



BUTTE COMMUNITY BANK
2001 YEAR IN REVIEW

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MEMBER
FDIC



Dear Shareholder:

The year 2001 will go down in history as one of the most tremulous years in our country's history. While the terrorists' actions will always be at the forefront of our thinking, the nation's economic changes would stand out in just about any other year as the most significant event.

As we have stated in our quarterly newsletters, our bank adjusted to these changes and excelled in growth and profitability. Even during this difficult period we did not lose sight of the need for long term planning and positioning for the future.

During 2001 we started the construction of our third branch in Chico to serve the downtown business market and a completely new branch in Yuba City to replace the small facility that we started in 1997. This new branch also has a *Starbucks* coffee house as our tenant that is accessible from inside the branch. Both of these locations opened in early 2002 and are well on the way to developing and growing our bank.

We have again been designated as a *Super Premier Performing* bank by the Findley Reports. This is for the 10th year in a row and we are the only bank to have

been awarded this honor every year since our first year of operation. We cannot "rest on our laurels" and disregard the ever-changing environment of our market place. In this respect our bank will continue to apply the well-proven business philosophy that has served us so well for the last 11 years. At the same time, we will also continue to diversify and expand our programs and products, so that we continue to report the outstanding performance of both the bank and its share value.



Keith Robbins

President

Chief Executive Officer



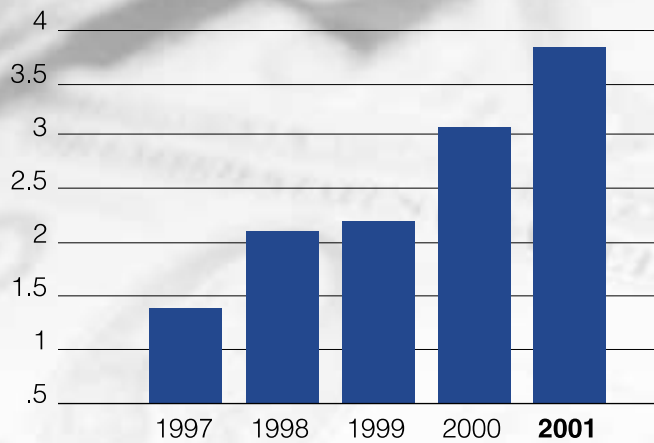
Donald W. Leforce

Chairman of the Board

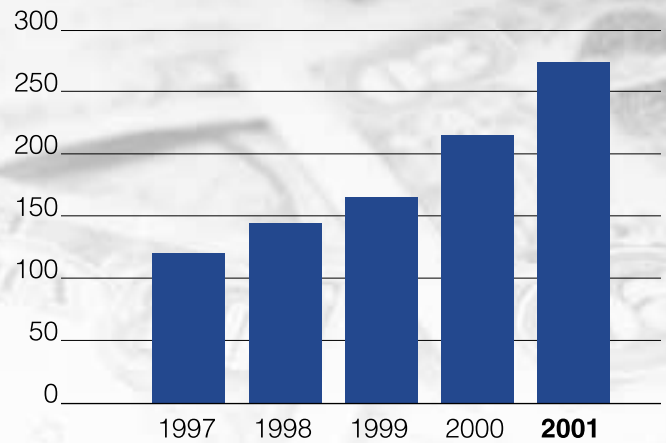


Summary of Financial Growth

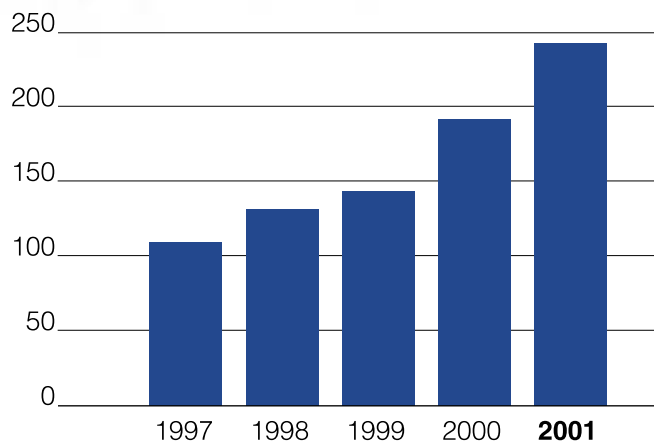
Net Income (\$ millions)



