

**Location:**            **The Haggin Museum**  
                              **Stockton, California**

**Date:**                **Thursday, May 28, 2009**

**Time:**                **5:30pm**

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# Welcome

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## **Forward-Looking Statements**

Statements made during this presentation may constitute Forward Looking Statements within the meaning of the Private Securities Litigation Reform Act of 1995 and any such statements are subject to risks and uncertainties that could cause actual results to differ materially. Such risks and uncertainties include those related to the economic environment, particularly in the region where Community Bank of San Joaquin operates, competitive products and pricing, general interest rate changes and the fiscal and monetary policies of the US Government, credit risk management, regulatory actions, and other risks and uncertainties.

# Current Economic Environment

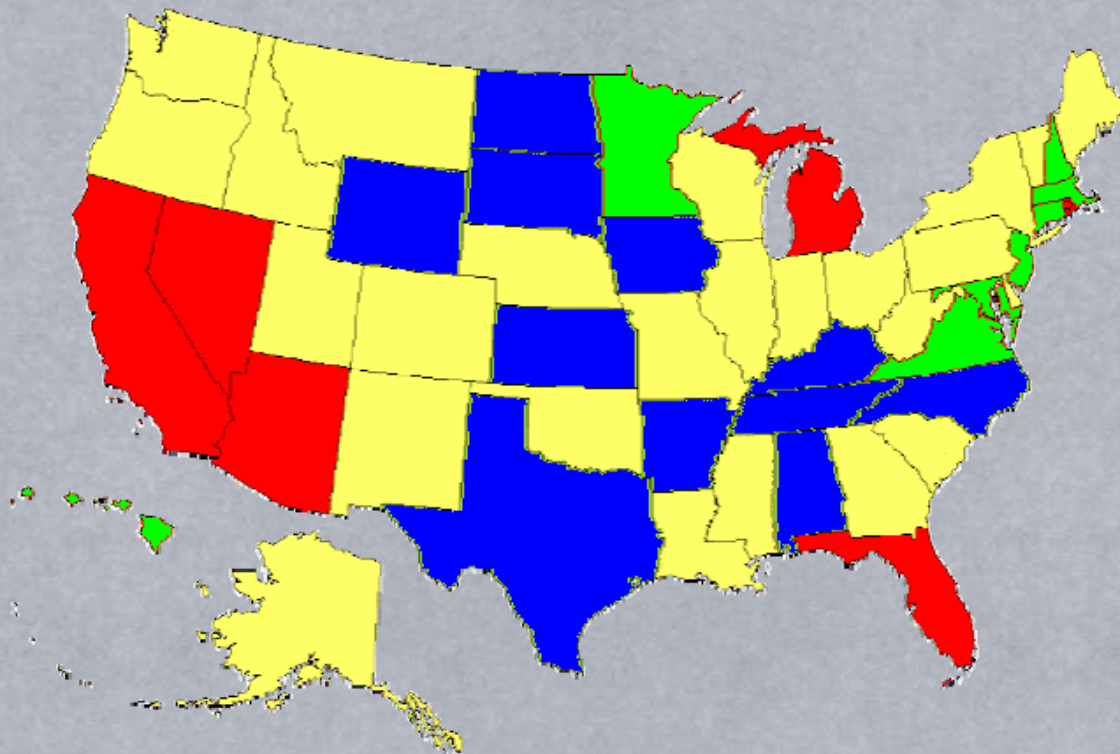
## How Did We Get Here?

- Leverage, Greed, and Lax Oversight
  - Relaxed underwriting
  - Wall Street purchase of mortgages
- Triggering Events
  - Declining home values / massive defaults
  - AAA-rated investments...that weren't really...
- Results
  - Failure / takeover of large financial institutions
  - Huge government bailout
  - Deep Recession

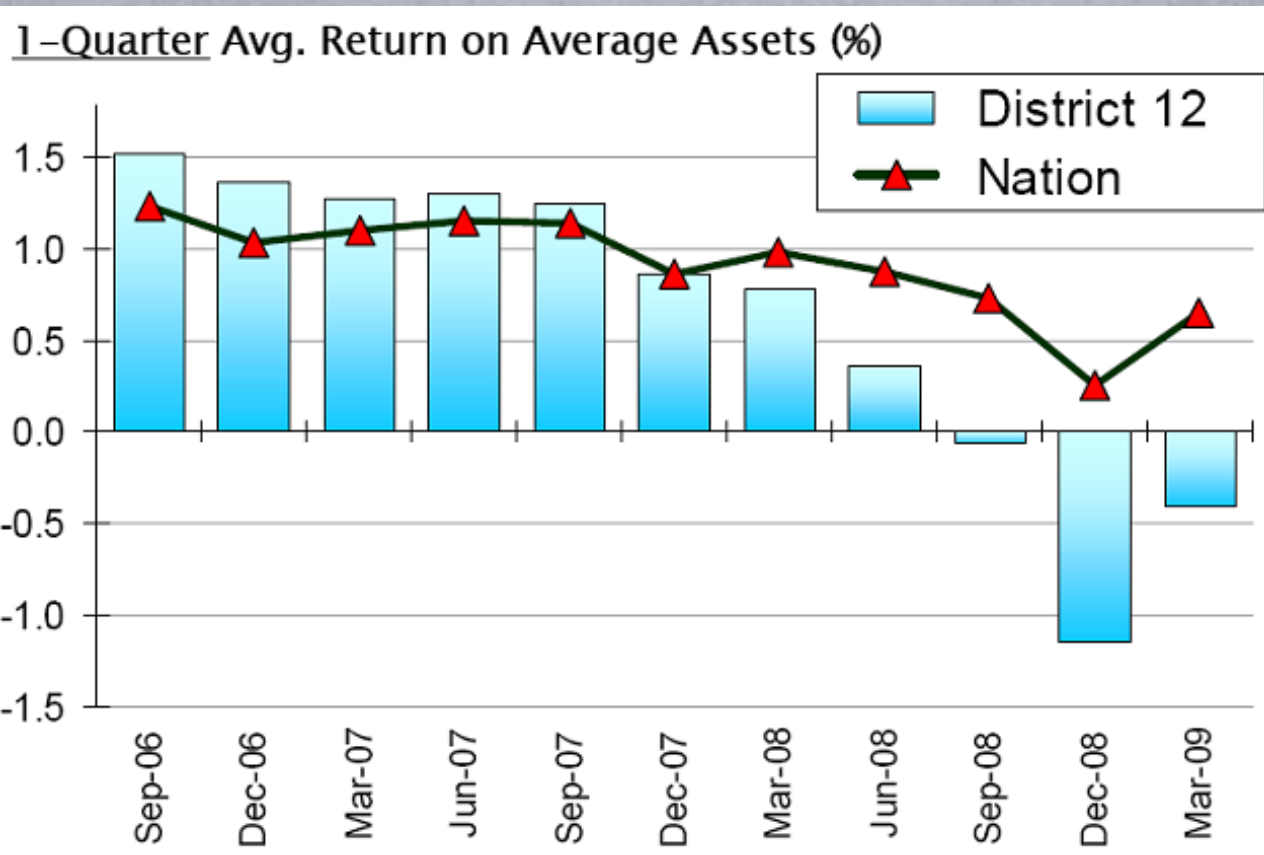
# Asset Quality: Home Price Declines

## Concentrated in California, Nevada, Florida & Arizona

Largest Median Price Decline from Peak			
1	Merced	CA	-60.5%
2	<b>STOCKTON</b>	<b>CA</b>	<b>-51.7%</b>
3	Modesto	CA	-49.4%
4	Salinas	CA	-43.5%
5	Cape Coral-Fort M	FL	-43.5%
6	Vallejo-Fairfield	CA	-42.8%
7	Naples-Marco Isla	FL	-41.9%
8	Punta Gorda	FL	-41.4%
9	Yuba City	CA	-40.4%
10	Riverside-San Ber	CA	-40.1%
11	El Centro	CA	-38.7%
12	Las Vegas-Paradis	NV	-37.1%
13	Bradenton-Saras	FL	-35.9%
14	Bakersfield	CA	-35.8%
15	Madera	CA	-35.2%
16	Sacramento-Rose	CA	-34.1%



