NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 15 - CONDENSED FINANCIAL INFORMATION OF ICB FINANCIAL (Parent Company)

BALANCE SHEETS

ASSETS	2006	2005
Cash and non-interest earning deposits	$ 1,464,987	$ 7,143
Income tax receivable	425,054	338,184
Investment in banking subsidiary	29,426,045	12,306,114
Other assets	11,570	5,800
TOTAL ASSETS	$ 31,327,656	$ 12,657,241
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Income tax payable	$ -	$ 2,793
Other liabilities	18,100	28,289
TOTAL LIABILITIES	18,100	31,082
Stockholders' Equity		
Common stock	5,416,820	2,740,409
Retained earnings	25,900,554	9,885,750
Other comprehensive loss	(7,818)	-
TOTAL STOCKHOLDERS' EQUITY	31,309,556	12,626,159
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 31,327,656	$ 12,657,241

STATEMENTS OF INCOME AND EXPENSES

For the period January 1, 2006 through December 31, 2006, and October 1, 2005 through December 31, 2005, respectively, are as follows:

	2006	2005
Non-Interest Income		
Income/(loss) from banking subsidiary	$ 802,749	$ (17,740)
Other	76,837	-
Total Non-Interest Income/(Loss)	879,586	(17,740)
Other	260,117	65,345
Total Non-Interest Expense	260,117	65,345
Income/(Loss) Before Income Taxes	619,469	(83,085)
Income Tax Benefit/(Expense)	86,873	(26,895)
Net Income/(Loss)	$ 706,342	$ (56,190)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 15 - CONDENSED FINANCIAL INFORMATION OF ICB FINANCIAL (Parent Company), Continued

STATEMENTS OF CASH FLOW

For the period January 1, 2006 through December 31, 2006, and October 1, 2005 through December 31, 2005, respectively, are as follows:

	2006	2005
Cash Flows from Operating Activities		
Net income/(loss)	$ 706,342	$ (56,190)
Adjustments to reconcile net income to net cash provided by operating activities		
Increase in income tax receivable	(86,870)	(338,184)
Undistributed (earnings)/loss in subsidiary	(802,749)	17,740
Decrease in other assets	(5,770)	(5,800)
(Decrease)/increase in other liabilities	(12,981)	31,082
Net Cash Used by Operating Activities	(202,028)	(351,352)
Cash Flows from Investing Activities		
(Increase)/decrease in investment of subsidiary	(2,950,001)	50,000
Western State Bank purchase	(13,375,000)	-
Net Cash (Used by)/Provided by Financing Activities	(16,325,001)	50,000
Cash Flows from Financing Activities		
Decrease in tax benefits from options exercised	-	308,495
Proceeds from private placement offering	14,803,408	-
Proceeds from the exercise of warrants	3,191,004	-
Proceeds from exercise of stock options	4,501	-
Repurchase of stock	(14,040)	-
Net Cash Provided by Financing Activities	17,984,873	308,495
Increase in Cash and Cash Equivalents	1,457,844	7,143
Cash and Cash Equivalents, Beginning of Period	7,143	-
Cash and Cash Equivalents, End of Year	$ 1,464,987	$ 7,143

OFFICERS AND BOARD OF DIRECTORS OF INLAND COMMUNITY BANK, N. A.

BOARD OF DIRECTORS

Glenda M. Bayless
Chairman

James S. Cooper
President
Chief Executive Officer

Dr. Anthony Theodorou
Vice Chairman

Leonard E. Kordys

Byron Matteson

Ronald Mayer

Robert Ziprick

Laurence C. Fentriss

Kenneth R. Lehman

ADMINISTRATION OFFICERS

James S. Cooper
President
Chief Executive Officer

Robert C. Littlejohn
Executive Vice President
Chief Administrative Officer
Chief Credit Officer

Richard J. Balogh
Executive Vice President
Senior Credit Officer

Cynthia Filbin
Senior Vice President
Director of Operations

Thomas O. Griel
Senior Vice President
Chief Financial Officer

John Habdank
Senior Vice President
Senior Credit Officer

Howard Meacham
Senior Vice President
Asset/Liability Manager

Marven Whitham
Senior Vice President
SBA Manager

Barbara Oliver
Vice President
Corporate Secretary

BRANCH MANAGERS

James L. Walling
Vice President and Manager
(Loma Linda)

Russell Scranton
Senior Vice President and Manager
(Ontario)

David Weiss
Vice President and Manager
(Los Angeles)

Robert DeMallie
Vice President and Manager
(Rialto)

Larry McCurley
Senior Vice President and Manager
(Duarte)

Tillie Ross
Vice President and Manager
(Walnut Creek LPO)

Henry Wesolowski
Regional Vice President and Manager
(San Bernardino LPO & DPO)

INLAND COMMUNITY BANK LOCATIONS

Rialto
255 South Riverside Avenue
Rialto, California 92376
(909) 874-4444; FAX (909) 874-6999
Mon-Thurs 9-5; Fri 9-6

Loma Linda
11175 Mountain View, Suite A
Loma Linda, California 92354
(909) 796-7100; FAX (909) 796-0818
Mon-Thurs 9-5; Fri 9-6 or dusk

Ontario
3999 Inland Empire Blvd.
Ontario, California 91764
(909) 481-8706; FAX (909) 481-8713
Mon-Thurs 9-5; Fri 9-6

Los Angeles
306 North La Brea Avenue
Los Angeles, California 90036
(323) 935-6132; FAX (323) 935-7695
Mon-Thurs 9-5; Fri 9-6 or dusk

Duarte
1801 Huntington Drive
Duarte, California 91010
(626) 357-9611; FAX (626) 358-9613
Mon-Thurs 9-5; Fri 9-6

Walnut Creek LPO
1850 Mt. Diablo, Suite 401
Walnut Creek, California 94596
(800) 316-8599; FAX (818) 925-4096
Mon-Fri 9-5

San Bernardino LPO/DPO
555 North E Street
San Bernardino, California 92401

ICB FINANCIAL OFFICERS AND BOARD OF DIRECTORS

BOARD OF DIRECTORS

Glenda M. Bayless
Chairman

James S. Cooper
President
Chief Executive Officer

Dr. Anthony Theodorou
Vice Chairman

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OFFICERS

James S. Cooper
President
Chief Executive Officer

Robert C. Littlejohn
Executive Vice President
Chief Administrative Officer
Chief Credit Officer

Barbara Oliver
Vice President
Corporate Secretary

CORPORATE LOCATION

3999 Inland Empire Blvd.
Ontario, California 91764
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Stone & Youngberg
Troy Norlander (800) 288-2811

ICB BALANCE NOW
(877) 737-2265

WEB SITE
www.icbbank.com

OTC SYMBOL
ICBN

DECEMBER 31, 2007 AND 2006

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Message to Shareholders:

Recently Federal bank and thrift regulators reported to Congress that most of the nation's financial institutions are in relatively good health but remain challenged by the housing market downturn and a lagging economy. As you will note in the Annual Report which follows, ICB Financial (the Company) and its subsidiary, Inland Community Bank, N.A. (ICB) are in very good financial health and remain well capitalized as defined by the banking regulators. We have little exposure to the housing markets which have been detrimental to other institutions in our market and our loan demand from quality customers continues to be robust.

