



On behalf of everyone at Mechanics Bank, we are delighted to be able to introduce to you our first Corporate Citizenship Report.

This Report reflects how we have seen ourselves since our founding more than 100 years ago. When E.M. Downer started what became Mechanics Bank, he did it to serve the needs of local citizens. He was Trainmaster of Pinole then, and the railroad workers were paid their weekly wage by checks – but the only place to cash those checks was in Martinez. So E.M. gathered the paychecks and drove them to Martinez in a horse-drawn wagon. He cashed them for gold, and brought it back – at some personal peril! – to Pinole to return to the workers so they had negotiable currency. Eventually, rather than make the trip every week, he bought a safe and kept a supply of gold so the workers could cash their paychecks themselves. Thus, a bank was born.

For more than 100 years, we think we have exemplified what good Corporate Citizenship is all about. This is just the first time we've ever written it down so everyone can see what it all means. And we have to confess, we are proud of what we do, seeing just how much we live up to our own ideals.

Those ideals are articulated well in this document, but they come down to one basic tenet that has served us from the very beginning: Always serve the client's best interest. We have a fiduciary responsibility to our clients. *A responsibility.* Just like those railroad workers who entrusted E.M. Downer with their paychecks — our clients today entrust us with their financial resources. And we repay that trust by running a safe, sound, stable institution that gives them peace of mind that their money is safe and their future is protected.

That's the same sense of responsibility and commitment we feel toward our community and our society. We're part of the social fabric of where we live and where we work. Our employees themselves are members of the communities we serve. And we're a locally owned, locally operated business, just like many of our clients.

We are both proud to be part of the Mechanics Bank family – and part of the Mechanics Bank community. We are as proud of our company and its corporate contributions as we are of our employees and their individual contributions. All of us in this organization take the concept of Corporate Citizenship – both its benefits and its responsibilities – very seriously. The strength of our commitment is reflected in this Corporate Citizenship Report. And, it is also reflected everyday in the personal commitment of every employee in every part of this Bank

We hope you enjoy reading this document. And we hope it reassures you, as it did us, that we are being good stewards of your communities.

Sincerely,



E.M. Downer III, Chairman



Dianne Daiss Felton, Vice Chairman



***“We help people build prosperous communities as their trusted financial partner.”***

This is our Mission Statement and it succinctly states the reason Mechanics Bank exists. These eleven words simply, yet deeply, express our purpose as an organization. Helping people has been a fundamental aim of the Bank since its founding in 1905. For us the concept of communities is all encompassing and includes the individuals, families, businesses, governments and community organizations in all the geographic areas we serve. Finally, being a partner means far more than simply being a provider of services. It also means we work hand-in-hand with our communities in long-term trusted relationships.

“Communities,” “long-term,” “relationships” – those are powerful words and important values for us. They also reflect our guiding philosophy as good corporate citizens. We don’t just do business in our communities; we live and work there as well. We’re *participants* and we take pride in our involvement. So it makes sense that our communities are where we invest our resources. Your money is staying close to where you work and live to benefit you. And if we’re doing our jobs right, we’re also benefiting those who are closest to you – your family, your neighbors, your employer, your co-workers, and those businesses serving your community.

As a closely held, independent community bank operating for more than a century, Mechanics Bank has become one of the largest banks headquartered in the San Francisco Bay Area, with more than 30 offices in Northern California. Today, with over \$2.5 billion in assets, we maintain our independence and continue to serve the community with our unique brand of relationship banking. Although we combine big bank conveniences with the personalized service that has long been our hallmark, we haven’t forgotten that our success is closely tied to your success.

To give you a more complete picture of how we work to provide meaningful value to all our stakeholders, we have compiled this Corporate Citizenship Report. It not only provides information to you, but it also provides insight to us on how well we meet our objective to be a “good corporate citizen.” We have set a high standard for ourselves. But as a bank founded on “commitment that lasts generations,” we also realize that good is never good enough. We constantly strive to do better, but, as I think you’ll see, we are justly proud of what we have done so far.

