

ANNUAL USE OF CAPITAL SURVEY - 2009



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Citizens Bancorp; Citizens Bank of Northern California ("CBNC")

Person to be contacted regarding this report:	Phillip J. Campbell, EVP/ General Counsel
UST Sequence Number:	325
CPP Funds Received:	10,400,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Dec 23, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	3165133
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	33983
City:	Nevada City
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). To answer that question, Treasury is seeking responses that describe generally how the CPP 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 investment was deployed or how many CPP 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 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 funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	From January 1, 2009 through December 31, 2009, CBNC originated 156 new loans in the total amount of \$133,407,000 and approved renewal of 201 loans totaling \$22,833,000. CBNC has diligently been working with troubled customers restructuring 24 loans totaling \$22,564,000.
<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.).	New loans originated %(calculated by number): 47% commercial, 10% commercial real estate; 21% loans to individuals; and 19% home equity loans. Renewals %(calculated by number): 71% commercial, 7% commercial real estate; 5% loans to individuals; and 2% home equity loans.
<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	During 2009, CBNC augmented its loan loss reserve by \$11,115,000. Additionally, in September of 2009 the company restated its 2008 financial statements adding an additional \$16,000,000 to the loan loss reserve.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	During 2009, CBNC realized \$9,482,000, in charge-offs. In September of 2009, the company restated its 2008 financial statements recognizing an additional \$10,770,000 in charge-offs.
<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 funds?

The infusion of CPP funds assisted Citizens Bancorp and CBNC in compliance with the institutions' capital requirements. Without the \$10,400,000 infusion, CBNC's Tier One Risk Based Capital to Risk Weighted Assets would have stood at 4.43% rather than 7.65%, Total Risk Based Capital to Risk Weighted Assets would have been 5.77% instead of 8.94%; and the Tier One Leverage Ratio would have been 3.50% rather than 6.09%. This added capital cushion assisted CBNC in assuring its depositors and customers that it could withstand the effects of the recession and has allowed time for Citizens Bancorp to initiate a shareholders rights offering to raise between \$7,000,000 and \$10,000,000 in supplemental capital.

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

The capital infusion supplemented CBNC's liquidity to help facilitate the exchange of \$6,700,000 in problem assets for a loan portfolio of high quality, strong yielding home equity lines of credit generated by a well respected major financial institution. This transaction supplemented earning assets, strengthened credit quality, and provided further geographical diversity to the loan portfolio.

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

The capital infusion also supported CBNC's reduction of its use of brokered deposits by \$29,000,000.

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