# Average Return On Assets: 3 Consecutive Quarters of Losses for District Banks

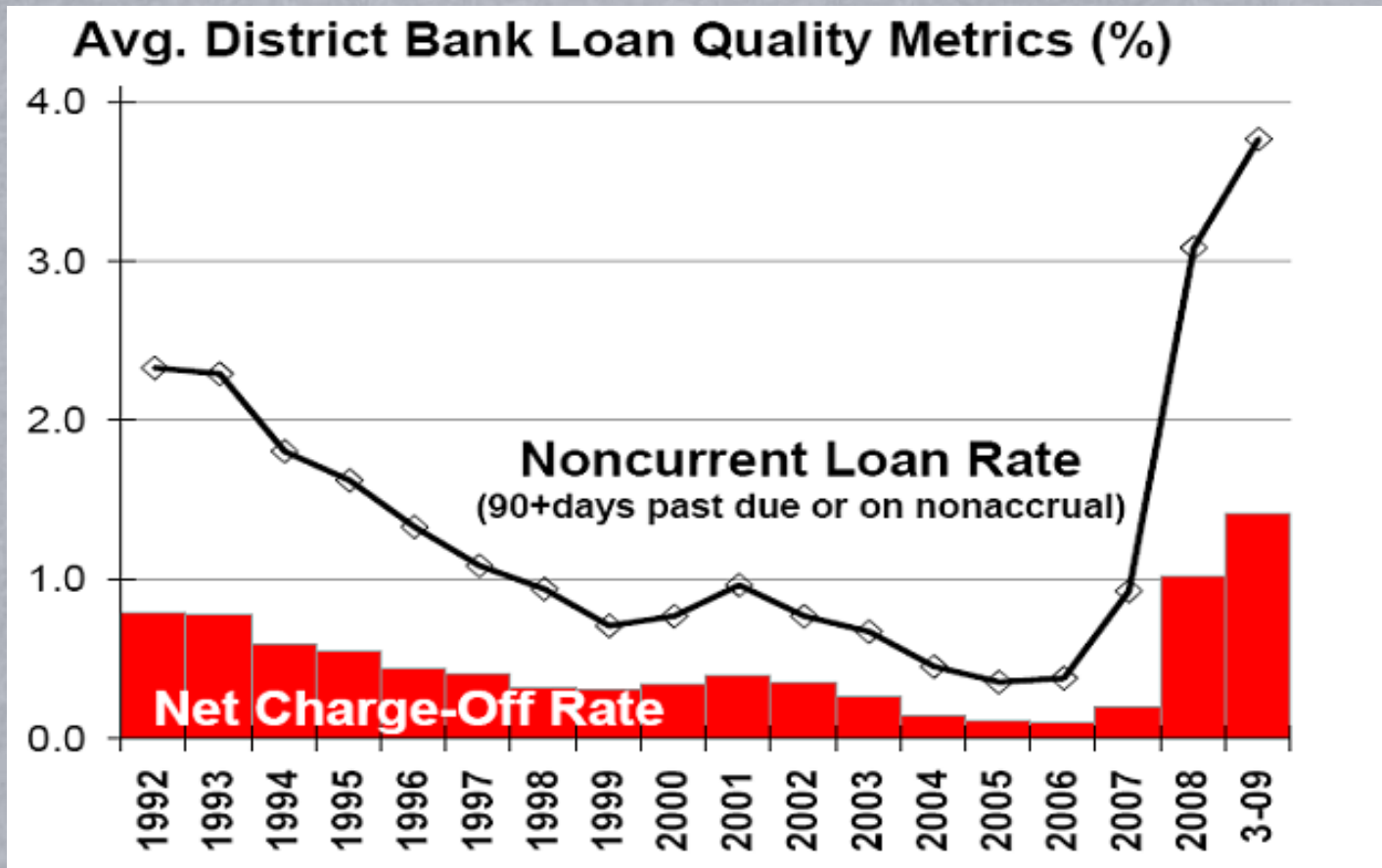


Lowest 1Q ROA by Federal Reserve District	
<b>SF</b>	<b>-0.40%</b>
<b>Atl</b>	<b>0.25%</b>
<b>NY</b>	<b>0.40%</b>
<b>Rich</b>	<b>0.43%</b>
<b>Phil</b>	<b>0.51%</b>
<b>Bost</b>	<b>0.53%</b>

Adapted from: Federal Reserve Bank San Francisco (presented May 19, 2009)

All commercial & industrial banks excl. De Novos; adjusted averages (10% trim), prelim 3/09 data;  
note: 12/08 ROA revised downward from -0.9% based on restatements

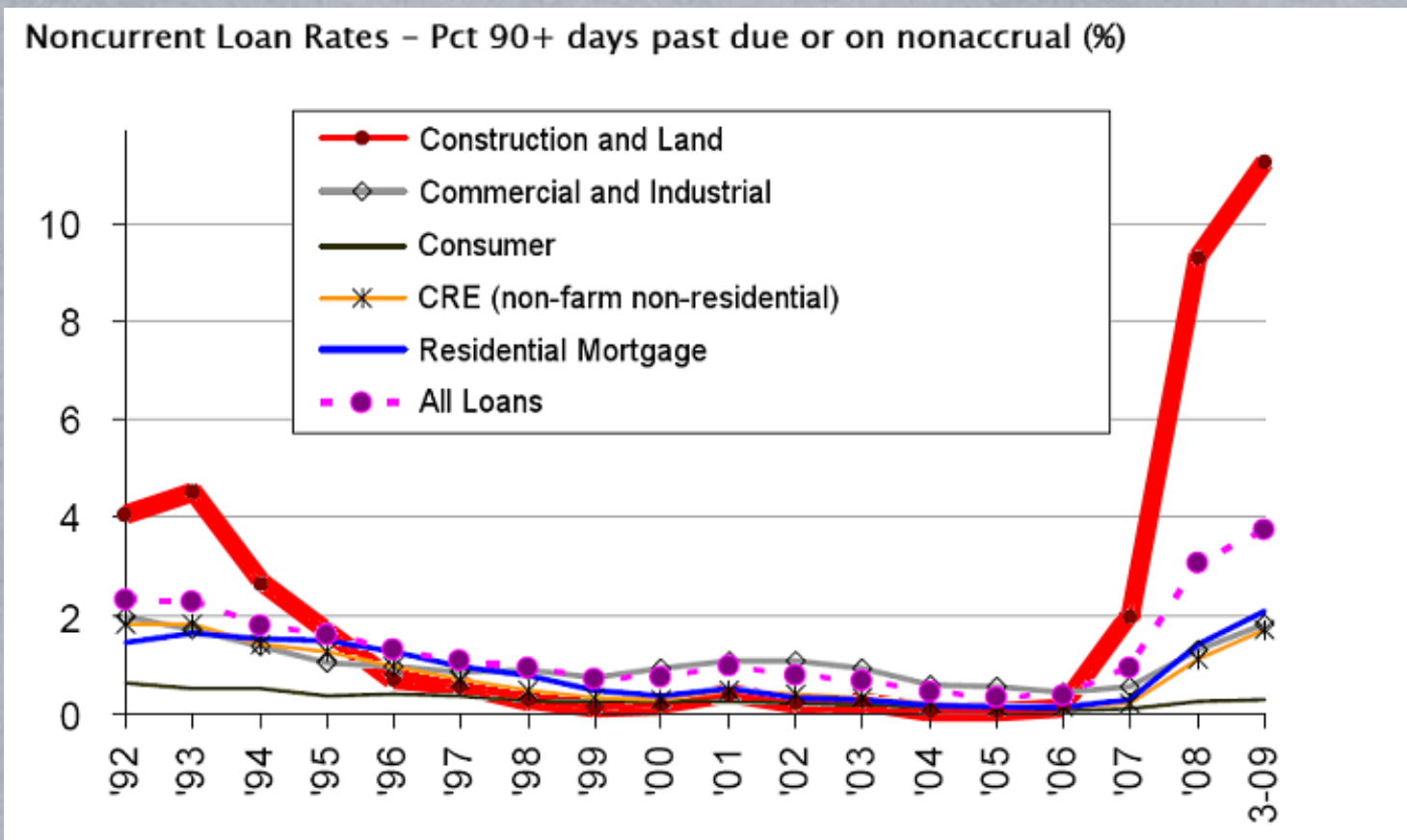
# Average District Loan Quality: Now Worse than 1992