Banking involves the business of managing risks and 2007 was a challenging year for ICB in managing all aspects of its risk profile, particularly interest rate risk and credit risk. Net interest income continues to decline due to lower yields on the loan portfolio which can be attributed to declining interest rates. As the result of rapidly changing market conditions and increased regulatory scrutiny, some banks, including ICB, have increased their loan loss reserves because of their credit exposures.

ICB has done well in managing its credit risks in the past year. The Company increased its Reserve for Loan Losses substantially with the addition of over $480,000 for the year; however, ICB's past due and non-accrual loans are less than 1.6% of total loans at December 31, 2007. Additions to the reserves for loan losses will continue to be made as required to bring the reserve to a level that will cover any potential losses in the Company's portfolio.

ICB is facing the challenges of these turbulent economic times and has taken appropriate steps to mitigate many of the risks inherent in today's banking environment. Actions were taken to cut personnel expenses. Bank premise expenses will be reduced significantly by renting excess space in banking office locations. During 2007, ICB also closed its San Francisco Branch Office and its two Loan Production Offices in Walnut Creek and San Bernardino.

Other expense control initiatives have been implemented at the Branch Office and Departmental levels. The Company's Bookkeeping Department has now been consolidated with other operating departments in the Ontario office. The Company will soon be clearing checks with the Federal Reserve on a completely paperless basis and Branch remote capture systems may soon eliminate some of the related costs incurred by the Company. Going forward, these actions will be the foundation for noticeable improvements in operational efficiency and expense savings in 2008 and beyond.

As the Federal Reserve continued to lower its benchmark rates, we also adjusted our deposit rates downward to minimize the effect on our interest margins. Although we will endeavor to remain as competitive as possible, we are also prepared to take whatever steps are necessary to maintain the Company's liquidity and allow us to continue serving our customers in a cost effective manner. Through effective interest rate risk management procedures, the Company has not been required to pay higher rates to obtain and retain deposits.

Financial Performance highlights for the year ended December 31, 2007 include:

- Total assets increased 23.7%; \$250 million as of December 31, 2007, compared to \$202.1 million at December 31, 2006, an increase of \$48 million.
- Net revenue (total revenue less interest expense) of \$12.3 million for the current twelve months compared to \$10.3 million for the twelve months ended December 31, 2006, an increase of 19.4%.
- Total loans at December 31, 2007, were up \$46.8 million over December 31, 2006, an increase of 33%.
- Total deposit growth of 27% or \$45.8 million in December 31, 2007 over December 31, 2006.
- Net income of \$962,992 for the year ended December 31, 2007. This represents an increase of 36.3% when compared to the \$706,342 for 2006.
- Earnings per basic common share for the twelve months ended December 31, 2007, were \$0.18 compared to \$0.15 for 2006, an increase of 20%. Fully diluted earnings per share for the same period were \$0.18 in 2007 compared to \$0.15 in 2006, an increase of 20%.
- Return on average assets for the year ended December 31, 2007, was 0.43% compared to 0.43% in 2006.
- Efficiency ratio was reduced to 84% in 2007 from 89% in 2006, an improvement of 5%.
- Return on average equity was 3.02% in 2007, compared to 3.21% for 2006.
- The Company's Tier 1 Capital Ratio and Total Risk Based Capital Ratio remain well above regulatory minimums for Well Capitalized Institutions at 10.9% and 14.5%, respectively.

The country and the Inland Empire are now experiencing uncertain economic times which will create new risks and rewards to those that can manage these issues. Factors far outside the control of the Company such as energy prices may begin to impact the business environment in which ICB operates. The Management and Directors of ICB Financial will react as necessary to manage these risks and to posture the Company for continued profitability growth in 2008.

We appreciate the support of our loyal customers and shareholders as we navigate through what will most certainly be difficult circumstances in the months ahead. The Management and staff are dedicated to improving the value of our shareholders investment in the coming year.

Glenda M. Bayless
Chairman of the Board

James S. Cooper
President and CEO

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Directors
ICB Financial and Subsidiary

We have audited the accompanying consolidated balance sheets of ICB Financial and Subsidiary (the Company) (a California Corporation) as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICB Financial and Subsidiary as of December 31, 2007 and 2006, and the results of their operations, changes in their stockholders' equity, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
May 30, 2008

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CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
Cash and non-interest earning deposits	$ 9,354,585	$ 11,262,576
Federal funds sold	7,885,000	10,700,000
CASH AND CASH EQUIVALENTS	17,239,585	21,962,576
Time deposits in other financial institutions	13,103,399	4,052,000
Investment securities - held-to-maturity	8,583,138	13,241,056
Investment securities - available-for-sale	847,894	1,231,232
TOTAL INVESTMENTS	9,431,032	14,472,288
Loans, net of unearned income	188,689,688	141,875,171
Less allowance for possible loan losses	(1,973,625)	(1,622,399)
NET LOANS	186,716,063	140,252,772
Premises and Equipment		
Furniture and equipment	2,335,376	2,768,360
Buildings	9,734,466	7,244,813
Leasehold improvements	197,822	3,060,551
TOTAL PREMISES AND EQUIPMENT	12,267,664	13,073,724
Less: Accumulated depreciation and amortization	(1,985,833)	(2,657,962)
NET PREMISES AND EQUIPMENT	10,281,831	10,415,762
Other real estate owned	599,850	-
Accrued interest	897,880	794,741
Federal Reserve Bank Stock, at cost	1,610,950	799,350
SBA servicing asset	207,323	435,679
Income tax receivable	6,832	132,845
Core deposit intangible, net	1,396,212	1,990,526
Goodwill	2,279,691	2,279,691
Other assets	5,784,846	4,509,051
TOTAL ASSETS	$249,555,494	$202,097,281

