its usual charges for such a list (the amount of which charges shall be stated to the shareholders by the transfer agent upon request), a list of the shareholders' names and addresses, who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which it has been compiled or as of a date specified by the shareholders after the date of demand.

(B) The record of shareholders shall also be open to inspection and copying by any shareholder or holder of a voting trust certificate at any time during usual business hours upon written demand on the Corporation, for a purpose reasonably related to such holder's interests as a shareholder or holder of a voting trust certificate.

(C) The accounting books and records and minutes of proceedings of the shareholders, Board and committees of the Board of the Corporation shall be open to inspection upon the written demand on the Corporation of any shareholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interest as a shareholder or as a holder of such voting trust certificate. Such inspection by a shareholder or holder of a voting trust certificate may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts.

(D) Any inspection and copying under this Section 2.12 may be made in person or by an agent or attorney.

Section 2.13. Inspection of Bylaws. The Corporation shall keep in its principal office for the transaction of business the original or a copy of the Bylaws, as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the shareholders at all reasonable times during office hours.

Article III. Directors

Section 3.01. Powers. Subject to the limitation of the Articles of Incorporation, of these Bylaws, and of the California General Corporation Law relating to action required to be approved by the shareholders or the outstanding shares, the business and affairs of the Corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the business of the Corporation to a management company or other person, provided that the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board of Directors.

Section 3.02. Number of Directors. The Corporation shall have not less than eight (8) nor more than fifteen (15) directors, the exact number to be determined from time to time by resolution adopted by the Board of Directors, and such exact number shall be thirteen (13) until otherwise determined by resolution of the Board of Directors, provided, however, that before the issuance of any shares or so long as the Corporation has only one shareholder the number may be one or two, and so long as the Corporation has two shareholders the number may be two. A bylaw specifying or changing a fixed number of directors to a variable board or vice versa may only be adopted by the vote of the holders of not less than two-thirds (2/3) the total voting power of all outstanding shares of voting stock of the Corporation, provided, however, that a bylaw reducing the fixed number or the minimum number of directors to a number smaller than five (5) shall not be adopted if the votes cast against its adoption at a meeting of shareholders are equal to more than sixteen and two-thirds percent (16-2/3%) of the outstanding

shares entitled to vote. No reduction of the authorized number of directors shall have the effect of removing any director before the expiration of his term of office.

Section 3.03. Executive Committee.

(A) The Board of directors may, by resolution adopted by a majority of the authorized number of directors, appoint one or more committees, each consisting of two or more directors, and delegate to such committees any of the authority of the Board of Directors except with respect to:

(1) the approval of any action for which the California General Corporation Law requires shareholders' approval or approval of the outstanding shares;

(2) the filling of vacancies on the Board of Directors or on any committee;

(3) the fixing of compensation of the directors for serving on the Board of Directors or on any committee;

(4) the amendment or repeal of Bylaws or the adoption of new Bylaws;

(5) the amendment or repeal of any resolution of the Board

of Directors which by its express terms is not so amendable or repealable;

(6) a distribution to the shareholders of the Corporation except at a rate or in a periodic amount or within a price range determined by the Board of Directors;

(7) the appointment of other committees of the Board of Directors or the members thereof.

(B) The Board of Directors shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless the Board of Directors or such committee shall otherwise provide, the regular and special meetings and other actions of any such committee shall be governed by the provisions of this Article applicable to meetings and actions of the Board of Directors. Minutes shall be kept of each meeting of each committee.

Section 3.04. Election and Term of Office. The directors shall be elected at each annual meeting of shareholders, but if any such annual meeting is not held or the directors are not elected thereat, then the directors may be elected at any special meeting of shareholders held for that purpose. Each director shall hold office until the next annual meeting and until a successor has been elected and qualified.

Section 3.05. Vacancies.

(A) A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of death, resignation or removal of any director, or if the authorized number of directors is increased, or if the shareholders fail, at any annual or special meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

(B) The Board of Directors may declare vacant the office of a director who has been declared of unsound mind by an order of court, convicted of a felony, or if within sixty (60) days after notice of his election, he does not accept the office either in writing or by attending a meeting of the Board of Directors. Vacancies in the Board of Directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual or a special meeting of the shareholders. If, after the filling of any vacancy by the directors, the directors then in office who have been elected by the shareholders constitute less than a majority of the directors then in office, then any holder or holders of an aggregate of five percent (5%) or more of the total number of shares at the time outstanding having the right to vote for such directors may call a special meeting of shareholders to elect the entire Board of Directors. The term of office of any director not elected by the shareholders shall terminate upon such election of a successor.

