



# Bank

# LEDGER

QUARTERLY NEWSLETTER

## NOTE FROM THE PRESIDENT

By RICK LOUPE, PRESIDENT & CEO

During the first half of this year we have concentrated on existing customer relationships and adding new depositors and borrowers.

We have had good luck attracting clients from competing banks in our communities, particularly those large banks who are constantly changing their rates, fees, and charges.

Our goal this year is to keep our service levels high, our loan and deposit products competitive, and customer satisfaction high.

We appreciate your commitment to us, and look forward to another year of success.

## Spotlight on Eco Sound

Eco Sound Medical Services is an independently-owned distributor of products and services to all markets of Healthcare. Since long-time business colleagues and co-founders Mark Hineser and Donald Huhn established the company 16 years ago, they and their team have developed a niche in a previously under-served and rapidly growing segment of the healthcare industry – long-term care facilities. Today, their specialty lies in serving nursing homes, assisted living centers, residential care facilities and homecare patients as well as MediCal recipients in residential settings.

Supplying everything from exam gloves to durable medical equipment and many purchasing-related services, Eco Sound's reputation for excellence has been built on product knowledge, client education, support services and competitive pricing. The company is part of NDC (National Distribution & Contracting), a \$8.6 billion nationwide distribution network, which affords Eco Sound significant buying power and a national presence. The relationship enables Eco Sound to offer its customers the very best pricing available and accessibility to thousands of products.

The "Eco" in Eco Sound suggests the founders' commitment to distributing products that are healthier for the community, the individual and the environment. The company participates in the federal EPP (Environmentally Preferable Purchasing) program, which helps businesses find and evaluate information about "green" products and services as well as calculate the costs and benefits of purchasing choices and manage the green purchasing processes. Green practices at Eco Sound include its battery recycling program and the use of reusable product packaging materials.

"We were introduced to Valley Community Bank by bank director Nell Stamm soon after we and they were established," Don Huhn said. "We are continually impressed by the bank's willingness to help us grow, tailoring services for us as we expand and adjusting timelines to meet our needs."

"Accessibility is the watchword that describes our relationship with the bank," added Mark Hineser. "We value being able to talk over our plans with the bank's officers and receiving their perspective. We have learned how to make our business better by watching the bank grow as we shared good general business practices,"



Eco Sound Co-Founders (l-r) Donald Huhn and Mark Hineser.

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**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.

# Texas Hold 'Em Poker Tournament

Valley Community Bank was proud to host TransAccess' annual Texas Hold 'Em Poker Tournament on May 21<sup>st</sup> at our San Jose office. Forty players raised more than \$6,000



Winner Melanie Doorley

in support of TransAccess programs and services. RFI Communications & Security Systems, VCB Chairman of the Board Phil Boyce and Priscilla Azcueta were table sponsors.

The competition was wild and fun with top honors going to Melanie Doorley for winning the big pot: a three-day/two night stay at the Eldorado, including dinner and show packages. Pat Waite, TransAccess Board Treasurer, came in a close second. Thanks to TransAccess prize sponsors, the top nine players received prizes donated by The Eldorado, Black Oak Casino, John Ascuaga's Nugget, Harrah's, Doubletree, Jackson Rancheria and Cache Creek.

The Tournament even featured a Royal Flush. Our congratulations to Dave King!



Poker players enjoy Texas Hold 'Em Tournament

*continued front front page - Spotlight on Eco Sound*

"Our primary mission is to bring new, innovative solutions to the market," Huhn concluded. "We want our potential customers to know that they don't have to be a big hospital to access good pricing on medical-related products, as was true a decade ago. Much more information about how we do that is available at our newly designed website, [www.e-ecosound.com](http://www.e-ecosound.com), which we'll launch in late August."