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS, CONTINUED
DECEMBER 31, 2007 AND 2006

LIABILITIES AND STOCKHOLDERS' EQUITY

	2007	2006
Liabilities		
Deposits:		
Demand	$ 68,176,719	$ 69,313,504
Money market, NOW and savings	91,430,208	72,197,229
Time deposits greater than $100,000	47,835,377	16,477,790
Other time deposits	8,049,380	11,714,845
TOTAL DEPOSITS	215,491,684	169,703,368
Accrued interest	621,985	176,023
Deferred tax liability	87,181	367,175
Other liabilities	943,484	541,159
TOTAL LIABILITIES	217,144,334	170,787,725
Commitments and Contingencies - Note 8	-	-
Stockholders' Equity		
Common Stock - 10,000,000 shares authorized; $1 par value; 5,458,796 and 5,416,820 shares issued and outstanding at December 31, 2007 and 2006, respectively	5,458,796	5,416,820
Paid in capital	23,246,550	23,149,585
Retained earnings	3,713,961	2,750,969
Accumulated other comprehensive loss	(8,147)	(7,818)
TOTAL STOCKHOLDERS' EQUITY	32,411,160	31,309,556
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$249,555,494	$202,097,281

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Interest Income		
Interest and fees on loans	$ 14,068,600	$ 9,184,936
Interest on investment securities	548,599	712,418
Federal funds sold	617,434	1,033,213
Time certificates of deposit	206,904	201,013
Total Interest Income	15,441,537	11,131,580
Interest Expense		
NOW and money market deposits	2,325,215	1,513,868
Savings	48,404	52,831
Time deposits greater than $100,000	2,286,869	452,372
Other time deposits	-	317,248
Other interest expense	67	-
Total Interest Expense	4,660,555	2,336,319
Net Interest Income	10,780,982	8,795,261
Provision for Loan Losses	480,000	15,000
Net Interest Income After Provision for Loan Losses	10,300,982	8,780,261
Non-Interest Income		
Service fees	634,940	690,156
Gain on SBA loan sales	476,339	411,753
Other	375,480	354,290
Total Non-Interest Income	1,486,759	1,456,199
Non-Interest Expense		
Salaries and employee benefits	5,851,311	5,084,143
Occupancy	789,462	637,631
Furniture and equipment	395,055	306,335
Other	3,266,327	3,096,348
Total Non-Interest Expense	10,302,155	9,124,457
Income Before Income Taxes	1,485,586	1,112,003
Income Taxes	522,594	405,661
Net Income	$ 962,992	$ 706,342
Earnings Per Share		
Net income - **Basic**	$ 0.18	$ 0.15
Net income - **Diluted**	$ 0.18	$ 0.15

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Number of Shares Outstanding	Common Stock	Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Comprehensive Income	Total
Balance, January 1, 2006	2,740,409	$2,740,409	$ 7,841,123	$2,044,627	$ -	$ 930,838	$12,626,159
Net income for the year	-	-	-	706,342	-	706,342	706,342
Stock repurchase	(1,560)	(1,560)	(12,480)	-	-	-	(14,040)
Unrealized loss on investment securities available-for-sale	-	-	-	-	(7,818)	(7,818)	(7,818)
Other equity increases:							
Options exercised	1,385	1,385	3,116	-	-	-	4,501
Warrants exercised	531,834	531,834	2,659,170	-	-	-	3,191,004
Private placement offering	2,144,752	2,144,752	12,658,656	-	-	-	14,803,408
Total Comprehensive Income						$ 1,629,362	
Balance, December 31, 2006	5,416,820	5,416,820	23,149,585	2,750,969	(7,818)		31,309,556
Net income for the year	-	-	-	962,992	-	962,992	962,992
Stock repurchase	(500)	(500)	(4,000)	-	-	-	(4,500)
Unrealized loss on investment securities available-for-sale	-	-	-	-	(329)	(329)	(329)
Other equity increases:							
Options exercised	42,476	42,476	97,380	-	-	-	139,856
Share-based compensation	-	-	3,585	-	-	-	3,585
Total Comprehensive Income						$ 962,663	
Balance, December 31, 2007	5,458,796	$5,458,796	$23,246,550	$3,713,961	$ (8,147)		$32,411,160

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities		
Net income	$ 962,992	$ 706,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for possible loan losses	480,000	15,000
Depreciation and amortization	1,048,781	617,960
Gain on sale of SBA loans	(476,511)	(411,753)
Discount accretion/amortization on investments	(150)	60,573
Loss on sale of fixed assets	43,638	-
Decrease/(increase) in SBA servicing assets	228,356	(2,207)
Decrease in income tax receivable	126,013	84,307
Increase in accrued interest receivable	(103,139)	(321,450)
(Increase)/decrease in other assets	(365,282)	208,518
Change in deferred tax benefit	279,993	(45,360)
Increase in other liabilities	288,300	6,005
Net Cash Flows from Operating Activities	2,512,991	917,935
Cash Flows from Investing Activities		
Purchase of bank owned life insurance	(1,100,000)	(4,026,705)
Decrease/(increase) in time deposits in other institutions	(9,051,399)	196,000
Proceeds from maturing held-to-maturity securities	7,560,000	8,100,000
Proceeds from the sale of SBA loans	8,022,511	7,590,493
Purchases of investment securities	(3,500,000)	(2,815,000)
Paydowns of available-for-sale securities	981,076	517,011
Net increase in loans	(23,163,996)	(20,289,813)
Origination of SBA loans	(31,925,145)	(24,552,790)
Recoveries on loans charged-off	-	3,028
Purchases of bank premises and equipment	(370,587)	(5,554,722)
Purchase of Federal reserve bank stock	(615,700)	(166,600)
Net cash received in Western State Bank acquisition	-	1,755,474
Net Cash Flows from Investing Activities	$ (53,163,240)	$ (39,243,624)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Cash Flows from Financing Activities		
Net increase in demand, savings, money market and NOW accounts	$ 27,692,122	$ 20,011,508
Net increase/(decrease) in time deposits	18,096,194	(2,647,125)
Proceeds from warrants exercised	-	3,191,004
Proceeds from private placement offering	-	14,803,408
Stock option benefit	3,585	-
Stock repurchase	(4,500)	(14,040)
Stock options exercised	139,857	4,501
Net Cash Flows from Financing Activities	45,927,258	35,349,256
Decrease in Cash and Cash Equivalents	(4,722,991)	(2,976,433)
Cash and Cash Equivalents, Beginning of Year	21,962,576	24,939,009
Cash and Cash Equivalents, End of Year	$ 17,239,585	$ 21,962,576
Supplemental Disclosures		
Net change in assets/liabilities due to acquisition of Western State Bank		
Increase in interest-bearing deposits in other financial institutions	$ -	$ 495,000
Increase in investments	$ -	$ 5,137,772
Increase in net loans	$ -	$ 23,800,351
Increase in FHLB stock	$ -	$ 332,900
Increase in premises and equipment	$ -	$ 3,718,524
Increase in goodwill and other intangible assets	$ -	$ 4,578,749
Increase in other assets	$ -	$ 1,689,159
Increase in demand, money market and savings deposits	$ -	$ 21,600,412
Increase in time certificates of deposit	$ -	$ 17,757,483
Increase in other liabilities	$ -	$ 2,150,034
Supplemental Disclosures of Cash Flow Information		
Income taxes paid	$ 551,832	$ 534,304
Interest paid	$ 5,208,561	$ 2,049,593
Supplemental Disclosures of Noncash Activities		
Other real estate acquired in the settlement of loans	$ 599,850	$ -

