



Prime Interest

Bank of Agriculture & Commerce | ECC Bank

A Unique Community Banking Experience

April 2010

It's Important to Know Your Bank

I prefer not to repeat topics, however, the ongoing condition of the economy and the U.S. Banking System warrants discussion. I discussed this topic previously in the October 2008 and February 2009 issues. Although the industry rebounded in 2009, there are still serious weaknesses, particularly in California.

There are 6,839 commercial banks in the U.S., down from 7,283 in December 2007. The industry as a whole netted a profit of \$10.8 billion, down from \$97.6 billion at December 2007. That profitability represents .09% of average assets which pales when compared to the historical profitability baseline of 1.0% of assets. Loan losses have quadrupled during that period, and are the main cause of this trend. At December 2009, 29.4% of the banks were losing money up from 11.2% at December 2007. Over this 3 year period non performing assets have increased from .87% to 3.36% of assets. This category is a precursor for losses and bears watching on a quarterly basis.

Banking in California follows the same trend line, similar to the overall economic landscape. However, the negative forces are more severe in our state. In 2009, the 271 commercial banks headquartered in California incurred losses of \$756 million: this followed losses of \$796 million in 2008 and profits of \$2.7 billion in 2007. Like the national trends severe loan quality issues were the main driver. Over this period loan losses have risen in California from .27% of assets to 1.87%; with non performing assets trending from .69% to 3.25%. In 2007

25.7% of our banks posted losses. It increased to 51.7% in 2008, and 62.4% December 2009. FDIC reports that its "Problem Bank List" has increased from 552 at September 2009 to 702 at year end. Since early 2008, FDIC has closed approximately 250 banks, and the prospects look as bleak for the ensuing 2-3 years. The closures have virtually reduced the FDIC insurance fund to near zero, resulting in a \$45 billion assessment the industry paid into FDIC at the end of 2009. This represents 3 years of prepaid premiums, and these premiums have more than doubled since 2007.

As you can see the banking industry is reflective of our economy. Like many businesses BAC's profitability has decreased since 2006. The good news is that we remain profitable. Our profit performance ranked in the top 8% for California Banks. The road ahead remains difficult and we are committed to maintaining a sound and profitable community bank. There are many factors contributing to our success and they involve the human factor ... great customers, great employees and a great organization. Thanks for your continued patronage and best of luck in 2010.

A MESSAGE FROM:

William R. Trezza
Chief Executive Officer
Bank of Agriculture & Commerce
ECC Bank



Think Safety First When Making Payments Online

The Internet has taken its place beside the telephone and television as an important part of people's lives. Consumers use the Internet to shop, bank and invest online. Most consumers use credit or debit cards to pay for online purchases, but other payment methods, like "e-wallets," are becoming more common.

The Federal Trade Commission (FTC) wants you to know about these payment technologies and how to make your transactions as safe and secure as possible. Keep these tips in mind as other forms of electronic commerce, like mobile and wireless transactions, become more available.

Remember, although a debit card

may look like a credit card, the money for debit purchases is transferred almost immediately from your bank account to the merchant's account. In addition, your liability limits for a lost or stolen debit card and unauthorized use are different



Continued

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Why a Roth IRA?



*Linda Specht**

A traditional IRA is a retirement account in which contributions are made with pre-tax dollars. The assets in the account grow tax deferred and are taxed when withdrawn from the account. Any distributions made prior to age 59½ are penalized 10% in addition to any taxes due. In most cases, taxpayers who do not participate in an employer sponsored plan can contribute to a traditional IRA.

Roth IRA contributions are made with after-tax dollars. The assets grow tax deferred and distributions, if made at least five years from the

date of contribution and you are at least 59½ are tax free. However, taxpayers who have a modified adjusted gross income (MAGI) of \$176,000 (married) or \$120,000 (single) are ineligible to contribute to or convert a traditional IRA to a Roth IRA.

The good news is that beginning the first of this year that income restriction has been eliminated on Roth conversions. Any taxpayer who wishes to, regardless of their MAGI, is eligible for Roth IRA conversions. When you convert your traditional IRA to a Roth IRA you will have to pay income taxes in the year of the conversion or you can report half in 2011 and half in 2012. This is a tricky question because tax rates are already scheduled for increases in 2011 and the entire amount that is converted will add to your ordinary income.

It is important that you do not use proceeds from the IRA to pay the taxes on the conversion because that amount will be considered a premature distribution. When you take a distribution prior to age 59½ you are hit with a 10% penalty in addition to the total distribution adding to your ordinary income.

The laws regarding traditional and Roth IRAs are complex and confusing. Your tax preparer and I can help sort some of these issues out if you need help deciding if a Roth conversion is right for you.

*Publication 590 "Roth IRAs" and Publication 17 "What's new for 2010" of the IRS code used as reference in this article.

