

AN OPEN LETTER TO OUR CUSTOMERS

Every day brings a new tale of disaster in the financial markets as a decade of abusive lending practices unwinds. Decades-old respected financial institutions are crumbling. Are your deposits safe at Mechanics Bank?

Yes. Your deposits are safe at Mechanics Bank.

Earlier this year, we said that you have no cause for concern, regardless of the amount you have on deposit. It's still true: Mechanics Bank's financial position remains very strong and our loan portfolio continues to be of highest quality. We stand behind the quality of our assets and the overall strength of our balance sheet.

Although FDIC insurance covers your deposits against loss up to \$100,000 (more, under some circumstances), we are not asking you to rely on that alone. (For more information about how to maximize your FDIC deposit insurance coverage, visit the FDIC's website, at <http://www.fdic.gov/deposit/deposits/index.html>.) Be assured that Mechanics Bank continues to have an extremely high level of capitalization and liquidity that protects our depositors. This means, among other things, that should you need to withdraw any amount, we stand ready to meet your needs immediately.

In fact, Mechanics Bank is considered "extremely well capitalized" under federal standards, and our liquidity (the amount of cash and marketable securities we have relative to non-liquid assets such as loans) is also exceptional. Independent analysts view us as one of the strongest of mature California banks.

We did not participate in subprime lending and have almost no exposure to residential real estate losses.

Most of the financial industry's challenges began with residential real estate lending, mostly in the subprime market (loans made to less creditworthy borrowers, often with high loan-to-value ratios and minimal income documentation.) As a significant number of these loans have defaulted, institutions that made them have suffered capital erosion and investor mistrust that have further undermined their financial condition.

We are not, nor have we ever been, a subprime lender. We have made standard residential real estate loans from time to time as a courtesy to our customers, but our overall home mortgage portfolio is very small. Across all our various lending products, Mechanics Bank has always engaged in traditional, consistent and well-tested underwriting practices. In fact, we are considered by many to be exceptionally conservative.

While many other banks were taking higher risks and recording extraordinary profits during the real estate bubble, we stayed on the sidelines, attending to our business in the same careful way we have managed our operations--and our customers' deposits--for the past 103 years. As a result, compared to our peers and competitors, Mechanics Bank's earnings have been strong during the past two years. We had a record year in 2007, and are continuing that profitable performance in 2008.

Mechanics Bank is committed to our customers.

As this economic downturn unfolds, even the best banks will experience some loan losses. No one is immune to market forces. However, for more than a century, we have maintained a solid foundation based on a commitment to long-term customer relationships backed up by sound underwriting practices. This philosophy has seen us through difficult times before, and we are confident it will keep us strong this time, as well.

We are privileged to have a deep and loyal base of customers, and our goal is to remain your trusted financial partner. We know that in order to achieve that, we must always treat your money with the same care we would treat our own. That is exactly what we have done since our founding, and what we will continue to do this year and in the years to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven K. Buster", with a long, sweeping horizontal line extending to the right.

Steven K. Buster
President and Chief Executive Officer
Mechanics Bank