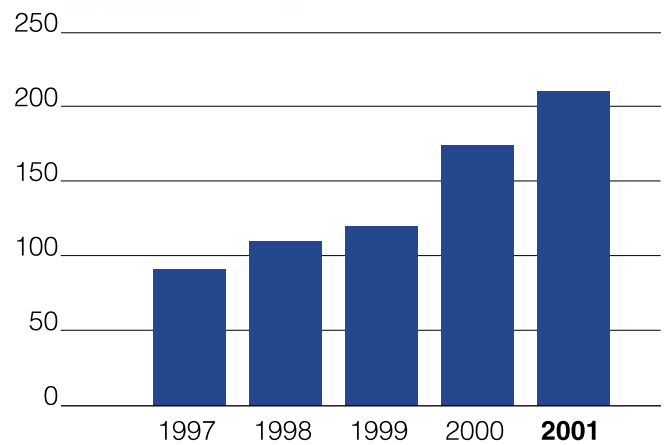
Total Assets (\$ millions)



Total Deposits (\$ millions)



Total Loans (\$ millions)



Overview

Net income was \$3,811,000 (\$1.90 per diluted share) for 2001 compared to 2000 earnings of \$3,046,000 (\$1.54 per diluted share). Return on beginning shareholder's equity increased to 22.81% in 2001 from 22.14% in 2000. Return on average assets in 2001, 2000, and 1999 was 1.59%, 1.64%, and 1.47%, respectively.

As of December 31, 2001, total assets were \$272.5 million, or a 27% increase over the \$214 million at year-end 2000. The Bank had portfolio loans and loans held for sale totaling \$20.2 million at December 31, 2001 for, an increase of \$33.8 million, or a 20% increase over the \$172.4 million at December 31, 2000. Deposits also increased 27% to \$246.4 million from the previous year-end total of \$194.1 million. These totals reflect a strong growth in profits, loans, and deposits.

Net Interest Income

Net interest income is the difference between total interest income and total interest expense. Net interest income increased \$1.0 million to \$12.0 million, up 9% from the previous year. The increase in net interest income was the net effect of a \$2.8 million increase in interest income and a \$1.8 million increase in interest expense driven by the 20% increase in loans and 27% increase in deposits discussed above.

Net interest income expressed as a percentage of average earning assets; is referred to as net interest margin. The Bank's net interest margin for 2001 was 5.06% down from 6.09% in the year 2000. The net decrease was attributable to the 475 basis point decline in prime rate experienced in the year 2001. The Bank compensated for the decrease with increases in both volume and turn-over in earning assets that led, in part, to the 25% increase in net income of \$765,000.

Interest Income

As previously stated, interest income increased by \$2.8 million, a 17% increase over the amount realized in 2000. This gain represented the effect of a 30% gain in average earning assets to \$243 million, overcoming the 01.03% decline in net interest margin.

Interest Expense

Total interest expense increased by \$1.8 million to \$7.3 million, reflecting a 33% increase from the \$5.5 million expense in 2000. The average rate paid on all interest-bearing liabilities was 3.89% in 2001 compared to 3.86% in 2000. The average balance of interest-bearing deposits increased \$45.4 million, for a 32% gain.

This higher interest expense with only a .03% change in rate reflects the 32% growth in interest-bearing deposits in a declining interest rate environment that reprices more slowly for deposits than loans.

Provision For Loan Losses

The provision for loan losses charged to operations is based on the Bank's monthly evaluation of the loan portfolio and the adequacy of the allowance in relation to total loans outstanding. The provision for loan losses amounted to \$500,000 in 2001 and \$805,000 in 2000. The change in the provision is a reflection of the growth in total loans and management's evaluation and assessment of the loan portfolio.

Loans charged-off, net of recoveries in 2001 were \$100,000 or 0.06% of loans, as compared to 2000 net losses of \$195,000 or 0.11% of loans, well below the industry target of 0.80%.

Non-interest Income

Non-interest income of \$4.0 million increased \$858,000 or 27% from the 2000 figure of \$2.9 million. This increase was attributed to the Bank's emphasis on fee based income products during the declining interest rate environment of 2001, to include a 101% increase in the income generated from the origination and sale of mortgage and government-guaranteed loans.

