



November 1, 2006

To: Our Shareholders and Financial Correspondents

RE: Bank Financial Monitoring – 3rd Quarter 2006 Results

The Mechanics Bank earned \$6,951,000 of net income in the 3rd Quarter of 2006. This was \$424,000 or 6.50% more profit than the immediately preceding 2nd Quarter of 2006. The 3rd Quarter 2006 net income was \$46,000 or 0.66% less than the comparable 3rd Quarter 2005 results. The Bank's 2006 net income now totals \$19,721,000 for the nine months year to date, which is \$1,418,000 or 7.75% more than the first nine months of 2005. This 2006 financial performance equates to a 0.99% annual return on average assets (ROA) which is 3 bp more than the ROA reported in the comparable nine month period last year.

The balance sheet held \$2,715,032,000 total assets as of September 30, 2006, which was \$70,743,000 or 2.68% more assets than year ago levels. The growth of the balance sheet from year ago levels resulted from both increased loans and deposits. Total loans were \$1,755,347,000 at September 30, 2006, which was a \$106,669,000 or 6.47% more loans outstanding than a year earlier. Total deposits at September 30, 2006 were \$2,262,719,000 which was \$14,642,000 or 0.65% more deposits than reported a year earlier. Liquid assets, consisting primarily of cash, federal funds sold and available for sale debt securities totaled \$884,469,000 at September 30, 2006 which was 32.58% of total assets.

Asset quality remains strong. At September 30, 2006, total non-accrual loans were \$146,000 which was 0.01% of total loans. The allowance for loan and lease losses, which covers credit losses inherent in the loan portfolio, was \$26,746,000 or 1.52% of total loans at September 30, 2006. The Bank also carried an additional \$2,259,000 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 \$29,005,000 as of September 30, 2006.

Total Stockholders Equity was \$257,521,000 at September 30, 2006 and the Bank's simple equity ratio was 9.49% of total assets on that report date. The Bank remained "well capitalized" by all regulatory standards, with a Tier 1 Leverage Capital Ratio of 9.52%, a Tier 1 Risk Based Capital Ratio of 12.52%, and a Total Risk Based Capital Ratio of 13.77%.

Attached is a copy of The Mechanics Bank's 3rd 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