Regards,



Steve Buster, President and CEO

## **HISTORY OF CORPORATE CITIZENSHIP AT MECHANICS BANK**

From our founding more than 100 years ago, Mechanics Bank has always pioneered new and better ways to serve the needs of clients, employees, communities and shareholders. We also recognize that without those intertwined constituencies the Bank could not survive. Founder E. M. Downer infused Mechanics Bank with an abiding commitment to community from the very start. As a former weekly newspaper publisher, local postmaster, railroad telegrapher, chairman of the Pinole-Hercules school board for 25 years and a small town mayor, E. M. Downer understood the needs of local communities, and believed a community bank's reason for being was to serve those needs. That became Mechanics Bank's operating philosophy, carried out through its first century. That same philosophy is how we have chosen to define "Corporate Citizenship." This report summarizes how we work to build prosperity for our primary stakeholders – our clients, our employees, our communities, and our shareholders -- as well for the "stakeholder" we all share in common, our environment.

## **BUILDING PROSPERITY FOR OUR EMPLOYEES**

***"Treat your employees well and they will in turn treat your clients well;  
the bottom line will take care of itself."*** – E.M. Downer Jr.

Our dedication and devotion to helping both our clients and our communities is a direct reflection of our employees. We are committed to building lasting relationships and earning trust through teamwork, respect and integrity. These values are the guiding principles that have set the standard for how we do business for more than 100 years. Each employee is, in fact, Mechanics Bank, and our actions reflect the Bank's principles and standards. To live up to the trust that clients and fellow employees place in us, we strive to fulfill both the spirit and the intent of our values every day. Four generations of the founding family have actively participated in overseeing Mechanics Bank, often supported by employees of multi-generational families who also believe in the values we represent. We continually look for ways to enrich our employees' personal and working lives by offering benefits that promote the health and prosperity of our employees.

The range of benefits that we offer to our employees includes:

- Tuition reimbursement for external studies
- Training courses for banking and professional skills development
- Management and leadership training programs
- Reimbursement for participation in fitness and weight management programs
- Subsidized group health, vision and dental insurance
- Confidential Employee Assistance Program
- Free group life insurance
- Free and discounted banking services

Employee benefits continued . . .

- Paid time off, including vacation time, federal holidays and a personal choice day
- Pre-tax Commuter Benefits
- Employee celebratory events
- 401(k) retirement savings plan matches
- Time off for volunteer activities
- Group discounts for entertainment events and venues
- Student internship employment
- Internal recognition awards for instances of outstanding performance

### **BUILDING PROSPERITY FOR OUR CLIENTS**

***“We want to be recognized in our communities as a premier financial solutions partner, always serving our clients’ best interests with a team of dedicated and innovative people.”***

This is our corporate Vision, and it clearly puts our clients first. Mechanics Bank is a bank built on strong and steady relationships. Just as we have ownership and staff that span generations, we can proudly point to many client relationships that span generations of families and business owners.

From our humble beginnings, we have grown to be a Bank that can now offer our clients the products and services found in the major banks. But unlike the major banks, we have kept our ability to deliver personalized one-to-one service. From the beginning, we viewed ourselves as a bank built on relationships, and that view has never changed. We work with our clients to identify their financial needs, and then provide the tools and resources and professional expertise to decide how best to meet those needs. In all likelihood, we have the right products or services for each client, but arriving at that decision will often be a joint process.

Yes, we offer many of the traditional products offered by other financial institutions – deposit and savings accounts, lines of credit and loans, and an array of investment products. What sets us apart? It’s our local presence, our ability to respond quickly to our clients’ needs or problems, our customization of solutions, and our enduring commitment to service and building long-term relationships.

We help our clients build their personal prosperity in ways that include:

- Offering deposit products that pay prevailing market rates;
- Structuring competitively priced financial products, whether loans tailored to meet clients’ needs, services to help them manage cash flow, and investment products that enhance their financial position;
- Providing financial advice to grow and maximize net worth; and
- Looking beyond a simple transaction and extending special recognition for valued, mutually beneficial relationships.

## **BUILDING PROSPERITY IN OUR COMMUNITIES**

***“We believe that our mission extends beyond profit-making.***

***We want to make every community in which we operate a better place.”*** – Eddie Downer III

We are in business to make money, but not *just* to make money. We strive to make every community in which we operate a better place to live and work, which is why we support a broad range of organizations, programs and activities benefiting a wide scope of individuals.

