

March 15, 2023

To Our Clients and Communities,

For 118 years, Mechanics Bank has been one of the strongest, safest and most resilient banks in the country. Our financial strength has never been more evident than today. We've weathered everything that has come our way because of our firm commitment to a sensible and disciplined management philosophy. Our number one priority through the Great Depression, two World Wars, the Great Financial Recession, and today has always been to keep our depositors' funds safe and sound. With the news of the past week, I felt it was a good time to reaffirm what makes us exceptional, and very different from the banks that are recently making headlines:

- **Slow and Steady Growth:** The banks that have made the news lately have had growth rates of up to 400% in the past three years. By comparison, we have grown only 15% in that same period. When a bank quadruples in size over three years, it's hard not to make mistakes.
- **Well-Capitalized:** Mechanics Bank has and always will be extremely well-capitalized relative to other banks, so we can absorb the inevitable ebbs and flows of business cycles without compromising our balance sheet.
- **Outstanding Liquidity:** Relative to our peers, Mechanics Bank is one of the most liquid banks in the country, which allows us to respond to short-term needs without jeopardizing long-term stability.
- **Diverse Core Funded Deposit Base with No Concentrations and No Crypto:** Unlike the banks in the news lately, our core deposit base is very diverse, granular and long-tenured with no concentrations. It's comprised of hundreds of thousands of small- and medium-sized businesses, non-profits, individuals and families in communities across the state of California. The banks that failed recently were very highly concentrated in the technology, crypto and venture capital industries. Mechanics Bank will never be involved in these types of activities or industries.
- **Securities Portfolio:** Our securities portfolio represents a smaller percentage of our total assets with much shorter duration and higher quality relative to the banks currently in the news. In fact, if we sold our entire securities portfolio at today's market valuation, we would still be considered "well-capitalized" by our regulators, something that the banks that have recently failed could not say. Our portfolio, because of these attributes stated above, protects us from the risks of rapidly rising interest rates.
- **High-Quality Loans and Simple Balance Sheet:** Our loan portfolio is high quality and our balance sheet is straightforward. We make good loans to individuals and local businesses in our communities across the state.

I want to thank you again for the trust you've put in Mechanics Bank, and for the opportunity to serve your financial needs. We are always here for you, and if there's anything you need or want to discuss, please don't hesitate to reach out to us.

Sincerely,



John DeCero

President & CEO, Mechanics Bank