



**Community Bank**  
*of San Joaquin*

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August 1, 2008

Dear Shareholder:

The financial services industry is bearing the brunt of the decline in residential real estate values that has occurred over the past six months, brought on primarily by the "creative" financing provided by some within the industry. Although Community Bank of San Joaquin does not own sub-prime mortgages and has only minimal conforming residential mortgages, our loan portfolio has been weakened by the overall decline in values that has occurred.

The weaknesses within our portfolio have been confined to construction lending; primarily on single-family residences, residential land and retail facilities. Due to our small size, we have been able to analyze our entire loan portfolio and have based the level of loan loss reserves on this analysis. Unlike many financial institutions, our loan portfolio is well diversified between construction loans, commercial real estate loans, business lines and loans to the agricultural industry. Thus far, we have not experienced deterioration in loan quality in areas other than construction.

The *Quarterly Report for June 30, 2008* is enclosed. Bank On It, Inc. reported a net loss for the six months ending June 30, 2008 of \$829,413 or \$0.59 per share compared to earnings of \$632,395 or \$0.45 per share for the same period in 2007. The loss reported for the period was due entirely to provisions established for potential loan losses. Only minimal provisions were established in 2007. In response to the deterioration in the real estate market and increase in our level of nonperforming loans, the Bank established additional loan loss provisions of \$2 million in the first six months of this year. The reserve for loan losses now totals \$1.9 million versus \$1.4 million a year earlier.

Our industry is facing significant challenges in the current economic environment. In addition to the increase in problem loans that we are all experiencing, regulatory oversight has also increased dramatically. The Board and Management of the Bank are actively working to resolve the credit issues that are facing us. Although our financial performance this year has been negatively impacted, our high level of Tier 1 Capital (more than 250% of the regulatory well-capitalized minimum) and strong liquidity will provide us with the ability to continue to grow and position ourselves well, once the economic environment improves.

Banks today are getting questions from customers about insurance of accounts. Our staff has been well trained in establishing accounts to achieve maximum FDIC insurance coverage and we have received business from other banks as a result. If you have any questions about insurance coverage, we would be more than happy to advise you. The attached flyer provides some basic FDIC insurance information.

In this uncertain market, we encourage you, our shareholders, our customers and our employees to contact us about any concerns you may have. We realize the trust you have all placed in us and we want to reassure you that it is justified. As always, we thank you for your continued support and patience.

Sincerely,

Rudy G. Croce  
Chairman

Jane R. Butterfield  
President and CEO

Enclosure (2)