Our efforts to enhance the lives of those within our communities are accomplished through the resources provided by The Mechanics Bank Community Development Corporation (TMBCDC) and our Corporate Giving Program.

## **THE MECHANICS BANK COMMUNITY DEVELOPMENT CORPORATION**

In the business arena, Mechanics Bank is a preferred Small Business Administration (SBA) lender. In 2003 we formed The Mechanics Bank Community Development Corporation (TMBCDC), a wholly owned subsidiary of Mechanics Bank, to enhance our investments under the Community Reinvestment Act, explicitly to aid our small business clients. In 2004 TMBCDC was the only California community bank organized and headquartered in the state to receive an allocation from the Community Development Financial Institution Fund (CDFI) for the New Markets Tax Credit Program. Mechanics Bank’s TMBCDC allocation was designated for use in providing loans, commercial financing, real estate financing (retail, industrial, office space, for sale housing and community facilities) and financial counseling to qualifying businesses in low income census tracts in Alameda, Contra Costa and San Francisco counties.

## **CORPORATE GIVING PROGRAM**

The Bank’s Corporate Giving Program supports our Mission by directing corporate donations, sponsorships and the efforts of caring employee volunteers to ensure the success of a variety of nonprofit causes and events pivotal to building prosperity in the communities we serve.

Our Corporate Giving Program addresses a wide range of needs. It is a broad, community-based program focused on community development, educational programs through schools and nonprofit organizations, health services, cultural and civic programs designed to enrich the lives of those in our communities. Though not limited to the Community Reinvestment Act (CRA), a significant portion of our giving is designated to meet CRA requirements, thereby contributing to the Bank’s CRA rating.

Our Corporate Giving Program is much more than monetary contributions to programs in our communities. This commitment incorporates our employee's personal involvement. Our employees get involved in various ways; things such as board memberships, participating in sponsored events, volunteering to repair a home for the elderly or those with disabilities, teaching financial literacy and collecting food and toys for those in need.

## **CATEGORIES OF GIVING**

Our Corporate Giving Program is designed to enrich the lives of those in our communities. We annually commit philanthropic donations equal to \$1,000 per employee and target these donations toward five categories of giving:

- Community Reinvestment
- Education
- Health and Human Services
- Arts and Culture
- Civic and Community

## **COMMUNITY REINVESTMENT**

The Community Reinvestment Act requires financial institutions to help meet the Community Development needs of the regions they serve. Under the CRA, Community Development means:

- Affordable housing for low- and moderate-income individuals;
- Community services targeted to low- and moderate-income individuals;
- Activities that promote economic development;
- Activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies;
- Conducting technical and managerial training workshops for small businesses.

These objectives are accomplished through our support of and involvement in such organizations as: Affordable Housing Associates, Bay Area Community Services, GRIP (Greater Richmond Interfaith Program), Community Housing Development Corporation, River Oak Center for Children, Entrepreneurship Center, Familias Unidas, C.E.O. Women, CANV (Community Action of Napa Valley), Rebuilding Together and AnewAmerica Community Corporation, to name a few.

## **EDUCATION**

Because we believe in the power of education, Mechanics Bank directs its educational support to a variety of academic programs for students of all grade levels and scholastic development. We look for programs that motivate and challenge today's youth to become successful and productive citizens.

We support programs like Junior Achievement, Project SEED, Next Step Learning Center, Wall Street Wizards (Wall Street West Financial Literacy Fund), STS Academy (Success Through Self Academy) and several other education and college foundations.

## **HEALTH AND HUMAN SERVICES**

As the demand for social services and medical attention increases, so does the need for support from private industry. Mechanics Bank is committed to supporting nonprofit organizations that enhance the quality of life for citizens who are ill, disadvantaged, poor, elderly, or disabled.

An example of the programs we support includes: Brookside Community Health Center, Inc., Children's Hospital & Research Center Oakland, St. Helena Hospital Foundation, Sutter Roseville Medical Center Foundation, La Clinica de La Raza, several Food Banks and Meals on Wheels.

Additionally, keenly aware that elder abuse is an emerging problem, we have procedures in place to train our employees to look for the warning signs among our elderly clients.

