



Bank

LEDGER

QUARTERLY NEWSLETTER

NOTE FROM THE PRESIDENT

By RICK LOUPE, PRESIDENT & CEO

We continue to focus on serving the needs of the communities and customers in our market area, and feel fortunate to be located in areas that are not as affected by the economy as many other areas in California.

Our “big bank” competitors, particularly those banks who have taken over other banks via merger or acquisition, are changing prices, products and services and the result has been a rise in demand for the services of Valley Community Bank.

Our strategy has not changed since we opened our first office in 1998, and we will continue to focus on high level service and quality products. Thanks for your ongoing support.

Letter to the Editor Wall Street Journal

Dear Editor:

Not all banks are alike. Not by a long shot. Jane J. Kim’s article, “Credit Unions: A Better Bet Than Banks” (June 5, 2010), may be misleading readers into believing that the nearly 8,000 community banks in this country are no different than the Wall Street megabanks. That’s just not true.

Like credit unions, many community banks offer lower fees than the larger banks. And, community banks pride themselves on offering the kind of personal attention and personal service you can only get from someone who lives and works in your community. When it comes to choosing between a credit union and a community bank, however, there is a distinction with a very big difference. The difference is this: credit unions don’t pay taxes. In fact, a study conducted by the non-partisan and non-aligned Tax Foundation found that the credit unions’ tax subsidy is contributing to the national debt by more than \$30 billion over ten years.

During this time of skyrocketing deficits, you simply cannot overlook this fact – especially when we face serious domestic issues, all of which will have to

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Mark Jorgenson

Customer Spotlight on Pacific Infrastructure Corporation

Established in 2001, Pacific Infrastructure Corporation is a general engineering construction company founded by Mark Jorgenson. As a project manager with a larger general engineering company, he recognized the opportunity to create a smaller company that could effectively meet the demand for constructing smaller infrastructure related projects. Today, the Pleasanton-based company helps cities and municipalities from Sacramento to Petaluma to Monterey upgrade the way they treat and move

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He’s back! Rick Loupe, our esteemed president and CEO, returned from his reported medical leave on June 7, sooner than expected and feeling terrific. Rick sincerely thanks everyone for their concern and inquiries about his health during his absence, and truly appreciates the good wishes.

Forward Looking Statements Disclosure: Statements concerning future performance, developments or events, expectations for growth and income forecasts, and any other guidance on future periods, constitute forward-looking statements that are subject to a number of risks and uncertainties. Actual results may differ materially from stated expectations. Specific factors include, but are not limited to, loan production, competitive pressure in the banking industry, balance sheet management, net interest margin variations, the ability to control costs and expenses, changes in the interest rate environment and financial policies of the United States government and general economic conditions. The Bank disclaims any obligation to update any such factors.



Meet Robert Johnson

Robert Johnson's career in banking began in a class at San Jose State University where he helped run a simulated bank. He learned about assets and liabilities, was intrigued with how certain factors affect growth and profitability and, during the process, discovered that banking might be a good choice for him as a career. After graduation, he entered a management trainee program with Bank of the West, a one-year program focusing on credit training and banking operations.

Over the next 22 years, Robert gained extensive experience in originating loans, credit management and policy, portfolio management, loan workouts, and executive management at Bank of the West, Pacific Western Bank, Silicon Valley Bank, Heritage Bank, Union Bank of California and several other banking and non-banking financial institutions. Most recently, he was Senior Vice President & Team Leader, Special Assets Department, at Citizens Business Bank, as successor in interest to San Joaquin Bank in Bakersfield, California.

"Unfortunately, San Joaquin Bank failed," Robert says. "While I was the only senior person retained from San Joaquin Bank, the fit did not feel right, so I was delighted when Rick Loupe, CEO, and Greg Hickel, CCO, contacted me about returning to the Bay Area and

joining Valley Community Bank. I had worked with Rick previously and Director Boyce has been a mentor to me at Pacific Western Bank and thereafter while I was at other institutions. I knew it would be a good fit compared to other opportunities that were in the offing because of the management team."

Robert's principal responsibility as Special Assets Manager is to assist Greg Hickel with credit administration, policies and procedures in addition to loan workouts.