Non-interest Expense

Total non-interest expense increased \$937,000 or 11%, to \$9.3 million. Non-interest expense represented 3.77% of average total assets in 2001 and 4.56% in 2000. This decline in non-interest expense of 17% is attributed to the Bank's ability to control its overhead and other non-

interest costs while growing the overall assets. Refer to Notes 11 in the accompanying Financial Statements for a detailed description of non-interest income and expense.

Salaries And Benefits

Salaries and benefits increased 13.94 % to \$5.298 million from \$4.653 million in 2000. The 2001 increase reflects normal merit increases, employee incentives paid as a result of the Bank's strong earnings and the increase in personnel due to the Bank's expansion.

At December 31, 2001, the Bank had 132 full time equivalent employees compared to 114 at December 31, 2000. Total payroll costs as a percentage of total operating income was 21.25% in 2001 and 22.69% in 2000. These numbers compare favorably to industry targets of 27% or less.

Other Expenses

Other expenses increased \$237,000, or 9.6% to \$2.7 million in 2001 from \$2.5 million in 2000. The percentage of other expenses to total assets decreased to 1.8% in 2001 from 2.2% in 2000. This decrease is attributed to the overall growth of the Bank without material changes in operational expenses in the areas of data processing, item processing, accounting, and legal or other professional services that make up the majority of this category.

Provision For Taxes

The provision for income taxes effective tax rate remained the same for 2000 and 2001 at 38.8%.

Balance Sheet Analysis

Securities classified as held to maturity are the securities that the Bank has the intent and ability to hold to maturity. As of December 31, 2001, the Bank had held to maturity securities totaling \$2.5 million as compared to held to maturity securities totaling \$4.1 million as of December 31, 2000. Decisions to acquire municipal securities, which are generally placed in this category, are based on tax planning and pledging requirements.

Securities classified as available for sale are securities the Bank intends to hold for an indefinite period of time, but not necessarily to maturity. The Bank's securities classified as held to maturity and available for sale in 2001 and 2000 are shown in Note 2, Investment Securities, in the Notes to the Financial Statements.

Loans

A comparative schedule of outstanding loan balances is presented in Note 3 to the Financial Statements. Loan balances as December 31, 2001 were \$206.2 million an increase of 20% from the \$172.4 million at year-end 2000. This increase, primarily in the real estate lending area, is due to the Bank's decision to concentrate on short term secured loans during a period of change in the interest rate environment.

Risk Elements

The majority of the Bank's loan activity is with customers located within the service area of its branches or lending offices. Approximately 79% of the total loan portfolio is secured by real estate located within the Bank's service area.

Significant concentrations of credit risk may exist if a number of loan customers are engaged in similar activities and have similar economic characteristics. The Bank believes that it has policies and procedures in place to monitor, mitigate and identify any concentration of credit risk in the portfolio.

Non-performing Assets

Management classifies all loans as non-accrual when they become more than 90 days past due, or earlier when the timely collection of interest or principal becomes questionable. A loan remains in non-accrual status until principal and interest are current for a sufficient period of time and also meets the cash flow and collateral requirements. When this criterion is not met, the loan is charged-off against the allowance for loan losses or, in the case of real estate loans, is transferred to other real estate. The Bank's non-performing assets as a percent of net loans totaled 0.9% in 2001 and 0.3% in 2000. The Bank had no loans over 90 days delinquent at year-end 2001 or 2000.

Allowances For Loan Losses

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can reasonably be anticipated. The allowance and relevant changes are shown in Note 3 to the Financial Statements. The allocation and its adequacy are reviewed monthly and adjusted as necessary with entries made to earnings in the period that the adjustments are made. At December 31, 2001 the allowance for loan losses was \$2.4 million or 1.20% compared to \$2.0 million or 1.16% in 2000. Net charge offs declined when compared to 2000 to \$100,000 in 2001 from \$195,000 in 2000. The continued low level of charge offs to industry standards, reflects the Bank's sound underwriting policies and collection procedures.

Deposits

A comparative schedule of interest bearing deposits is presented as Note 6 to the Financial Statements. Total deposits increased \$52.3 million, or 27%, in 2001 from \$194.1 million in 2000. The Bank's continued growth in its branch banking system along with the introduction of new and varied deposit products were principal factors in the increased totals.

