

CPP ANNUAL USE OF CAPITAL SURVEY - 2012



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Community Business Bank (FDIC Cert. #58159)

Person to be contacted regarding this report:	Mark S. Day	RSSD: (For Bank Holding Companies)	
UST Sequence Number:	681	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	3,976,000	FDIC Certificate Number: (For Depository Institutions)	58159
CPP/CDCI Funds Repaid to Date:	3,976,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Feb 27, 2009	City:	West Sacramento
Date Repaid ¹ :	Nov 30, 2012	State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Lending has been increased primarily in areas related to single-family home production. It also allowed us to continue working with a small builder making construction loans to finish a small single-family home project. Concentration issues would have prevented making this type of loan.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The Bank got involved with a customer that allowed him to purchase residential homes at foreclosure and put them back on the market quickly in order to provide quality inventory while cleaning up local neighborhoods and keeping his staff employed.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The Bank was able to increase its reserves while aggressively charging off any loans deemed necessary.
<input checked="" type="checkbox"/>	Reduce borrowings	The Bank was able to temporarily reduce any borrowings needed; these funds were eventually replaced with core deposit growth and the TARP CPP funds were eventually used as mentioned for NPA reserves and loan chargeoffs.
<input checked="" type="checkbox"/>	Increase charge-offs	The Bank was able to charge off any non-performing loans deemed necessary while boosting its provisions to cover these chargeoffs. Without this capital, we might have been slower to implement these chargeoffs. The TARP CPP funds gave us "breathing room" with the regulators.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

We were able to avoid even attempting to raise capital in a private offering, which would have been extremely difficult and costly if it were even possible. The TARP capital allowed the maintenance of capital ratios higher than our peers in a very difficult time.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The Bank was able to aggressively charge off loans and replace the reduction of the ALLL with higher loan loss provisions due to this additional capital. At the time of applying for the TARP CPP, Management was not aware of any loans that needed charging off, but we knew that there were definitely some credits that could deteriorate should the economy worsen. Less than a year later, we had charged off the amount of the TARP CPP capital and then some due to previously unknown and uncontrollable factors.

We were also able to be involved with the rehabilitation of a four-plex in a blighted area that was used for affordable housing.

We were also able to maintain our current staff levels. Without the TARP funding, it would have been very difficult to maintain these levels as we would have had to aggressively cut overhead in order to offset the significant loan loss provisions. We were therefore able to remain as a viable entity in the marketplace, while continuing our small business lending activities.

These funds also contributed to the ability to service our existing customer base. We are continuing to make loans to qualified applicants. The major banks still enjoy a distinct pricing advantage, however, due to the belief that they are "too big to fail" and the lower cost of funds that they receive by default because of this perception.

Recently the Bank was able to expand its agricultural and commercial real estate construction lending portfolio, partially due to the enhancement of the Bank's capital ratios provided by the capital infusion of CPP funds.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

We were able to support current customers that had programs that were building single-family residences.