*Linda Specht, Investment Advisor Representative**
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Experienced Lodi Team Delivers

In December 2006, the Lodi branch opened its doors and in 2008 they welcomed Branch Manager Rae Jean Morris. With 36 years of banking experience, Rae Jean started her career at BAC in 2001 at the Main Street office in Stockton, which has now moved and become the Cal-Weber office. The Lodi branch team pictured at right, includes Commercial Banking Officer, Phil Felde, Assistant Manager, Kerri Barcroft, Customer Service Representatives, Tina Drennan and Elaine Higgins, and Branch Manager, Rae Jean Morris. This very experienced and friendly group



of people are more than just bank employees to customers, “customers are like friends and they love to come in and visit.”

“Customers like that we are able to take the time to get to know them and not treat them like just another number and herd them out like cattle,” says Rae Jean. The community is important to the Lodi branch, and both Rae Jean and Phil participate in the Lodi Memorial

Hospital’s ‘Walk for the Health of It’ event each year. Rae Jean enjoys telling people, “bigger banks advertise good customer service, but we deliver it!”

Exceptional Service | Exceptional Bank | Exceptionally Safe

FINANCIAL PERFORMANCE

STATEMENT OF CONDITION as of December 31, 2009

ASSETS:

Cash & Due From Banks	\$	17,845,000
Securities		54,542,000
Gross Loans		354,019,000
Less Allowance for Loan Loss		(3,718,000)
Less Deferred Loan Fees		(284,000)
Net Loans		<u>350,017,000</u>

Premises & Equipment		11,821,000
Real Estate Owned		959,000
Other Assets		<u>12,484,000</u>

TOTAL ASSETS 447,668,000

LIABILITIES:

Demand Deposits	\$	115,164,000
Interest Bearing Deposits		270,505,000
Total Deposits		385,669,000
Borrowings		15,619,000
Other Liabilities		<u>2,747,000</u>
TOTAL LIABILITIES		404,035,000

SHAREHOLDERS' EQUITY:

Common Stock		6,300,000
Retained Earnings		<u>37,333,000</u>
TOTAL SHAREHOLDERS' EQUITY		<u>43,633,000</u>

TOTAL LIABILITIES & SHAREHOLDERS' EQUITY 447,668,000

STATEMENT OF INCOME

For the Twelve Months Ended December 31, 2009

Interest Income	\$	23,749,000
Interest Expense		<u>3,456,000</u>
Net Interest Income		20,293,000

Fees & Services Charges		2,438,000
Other Income		<u>155,000</u>
Total Other Income		2,593,000

Overhead Expense	\$	15,447,000
Provision for Loan Loss		1,515,000
Other Expense		284,000

Gain / (Loss) on Sale of Assets 41,000

INCOME BEFORE TAXES 5,681,000

Income Taxes 1,863,000

NET INCOME 3,818,000

San Joaquin Medical Society Has Long History in California

San Joaquin Medical Society, has been around since 1874 and is the third oldest medical society in California. With 1100 physicians in a four county area including, Alpine, Amador, Calaveras and San Joaquin, members rely on the society for a wide array of services. These services include personal and professional benefits, continuing education seminars and extensive lobbying efforts on behalf of their physician membership. The society even offers monthly training opportunities to medical office staff.

In 135 plus years, the San Joaquin Medical Society's primary focus has evolved from extensive social interaction (although the annual Holiday Party is quite an event) to much more of an aggressive force in Sacramento and even Washington DC due to its partnership with the California Medical Association and their group of lobbyists. But one thing that will never change for the medical society is its dedication to the community, patients, and especially its physicians. Assisting in the molding of its community, the society has a Scholarship Loan Program that provides interest free loans to area RNs and medical school candidates. Additionally, the society created a program for high school students interested in a healthcare career called Decision Medicine. This program provides 24 students each summer with a hands-on mentoring experience with several behind-the-scenes visits to area hospitals.

After a three month investigative process, the society decided to go with BAC and has consolidated six banking/savings relationships now down to one, "a local bank that offered the best overall service and safety ultimately

made the decision very easy," says Executive Director, Mike Steenburgh. The board was very enthusiastic when Mike presented BAC as an option to them. "BAC was clearly the best choice for us." Mike has known CEO, Bill Trezza for over 20 years and knew the integrity of both the Bank and Bill was unquestionable. According to Mike, Relationship Manager Eddie Lira helped make a smooth transition and is great to work with.

The Medical Society currently uses Cash Management and Remote Deposit. Mike says, "compared to their previous bank, BAC's Remote Deposit doesn't have limitations, making it more convenient and reliable."



Eddie Lira, BAC Relationship Manager and Mike Steenburgh (right), Executive Director of SJMS.

continued from front page e-Payments

from your liability if your credit card is lost, stolen or used without your authorization.

Other electronic payment systems — sometimes referred to as "e-money" — are also now common. Their goal is to make purchasing simpler. For example, "stored-value" cards let you transfer cash value to a card. Many retailers sell stored-value cards in place of gift certificates. Some cards

can be "reloaded" with additional value, at a cash machine; other cards are "disposable" — you throw them away after you use all their value. Some stored-value cards contain computer chips that make them "smart" cards. These cards may act like a credit card as well as a debit card, and also may contain stored value.