Adapted from: Federal Reserve Bank San Francisco (presented May 19, 2009)

Adj. Avgs. (10% trim) for all 12th District commercial & industrial banks, excluding De Novos; prelim 3/09 data; NCO rates are annualized

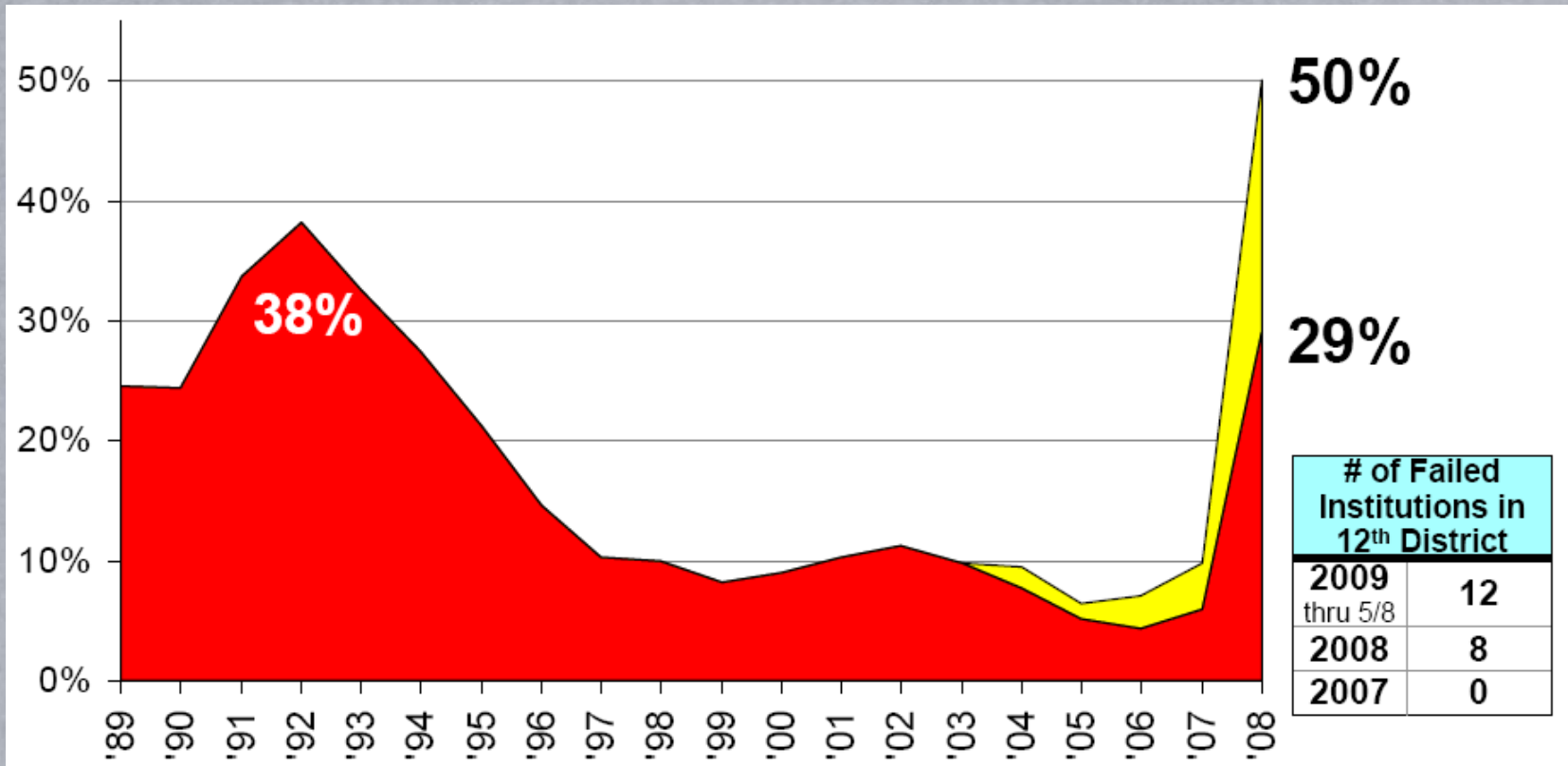
# Noncurrent Loan Trends Led By Construction and Land Loans



Adapted from: Federal Reserve Bank San Francisco (presented May 19, 2009)

Adj. avgs. (10% trim) for all 12th District commercial & industrial banks, excluding De Novos; prelim 3/09 data