## BALANCE SHEET

	Unaudited 6/30/2011	Unaudited 6/30/2010
Dollar amounts in thousands, except per share data		
<b>ASSETS</b>		
Cash & due from banks	\$ 19,638	\$ 22,812
Fed funds sold	0	0
Total Cash and Cash equivalents	19,638	22,812
Time deposits with other financial institutions	331	2,502
Securities available-for-sale	13,792	14,807
Securities held-to-maturity	148	507
Federal Home Loan Bank stock	930	934
Loans	156,166	172,435
Less allowance for loan losses	(5,183)	(4,903)
Net Loans	150,983	167,532
Bank premises and equipment, net	459	641
Cash surrender value of life insurance policies	2,787	2,690
Accrued interest receivable & other assets	6,655	6,095
<b>TOTAL ASSETS</b>	<b><u>\$195,723</u></b>	<b><u>\$218,520</u></b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
Deposits - Non-Interest Bearing	\$41,282	\$32,088
Deposits - Interest Bearing	121,876	152,529
Total Deposits	163,158	184,617
Short Term Borrowings	6,000	7,000
Accrued interest payable and other liabilities	2,343	2,308
<b>TOTAL LIABILITIES</b>	<b><u>\$171,501</u></b>	<b><u>\$193,925</u></b>
Shareholders' equity		
Preferred Stock series A	\$5,500	\$5,500
Preferred Stock series B	137	82
Common Stock - no par value	16,602	16,602
Additional paid in Common Capital	450	450
Accumulated other comprehensive loss, net of tax	25	42
Retained Earnings	1,508	1,919
Total shareholders' equity	<u>24,222</u>	<u>24,595</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b><u>\$195,723</u></b>	<b><u>\$218,520</u></b>
Common Shares outstanding for each period:	1,878,886	1,878,886
Book value per Common share	\$9.89	\$10.12

# Valley Community Bank

## BALANCE SHEETS

### INCOME STATEMENTS

	Unaudited 3 Mos. Ending 6/30/2011	Unaudited 3Mos. Ending 6/30/2010	% Change	Unaudited 6 Mos. Ending 6/30/2011	Unaudited 6 Mons. Ending 6/30/2010	% Change
Dollar amounts in thousands, except per share data						
<b>Interest Income:</b>						
Interest and fees on loans	\$ 2,250	\$ 2,821	-20%	\$ 4,795	\$ 5,674	-15%
Interest on federal funds sold	0	0	0%	0	8	-100%
Interest on investment securities	53	77	-31%	114	147	-22%
Interest on deposit in banks	8	15	-47%	11	27	-59%
<b>Total Interest Income</b>	<b>2,311</b>	<b>2,913</b>	<b>-21%</b>	<b>4,920</b>	<b>5,856</b>	<b>-16%</b>
<b>Interest Expense:</b>						
Interest on deposits	256	486	-47%	551	986	-44%
Interest on short-term borrowings	10	24	-58%	29	46	-37%
<b>Total Interest Expense</b>	<b>266</b>	<b>510</b>	<b>-48%</b>	<b>580</b>	<b>1,032</b>	<b>-44%</b>
<b>Net Interest Income Before Provision for Loan Loss</b>	<b>2,045</b>	<b>2,403</b>	<b>-15%</b>	<b>4,430</b>	<b>4,824</b>	<b>-10%</b>
<b>Provision for Loan Loss</b>	<b>600</b>	<b>600</b>	<b>0%</b>	<b>2,700</b>	<b>900</b>	<b>200%</b>
<b>Net Interest Income After Provision for Loan Losses</b>	<b>1,445</b>	<b>1,803</b>	<b>-20%</b>	<b>1,640</b>	<b>3,924</b>	<b>-58%</b>
<b>Non-Interest Income:</b>						
Service charges	64	86	-26%	134	174	-23%
Gain on sale of government guaranteed loans	937	120	681%	1,721	120	1,334%
Loan servicing income	180	142	27%	297	255	16%
Other income	58	34	71%	124	122	2%
<b>Total non-interest income</b>	<b>1,239</b>	<b>382</b>	<b>224%</b>	<b>2,276</b>	<b>671</b>	<b>239%</b>
<b>Other expenses:</b>						
Salaries and employee benefits	945	1,156	-18%	1,903	2,262	-16%
Occupancy and equipment	239	164	46%	464	384	21%
Other	604	627	-4%	1,224	1,099	11%
<b>Total other expenses</b>	<b>1,788</b>	<b>1,947</b>	<b>-8%</b>	<b>3,591</b>	<b>3,745</b>	<b>-4%</b>
<b>Income before provision for income taxes</b>	<b>896</b>	<b>238</b>	<b>276%</b>	<b>325</b>	<b>850</b>	<b>-62%</b>
<b>Provision for income taxes</b>	<b>241</b>	<b>93</b>	<b>159%</b>	<b>125</b>	<b>340</b>	<b>-63%</b>
<b>Net income (Loss)</b>	<b>\$ 655</b>	<b>\$ 145</b>	<b>352%</b>	<b>\$ 200</b>	<b>\$ 510</b>	<b>-61%</b>
<b>Dividends and discount accretion on preferred stock</b>	<b>(13)</b>	<b>(89)</b>	<b>N/A</b>	<b>(102)</b>	<b>(177)</b>	<b>N/A</b>
<b>Net Income available to Common shareholders</b>	<b>\$ 642</b>	<b>\$ 56</b>	<b>1,046%</b>	<b>\$ 98</b>	<b>\$ 333</b>	<b>-71%</b>
<b>Earnings Per Basic Common Share</b>	<b>\$0.34</b>	<b>\$0.03</b>		<b>\$0.05</b>	<b>\$0.18</b>	
<b>Earnings Per Diluted Common Share</b>	<b>\$0.34</b>	<b>\$0.03</b>		<b>\$0.05</b>	<b>\$0.18</b>	