(C) Any director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, then a successor may be elected to take office when the resignation becomes effective.

Section 3.06. Removal.

(A) Any or all of the directors may be removed without cause if such removal is approved by the outstanding shares of the Corporation, subject to the following: (i) no director may be removed (unless the entire Board is removed) when the votes cast against removal would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the director's most recent election were then being elected; and (ii) when by the provisions of the Articles of Incorporation the holders of the shares of any class or series, voting as a class or series, are entitled to elect one or more directors, any director so elected may be removed only by the applicable vote of the holders of the shares of that class or series.

Section 3.07. Place of Meeting. Regular meetings of the Board of Directors shall be held at any place within or without the State which has been designated from time to time by resolution of the Board of Directors or by written consent of all members of the Board given either before or after the meeting and filed with the Secretary of the Corporation. In the absence of such designation regular meetings shall be held at the principal office of the Corporation. Special meetings of the Board of Directors may be held either at a place so designated or at the principal office.

Section 3.08. Regular Meetings of the Board of Directors. Regular meetings of the Board of Directors shall be held immediately following each annual meeting of shareholders as provided in Section 2.02 of the Bylaws and at such other times as the Board of Directors may by resolution determine. Notice of all such regular meetings of the Board of Directors is hereby waived.

Section 3.09 Special Meetings.

(A) Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board or the President or, if the President is absent or unable or refuses to act, by any Vice-President or by any two directors.

(B) Special meetings of the Board of Directors shall be held upon four (4) days' written notice or forty-eight (48) hours' notice given personally or by telephone, telegraph, telex or other similar means of communication. Any such notice shall be addressed or delivered to each director at his address as it is shown upon the records of the Corporation or as may have been given to the Corporation by the director for purposes of notice or, if such address is not shown on such records or is not readily ascertainable, then at the place where the meetings of the directors are regularly held.

(C) Notice by mail shall be deemed to have been given at the time written notice is deposited in the United States Mail, postage pre-paid. Any other written notice shall be deemed to have been given at the time when personally delivered to the recipient or delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

Section 3.10. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to the holding of such meeting or an approval of the minutes thereof. All such waivers, consents or approval shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 3.11. Notice of Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given before the adjourned meeting to the directors who are not present at the time of the adjournment.

Section 3.12. Quorum. A majority of the authorized number of directors constitutes a quorum of the Board of Directors for the transaction of business, except to adjourn as hereinafter provided. Except as otherwise provided in the Articles of Incorporation or Bylaws or in the General Corporation Law, every act or decision done or made by the majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the quorum required for such meeting.

Section 3.13. Participation In Meetings By Conference Telephone. Members of the Board of Directors may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such a meeting can hear one another.

Section 3.14. Action without Meeting. Any action under any provision of the California General Corporation Law required or permitted to be taken by the Board of Directors, may be taken without a meeting if all members of the Board individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors.

Section 3.15. Fees and Compensation. Directors and members of committees may receive such compensation for their services, and such reimbursement for expenses, as may be fixed or determined by resolution of the Board of Directors.

Section 3.16. Directors' Right to Inspect Corporate Records. Every director shall have the absolute right at any time to inspect and copy all books, records, documents of every kind, and to inspect the physical properties of the Corporation and also of its subsidiary corporations, if any. Such inspection by a director may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts.

Article IV. Officers

Section 4.01. Officers. The officers of the Corporation shall consist of a president, a vice-president, a secretary, a chief financial officer, and such additional officers as may be elected or appointed in accordance with Section 4.03 of these Bylaws. One person may hold two or more offices, including the offices of president and secretary.

Section 4.02. Elections. All officers of the Corporation, except such officers as may be appointed in accordance with Section 4.03, shall be chosen annually by the Board of Directors, and each shall hold office until he resigns or is removed or otherwise disqualified to serve, or until his successor is chosen and qualified.

Section 4.03. Other Officers. The Board of Directors, at their discretion, may choose a chairman of the board, and may appoint, or empower the president to appoint, one or more additional vice-presidents, one or more assistant secretaries, one or more assistant financial officers, or such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board of Directors may from time to time determine.

Section 4.04. Removal and Resignation.

(A) Any officer may be removed, either with or without cause, by the Board of Directors, at any regular or special meeting thereof, or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors. Any such removal shall be without prejudice to the rights, if any, of the officer under his contract of employment, if any.