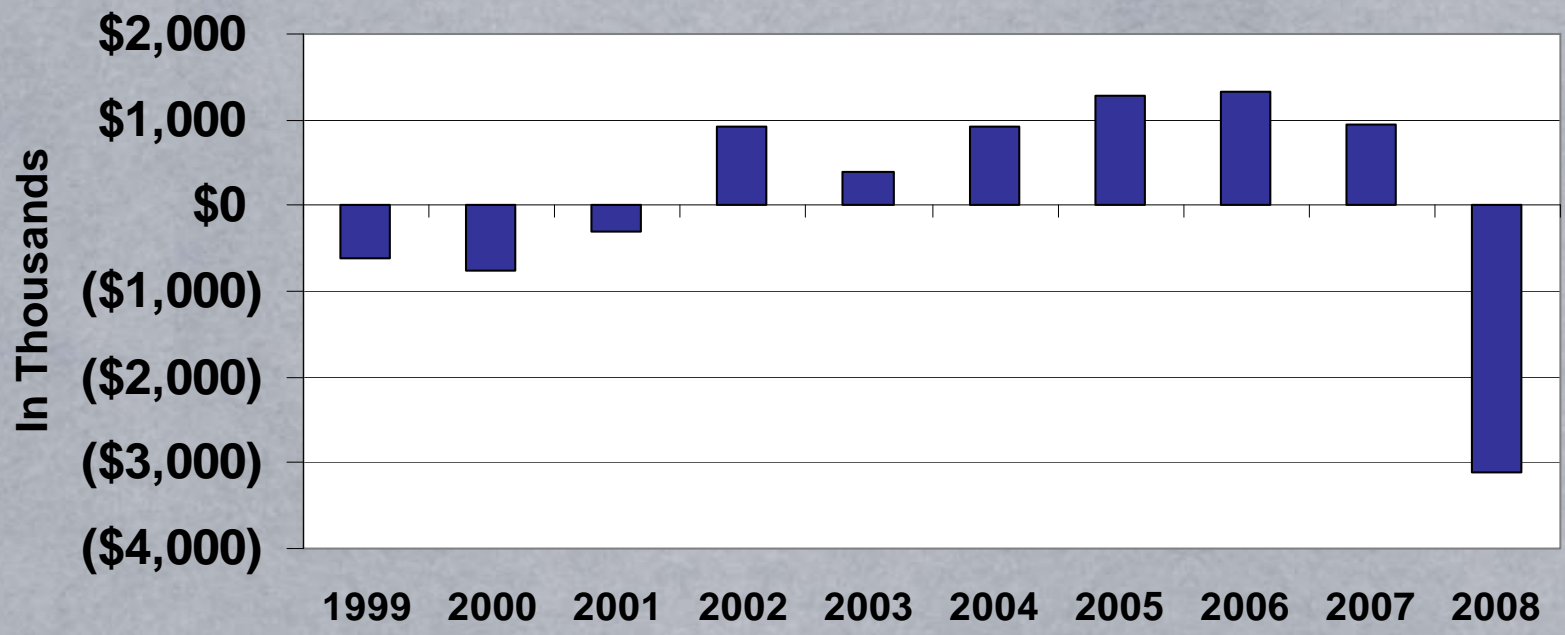
# Banks Rated Below Satisfactory



Adapted from: Federal Reserve Bank San Francisco (presented May 19, 2009) & FRS.