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of ICB Financial and Subsidiary (the Company) are in accordance with accounting principles generally accepted in the United States of America and conform to practices within the banking industry. A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements are as follows:

Principles of Consolidation

The consolidated financial statements include the Bancorp and its wholly owned subsidiary, Inland Community Bank (the Bank). All significant intercompany balances and transactions have been eliminated.

Nature of Operations

ICB Financial, a bank holding company, was incorporated on October 1, 2005, in the State of California for the purpose of acquiring and holding all of the outstanding stock of the Company.

The Bank has been organized as a single operating segment and operates three branch offices in the Inland Empire region of Southern California, and two branches in Los Angeles County, and provides a variety of financial services to individuals and small-to-medium size businesses. The Bank offers a full range of commercial banking services including the acceptance of checking and savings deposits, and the making of various types of installment, commercial and real estate loans.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change, relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties.

While management uses available information to recognize losses on loans and foreclosed real estate, future additions to the allowances may be necessary, based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowances for losses on loans and foreclosed real estate. Such agencies may require the Company to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowances for losses on loans and foreclosed real estate may change in the near term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents have been defined as cash, demand deposits with correspondent banks, cash items in transit, and Federal funds sold.

Cash and Due From Banks

Banking regulations require that all banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. The Bank complied with the reserve requirements as of December 31, 2007.

The Bank maintains amounts due from banks which exceed federally insured limits. The Bank has not experienced any losses in such accounts.

Investment Securities

Debt securities and equity securities, for which we have the positive intent and ability to hold to maturity, are reported at cost adjusted for premiums and discounts that are recognized in interest income, using the interest method over the period to maturity. Investments not classified as trading securities nor as held-to-maturity securities are classified as available-for-sale securities and recorded at fair value. Unrealized gains or losses on available-for-sale securities are reported as a separate component of other comprehensive income included in shareholders' equity, net of taxes. Available-for-sale and held-to-maturity securities are assessed at each reporting date to determine whether there is an other-than-temporary impairment.

Impairments, if any, are required to be recognized in current earnings rather than as a separate component of shareholders' equity. In estimating other-than-temporary losses, our management considers: the length of time and extent that fair value has been less than cost, the financial condition and near term prospects of the issuer, and our ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value. Realized gains or losses on sales of held-to-maturity or available-for-sale securities are recorded using the specific identification method.

Loans, Interest and Fees on Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their outstanding unpaid principal balances, reduced by any charge-off or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest accruals are resumed when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. All loans are generally charged off at such time the loan is classified as a loss.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Loans, Interest and Fees on Loans, Continued

For impairment recognized in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 114, *"Accounting by Creditors for Impairment of a Loan"*, as amended by SFAS No. 118, the entire change in the present value of expected cash flows is reported as either provision for loan losses in the same manner in which impairment initially was recognized, or as a reduction in the amount of provision for loan losses that otherwise would be reported.

Loan Sales and Servicing

To calculate the gain (loss) on the sale of loans, the Company's investment in the loan is allocated among the retained portion of the loan, the servicing retained the interest-only strip and the sold portion of the loan, based on the relative fair market value of each portion. The gain (loss) on the sold portion of the loan is recognized at the time of sale based on the difference between the sale proceeds and the allocated investment. As a result of the relative fair value allocation, the carrying value of the retained portion is discounted, with the discount accreted to interest income over the life of the loan. That portion of the excess servicing fees that represent contractually specified servicing fees (contractual servicing) are reflected as a servicing asset which is amortized over an estimated life using a method approximating the level yield method; in the event future prepayments exceed Management's estimates and future expected cash flows are inadequate to cover the unamortized servicing asset, additional amortization would be recognized. The portion of servicing fees in excess of the contractual servicing fees is reflected as interest-only (I/O) strips receivable, which are classified as available for sale and are carried at fair value.

Allowance for Possible Loan Losses

The Company maintains an allowance for loan losses for the inherent risk in the loan portfolio. The allowance is maintained at an amount that management believes adequate to cover estimable and probable loan losses based on a risk analysis of the current portfolio. Additionally, management performs periodic review of the loan portfolio to identify potential problems and to establish impairment allowances if impairment has incurred. Additions to the allowances are charged to operations. The regulatory agencies periodically review the allowance for loan losses and may require the Company to adjust the allowances based on information available to them at the time of their examination.

The determination of the Company's allowance for loan losses is based on estimates that are affected by changes in the regional or national economy and market conditions. The Company's management believes, based on economic and market conditions, that the allowance for loan losses is adequate as of December 31, 2007 and 2006. Should there be an economic or market downturn or if market interest rates increase significantly, the Company could experience a material increase in the level of loan defaults.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Premises and Equipment

Bank premises, equipment, and leasehold improvements are carried at cost less accumulated depreciation and amortization. Repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over their estimated service lives. Leasehold improvements are amortized over the life of the lease or the service lives of the improvements, whichever is shorter. Total depreciation and amortization expense for 2007 and 2006 was $454,467 and $309,428, respectively.

Estimated useful lives are as follows:	
Furniture, fixtures and equipment	3 to 10 years
Leasehold improvements	3 to 10 years
Buildings	39 years

Goodwill and Intangible Assets

The Company has engaged in the acquisition of financial institutions and the assumption of deposits and purchase of assets from other financial institutions. The Company has paid premiums on these acquisitions, and such premiums are recorded as intangible assets, in the form of goodwill or core deposit intangible assets.