(B) Any officer may resign at any time by giving written notice to the Board of Directors, the president, or the secretary of the Corporation. Any such resignation shall be without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party, and shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

Section 4.05. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 4.06. Chairman of the Board. The chairman of the board, if there is such an officer, shall, if present, preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the Bylaws.

Section 4.07. President. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board, if there is such an officer, the president shall be the chief executive officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Corporation. He shall preside at all meetings of the shareholders and, in the absence of the chairman of the board, or if there is no such officer, at all meetings of the Board of Directors. He shall be ex officio a member of all the standing committees, including the executive committee, if any, and shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

Section 4.08. Vice-President. In the absence or disability of the president, the vice-presidents in order of their rank as fixed by the Board of Directors or, if not ranked, the vice-president designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice-presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them by the president, the Board of Directors or the Bylaws.

Section 4.09. Secretary.

(A) The secretary shall keep or cause to be kept, at the principal office or such other place as the Board of Directors may order, a book of minutes of all meetings of shareholders, the Board of Directors, and its committees with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at the shareholders' meetings, and the proceedings thereof.

(B) The secretary shall keep, or cause to be kept, at the principal office or at the office of the Corporation's transfer agent, a share register, or a duplicate share register, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for shares, and the number and date of cancellation of every certificate surrendered for cancellation.

(C) The corporate minutes shall be kept in written form. The other information that the secretary shall keep or cause to be kept shall be kept either in written form or in a form capable of being converted into written form.

(D) The secretary shall give, or cause to be given, notice of all the meetings of the shareholders and of the Board of Directors and of any committees thereof required by the Bylaws or by law to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

Section 4.10. Chief Financial Officer.

(A) The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. Any surplus, including earned surplus, paid-in surplus and

surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account. The books of account shall at all reasonable times be open to inspection by any director.

(B) The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the president and directors, whenever they request it, an account of all his transactions as chief financial officer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

Article V. Indemnification of Directors, Officers, Employees and Other Agents

Section 5.01. Agents, Proceedings, and Expenses. For the purposes of this Article, "agent" means any person who is or was a director, officer, employee, or other agent of the Corporation or its predecessor, and any person who is or was serving as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise at the request of the Corporation or its predecessor; "proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative; and "expenses" include but are not limited to attorneys' fees and any expenses of establishing a right to indemnification under this Article.

Section 5.02. Lawsuits other than by the Corporation. The Corporation shall have the power to indemnify any person who was or is a party, or is threatened to be made a party to any proceeding (other than an action by or in the right of the Corporation to procure a judgment in its favor) by reason of the fact that such person is or was an agent of the Corporation, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with such proceeding, if the agent acted in good faith and in a manner the agent reasonably believed to be in the best interests of the Corporation. If there are criminal charges, the agent must have had no reasonable cause to believe that his or her conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the agent did not act in good faith and in a manner that the agent reasonably believed to be in the best interests of the Corporation, or that the agent had reasonable cause to believe that his or her conduct was unlawful.

Section 5.03. Lawsuits by or on behalf of the Corporation. The Corporation shall have the power to indemnify any person who was, is, or is threatened to be made a party by reason of the fact that such person is or was an agent of the Corporation, to any threatened, pending, or completed legal action by or in the right of the Corporation to procure a judgment in its favor, against expenses actually and reasonably incurred by the agent in connection with the defense or settlement of that action, if the agent acted in good faith, in a manner the agent believed to be in the best interests of the Corporation. However, the Corporation shall not indemnify any amount paid with respect to a claim, issue, or matter for which the agent has been adjudged liable to the Corporation in the performance of his or her duty, except for any expenses (exclusive of judgment or settlement amount) specifically authorized by the court in which the proceeding is or was pending, in accordance with statutory requirements.

Section 5.04. Approval; When Required. Unless indemnification is mandatory because of the agent's successful defense on the merits as set forth in Section 5.05 of this Article, indemnification can be made only as to a specific case, upon a determination that indemnification is proper in the circumstances because the agent has met the applicable standard of conduct as set forth in Sections 5.02 or 5.03 of this Article, and must be authorized by one of the following: (1) a majority vote of the Board with a quorum consisting of directors who are not parties to the proceeding; (2) the affirmative vote of a majority of the outstanding shares entitled to vote and present or represented at a duly held meeting at which a quorum is present or by the written consent of a majority of the outstanding shares entitled to vote (without counting shares owned by the person seeking indemnification as either outstanding or entitled to vote); or (3) the court in which the proceeding is or was pending, upon application by the Corporation, the agent, the agent's attorney, or other person rendering services in connection with the defense, regardless of whether the Corporation opposes the application. Any amount paid in settling or otherwise disposing of a threatened or pending lawsuit, and any expenses incurred in defending a threatened or pending action that is settled or otherwise disposed of, must be authorized by the court in which the proceeding is or was pending, upon application by the Corporation, the agent, the agent's attorney, or other person rendering services in connection with the defense, regardless of whether the Corporation opposes the application.

