



April 19, 2006

To: Our Shareholders and Financial Correspondents

RE: Bank Financial Monitoring – 1st Quarter 2006 Results

The Mechanics Bank earned \$6,243,000 of net income in the 1st Quarter of 2006. This was \$567,000 or 8.33% less profit than the immediately preceding 4th Quarter of 2005. Although the 1st Quarter 2006 net income was less than the 4th Quarter results, the Bank's profitability significantly exceeded prior year amounts. The 1st Quarter 2006 net income was \$482,000 or 8.37% more than the comparable 1st Quarter 2005 results. This 2006 financial performance equated to a 0.95% annual return on average assets.

The balance sheet held \$2,709,240,000 total assets as of March 31, 2006, which was \$223,624,000 or 9.00% more assets than year ago levels. The growth of the balance sheet from year ago levels resulted from both increased deposits and loans. Total deposits at March 31, 2006 were \$2,274,669,000 which was \$170,507,000 or 8.10% more deposits than reported a year earlier. Total loans were \$1,688,707,000 at March 31, 2006, which was a \$124,387,000 or 7.95% more loans outstanding than a year earlier. Liquid assets, consisting primarily of cash, federal funds sold and available for sale debt securities totaled \$947,143,000 at March 31, 2006 which was 34.96% of total assets.

Asset quality remains strong. At March 31, 2006, total non-accrual loans were \$54,000 which was 0.00% (rounded) of total loans. The allowance for loan and lease losses, which covers credit losses inherent in the loan portfolio, was \$24,444,000 or 1.45% of total loans at March 31, 2006. The Bank also carried an additional \$2,357,000 allowance for possible credit losses pertaining to its unfunded loan commitments in the liability section of its balance sheet. Collectively, the total allowances for all types of credit losses was \$26,801,000 as of March 31, 2006.

Total Stockholders Equity was \$243,282,000 at March 31, 2006 and the Bank's simple equity ratio was 8.98% of total assets on that report date. The Bank remained "well capitalized" by all regulatory standards, with a Tier 1 Leverage Capital Ratio of 9.33%, a Tier 1 Risk Based Capital Ratio of 12.13%, and a Total Risk Based Capital Ratio of 13.38%.

Attached is a copy of The Mechanics Bank's 1st Quarter 2006 FDIC Call Report.

You may call me directly if you have any further questions about this report or require any additional explanation.

Very truly yours,

Garrett W. Lambert
SVP & Treasurer