Capital

The Bank is subject to certain regulatory capital requirements administered by the FDIC. The FDIC has adopted risk-based capital guidelines, which establish a risk-adjusted ratio relating capital to different categories of assets and off balance sheet exposures. The table showing the FDIC required ratios and the Bank's actual ratios is shown in the Financial Statements as Note 10. At December 31, 2001, the Bank's total risk-based capital ratio was 11.6%, Tier 1, risk-based capital ratio was 10.4% and leverage capital ratio was 7.7%. All ratios exceed the minimum guidelines of 8%, 4%, and 4% respectively. The ratios at December 31, 2000 were 10.6%, 9.5%, and 8.0% respectively.

Liquidity Management

The Bank's liquidity is determined by the level of liquid assets (such as cash, federal funds sold and securities) that are convertible to cash to meet customer withdrawal and borrowing needs. The Bank's asset and liability policy is used to monitor and determines liquidity needs. At December 31, 2001, the Bank's liquidity ratio (cash, fed funds, and securities) as a percentage of total liabilities was 21.2% as compared to 15.2% at December 31, 2000.

Asset And Liability Management

The objectives of asset and liability management is to manage the sensitivity of net interest rate spreads to changes in interest rates. Management also attempts to balance risk with profitability. Interest rate sensitivity measures the difference in the timing at which certain assets and liabilities are repriced.

The Bank historically maintains the majority of its assets and liabilities with relatively short maturities to protect its net interest income from major shifts in rates as was experienced in 2001, and to take advantage of the flexibility afforded by this resulting liquidity.

Board of Directors

M. Robert Ching, M.D.
Orthopedic Surgeon

Eugene B. Even
Retired

John D. Lanam
Retired

Donald W. Leforce
*Chairman of the Board
Secretary/Treasurer and former President of Compass Equipment,
Inc., a mining and heavy equipment manufacturing corporation.*

Ellis L. Matthews
*Certified Public Accountant and senior partner of Matthews, Hutton
& Ogden, an accountancy firm.*

Robert L. Morgan, M.D.
Retired

James S. Rickards
*Secretary
Real Estate Broker associated with Realty World/Country Estates since
2000. Prior to that time, Broker and Owner of Northern California
Properties.*

Keith Robbins
President and Chief Executive Officer of Butte Community Bank.

Gary B. Strauss, M.D.
*Vice Chairman
Retired. Former Anesthesiologist and Director of Anesthesia Department
at Feather River Hospital.*

Hubert Townshend
*Semi-retired. Involved in general engineering, contracting and
equipment rental. Past partner of S&T Logging Company, Inc.*

Jack B. Schmelke
Director Emeritus

Executive Management

Keith Robbins
President/Chief Executive Officer

John Coger
Executive Vice President/Chief Financial Officer

Craig Larson
Senior Vice President/Credit Administrator

Administrative Management

Bruce Barnett
Administrative Vice President/Information Services

Beverly Brinker
Vice President/Compliance Officer

Steve Johnson
Senior Vice President/RE Development & Risk Management

Gayle Lee
Corporate Vice President/Controller

Debbie Miley
Corporate Vice President/Operations Administrator

Russ Wittmeier
Senior Vice President/Branch Development

Branch & Department Management

Joel Arnold
Assistant Vice President/Branch Manager

Laurie Beibers
Vice President/Branch Manager

Erika Bender
Vice President/Branch Manager

Kathleen Dwyer
Vice President/Regional Manager

Kashmir Gill
Administrative Vice President/Regional Manager

Sara Jahn
Vice President/Real Estate Department Manager

Tim James
Vice President/Senior Construction Lender

Kevin Kaiser
Vice President/Senior Commercial Lender

Liz Presley
Assistant Vice President/Branch Manager

Glenn Rilinger
Vice President/SBA & Commercial Loans

Marcy Sutcliffe
Vice President/Senior Commercial Lender

Lisa Ventimiglio
Vice President/Branch Manager

For address changes, inquiries regarding the purchase or sale of Butte Community Bank stock, plus all other shareholder matters, please contact:

Gayle Lee

Corporate Vice President/Controller
Butte Community Bank
(530) 877-0857 ext 3115
glee@buttecommunity.com

Address changes can also be made by contacting our transfer agent, U.S. Stock Transfer at:

U.S. Stock Transfer Corporation

1745 Gardena Avenue Ste 200
Glendale, CA 91204-2991
www.usstock.com

The Butte Community Bank stock symbol is **BTCB**. Current stock quotes can be found on many financial Web sites, including Bloomberg.com.