Section 5.05, Indemnification Against Expenses. To the extent that an agent of the Corporation has been successful on the merits in defense of any proceeding referred to in Section 5.02 or 5.03 of this Article or in defense of any claim, issue or matter therein, he shall be indemnified against his expenses actually and reasonably incurred in connection therewith.

Section 5.06. Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by the Corporation before the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Article.

Section 5.07. Other Indemnification. No provision made by the Corporation to indemnify the directors or officers of the Corporation, or a subsidiary of the Corporation for the defense of any proceeding, whether contained in the Articles of Incorporation, Bylaws, a resolution of the shareholders or directors, an agreement or otherwise, shall be valid unless consistent with Section 317 of the California General Corporation Law. Nothing contained in this Article shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

Section 5.08. Forms of Indemnification Not Permitted. No indemnification or advance shall be made under this Article, except as provided in Section 5.04 or Section 5.05 of these Bylaws in any circumstance where it appears:

(A) that it would be inconsistent with a provision of the Articles of Incorporation, Bylaws, a resolution of the shareholders or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(B) that it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 5.09. Insurance. The Corporation shall have the power to buy and maintain insurance on behalf of any agent of the Corporation of the Corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the Corporation would have the power to indemnify the agent against such liability under the provisions of this Article.

Section 5.10. Nonapplicability to Fiduciaries of Employee Benefit Plans. This Article does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in his capacity as such, even though he may also be an agent of the Corporation as defined in Section 5.01 of these Bylaws. Nothing contained in this Article shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise which shall be enforceable to the extent permitted by applicable law other than Section 317 of the California General Corporation Law.

Article VI. Miscellaneous

Section 6.01. Annual Report to Shareholders. The annual report to shareholders referred to in Section 1501 of the California General Corporation Law is expressly waived, but nothing herein shall be interpreted as prohibiting the Board of Directors from issuing annual or other periodic reports to shareholders.

Section 6.02. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 6.03. Authority to Execute Contracts. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, share certificate, conveyance or other instrument in writing , and any assignment or endorsements thereof, executed or entered into between the Corporation and any other person, when signed by the chairman of the board , if there is such an officer, the president or any vice-president, and the secretary, any assistant secretary, the chief financial officer or any assistant financial officer of the Corporation shall be valid and binding on the Corporation unless the other person knew that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person or persons and in such manner as from time to time shall be determined by the Board of Directors and, unless so

authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 6.04. Certificates.

(A) Every holder of shares of the Corporation shall be entitled to have a certificate signed in the name of the Corporation by the chairman of the board, if there is such an officer, the president or a vice-president and by the chief financial officer or an assistant financial officer or the secretary or an assistant secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimiles. If any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

(B) Certificates for shares may be issued before full payment under such restrictions and for such purposes as the Board of Directors may provide; provided, however, that on any certificate issued to represent any partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated.

(C) If the shares of the Corporation are ever classified, or if any class of shares has two or more series, there shall appear on the certificate one of the following:

(1) a statement of the rights, preferences, privileges and restrictions granted to or imposed upon each class or series of shares authorized to be issued upon the holders thereof;

(2) a summary of such rights, preferences, privileges and restrictions with references to the provisions of the Articles of Incorporation and any certificates of determination establishing the same; or

(3) a statement setting forth the office or agency of the Corporation from which shareholders may obtain, upon request and without charge, a copy of the statement referred to in sub-division (1).

(D) There shall also appear on the certificate (unless stated or summarized pursuant to sub-division (1) or (2) above or Section 417 of the California General Corporation Law) the statements required by all of the following clauses to the extent applicable:

(1) the fact that the shares are subject to restrictions on transfer;

(2) if the shares are assessable or are not fully paid, a statement that they are assessable or the statements required by sub-division (d) of Section 409 of the California General Corporation Law if they are not fully paid;

(3) the fact that the shares are subject to a voting agreement under sub-division (a) of Section 706 of the California General Corporation Law or an irrevocable proxy under sub-division (e) of Section 705 of the California General Corporation Law or restrictions upon voting rights

contractually imposed by the Corporation;

(4) the fact that shares are redeemable; and

(5) the fact that the shares are convertible and the period of conversion.