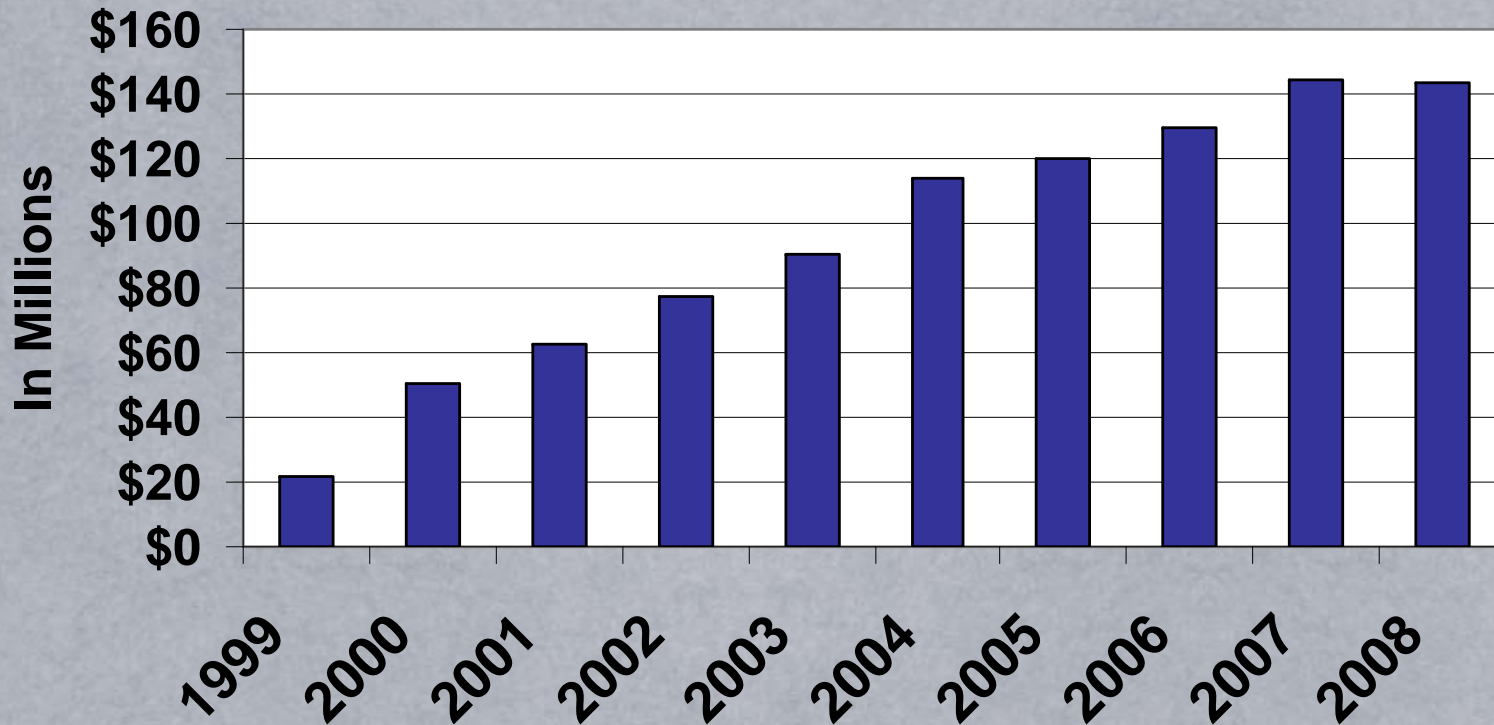
# Bank On It: Net Income

## For the Year Ended December 31



# Bank On It: Total Assets

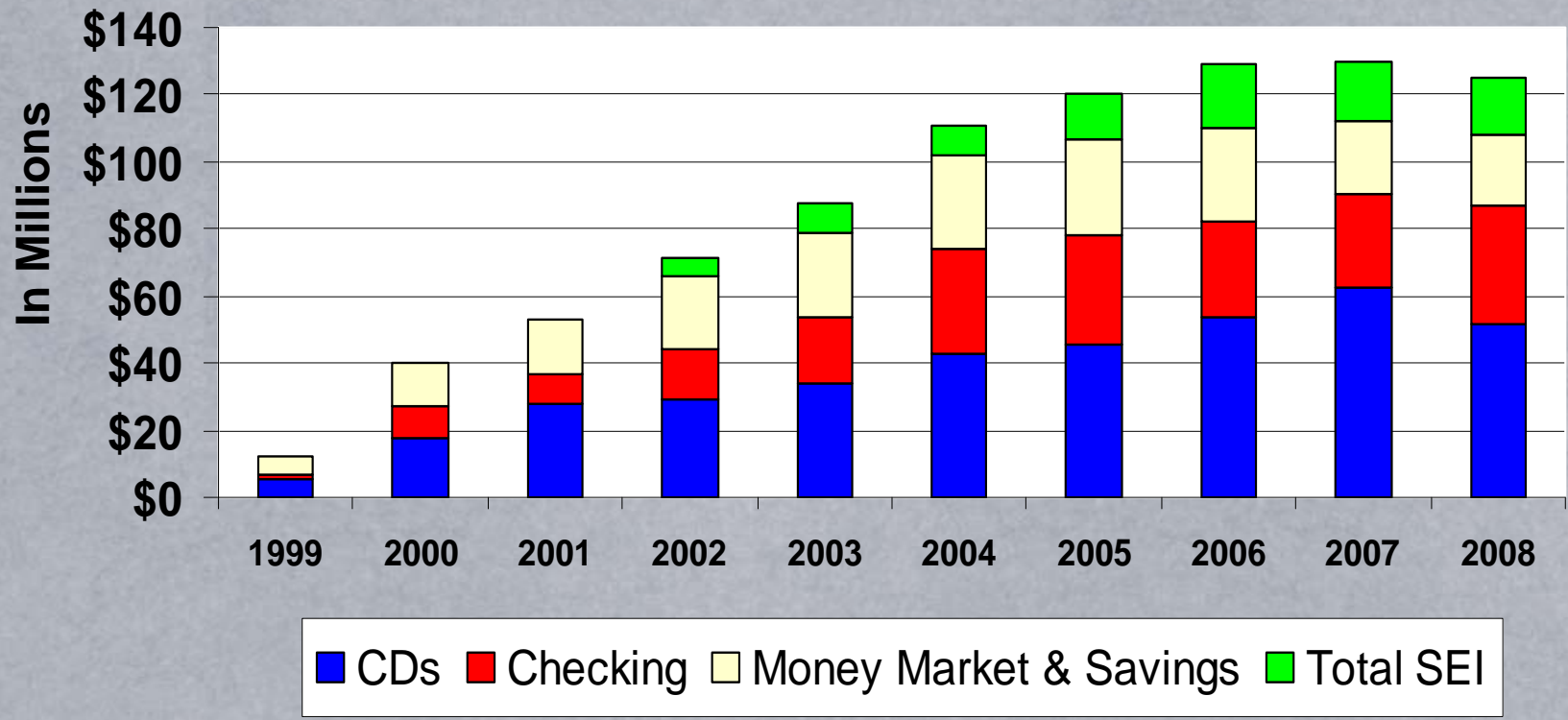
## For Year Ended December 31



**9 Year Annualized Growth Rate: 23.1%**

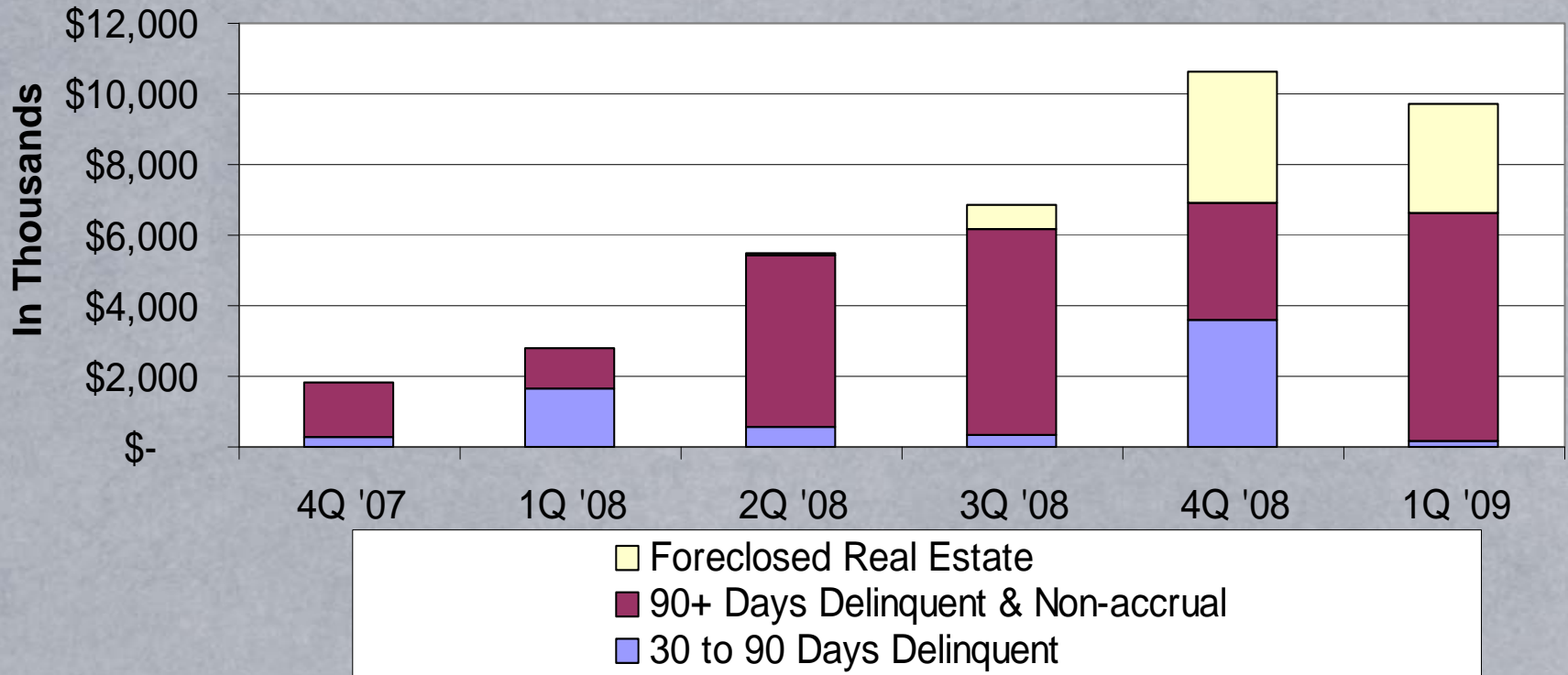
# Breakdown of Deposits by Type

## 10 Year Growth



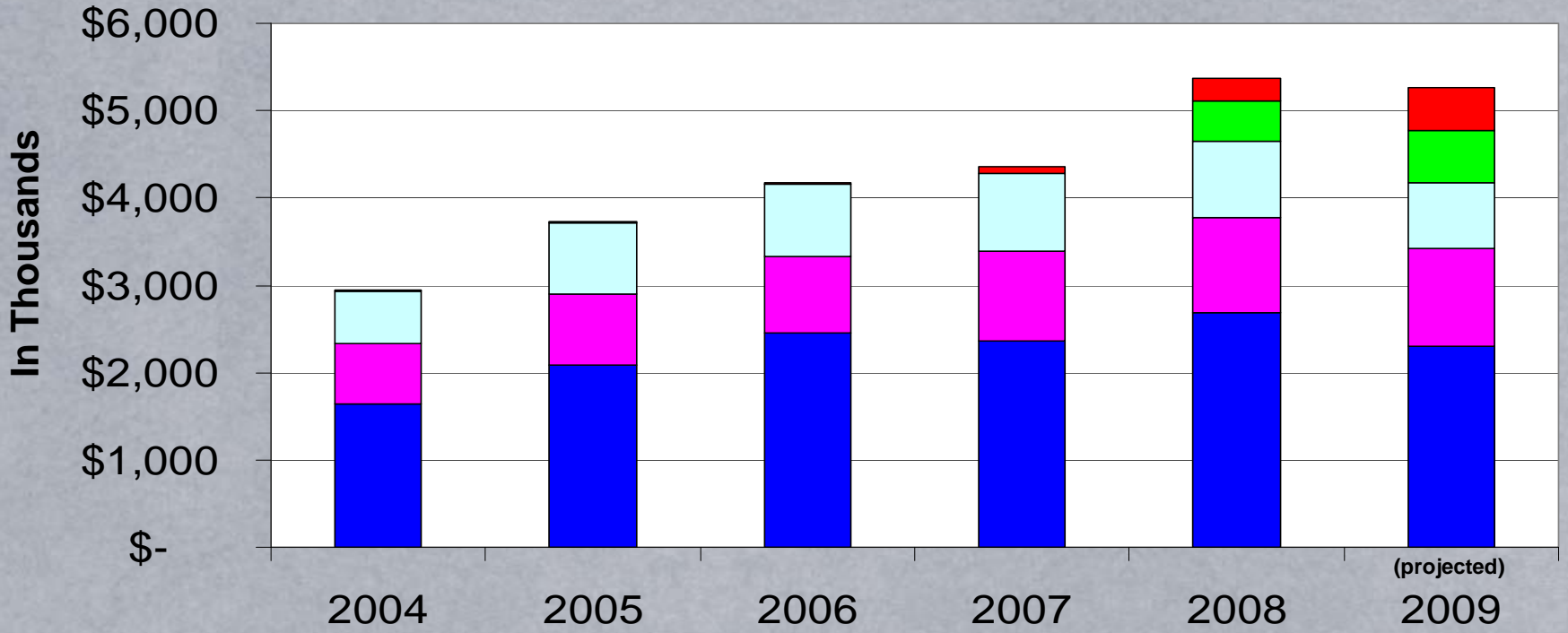
# Analysis of Delinquencies: Nonaccruals and REO (Real Estate Owned)