Market makers in Butte Community Bank stock are:

Ken Meyers

First Union Securities
10466 Brunswick Road Ste 6
Grass Valley, CA 95945
1-888-383-3112

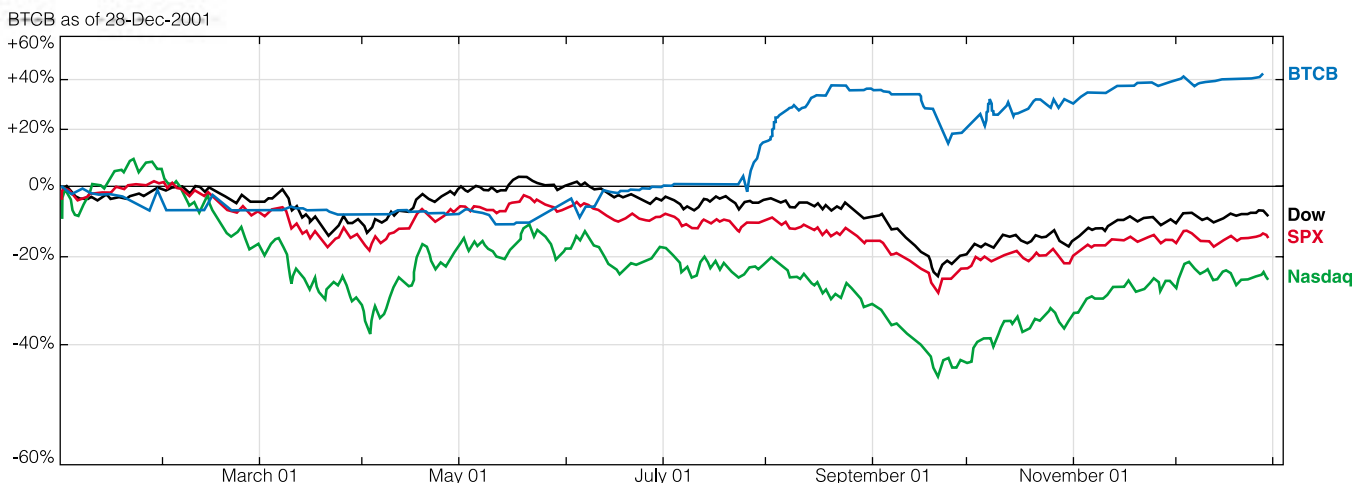
Joey Warmenhoven

Wedbush Morgan Securities
1300 SW Fifth Avenue Ste 2000
Portland, OR 97201
1-800-234-0480

For more Butte Community Bank information:
www.buttecommunity.com



Butte Community Bank Stock (BTCB): Comparison to the Market 2001



1990

Butte Community Bank was founded in August of 1990 by members of the Paradise and Oroville communities. They recognized a need for a local bank presence to represent the unique and special financial needs of their communities. In December of 1990, Butte Community Bank opened its doors to Paradise and Oroville with a total of 17 employees.



Paradise



Oroville

1993

In June 1993, Butte Community Bank opened its third location in the community of Magalia to an overwhelming response. With the closure of three financial institutions in that area, Butte Community Bank realized a banking need for the people of the Upper Ridge.



Magalia

1995

In the beginning of 1995, Butte Community Bank opened a fourth location with a loan production office in Chico.

1996

Because of the positive reception of the loan office, Butte Community Bank opened a full-service banking operation at South Chico on Forest Avenue in September of 1996. We also moved our administration headquarters to the new facility. In addition, we expanded our Business Development and Real Estate departments.



Chico South

1997

With Butte Community Bank's expertise in agricultural and business portfolios combined with the growth of the Yuba City market, it was a natural progression to open the fifth office there. The opening of the Yuba City branch not only added to our bottom line, but provided us with opportunities to expand in areas of lending and created a broader customer base that we did not have previously.