Some Internet-based payment systems allow value to be transmitted through computers, sometimes called "e-wallets." You can use "e-wallets" to

make "micropayments" — very small online or offline payments for things like a magazine or fast food.

The FTC encourages you to take steps to make sure your transactions are secure and your personal information is protected. Although you can't control fraud or deception on the Internet, you can take action to recognize it, avoid it and report it. To get free information on consumer issues, visit ftc.gov or call toll-free, (877) 382-4357.

Langlois Makes Music for 100 Years

This family owned and operated business, spans four generations and over 100 years of tradition. Paschal Langlois was the first Langlois piano tuner. Xion, the son of Paschal

On May 16, 1996, Langlois Music Company was completely destroyed by fire, including all the pianos, sheet music and karaoke products. Although a difficult task to rebuild,

care of.” Philip goes on to say, “the friendly courier service saves us hours a week by picking up our banking transactions and we were able to get set up on Remote Deposit. This is a really big deal! It’s the best feature. I don’t have to drive to the bank, and can make deposits in my own office. Remote Deposit is what technology should be doing for us, no waiting, more green.”

One of the biggest differences between BAC and the “Big Banks,” according to Phillip, is that most other banks don’t have the ability to work directly with the customer. “BAC has individualized services to meet our needs. The people we work with have the discretion to work hands on with us and make decisions. It’s also nice walking into the branch knowing you don’t have to deal with long lines.”

Langlois Music takes advantage of the many top-of-the-line and up-to-date products and services the Bank has to offer. “The Cash Management system works beautifully, and if there is a problem I just make a call and am always helped. There’s a spirit of resolving problems. It’s a constructive and positive experience centered toward the customer’s outcome.” Although the company has not been hit with fraud, they are glad they have the Positive Pay system set up in case they need it.

“The people are so easy to work with. Denys Soto, our Loan Officer with the Bank, has patience, patience, and more patience. She is always polite and professional. We have even been invited to Bank events by our Relationship Managers. The Bank and its people go beyond basic bank functions. I can see they are invested in the community.” Phillip concluded, “I am very satisfied.”



Langlois Music owner, Phillip Langlois (center) with BAC Relationship Managers Gina Machado and Denys Soto (standing).

Langlois, was a lifelong piano tuner in the Modesto area until the time of his death in 1982 at age 84. Edmond J. Langlois, the son of Xion and grandson of Paschal opened his piano shop in 1967 in a small rented garage in Modesto.

Through hard work, Edmond built a thriving piano tuning and repair business, growing and expanding to various locations in Modesto. Edmond with the help of his two sons, Gregory and Phillip, opened a retail outlet for new and used pianos in 1981 to complement the existing piano tuning and repair business. In 1983 the sheet music department was added and around 1989 the karaoke department was added to the lineup of musical products. After a short illness in August 1993, Edmond died, leaving the daily operations and management of the company to his wife Audry and son Phillip.

Langlois Music Company reopened in their present location within a year of the fire and is still operating today in the McHenry Village Shopping Center. “Music runs in the family,” according to owner and operator Phillip, “my cousin owns a piano company in Bremerton, Washington.”

“Piano sales have taken a big hit during this recession, but the lessons we offer played an important role in our success during this time,” says Phillip. The company also uses many services the Bank offers to help them through the good and bad times. The people at Langlois Music have been working with BAC for five years and say, “it’s nice working with a local bank that is business oriented. Problems are addressed more quickly and there is a personal level. There’s a different feeling working with a community bank. BAC focuses on making sure businesses are taken

Brentwood Press Serves Contra Costa Communities

The Brentwood Press is more than a weekly newspaper; it's part of a family of weekly newspapers and special publications for the communities of East Contra Costa County. Since rolling out its first product, the Brentwood Yellow Pages in 1997, the Brentwood Press has expanded to include weekly newspapers in Brentwood, Oakley, Discovery Bay and Antioch; a Wedding Planner published every summer and winter; the Welcome! Magazine, a year-round guide for visitors and residents that comes out every fall. Also, the Best of Brentwood, Best of Oakley and Best of Antioch magazines annually showcase top local businesses as chosen by the readers.

Serving the communities and local families for more than 13 years, the Brentwood Press is continually

growing and expanding its family. Most recently, the press expanded its website, thepress.net, which includes a new business directory. Publisher Greg Robinson sums it up in one word, "Exciting!"

When choosing a bank, Greg said, "We chose ECC Bank because it's very involved in the community, an obvious choice for the community newspaper." He appreciates the Bank's personal service. "I like working with Alan Moore and the fact that they know my name. Alan has always been very receptive and provides excellent customer service," says Greg.

In addition to the line of credit, the publishing corporation utilizes Positive Pay and Internet Banking. Greg thinks these are easy-to-use and very helpful products that he uses everyday.



ECC Bank Relationship Manager Alan Moore with Heather Reid, The Press Business Manager and Publisher Greg Robinson (right).

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Serving our Communities Since 1965

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