## Problem Asset Trend



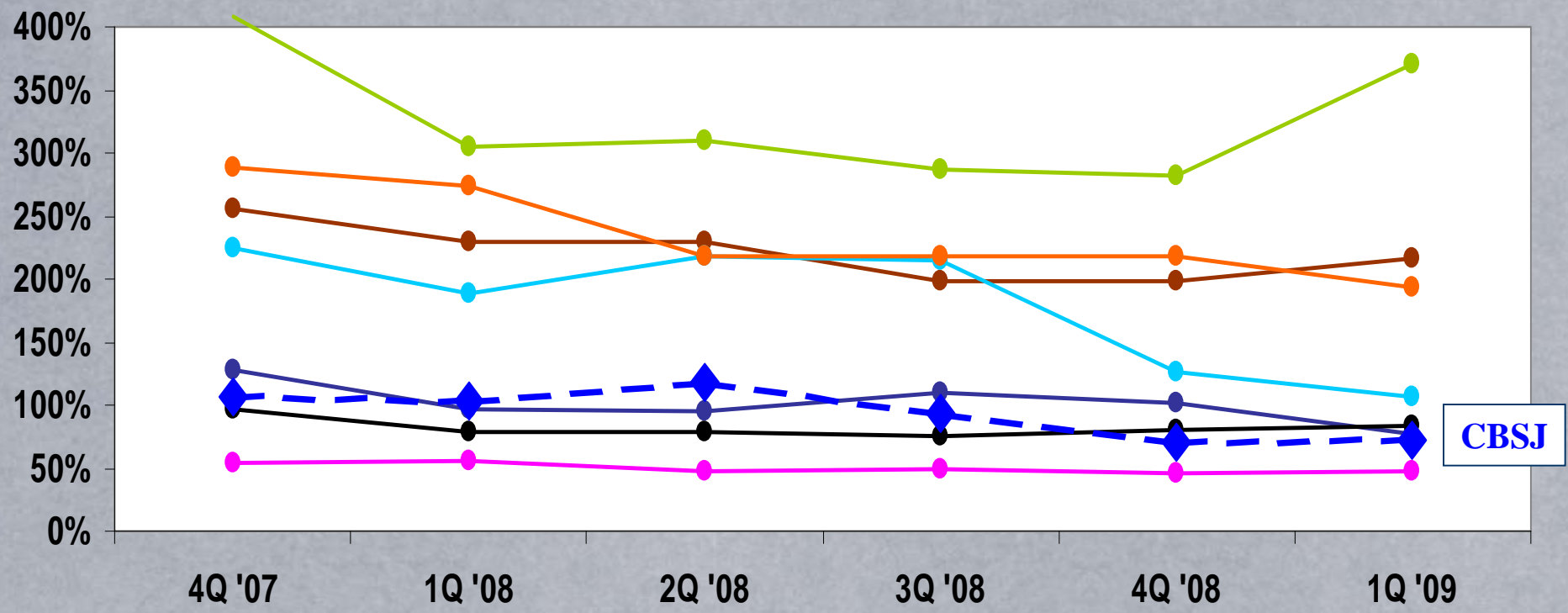
# Operating Expenses

## For Year Ended December 31



- Personnel
- Occupancy / Technology
- All Other
- Foreclosed Real Estate
- FDIC Insurance / Regulatory

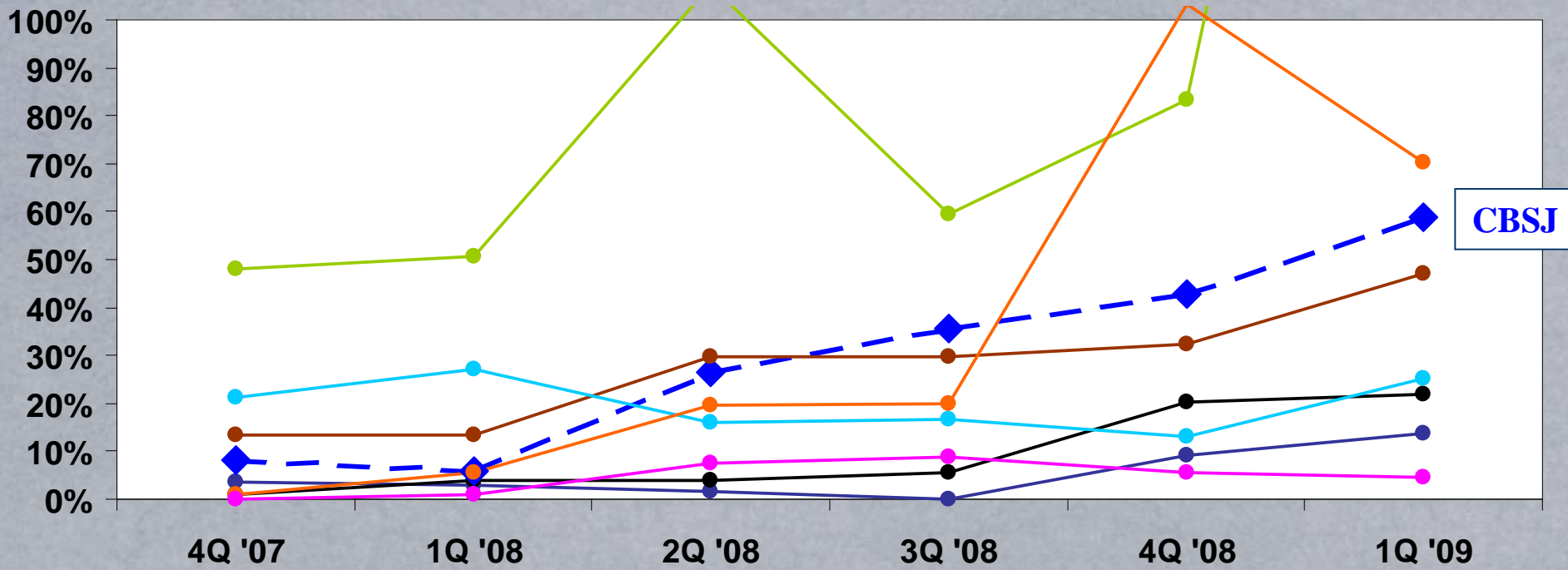
# Comparison: Construction Loans to Capital



Banks Headquartered in San Joaquin & Stanislaus Counties

Community Bank of San Joaquin (CBSJ)

