

Prime Interest

July 2009

Message from the CEO

What's In The Numbers



William R. Trezza, CEO

When we analyze bank performance we are measuring dynamics such as profitability, total deposits, loans, net interest income, efficiency ratio, overhead, etc... Today we will delve into other dynamics which are equally as important to a bank and its communities. This article will address processes, people,

organizations, and statistics.

As a foundation let's remember in simple terms what purposes banks serve. We act as an intermediary which stores money, accounts for it and pays interest to the funds owners. At the same time we act as a multi-channel conduit through which people can make daily payments, or access their funds (this is known as the "payment system.") We also perform investment functions by making loans to local customers, or purchasing government debt. Today the Bank consists of \$430 million in assets, \$350 million in deposits and \$340 million in loans. There are a multitude of dynamics that contribute to generating and administering this business activity.

The Bank employs 141 individuals who support 102

families. As such we provide a full slate of benefits to 197 people. Sixteen of our employees have been with the Bank for over 20 years, with another 32 with service exceeding ten years, for a total of 34%. Our annual payroll represents 162,560 hours, and exceeds \$6.2 million. This staff manages banking activities for 4,938 households, and 1,595 business relationships. These relationships encompass 12,678 deposit accounts as well as 1,200 loans. In managing these accounts the bank processes over 520,000 items annually; 380,139 in the form of paper with 145,326 electronically through different media. The activity doesn't end there. Our employees contributed 983 hours of their time towards non profit activities in our communities. The bank made contributions of \$161,388.42 to 136 organizations in 2008.

The Bank serves San Joaquin, Stanislaus and the eastern portion of Contra Costa County. The combined populations of these communities is approximately one million. We're clearly not the biggest on the block, but our collective contributions and impact are important to the communities in which we operate. We are one of 7,200 community banks in the United States. When you replicate this story throughout America it amplifies how important our community banking system is.

FDIC Deposit Insurance Important Notice

FDIC deposit insurance is temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2013. On January 1, 2014, the standard insurance amount will return to \$100,000 per depositor for all account categories except IRAs and other certain retirement accounts, which will remain at \$250,000 per depositor.

DIRECTORS

Ronald A. Berberian
*Chairman of the Board & President
President, Berberian Brothers Inc.*
Darrow G. Marcus
Insurance Consultant
Ronald McNabb
Retired
Dr. Mark S. Plovnick
Director of Economic Development, UOP
Dea Spanos Berberian
Executive Vice President, A.G. Spanos Companies
William R. Trezza
Chief Executive Officer

EXECUTIVE OFFICERS

William R. Trezza
Chief Executive Officer
Dana Bockstahler
*Executive Vice President
Chief Operating Officer*
Ned A. Smull
*Executive Vice President
Chief Lending Officer*
Steve Stevenson
*Executive Vice President
Sales and Service Manager*
Janet Jenkins
*Executive Vice President
Chief Credit Officer*
Jackie Verkuyll
*Senior Vice President
Chief Financial Officer*

COMMERCIAL BANKING OFFICERS

Claudia Cozad
Vice President, Stockton
Phil Felde
Vice President, Lodi
Alan Moore
Vice President, East Contra Costa County
Tania Brugger
Vice President, Concord
Eddie Lira
Assistant Vice President, Stockton
Gina Machado
Assistant Vice President, Modesto

EXECUTIVE, ADMINISTRATION OFFICES & LOAN DEPARTMENT

BAC PLAZA
2021 W. March Lane
Stockton, CA 95207
(209) 473-6800

CUSTOMER SERVICE
517 E. Weber Avenue
Stockton, CA 95202
(877) 226-5820
customer.service@bankbac.com

BRANCHES

BAC

Stockton 2001 W. March Ln. Stockton, CA 95207 (209) 473-6832	Stockton Cal-Weber 517 E. Weber Ave Stockton, CA 95202 (209) 944-1807
Lodi 1610 W. Kettleman Ln. Lodi, CA 95242 (209) 367-9400	Modesto 2605 Coffee Rd. Modesto, CA 95355 (209)544-2227

ECC BANK

Antioch 1411 A St. Antioch, CA 94509 (925) 776-2200	Concord 901 Sunvalley Blvd. #100 Concord, CA 94520 (925) 609-1970
Brentwood 740 First St. Brentwood, CA 94513 (925) 634-2111	Discovery Bay 14804-A Hwy. 4 Discovery Bay, CA 94514 (925) 634-0112
Brentwood Country Club 2251 Balfour Road Brentwood, CA 94513 (925) 308-7011	Oakley 3775 Main St., Ste A Oakley, CA 94561 (925) 625-4990

Carando Technologies, Inc. Celebrates 100 Years in Business

In 1909, Italian immigrant Joe Carando opened Carando Machine Works, a small machine shop in downtown Stockton. One hundred years later, Carando Machine Works, now Carando Technologies, Inc. is an international and domestic leader in the steel container industry. The company started out servicing local farm equipment and now primarily design and fabricate high performance manufacturing equipment to produce drums, water heater tanks, appliances, spare parts and closing tools. The highly specialized machine shop works with companies such as Greif, Inc., Whirlpool and Electrolux which have Carando machinery in almost every country in the world.

