

January 3, 2012

Dear Valued Customers,

I want to take this opportunity today to thank you for banking with Tri Counties Bank. We sincerely appreciate you for giving us the opportunity to earn your loyalty and trust. I believe that we have a talented and hard working team of good people that are committed to providing you with financial products and services that help you cross all bridges on your road to financial success.

Today's economic times are very challenging. The past few years have been particularly difficult for everyone – including financial institutions. Many new laws and regulations have been instituted upon all banks, including ours. These new “rules of the road” add many additional costs and burdens upon our bank. Lately, banks have been at the center of criticism as evidenced by the many protests around the country. I felt it was important to write you this letter to offer some perspective as it relates to our community banking institution.

The following information may help you to understand that Tri Counties Bank has accomplished much during these tough times as we have attempted to help our customers, communities, employees and shareholders all along the way. The following are key facts that we are quite proud of:

- Tri Counties Bank did **NOT** accept any monies under the Troubled Asset Recovery Program (TARP).
- Tri Counties Bank has continued to hire people during this economic downturn.
 - Today, we employ over 800 people.
 - We employed 700 in 2008.
- Tri Counties Bank paid over \$160,000,000 in payroll since 2008.
- Tri Counties Bank paid over \$12,000,000 in health care benefits for our employees since 2008.
- Tri Counties Bank paid over \$33 million in Federal Income Taxes since 2008.
- Tri Counties Bank paid over \$11 million in State Income Taxes since 2008.
- Tri Counties Bank paid over \$9 million in Payroll Taxes since 2008.
- Tri Counties Bank paid over \$1.5 million in Property Taxes since 2008.

- Over the course of 2011, Tri Counties Bank continued to fund or make donations to important and needed programs in the communities we serve, including:
 - \$25,000 donation for a new Children's Hospital in Bakersfield, CA.
 - \$25,000 donation to help Enloe Hospital in Chico, CA, to help fund construction of its new hospital.
 - Donated \$20,000 and helped raise an additional \$15,000 to help build the new Veteran's Memorial Walk in Anderson, CA.
 - Donated \$10,000 and provided facilities and manpower to help collect over 20,000 coats for kids and families in need.
 - Contributed \$40,000 toward local community food drives, and provided locations and manpower to collect and sort the donated food for families in need.
 - Contributed over \$10,000 toward the collection of school supplies for our local communities.

- We provided thousands of dollars to our local schools for athletic and other programs suffering due to budget cuts.
- We continued to make donations during the tough times for many, many charitable organizations in our communities.
- We also made loans in our communities.
 - We have nearly \$1,600,000,000 in loan balances.
 - We continue to offer loans for both businesses and consumers.
 - We continue to make home loans.
 - We also charged off over \$50 million in loans over the past 3 years. We too, are victims of a bad economy.
- Our customers and communities have rewarded us for our efforts.
 - We are now \$2.5 billion in total assets.
 - We have acquired two community banks from the FDIC that failed during these difficult economic times.
 - These FDIC-assisted acquisitions protected all depositors at the failed institutions from any loss on deposits held in those banks.
 - We have expanded our branch network to 67 locations in Northern California and we now offer 74 ATM locations.
 - We have invested millions of dollars into new technology over the past three years to provide banking tools like mobile banking that help make our banking services even more convenient.
- We have also remained profitable throughout this economic cycle, reassuring our customers and providing them with peace of mind that their bank is safe and secure.
 - Yes, profitable. We have made \$34,000,000 in net income since 2008.
 - Most of the profits were returned to our shareholders in the form of Dividends. It is part of their reward for their investment in our company.
 - While \$34,000,000 is a lot of money, it represents approximately one half of one percent of our total assets. That's about \$165,000 per branch per year. That about \$7.73 per month per account.

Tri Counties Bank is safe, sound and proud citizens of our communities. When considering your banking choices, we truly appreciate that you have chosen Tri Counties Bank. We are truly honored to serve you.

Sincerely,



Richard P. Smith
President and Chief Executive Officer