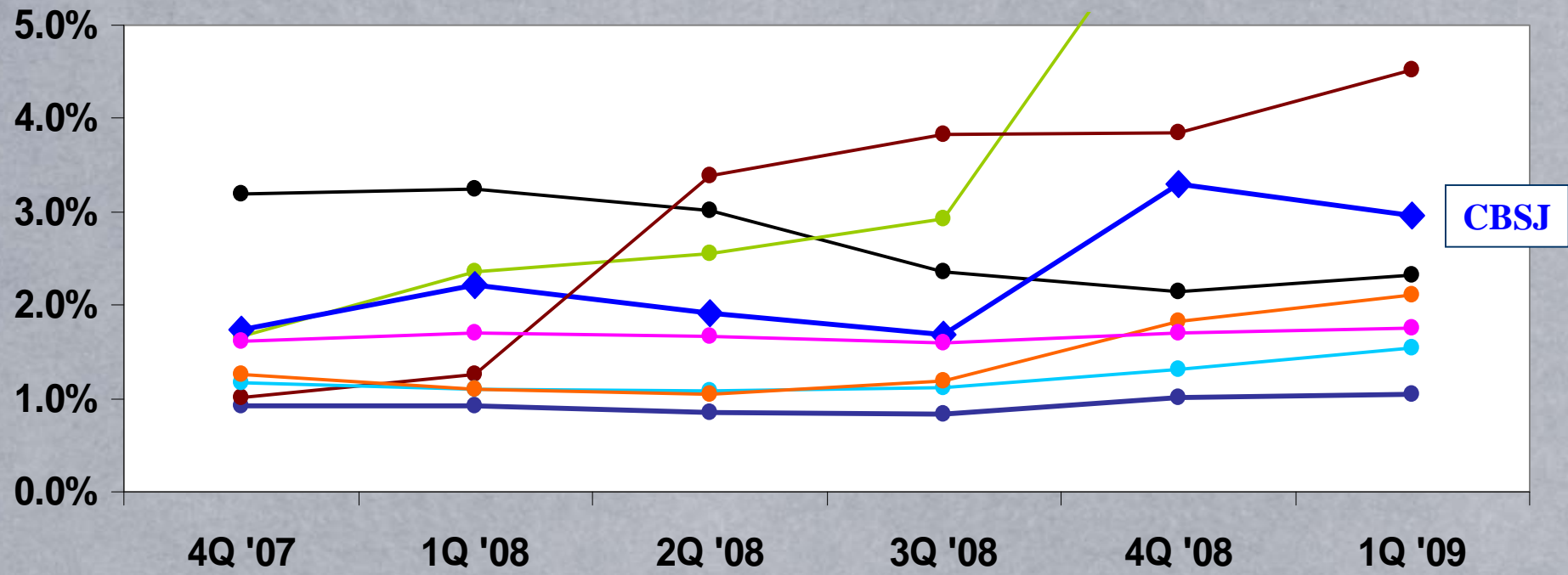
# Comparison: Non-Performing Assets to Total Capital



Banks Headquartered in San Joaquin & Stanislaus Counties

—◆— Community Bank of San Joaquin (CBSJ)

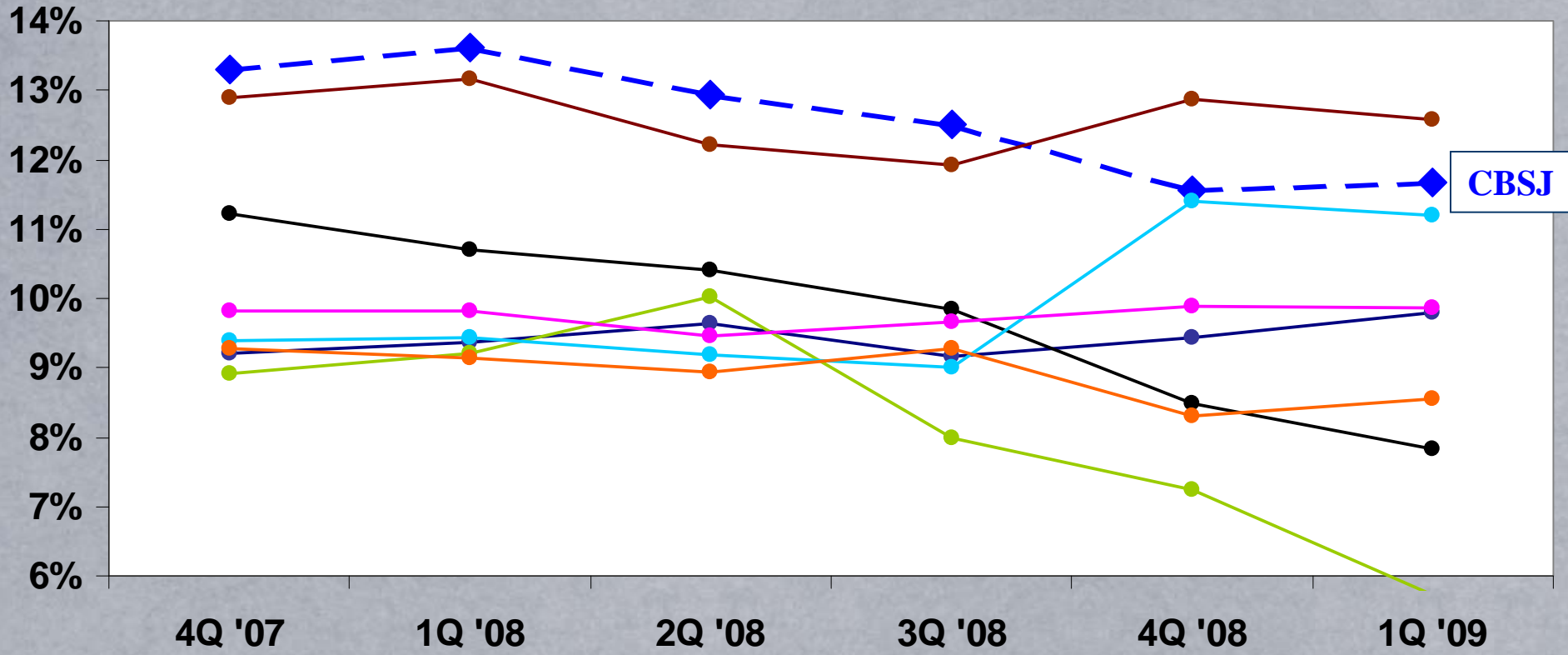
# Comparison: Loan Loss Reserves to Loans



Banks Headquartered in San Joaquin & Stanislaus Counties

—◆— Community Bank of San Joaquin (CBSJ)