"What I like most about community banking is the ability to have an impact on the community," Robert adds. "Decisions can be made so much faster than elsewhere. I can walk to the office next door, discuss an issue, bounce ideas off other officers and have a decision in place right away. That process would take weeks at a large institutional bank such as Citizens Business Bank."

On the more personal note, Robert enjoys traveling to Europe and the Caribbean and skiing at Heavenly, Lake Tahoe. He has three children: a daughter who graduated from U.C. Berkeley and works in the high tech industry, a son, who graduated from San Jose State University and aspires to a career in law enforcement, and a second son who is studying finance and accounting at Sacramento State University.

Continued from front page — Letter to the Editor

be paid for. For the nation's more than 7,000 credit unions to not pay taxes suggests that they are part of the problem. It's clear that the credit unions' tax-exempt status is no longer justified especially during these tough economic times. After all, why should hardworking American taxpayers be forced to foot the bill while credit unions have the luxury of earning billions without paying taxes? The time has come for credit unions to step up and pay their fair share. Only then will they be part of the solution.

In the meantime, consumers can make their voices heard by putting their money where it truly counts – in their local community bank where it is reinvested directly into the community – taxes and all.

Jim MacPhee
ICBA Chairman
CEO, Kalamazoo County State Bank, Schoolcraft, Mich.

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To better serve you...

Valley Community Bank
financial statements
as well as past issues of our
quarterly newsletter,
Bank Ledger,
are available at our website,

www.vcb-ca.com

Valley Community Bank

BALANCE SHEETS

BALANCE SHEET

Dollar amounts in thousands, except per share data	Unaudited 06/30/2010	Unaudited 06/30/2009
ASSETS		
Cash & due from banks	\$ 22,812	\$ 12,064
Fed funds sold	0	0
Total Cash and Cash equivalents	22,812	12,064
Time deposits with other financial institutions	2,502	200
Securities available-for-sale	14,807	8,394
Securities held-to-maturity	507	1,229
Federal Home Loan Bank stock	934	966
Loans	172,435	183,280
Less allowance for loan losses	(4,903)	(3,471)
Net Loans	167,532	179,809
Bank premises and equipment, net	641	464
Cash surrender value of life insurance policies	2,690	2,587
Accrued interest receivable & other assets	6,095	3,603
TOTAL ASSETS	<u>\$218,520</u>	<u>\$209,316</u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Deposits - Non-Interest Bearing	\$32,088	\$35,614
Deposits - Interest Bearing	152,529	135,852
Total Deposits	184,617	171,466
Short Term Borrowings	7,000	12,000
Accrued interest payable and other liabilities	2,308	1,622
TOTAL LIABILITIES	<u>\$193,925</u>	<u>\$185,088</u>
Shareholders' equity		
Preferred Stock Series A	\$5,500	\$5,500
Preferred Stock Series B	82	14
Common Stock - no par value	16,602	16,500
Additional paid in Common Capital	450	395
Accumulated other comprehensive loss, net of tax	42	(3)
Retained Earnings	1,919	1,822
Total shareholders' equity	24,595	24,228
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>\$218,520</u>	<u>\$209,316</u>
Common Shares outstanding for each period:	1,878,886	1,860,654
Book value per Common share	\$10.12	\$10.06