## **ARTS AND CULTURE**

Mechanics Bank is proud of its long history and tradition, so we recognize the importance of the arts to the overall well being of a community. By supporting art and cultural events, we help enrich the lives of young and old, individuals and families through visual and performing arts, museum exhibits, musical presentations and cultural displays in the communities we serve.

Berkeley Repertory Theater, San Francisco Ballet, Sacramento Philharmonic, Napa Valley Symphony League and NIAD (National Institute of Art and Disabilities) are just a few of the many organizations that we believe enrich our communities.

## **CIVIC AND COMMUNITY**

Mechanics Bank supports programs that help build our communities, which help strengthen them economically and provide benefits for a broad segment of the population. As an integral part of our communities, Mechanics Bank supports the work of organizations that seek to increase civic involvement and pride, economic viability, as well as foster positive public and private partnerships.

A sample of the organizations to which we lend our support includes: Equal Rights Advocates, Inc., STAND! Against Domestic Violence, Bay Area Crime Stoppers, Boy Scouts, Boys & Girls Clubs, YMCA, Junior Achievement, Little Leagues, Lindsay Wildlife Museum, Treasure Island Sailing Center Foundation, and Lions, Exchange, Rotary, Kiwanis and Soroptimist Clubs.

Additionally, all of our Retail Office Managers are active participants in local organizations like the Chamber of Commerce, promoting investment in and development of the communities they represent.

## **BUILDING PROSPERITY FOR OUR INVESTORS**

Our goal is to become the trusted financial partner of our constituents and to contribute to their financial well-being. To do that, we must remain a strong, viable bank that meets not only our mission but also our investors' expectations. We know that investors have many choices, and that when they choose to invest in Mechanics Bank, they are investing in our ability to deliver on our commitments. Among all else, that means that we must remain financially healthy, true to our values, and in full compliance with all applicable laws and regulations.

How do we ensure that we remain financially healthy? Our management team diligently weighs risk against rewards in our decision-making. Key management positions include an executive manager overseeing enterprise-wide risk and a corporate-wide compliance staff that oversees our compliance with regulatory requirements. We create and implement policies, procedures, and practices to ensure we meet our high standards. We set financial targets and diligently monitor our progress. Our Board of Directors brings with them strongly diverse areas of expertise, and our management team has combined banking experience that exceeds hundreds of years. Our financial history alone reflects more than a century of operating health.

How do we remain true to our values? Mechanics Bank expects each and every employee to read, understand, and agree to a corporate code of ethics and holds each of us to the highest standards of acceptable behavior. Our employees reaffirm their agreement to this code of ethics annually.

Banking is a highly regulated industry. We know that noncompliance with regulatory requirements – whether knowingly or unknowingly -- has extremely negative consequences and can threaten our continued operations. To ensure that we always adhere to the spirit of the law as well as the letter, our Compliance and Risk Management Departments have institutionalized individual and group training classes. It's not unusual to find our entire staff of almost 700 employees taking these classes annually. Regulatory requirements are frequently embedded in policies and procedures and key executives provide frequently scheduled oversight.

### **SUPPORTING OUR ENVIRONMENT**

We are all concerned with our environment. And as part of being a good corporate citizen, we always conduct our business so as to minimize our impact on the resources we all share.

To support that effort, we have launched a number of key initiatives. Among them is our commitment to a "Green Design" program for all our offices. We currently have 21 offices certified "Green." We've converted to a fleet of hybrid cars for our internal courier services. We practice recycling in all our locations – not just recycling materials, but also buying recycled goods whenever possible. We have internal initiatives to seek electronic solutions as viable alternatives to paper-based processes and procedures. And, we keep our employees informed of "Spare the Air Days" and encourage their compliance.

### **VISION/FUTURE**

"Be recognized in our communities as a premier financial solutions partner, always serving our client's best interests with a team of dedicated and innovative people" is our Vision, but we know that we can't get there without the support of all of our stakeholders. We know that employees, clients, investors, and communities that are healthy and prosperous, and that thrive in a clean and sustainable environment, are a winning combination for all of us and for our planet. We will continue to do our part to enrich the lives of those who put their trust in us – not just to be an exceptional bank – but also to be an exemplary corporate citizen.