Unless stated on the certificate as required by this paragraph, no restriction upon transfer, liability for assessment or for the unpaid portion of the subscription price, right of redemption, voting agreement under sub-division (a) of Section 706 of the California General Corporation Law, irrevocable proxy under sub-division (e) of Section 705 of the California General Corporation Law or voting restriction imposed by the Corporation shall be enforceable against a transferee of the shares without actual knowledge of such restriction, liability, right, agreement or proxy.

Section 6.05. Transfer of Certificates. When a certificate for shares is presented to the Corporation or its transfer clerk or transfer agent with a request to register the transfer, the Corporation shall register the transfer, cancel the certificate

presented, and issue a new certificate if: (a) the security is endorsed by the appropriate person or persons; (b) reasonable assurance is given that those endorsements are genuine and effective; (c) the Corporation has no notice of adverse claims or has discharged any duty to inquire into such adverse claims; (d) any applicable law relating to the collection of taxes has been complied with; and (e) the transfer is not in violation of any federal or state securities law. Where a certificate has been lost, destroyed or wrongfully taken, the Corporation shall issue a new certificate in place of the original if the owner: (a) so requests before the Corporation has notice that the certificate has been acquired by a bona fide purchaser; (b) files with the Corporation a sufficient indemnity bond; and (c) satisfies any other reasonable requirements as may be imposed by the Board of Directors. Except as provided above, no new certificate for shares shall be issued in lieu of an old certificate unless the Corporation is ordered to do so by a court in the judgement in an action brought under Section 419(b) of the California General Corporation Law.

Section 6.06. Representation of Shares of Other Corporations. The president or any vice-president and the secretary or assistant secretary of the Corporation are authorized to vote, represent and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the Corporation. The authority herein granted to said officers to vote or represent on behalf of the Corporation any and all shares held by the Corporation in any other corporation or corporations may be exercised either by such officers in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officers.

Section 6.07. Employee Stock Purchase Plans.

(A) The Corporation may adopt and carry out a stock purchase plan or agreement or stock option plan or agreement, providing for the issuance and sale, for such consideration as may be fixed, of its unissued shares, or of issued shares re-acquired or to be re-acquired, to one or more of the employees or directors of the Corporation or of a subsidiary or to a trustee on their behalf and for the payment for such shares in installments or at one time, and may provide for aiding any such persons in paying for such shares by compensation for services rendered, promissory notes, or other rights.

(B) Any such stock purchase plan or agreement or stock option plan or agreement may include, among other features, the fixing of eligibility for participation therein, the class and price of shares to be issued or sold under the plan or agreement, the number of shares which may be subscribed for, the method of payment therefor, the reservation of title until full payment therefor, the effect of the termination of employment, an option or obligation on the part of the Corporation to repurchase the shares upon termination of employment, subject to provisions of Chapter 5 of the California General Corporation Law, restrictions upon transfer of the shares and the time limits of and termination of the plan, and any other matters, not in violation of applicable law, as may be included in the plan as approved or authorized by the Board of Directors or any committee of the Board.

Section 6.08. Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the California General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter, the singular number includes the plural and the plural number includes the singular, and the term "person" includes a corporation as well as a natural person.

Section 6.09. Amendments. Except as otherwise provided in the Articles of Incorporation or in Section 3.02 of these Bylaws, these Bylaws, or any of them, may be altered, amended or repealed, and the new Bylaws may be made, (I) by the Board of Directors, or (ii) by the affirmative vote of the holders of a majority of the outstanding shares of voting stock of the Corporation. Any Bylaws made or altered by the shareholders may be altered or repealed by the Board of Directors or may be altered or repealed by the shareholders.

THIS IS TO CERTIFY:

That I am the duly elected, qualified and acting Secretary of First Financial Bancorp, a California corporation, (the "Company") and that the attached is a true and correct copy of the Bylaws of the Company, as amended through the date of this certificate, in effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunder set my hand this 29th day of January, 1999.

/s/ David M. Philipp

David M. Philipp
Secretary

EXHIBIT 23 - CONSENT OF EXPERTS

The Board of Directors
First Financial Bancorp:

We consent to incorporation by reference in the registration statements dated April 23, 1991 on Form S-8 of First Financial Bancorp and dated June 12, 1997 on Form S-8 of First Financial Bancorp of our report dated February 19, 1999, relating to the consolidated balance sheets of First Financial Bancorp and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998, which report appears in the December 31, 1998 annual report on Form 10-K of First Financial Bancorp.

/s/ KPMG LLP

Sacramento, California
March 26, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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