INCOME STATEMENTS

Dollar amounts in thousands, except per share data	Unaudited 3 Mos. Ending 06/30/2010	Unaudited 3 Mos. Ending 06/30/2009	%
			Change
Interest Income:			
Interest and fees on loans	\$ 2,821	\$ 2,967	-5%
Interest on federal funds sold	-	2	-100%
Interest on investment securities	77	59	31%
Interest on deposit in banks	15	5	200%
Total Interest Income	2,913	3,033	-4%
Interest Expense:			
Interest on deposits	486	562	-14%
Interest on short-term borrowings	24	132	-82%
Total Interest Expense	510	694	-27%
Net Interest Income Before Provision for Loan Loss	2,403	2,339	3%
Provision for Loan Loss	600	430	40%
Net Interest Income After Provision for Loan Losses	1,803	1,909	-6%
Non-Interest Income:			
Service charges	86	81	6%
Gain on sale of government guaranteed loans	120	545	-78%
Loan servicing income	142	80	78%
Other income	34	64	-47%
Total non-interest income	382	770	-50%
Other expenses:			
Salaries and employee benefits	1,156	1,145	1%
Occupancy and equipment	164	220	-25%
Other	627	559	12%
Total other expenses	1,947	1,924	1%
Income before provision for income taxes	238	755	-68%
Provision for income taxes	93	333	-72%
Net income (Loss)	<u>\$ 145</u>	<u>\$ 422</u>	<u>-66%</u>
Dividends and discount accretion on preferred stock	(89)	(88)	NA
Net Income available to Common shareholders	<u>\$ 56</u>	<u>\$ 334</u>	<u>-83%</u>
Earnings Per Basic Common Share	\$0.03	\$0.18	
Earnings Per Diluted Common Share	\$0.03	\$0.18	

Upcoming Events

- Sep 1 First Wednesday Street Party
Main Street, Pleasanton
- Sep 4 145th Scottish Highland
Gathering & Games,
Alameda County Fairgrounds
- Sep 5-6 Livermore Valley Harvest
Festival
- Sep 6 Labor Day
Bank Closed – All Locations
- Sep 17 Firehouse Arts Center Gala*
Downtown Pleasanton
- Sep 18 Firehouse Arts Center
Public Grand Opening
- Oct 10 Fall Antiques & Collectibles
Street Faire
Main Street, Pleasanton
- Oct 11 Columbus Day
Bank Closed – All Locations
- Oct 27 Halloween Carnival
Downtown Livermore
- Nov 11 Veterans Day
Bank Closed – All Locations
- Nov 19 Magical Holiday Evening
Downtown Pleasanton
- Nov 25 Thanksgiving
Bank Closed – All Locations

*Valley Community Bank Sponsor/Participant

Ready to serve customers throughout the South Bay



Members of the San Jose office staff: Standing left to right are Donna Moehring, VP Operations Supervisor; Jenny Boister, Senior VP, Credit Services Manager; Brittney Headley, Assistant VP, Senior Credit Support Specialist; Paula Belshaw, Assistant VP, Senior Credit Support Specialist; Mandy Rosas, Teller. Seated are (l) John Angelesco, Senior VP, San Jose Office Manager; John Herzog, 1st VP, Commercial Banking Officer.

Continued from front page — Spotlight on Pacific Infrastructure Corporation

potable water and waste water. Several Bay Area projects include Pinole Secondary Clarifier, Rodeo Effluent Pump Station Rodeo and Antioch Odor Control Phase III.

According to Mark, common projects for Pacific Infrastructure are the renovation of existing pumping stations and the construction of new ones. Pumping stations are typically used to move potable water into storage tanks where it is then delivered to consumers. The stations must be upgraded or rebuilt periodically. In addition, new ones must be constructed to meet growing demand. Once the project is designed, Pacific Infrastructure takes over to construct or rebuild all aspects of the station, including seismic upgrades, mechanical equipment and chemical systems. Pacific Infrastructure is proud of its excellent reputation in the industry and its impeccable safety record.

About four years ago, Mark and his associates were dissatisfied with the level of service the company was receiving from their bank and decided to make a change. They found Valley Community Bank to be a much better fit for their size business. “We now are receiving a comparable level of service at Valley Community Bank that larger companies receive from larger banks,” Mark said. “We appreciate the personalized service we receive at the bank’s downtown Pleasanton office, whether we’re dealing with lines of credit, escrow accounts or money market accounts and we are very happy we made the change.”



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DIRECTORS

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|--|---|
| Phillip R. Boyce <i>Private Investor</i> | Richard P. Loupe <i>President, CEO & Secretary of the Board</i> |
| Jerome W. Carlson <i>Private Investor; Management Consultant</i> | Peter MacDonald <i>Attorney at Law</i> |
| William M. Eames <i>William M. Eames & Associates</i> | Dean L. Schenone <i>FloraTech Companies</i> |
| Richard A. Lewis <i>Diversified Capital Funding</i> | Anelli P. Stamm <i>Silver Oak Health Care Services, Inc.</i> |

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