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired. In accordance with the provisions of SFAS No. 142, goodwill is not being amortized whereas identifiable intangible assets with finite lives are amortized over their useful lives. On an annual basis, the Company is required to test goodwill for impairment. Based on the test performed in 2007, goodwill was not impaired.

Core deposit intangibles represent the intangible value of depositor relationships resulting from deposit liabilities assumed in acquisitions. Core deposit intangibles are being amortized over six and ten years. Intangibles are evaluated periodically for other than temporary impairment. Should such an assessment indicate that the undiscounted value of an intangible may be impaired, the net book value of the intangible would be written down to the net estimated recoverable value.

Advertising Costs

Advertising costs of $46,220 and $64,644 for the years ended December 31, 2007 and 2006, respectively, were expensed as incurred.

Income Taxes

Deferred income tax assets are computed using the balance sheet method, which recognizes a liability or asset representing the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the consolidated financial statements. A valuation allowance is established to reduce the deferred tax asset to the level at which it is "more likely than not" that the tax asset or benefits will be realized. Realization of tax benefits of deductible temporary differences and operating loss carryforwards depends on having sufficient taxable income of an appropriate character within the carryforward periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Comprehensive Income

The Company follows SFAS No. 130, *"Reporting Comprehensive Income"*, which requires the disclosure of comprehensive income and its components. Changes in unrealized gains/(losses) on available-for-sale securities is our only component of accumulated other comprehensive income, which we disclose in our Consolidated Statement of Changes in Stockholders' Equity and Comprehensive Income.

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Share-Based Compensation

The Company adopted SFAS No. 123(R) on January 1, 2006, using the "modified prospective method". Under this method compensation expense is recognized using the fair-value method for all new stock option awards, as well as any existing awards that are modified, repurchased, or cancelled after January 1, 2006, and prior periods are not restated. The fair value of each grant is estimated using the Black-Scholes option pricing model. During 2006, the Company recognized no stock-based compensation expense as a result of adopting SFAS No. 123(R) as all outstanding stock options were fully vested prior to January 1, 2006.

Earnings Per Share (EPS)

Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity, see Note 7.

Fair Value of Financial Statement Instruments

SFAS No. 107 specifies the disclosure of the estimated fair value of financial instruments. The Company, using available market information and appropriate valuation methodologies, has determined the Company's estimated fair value amounts.

However, considerable judgment is required to develop the estimates of fair value. Accordingly, the estimates are not necessarily indicative of the amounts the Company could have realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fair Value of Financial Statement Instruments, Continued

Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since the balance sheet date, and, therefore, current estimates of fair value may differ significantly from the amounts presented in the accompanying notes.

Recent Accounting Pronouncements

Statements of Financial Accounting Standards (SFAS)

SFAS No. 155, *"Accounting for Certain Hybrid Financial Instruments".* SFAS No. 155 amends SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"*, and SFAS 140, *"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities".* SFAS No. 155 (i) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, (ii) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, (iii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, (iv) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and (v) amends SFAS No. 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The adoption of SFAS No. 155 on January 1, 2007, did not significantly impact the Company's financial statements.

SFAS No. 156, *"Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140".* SFAS No. 156 amends SFAS No. 140, *"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125"*, by requiring, in certain situations, an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract. All separately recognized servicing assets and servicing liabilities are required to be initially measured at fair value. Subsequent measurement methods include the amortization method, whereby servicing assets or servicing liabilities are amortized in proportion to and over the period of estimated net servicing income or net servicing loss or the fair value method, whereby servicing assets or servicing liabilities are measured at fair value at each reporting date and changes in fair value are reported in earnings in the period in which they occur. If the amortization method is used, an entity must assess servicing assets or servicing liabilities for impairment or increased obligation based on the fair value at each reporting date. Adoption of SFAS No. 156 on January 1, 2007, did not have a significant impact on the Company's financial statements.

SFAS No. 157, *"Fair Value Measurements".* SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for the Company on January 1, 2008, and is not expected to have a significant impact on the Company's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recent Accounting Pronouncements, Continued

SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115"*. SFAS 159 permits entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument by instrument, with certain exceptions, (ii) is irrevocable (unless a new election date occurs) and (iii) is applied only to entire instruments and not to portions of instruments. SFAS No. 159 is effective for the Company on January 1, 2008, and is not expected to have a significant impact on the Company's financial statements.

SFAS No. 160, *"Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB Statement No. 51"*. SFAS No. 160 amends Accounting Research Bulletin (ARB) No. 51, *"Consolidated Financial Statements"*, to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, SFAS No. 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. SFAS No. 160 is effective for the Company on January 1, 2009, and is not expected to have a significant impact on the Company's financial statements.

Financial Accounting Standards Board Staff Positions and Interpretations

FASB Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109"*. Interpretation No. 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Interpretation No. 48 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest, and penalties. The adoption of Interpretation No. 48 on January 1, 2007, did not significantly impact on the Company's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recent Accounting Pronouncements, Continued

FSP No. 48-1 *"Definition of Settlement in FASB Interpretation No. 48".* FSP No. 48-1 provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP No. 48-1 was effective retroactively to January 1, 2007, and did not significantly impact the Company's financial statements.

Emerging Issues Task Force Issues

Emerging Issues Task Force ("EITF") Issue No. 06-4, *"Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split Dollar Life Insurance Arrangements".* EITF No. 06-4 requires the recognition of a liability and related compensation expense for endorsement split-dollar life insurance policies that provide a benefit to an employee that extends to post-retirement periods. Under EITF No. 06-4, life insurance policies purchased for the purpose of providing such benefits do not effectively settle an entity's obligation to the employee. Accordingly, the entity must recognize a liability and related compensation expense during the employee's active service period based on the future cost of insurance to be incurred during the employee's retirement. If the entity has agreed to provide the employee with a death benefit, then the liability for the future death benefit should be recognized by following the guidance in SFAS No. 106, *"Employer's Accounting for Postretirement Benefits Other Than Pensions".* The Company expects to adopt EITF No. 06-4 effective as of January 1, 2008, as a change in accounting principle through a cumulative-effect adjustment to retained earnings. The amount of the adjustment is not expected to be significant.

Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform to the classifications used in 2007. These classifications are of a normal recurring nature.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 2 - INVESTMENT SECURITIES

Securities available-for-sale are carried at fair value adjusted for amortization of premiums accretions of discounts and consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2007				
Mortgage and asset-backed securities	$ 856,125	$ -	$ 8,231	$ 847,894

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2006				
Mortgage and asset-backed securities	$ 1,239,050	$ -	$ 7,818	$ 1,231,232

Securities held-to-maturity are carried at cost adjusted for amortization of premiums and accretions of discounts and consists of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2007				
U. S. Government Obligations	$ 6,668,186	$ 36,658	$ 7,015	$ 6,697,829
Municipal securities	1,914,952	9,626	-	1,924,578
Total	$ 8,583,138	$ 46,284	$ 7,015	$ 8,622,407

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2006				
U. S. Government Obligations	$ 11,198,280	$ -	$ 28,730	$ 11,169,550
Municipal securities	2,042,776	-	16,148	2,026,628
Total	$ 13,241,056	$ -	$ 44,878	$ 13,196,178

NOTE 2 - INVESTMENT SECURITIES, Continued

Investment securities with gross realized losses at December 31, 2007, aggregated by investment category and length of time that individual investment securities have been in a continuous loss position is as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale 2007						
Mortgage and asset-backed securities	$132,515	$ 1,607	$466,193	$ 8,271	$598,708	$ 9,878
Securities held-to-maturity 2007						
U. S. Government Obligations	$520,533	$ 5,208	$147,922	$ 1,807	$668,455	$ 7,015

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis and more frequently when economic or market concerns warrant such evaluation. Consideration is given to: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for an anticipated recovery in fair value.

There are four securities that have been in a loss position for less than twelve months, and there are six securities that have been in a loss position for more than twelve months. These securities are guaranteed by either the U.S. Government or other governments. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, the Company considers whether the securities are issued by the Federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As the Company has the ability to hold these securities until maturity, or for the foreseeable future, no declines are deemed to be other-than-temporary.

The amortized cost and fair values of investment securities available-for-sale at December 31, 2007, are shown below by expected maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or replacement penalties.

	Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due from one year to five years	$ 825,711	$ 817,195
Due from five years to ten years	30,414	30,699
	$ 856,125	$ 847,894

NOTE 2 - INVESTMENT SECURITIES, Continued

The amortized cost and fair values of investment securities held-to-maturity at December 31, 2007, are shown below by expected maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or repayment penalties.

	Securities Held-to-Maturity	
	Amortized Cost	Fair Value
Due from one year to five years	$ 8,442,953	$ 8,479,143
Due from five years to ten years	18,134	18,294
Due over ten years	122,051	124,969
	$ 8,583,138	$ 8,622,406

Proceeds from maturities of held-to-maturity investment securities were $7,560,000 during 2007 and $8,100,000 during 2006. There were no gains or losses on sales of investment securities in 2007 or 2006.

At December 31, 2007 and 2006, investment securities with a total carrying value and fair value of approximately $7,484,575 and $1,596,731 and $7,408,350 and $5,500,000, respectively, were pledged to secure public deposits and for other purposes as required by law.

NOTE 3 - LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES

The Company's loan portfolio consists primarily of loans to borrowers within San Bernardino, Los Angeles, and Riverside counties of Southern California. Although the Company seeks to avoid concentrations of loans to a single industry or based upon a single type of collateral, the majority of the Company's loans are to a diverse group of companies or individuals seeking to purchase or carry commercial real estate in which to operate their businesses or for investment income. As a result, the Company's loan and collateral portfolios are concentrated in diversity of commercial real estate types, and to a lesser extent, in real estate investors.

At December 31, 2007 and 2006, the Company was servicing $27,623,308 and $31,948,572, respectively, in SBA loans previously sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 3 - LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES, Continued

The composition and approximate amounts of the Company's loan portfolio at December 31, is as follows:

	2007	2006
Real Estate		
Commercial and industrial	$ 135,489,395	$ 96,519,065
Multi-family and other residential	10,073,572	15,707,845
Construction	20,726,325	15,147,940
Total Real Estate	166,289,292	127,374,850
Commercial and industrial	23,072,025	15,082,192
Loans to individuals for household, family and other consumer expenditures	331,280	270,204
Overdrafts	47,470	357,279
Gross Loans	189,740,067	143,084,525
Less: Allowance for possible loan losses	(1,973,625)	(1,622,399)
Less: Deferred loan origination fees and costs	(1,050,379)	(1,209,354)
Net Loans	$ 186,716,063	$ 140,252,772

Transactions in the reserve for loan losses are summarized as follows:

	2007	2006
Balance, beginning of year	$ 1,622,399	$ 647,372
Provision charged to operating expense	480,000	15,000
Loans charged off	(128,774)	(14,062)
Recoveries on loans previously charged off	-	3,028
Additions due to Western State Bank acquisition	-	971,061
Balance, end of year	$ 1,973,625	$ 1,622,399

At December 31, 2007 and 2006, the Company had loans specifically classified as impaired amounting to approximately $1,581,319 and $1,912,904, respectively, all of which are on a non-accrual basis. The average balance of impaired loans amounted to approximately $2,480,000 and $620,116 for the years ended December 31, 2007 and 2006, respectively. There was no valuation allowance related to impaired loans at December 31, 2007 and 2006.

Interest income that would have been recognized on non-accrual loans if they had performed in accordance with the terms of the loans were $180,057 and $88,373 for the years ended December 31, 2007 and 2006, respectively. At December 31, 2007, the Company had not received any principal or interest payments on non-accrual loans.

NOTE 3 - LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES, Continued

At December 31, 2007 and 2006, the Company had $207,323 and $435,679, in servicing assets, respectively. The carrying value at December 31, 2007 and 2006 approximates fair value. The cash collected from servicing is used to cover the operating expenses of servicing the portfolio, as well as covering the amortization of the servicing asset. Adequate servicing compensation, in accordance with industry standards, is 25 basis points of the principal balance sold. A summary of the changes in the related servicing assets for the years ending December 31, 2007 and 2006 are as follows:

	Servicing Asset	
	2007	2006
Balance, beginning of year	$ 435,679	$ 433,472
Increase from loan sales	94,457	239,978
Amortization charged to income	(322,813)	(237,771)
Balance, end of year	$ 207,323	$ 435,679

The interest-only strips held at December 31, 2007, had an amortized value of $7,399, which approximates fair value.