Yuba City

1998

Construction of the Central Services and Real Estate Loan Office is completed at 1390 Ridgewood Drive in Chico.



Central Services & Real Estate Loan Office

1999

In the spring we added a telecommunications network, centralized cash management department and state-of-the-art call center that greatly enhanced our ability to serve our growing number of customers. In June we opened our sixth full-service branch at the Albertson's Shopping Center in North Chico.



Chico North

2000

At the end of its tenth year Butte Community Bank has six full-service branch offices located in Chico (2), Paradise, Magalia, Oroville, and Yuba City.

A loan production office was opened in the city of Roseville in February 2000.



Roseville Loan Production Office

2001

It's hard to believe, but the end of 2000 marks ten years of growth for Butte Community Bank. From our original roots in Paradise and Oroville, we've added branches in Magalia, South Chico, Yuba City and North Chico, plus a Loan Production Office in Roseville.

In 2000 our bank grew in assets 34.69% to over \$214 million. Our deposits grew 36% to \$194 million and our loans grew 44% to \$172 million. Most important, our additions to reserves and net profit totaled \$3,656,666, for a net shareholder return of 24.14%.

2002

Once again, in every measurable category we've produced stellar results. In the last 12 months our bank grew in assets 26.6% to over \$271 million. Our deposits grew 26.8% to \$246 million and our loans grew 20% to \$206 million. Most important, the bank's earnings increased 25% to \$3.81 million.

This year we've opened two new full service branch offices. Our facility on Mangrove Avenue in Central Chico is our third branch in the city of Chico. We expect this office to attract business from downtown as well as the area surrounding the university.



Chico Central

We relocated our Yuba City branch to a new building in the Feather Down Shopping Center. This facility will give us better exposure and we look for it to attract more consumer and business relationships.

Butte Community Bank's strength is reflected by being the only Northern California bank to be awarded 10 consecutive annual Super Premier Performing bank ratings by The Findley Reports, a distinguished independent bank evaluation company.

Some of Our 2001-2002 Donations

Alliance of Music and Theatre Arts	The Fremont-Rideout Health Group Foundation
Big Brothers Big Sisters of Butte County	Gold Nugget Days
Boys and Girls Clubs of the North Valley	Help for People
Celebration of People	Kiwanis Foster Children's Christmas
Chico Aquajets	Northern California Ballet
Chico Baseball Legends	Oroville High School
Chico Community Scholarship Association	Paradise Cruise Nights
Chico Concours d'Elegance	Paradise High School
Chico Guild-North State Symphony	Paradise Performing Arts
Chico High School	Paradise Poker Run
Chico Merchants Senior Softball	Parent Education Network
Chico Rooks	Pleasant Valley Senior High School
Chico Unified School District Education Foundation	The Salvation Army
Desperado Horse Club	Silver Dollar Fair
Dried Plum Festival	Sutter North Medical Foundation
The Esplanade House	VECTORS
Feather Fiesta Days	Youth For Change
Feather River Health Foundation	



Chico Central Opened February 20, 2002
900 Mangrove Avenue • Chico, CA 95926
(530) 891-9000



Chico South
2041 Forest Avenue
Chico, CA 95928
(530) 891-3494



Paradise
672 Pearson Road
Paradise, CA 95969
(530) 877-0857



Yuba City Opened April 15, 2002
1600 Butte House Road • Yuba City, CA 95993
(530) 751-2700



Magalia
14115 Lakeridge Circle
Magalia, CA 95954
(530) 873-6854



Chico North & Government Lending
208 West East Avenue
Suite E
Chico, CA 95926
(530) 899-2347



Central Services & Real Estate Loan Center
1390 Ridgewood Drive
Chico, CA 95973
(530) 899-7100



Oroville
2227 Myers Street
Oroville, CA 95966
(530) 532-0800



Loan Production Office
114 N. Sunrise Avenue C3
Roseville, CA 95661
(916) 780-9200

We are deeply saddened by the loss of John Stanton, Executive Vice President/Chief Operating Officer and one of the original founders of Butte Community Bank. John passed away at his home in Oroville on January 15, 2002.

John was born June 23, 1946, in Oroville, California to Noland and Elsie Stanton. After graduating from Oroville High School in 1964, he attended Western Baptist Bible College in Richmond, California. He also received a degree from Pacific Coast Banking School at the University of Washington Graduate School of Business.