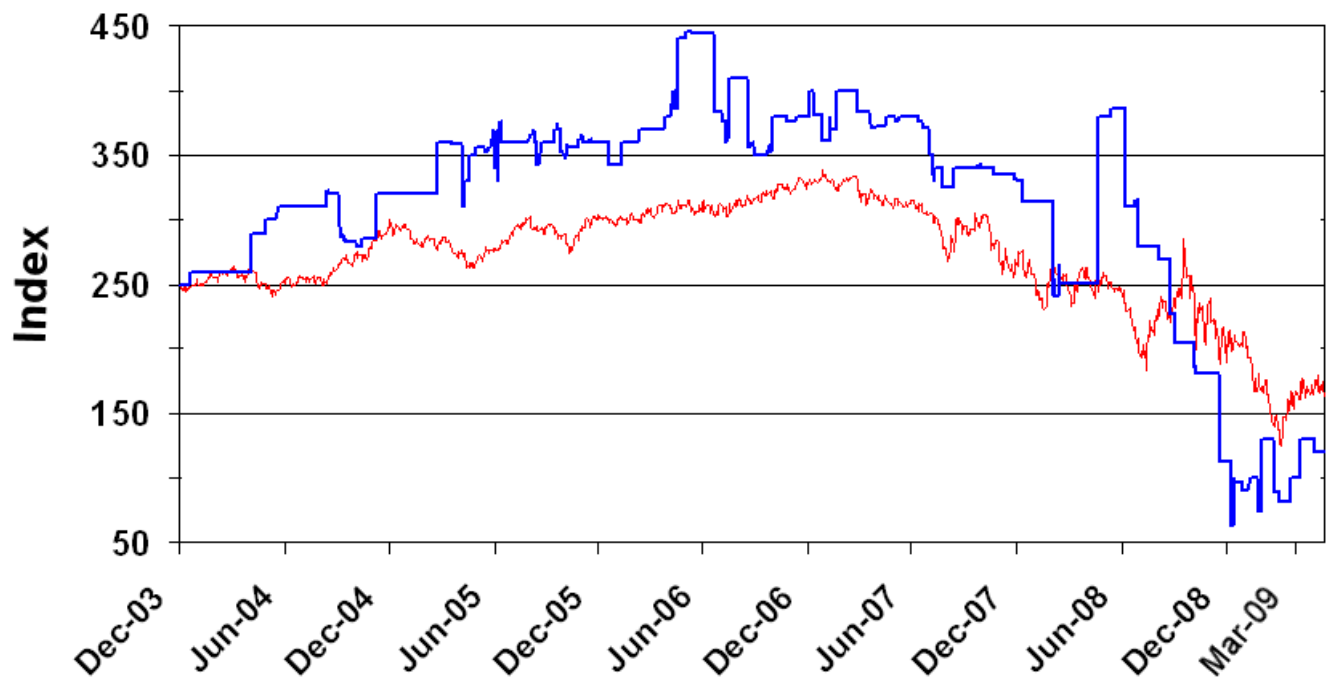
# Comparison: Capital to Assets



**Banks Headquartered in San Joaquin & Stanislaus Counties**

**—◆— Community Bank of San Joaquin (CBSJ)**

# Bank On It: Stock Performance Compared to ABA Community Bank Index



Source: American Bankers Association, aba.com



# Progress with Regulatory Order

- External review of Management and the Board
- Enhanced asset review process
- Improvement in lending administration – more conservative underwriting

# Proactive Review of Loan Portfolio

- Quarterly monitoring of commercial contractors
- Stress testing of commercial real estate loans
- Early recognition of potential problem loans

# Future Industry Analysis

## The Mindset of Consumers and Small Businesses

- Declining real estate values
- Deterioration of 401(k) and other investments
- Unemployment concerns
- Bank failures and bailouts
- Insufficient savings and too much debt
- Reduced access to credit
- Sales volume of highest concern to small business

# Future Industry Analysis

## Short Term Issues

- Chargeoffs continue to depress earnings
- Banks face increased deposit insurance premiums
- Earnings will be significantly depressed in 2009
- Minimal balance sheet growth

# Future Industry Analysis

## Long Term Issues

- Declining net interest margins
- Need to increase efficiencies
- Continued growth in core relationships
- Changing delivery channels (mobile, text, Twitter)

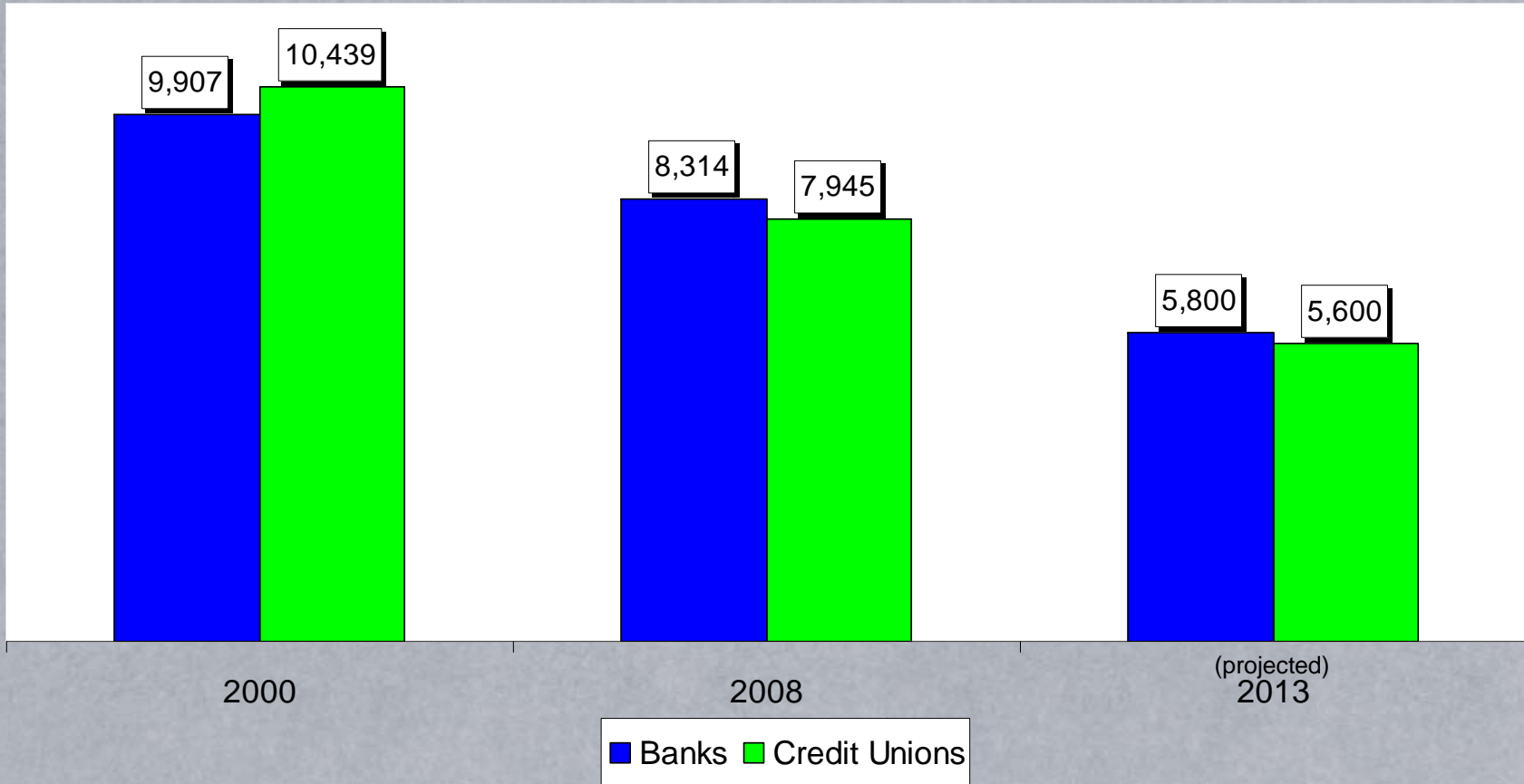
# Future Industry Analysis

“We are in a period of the most significant change  
– *and opportunity* –  
in the financial services industry in our lifetimes.”

Source: Raddon Financial Group – Spring 2009

# Future Industry Analysis

## Industry Consolidation Continues



Source: Raddon Financial Group based on FDIC and NCUA year-end data (2000, 2008) and projections (2013)

# Future Industry Analysis

## Reasons for Optimism

- Fewer competitors
- “Big box” banks have their own issues
- Generational changes (Gen Y or 20-somethings)

# **Future Industry Analysis**

## **CBSJ is Ready for the Challenges Ahead**

- Trusted financial advisor
- Local, accessible, willing to talk with our customers
- FDIC insurance extension through 2013
- Seasoned staff who understand banking
- Willing to use new technologies
- Loyal customer base

# Looking at 2009

- Continued focus on reducing problem assets
- Proactive review of current loan portfolio
- Increase our efficiencies and reduce expenses
- Emphasize role as small, local, community-oriented bank
- Focus on referrals, value-added efforts for business development (Business and Ag)
- Return to profitability
- Maintain high level of capital

# Regulatory Capital

	<b>Regulatory Well Capitalized</b>	<b>Requirement per Order</b>	<b>Actual CBSJ (12/08)</b>
<b>Tier 1 Capital to Average Assets</b>	<b>5%</b>	<b>8%</b>	<b>11.6%</b>
<b>Tier 1 Capital to Risk Weighted Assets</b>	<b>6%</b>	<b>10%</b>	<b>13.9%</b>
<b>Total Risk Based Capital to Risk Weighted Assets</b>	<b>10%</b>	<b>13%</b>	<b>15.2%</b>



Capital is still King!

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Thank You

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