President Sid Schuetz and CFO Laura Keir purchased Carando Technologies, Inc. in 2003. It was then they decided to bring their accounts to BAC. “We knew when we purchased the company we wanted to work with a community bank with personalized service,” says Laura. “And BAC came highly recommended by our accountant and attorney.” Carando Technologies, Inc. utilizes BAC’s Internet Banking and they find it “very easy to use.” Laura especially enjoys the “smooth” relationship that Carando Technologies, Inc. has with BAC and looks forward to working with Commercial Banking Officer Eddie Lira to set-up Merchant Remote Deposit.



(left to right) CFO Laura Keir; BAC’s Eddie Lira and President Sid Scheutz

Stockton's CAL-WEBER Branch Now Open!

Stockton's Cal-Weber Branch opened in its new location April 3rd at 517 E. Weber Ave. The new downtown branch offers the same full-service banking as the previous downtown location, along with easier access and convenient on-site parking. "We love the new branch. The customers love the look of the branch and they don't have to fight for parking," says Branch Manager Maria Ornelas. The Cal-Weber staff pictured left to right: Becky Drury, Liesha Rohr, Maria Garcia, Cassandra Hill, Brenda Harrison, Maggie Lozano, Branch Manager Maria Ornelas, Nikki Sanchez, Lori Renshaw and Violetta Lapid.



FINANCIAL PERFORMANCE

STATEMENT OF CONDITION as of JUNE 30, 2009

ASSETS:

Cash & Due From Banks	\$	14,198,000
Securities		45,930,000
Gross Loans		349,594,000
Less Allowance for Loan Loss		(4,067,000)
Less Deferred Loan Fees		(322,000)
Net Loans		<u>345,205,000</u>
Premises & Equipment		12,140,000
Real Estate Owned		146,000
Other Assets		<u>10,653,000</u>

TOTAL ASSETS 428,272,000

LIABILITIES:

Demand Deposits	\$	108,540,000
Interest Bearing Deposits		238,233,000
Total Deposits		346,773,000
Borrowings		36,298,000
Other Liabilities		<u>2,540,000</u>
TOTAL LIABILITIES		385,611,000

SHAREHOLDERS' EQUITY:

Common Stock		6,300,000
Retained Earnings		<u>36,361,000</u>
TOTAL SHAREHOLDERS' EQUITY		<u>42,661,000</u>

TOTAL LIABILITIES & SHAREHOLDERS' EQUITY 428,272,000

STATEMENT OF INCOME For the Six Months Ended JUNE 30, 2009

Interest Income	\$	11,788,000
Interest Expense		<u>1,793,000</u>
Net Interest Income		9,995,000
Fees & Services Charges		1,281,000
Other Income		<u>31,000</u>
Total Other Income		1,312,000

Overhead Expense	\$	7,465,000
Provision for Loan Loss		600,000
Other Expense		166,000

Gain / (Loss) on Sale of Assets 16,000

INCOME BEFORE TAXES 3,092,000

Income Taxes 1,031,000

NET INCOME 2,061,000

Begin To Prepare For Retirement

As you watch or read news on the economy or bravely open your financial statements, you might find yourself wondering what to do with your investments, how to recover losses, and how to protect your retirement. It may seem that within our current economic climate, there are fewer investment opportunities available to you, and even fewer people to turn to for investment assistance. While the investment landscape has certainly changed, you might be surprised at the wide variety of excellent opportunities that are still available to you and your employees.

If you are considering sponsoring a retirement plan for your employees, you've probably given thought to the significant advantages it could bring your business: from recruiting and retaining top people to providing tax advantages for you and your company. And, even if you already have a plan in place, it may no longer be the optimal retirement plan for you and your employees.

Your retirement options include:

- Payroll Deduction IRAs
- SEP IRAs
- SIMPLE IRAs

- Profit-Sharing Plans
- Age-Weighted Profit-Sharing Plans
- New Comparability Profit-Sharing Plans
- 401(k) Profit-Sharing Plans (including single-person-business option)
- Safe Harbor 401(k) Profit-Sharing Plans
- Money Purchase Plans
- Defined Benefit Pension Plans
- 403(b) Non-ERISA Plans

Bank of Agriculture & Commerce and ECC Bank understand the unique challenges and opportunities you face. Our Investment Advisor Representative will help you make the right choice for your business. She can provide retirement plan strategies that work for your business today and help or potentially provide for your growth tomorrow.

To schedule a time to meet for a free financial review and to discuss your financial future, contact Linda Specht, Investment Advisor Representative, at (209) 444-3354.



*Linda Specht**
Investment Advisor Representative
Financial Network Investment Corporation
2001 W. March Lane
Stockton, CA 95207

*A Registered Representative of Financial Network Investment Corporation

Consult your legal and/or tax counsel for advice and information concerning your particular circumstances. Neither the broker-dealer nor any of its representatives may give legal or tax advice.