John married his wife, Diann, in Oroville September 14, 1968. Their daughter Shawna was born January 29, 1976. John was in the Army from 1969 to 1971, serving one year in Vietnam. He was decorated twice for distinguished service; awarded the Bronze Star and Bronze Oak Leaf Cluster.

He was very active in local youth sports and community service; coaching Little League baseball and basketball at Oroville Christian School for several years.

John was in banking for 30 years, and he worked the last 11 years with Butte Community Bank. His responsibilities included overseeing branch administration, loan origination, marketing and deposit acquisition. John was part of the original team that was chosen in 1990 to help organize and build the bank into the envy of the financial community that it is today.

Some people can't be measured with words alone. John Stanton was one of those people. We will miss him tremendously.

Donations

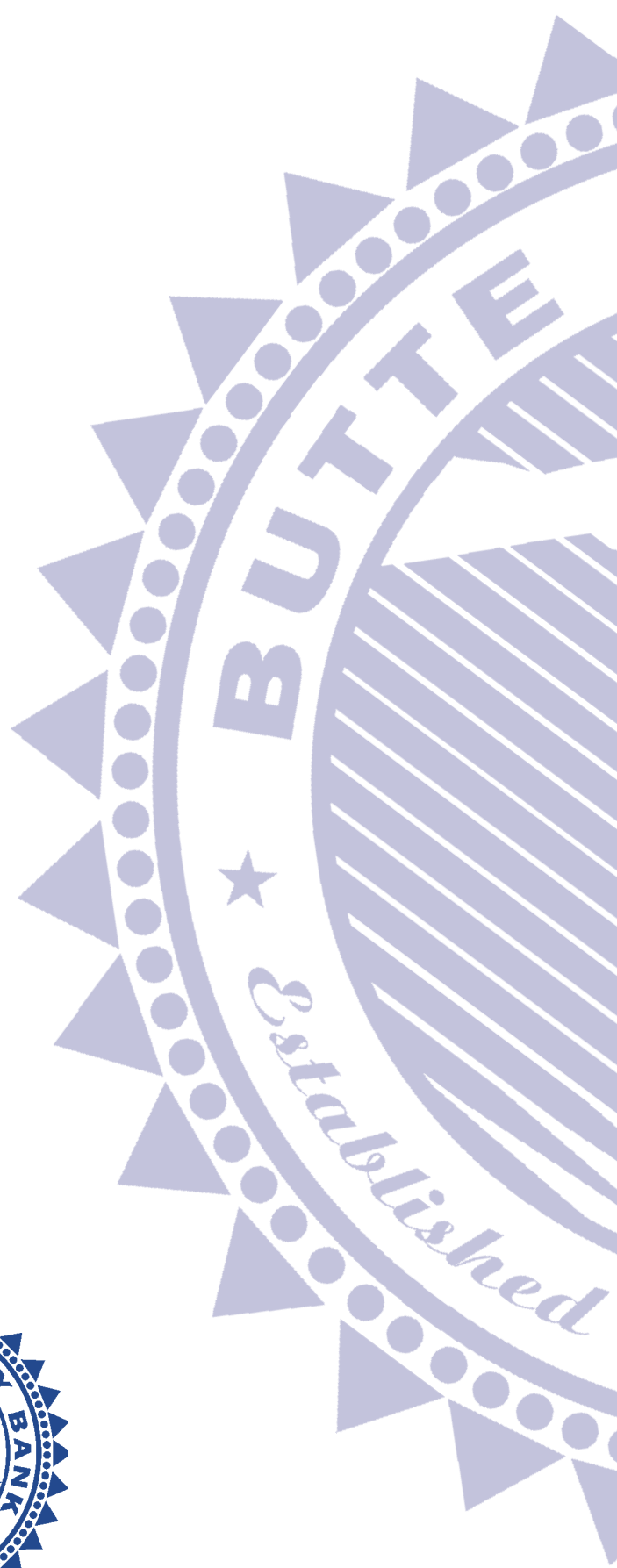
In loving memory of our friend, we have established the John Stanton Scholarship Fund.

Contributions may be made to:

John Stanton Scholarship Fund

Butte Community Bank
2227 Myers Street
Oroville, CA 95966
(530) 532-0800





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