## Upcoming Events

Sept 3&4	Caledonian Scottish Games Alameda County Fairgrounds
Sept 4&5	Harvest Wine Festival Livermore Valley Wine Country
Sept 5	Labor Day Bank Closed – All locations
Sept 7	1 <sup>st</sup> Wednesday Street Party Main Street, Pleasanton
Oct 9	Antiques & Collectibles Fair Downtown Pleasanton
Oct 10	Columbus Day Bank Closed – All locations
Oct 31	Happy Halloween!
Nov 6	Daylight Savings Time ends
Nov 9	Pleasanton Chamber Tradeshow Mixer Hilton at the Club
Nov 11	Veterans Day Bank Closed – All locations

## To Better Serve You . . .

### Valley Community Bank's ATMs now ADA Compliant



Sabrena Ferguson at Pleasanton ATM

Valley Community Bank's ATM machines are now ADA (Americans with Disabilities Act) compliant, including voice! We offer sincere thanks to Charlene Unday, Operations Supervisor, Pleasanton office, Jaime Ahuero, Customer Service Representative, Livermore office, and Sabrena Ferguson, AVP/ Central Operations/Security Officer,

for their hard work in making this happen. Those clients needing to use voice assistance can now use their headsets at either machine to be guided through their transactions.

Valley Community Bank is one of the first banks to complete this process, as we agreed to be part of a pilot program with Fiserv. The successes and challenges we experienced will help the next group of banks with their conversions.

Locations of ATM: 465 Main Street, Pleasanton, CA 94566  
(925) 484-5400

2300 First Street, Suite 100, Livermore, CA 94550  
(925) 243-9600



### IN MEMORIAM

Valley Community Bank lost a valuable member of our team when Paula Belshaw passed away on June 30, 2011. Paula joined the staff of VCB as an Assistant Vice President, Senior Credit Support Specialist in July of 2007. She worked in the Note Department, initially at our Pleasanton location, then at the Corporate office, and at the San Jose office for the past year.

We could always find Paula checking on other fellow employees, wishing them a happy birthday, asking about their families or just chatting about a recent weekend trip. She also treated the bank's customers as if they were part of her family. She was a very warm and caring person who possessed a great work ethic. She will be sincerely missed by all of us at Valley Community Bank.



- OFFICES**
- 465 Main Street, Pleasanton CA 94566 • (925) 484-5400
  - 2300 First Street, Suite 100, Livermore CA 94550 • (925) 243-9600
  - 1150 S. Bascom Ave., Suite 29, San Jose CA 95128 • (408) 275-7150
  - 740 Front Street, Suite 310, Santa Cruz, CA 95060 • (831) 421-0236

- DIRECTORS**
- Phillip R. Boyce *Private Investor*
  - Jerome W. Carlson *Private Investor; Management Consultant*
  - William M. Eames *William M. Eames & Associates*
  - Richard A. Lewis *Diversified Mortgage Group*

- Richard P. Loupe *President, CEO & Secretary of the Board*
- Peter MacDonald *Attorney at Law*
- Dean L. Schenone *FloraTech Companies*
- Anelli P. Stamm *Silver Oak Health Care Services, Inc.*



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