NOTE 4 - RELATED PARTY LOANS

In the ordinary course of business, the Company has granted loans to certain directors and the companies with which they are associated. All such loans and commitments to lend were made under terms which are consistent with the Company's normal lending policies. The following is an analysis of the activity with respect to the approximate aggregate amount of loans to directors:

	2007	2006
Balance, beginning of year	$ 1,580,455	$ 265,826
Loans granted	1,886,000	1,346,875
Payments	(1,250,157)	(32,246)
Balance, end of year	$ 2,216,298	$ 1,580,455
Undisbursed commitment to lend, end of year	$ 1,201,218	$ 100,435

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 5 - DEPOSITS

The following is the scheduled maturities of time deposits:

Year Ending December 31,	Amount
2008	$ 25,417,843
2009	2,464,221
2010	10,121,938
2011	10,871,737
2012	7,009,018
Total	$ 55,884,757

Deposits from related parties were $1,321,317 and $1,424,576 at December 31, 2007 and 2006, respectively.

NOTE 6 - STOCK OPTION PLANS

The Company's 1990 Stock Option Plan provides for the issuance of both "non-qualified" and "incentive" stock options to certain officers and key employees of the Company, and of "non-qualified" stock options to the Directors and Advisory Directors of the Company. Ninety thousand shares are authorized for granting under the 1990 Plan. The 1990 Plan Options were canceled in 1995, and regranted in 1995; 200,900 additional stock options are authorized for granting under the 1995 Plan. On May 25, 1999, the 1995 Stock Option Plan was amended to increase the total authorized stock options by 83,100 to 374,000. All options are granted at an exercise price of not less than 100 percent of the fair value of the stock on the date of the grant. Each option expires not later than ten years from the date the option was granted and vest over a period as determined by the Board of Directors at the time of grant. Compensation expenses recorded in 2007 totaled $3,585.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 6 - STOCK OPTION PLANS, Continued

A summary of the status of the Company's stock option plans as of December 31, 2007 and 2006, and changes during the years ending on those dates, are presented below:

2007	Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at Beginning of Year	213,455	$ 6.08		
Exercised	(42,476)	3.29		
Forfeited	-	-		
Granted	10,500	5.04		
Outstanding at End of Year	181,479	$ 6.76	7.85 Years	$ 167,979
Options Exercisable at Year-End	167,979	$ 6.77	6.78 Years	$ 99,377

2006	Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at Beginning of Year	226,040	$ 6.13		
Exercised	(1,385)	3.25		
Forfeited	(11,200)	7.75		
Granted	-	-		
Outstanding at End of Year	213,455	$ 6.08	8.53 Years	$ 410,011
Options Exercisable at Year-End	213,455	$ 6.08	8.53 Years	$ 410,011

The total intrinsic value of options exercised during the years ended December 31, 2007 and 2006, were $152,392 and $5,610, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 7 - EARNINGS PER SHARE

The following is a reconciliation of net income and shares outstanding to the number of shares used to compute EPS.

	2007		2006	
	Income	Shares	Income	Shares
Net income	$ 962,992	-	$ 706,342	-
Shares outstanding at year-end	-	5,458,796	-	5,416,820
Impact of shares issued and options exercised during the year	-	(30,479)	-	(815,427)
Used in Basic EPS	962,992	5,428,317	706,342	4,601,393
Dilutive effect of outstanding stock options	-	47,528	-	57,127
Used in Dilutive EPS	$ 962,992	5,475,845	$ 706,342	4,658,520

NOTE 8 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company enters into financial commitments to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby and commercial letters of credit. To varying degrees, these instruments involve elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position. The Company's exposure to credit loss in the event of non-performance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for loans reflected in the financial statements. At December 31, 2007 and 2006, the Company had commitments to extend credit of $30,384,421 and $21,940,332 and obligations under standby letters of credit of $15,000 and $25,000, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Since many of the commitments and standby letters of credit are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. The Company evaluated each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company, is based on management's credit evaluation of the customer. The majority of the Company's commitments to extend credit and standby letters of credit are secured by real estate and cash, respectively.

The Company has three unsecured lines of credit with its correspondent banks for a total of $16 million.

NOTE 8 - COMMITMENTS AND CONTINGENCIES, Continued

The Company is leasing two of its present operating premises from non-affiliates. The minimum future rental payments for all leases, excluding property taxes and insurance, are as follows:

Year Ending December 31,	Amount
2008	$ 154,198
2009	117,168
2010	117,168
2011	117,168
2012	117,168
Thereafter	238,336
Total	$ 861,206

The leases contain options to extend for five-year periods. The cost of such rentals is not included above. The above information is given for the existing lease commitments and is not a forecast of future rental expense. The total rental expense for the years ending 2007 and 2006 was $250,234 and $167,094, respectively.

NOTE 9 - EMPLOYEE BENEFITS

In 2006, the Company adopted a 401(k) plan (the Plan) to allow employees to defer up to $15,500 for 2007 of their current compensation until retirement. The Plan allows for discretionary matching contributions by the Company. These contributions totaled $136,107 and $109,955 for the years ended December 31, 2007 and 2006, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 10 - OTHER EXPENSES

The following is a breakdown of other expenses for the years ended December 31, 2007 and 2006:

	2007	2006
Legal and professional	$ 237,775	$ 293,581
Data processing	532,407	462,318
Stationary and supplies	184,607	235,623
Outside services	362,382	456,446
Telephone	168,594	147,806
Commissions	-	8,946
SBA broker fees	26,851	32,540
Directors fees	134,516	110,979
Amortization core deposit intangible	594,317	308,532
Regulatory expenses	109,323	148,683
Advertising and promotion	46,220	65,688
Insurance	39,682	55,041
Auto and travel	90,170	80,973
Operating losses	7,545	15,674
Other	731,938	673,518
Total	$ 3,266,327	$ 3,096,348

NOTE 11 - INCOME TAXES

As explained in Note 1, SFAS No. 109, *"Accounting for Income Taxes"*, adopts balance sheet methods that require the recognition of deferred tax assets and liabilities for the expected future consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, SFAS No. 109 generally considers all expected future events, other than enactments of changes in tax laws or rates.