Financial Network Investment Corporation is a registered broker/dealer, member SIPC. Bank of Agriculture & Commerce and Financial Network are not affiliated. Securities, insurance and investment advisory services are offered through Financial Network Investment Corporation.

Investments are Not FDIC Insured * Not a Deposit * Not Bank Guaranteed * May Lose Value * Not Insured by Any Federal Government Agency

BAC Employees Walk to Raise Awareness



The Women's Center of San Joaquin held the 2nd Annual Walk a Mile in Her Shoes event at Sherwood Mall in Stockton on April 18, 2009. Men from all over San Joaquin County walked a mile in women's pumps to protest rape, sexual assault and gender violence and to raise money for the center's sexual assault services. Over 90 men participated in the one mile walk including Bank employees, Executive Vice President Steve Stevenson, CEO Bill Trezza and Commercial Banking Officer Eddie Lira pictured here with Women's Center of San Joaquin Executive Director Joelle Gomez.



Rocha Transportation Puts Safety First

Rocha Transportation is one of the safest truckload carriers in America. Proof of this is seen in the many safety honors including this year's National Fleet Safety "Grand Prize" Award given by the Truckload Carriers Association. "We work hard to keep our drivers and equipment operating safely and we count on BAC to keep our money safe," says Safety Manager Sam Cross. The thriving trucking company operates out of Modesto, California and employs the use of tankers, flat beds, curtain vans, containers, freight floor and roller bed vans. They specialize in hauling wine, locally grown nuts and glass bottles throughout Northern California including the Port of Oakland.

Rocha Transportation began banking with BAC in 1975. The company utilizes several of the Bank's products and services including Positive Pay, Merchant Remote Deposit and Cash Management. "I absolutely love Positive Pay," says Accounts Payable Manager Corrie Toste. "It's quick and easy to use and it saves me at least an hour each day." Merchant Remote Deposit also helps Rocha Transportation save time and money by allowing them to deposit checks directly from their office, eliminating unnecessary trips to the bank or hiring a courier service.

Sam and Corrie agree that Commercial Banking Officer Gina Machado is "always friendly and easy to work with." Gina works



(left to right) BAC's Gina Machado, Rocha Transportation's Safety Manager Sam Cross and Accounts Payable Manager Corrie Toste

closely with the staff at Rocha Transportation to keep them informed when a new product is launched. The office was excited to learn e-Statements are now available to business Cash Management customers and they are eager to enroll because they are eco-friendly, convenient and secure!

Avoid Having Your Personal Information Harvested by Internet Thieves



Pharming is one of the latest online scams that thieves use to harvest your personal information. Pharming occurs when you key an address into your Internet browser. Instead of going to the legitimate site, you are redirected, (without your knowledge) to a bogus site that looks identical to the genuine site you were intending to access. Any information that you input

into the bogus site (login name, password, credit card numbers, etc.) would be compromised.

How to protect yourself from a pharming scam:

- Always use a secure website when you submit credit card or other sensitive information via your Web browser. The beginning of the Web address in your browsers address bar will be "https://" rather than just "http://" if you are on a secure site.
- Login to Internet Banking often and review your transaction

history. Notify the Customer Service Department of any suspicious transactions.

- Check your credit card statements to ensure that all transactions are legitimate. If anything looks suspicious, contact the Bank and all card issuers immediately.
- Regularly check that your browser is up-to-date and new security patches are applied.

If you fall victim to pharming, act immediately, contact Customer Service at (877) 226-5820 and alert them to the situation.

Help is Just A Phone Call Away!



The Customer Service Department was established in 2007 as a way to provide fast, efficient telephone support to BAC and ECC Bank customers. “We work with customers to set-up Cash Management services, Internet Banking, e-Statements, order Debit Cards, check their balances and assist with other general information inquiries,” says Customer Service Manager Suzanne Fedi. Phone lines are open Monday - Thursday 8 a.m. to 5 p.m., Friday 8 a.m. to 6 p.m. and Saturday 9 a.m. to Noon.

Have a question about a product or service? Contact the Customer Service Department at (877) 226-5820 or email customer.service@bankbac.com.



(left to right) Customer Service Manager Suzanne Fedi, Rochell Covarruvias, Karen Bush and Selena Rojas



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INSIDE THIS ISSUE

- ✓ **What's In The Numbers**
- ✓ **FDIC Deposit Insurance Notice**
- ✓ **Carando Technologies Inc.**
- ✓ **Stockton's Cal-Weber Now Open**
- ✓ **Begin To Prepare For Retirement**
- ✓ **BAC Employees Walk to Rais Awareness**
- ✓ **Rocha Transportation**
- ✓ **Avoid Having your Personal Information Harvested by Internet Thieves**
- ✓ **Help is Just a Phone Call Away!**

*Serving our Communities
Since 1965*