The components of the provision for income taxes are as follows:

	2007	2006
Current Tax Expense:		
Federal	$ 661,141	$ 362,522
State	141,445	80,779
	802,586	443,301
Deferred Tax Expense (Benefit):		
Federal	(206,242)	(27,726)
State	(73,750)	(9,914)
	(279,992)	(37,640)
	$ 522,594	$ 405,661

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 11 - INCOME TAXES, Continued

Net deferred tax assets consist of the following components as of December 31:

	2007	2006
Deferred Tax Assets		
Allowance for loan losses	$ 470,427	$ 295,110
Benefit of loss carryforwards	889,010	969,485
Purchase accounting adjustments	94,611	138,293
Nonaccrual loans	111,764	41,689
Other	120,446	93,516
Total Deferred Tax Assets	1,686,258	1,538,093
Deferred Tax Liabilities		
Depreciation	(979,653)	(1,017,602)
Cash to accrual	(34,238)	(68,477)
Loan origination costs	(184,947)	-
Core deposit intangibles	(574,601)	(819,189)
Total Deferred Tax Liabilities	(1,773,439)	(1,905,268)
Net Deferred Taxes	$ (87,181)	$ (367,175)

The income tax provision differs from the amount computed by applying the Federal statutory rate of 34 percent as follows:

	2007	Percent	2006	Percent
Expected Tax Expense:				
Federal tax at stationary tax rate	$ 505,099	34.0%	$ 378,081	34.0%
California franchise tax, net of Federal benefit	48,578	3.3%	48,164	4.3%
Municipal interest	(19,269)	(1.3)%	(19,070)	(1.7)%
CSV life insurance	(60,090)	(4.0)%	(4,871)	(0.4)%
Other	48,276	3.2%	3,357	0.3%
	$ 522,594	35.2%	$ 405,661	36.5%

NOTE 12 - REGULATORY MATTERS

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by its primary Federal regulator, the Office of the Comptroller of the Currency (OCC). Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material affect on the Company's and the Bank's financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines involving quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total risk-based capital and Tier 1 capital to risk-weighted assets, and Tier 1 capital to adjusted total assets. Management believes, as of December 31, 2007, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2007, the most recent notification from the OCC categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since the notification that management believes have changed the Bank's category.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 12 - REGULATORY MATTERS, Continued

The following table compares the total capital and Tier 1 capital of the Company (on a consolidated basis), as of December 31, 2007, and the total capital and Tier 1 capital as of December 31, 2007 and December 31, 2006 of the Bank, to the capital requirements imposed by government regulations (with amounts stated in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized under Prompt Corrective Action Provisions	
ICB Financial	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007						
Total capital						
(to Risk-Weighted Assets)	$ 30,812	14.5%	$ 16,968	8.0%	N/A	N/A
Tier 1 Capital						
(to Risk-Weighted Assets)	28,743	13.6%	8,484	4.0%	N/A	N/A
Tier 1 Capital						
(to Average Assets)	28,743	10.9%	9,884	4.0%	N/A	N/A
As of December 31, 2006						
Total capital						
(to Risk-Weighted Assets)	$ 28,669	17.6%	$ 13,033	8.0%	N/A	N/A
Tier 1 Capital						
(to Risk-Weighted Assets)	27,047	16.6%	6,516	4.0%	N/A	N/A
Tier 1 Capital						
(to Average Assets)	27,047	13.0%	8,311	4.0%	N/A	N/A

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 12 - REGULATORY MATTERS, Continued

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized under Prompt Corrective Action Provisions	
Inland Community Bank	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007						
Total Capital						
(to Risk-Weighted Assets)	$ 28,821	13.6%	$ 16,928	8.0%	$ 21,159	10.0%
Tier 1 Capital						
(to Risk-Weighted Assets)	26,831	12.7%	8,464	4.0%	12,696	6.0%
Tier 1 Capital						
(to Average Assets)	26,831	10.9%	9,865	4.0%	12,332	5.0%
As of December 31, 2006						
Total Capital						
(to Risk-Weighted Assets)	$ 26,785	16.5%	$ 13,009	8.0%	$ 16,262	10.0%
Tier 1 Capital						
(to Risk-Weighted Assets)	25,163	15.5%	6,505	4.0%	9,757	6.0%
Tier 1 Capital						
(to Average Assets)	25,163	12.2%	8,252	4.0%	10,315	5.0%

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sale transaction at December 31, 2007. The estimated fair value amounts for 2007 and 2006 have been measured as of year-end, and have not been reevaluated or updated for purposes of these financial statements subsequent to that date. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than the amounts reported at year-end.

The information in this note should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets.

Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimate, comparisons between the Company's disclosures and those of other banks may not be meaningful.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS, Continued

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and Federal Funds Sold

The carrying amounts reported in the balance sheets for cash and due from banks and Federal funds sold approximate their fair value.

Investment Securities

The fair value of investment securities are based upon quoted market prices.

Federal Reserve Bank (FRB) Stock

The book value for FRB Stock approximates fair value based upon the redemption provisions of the stock.

Loans

For variable rate loans that reprice frequently and that have experienced no significant change in credit risk, fair value is based on carrying value. At December 31, 2007, variable rate loans comprised approximately 70 percent of the loan portfolio. Fair value for all other loans is estimated based on discounted cash flows, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. Prepayments prior to the repricing date are not expected to be significant. Loans are expected to be held to maturity and any unrealized gains or losses are not expected to be realized.

Off-Balance-Sheet Instruments

Fair value for off-balance-sheet instruments (guarantees, letters of credit, and lending commitments) is based on quoted fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Deposit Liabilities

Fair value disclosed for demand deposits equals their carrying amounts, which represent the amount payable on demand. The carrying amounts for variable rate money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair value for fixed rate certificates of deposit is estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregate expected monthly maturities on time deposits. Early withdrawals of fixed rate certificates of deposit are not expected to be significant.

Accrued Interest Receivable and Payable

The fair value of both accrued interest receivable and payable approximates their carrying amounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS, Continued

The estimated fair value of the Company's financial instruments is as follows at December 31, 2007:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Federal funds sold	$ 17,239,585	$ 17,239,585	$ 21,962,576	$ 21,962,576
Investment securities	9,431,032	9,470,301	14,472,288	14,427,410
Loans, net of fees, and reserve	186,716,063	187,138,426	140,252,772	140,484,086
FRB stock	1,610,950	1,610,950	799,350	799,350
Accrued interest receivable	897,880	897,880	794,741	794,741
Financial Liabilities:				
Deposits	215,491,684	215,595,843	169,703,368	171,270,685
Interest payable	621,985	621,985	176,023	176,023

Fair Value of Commitments

	2007		2006	
	Notional Amount	Cost to Cede or Assume	Notional Amount	Cost to Cede or Assume
Off-Balance Sheet Instruments				
Commitments to extend credit and standby letters of credit	$ 30,399,421	$ 303,994	$ 21,965,332	$ 219,653

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 14 - CONDENSED FINANCIAL INFORMATION OF ICB FINANCIAL (Parent Company)

BALANCE SHEETS

	2007	2006
ASSETS		
Cash and non-interest earning deposits	$ 1,481,613	$ 1,464,987
Income tax receivable	509,915	425,054
Investment in banking subsidiary	30,430,503	29,426,045
Other assets	4,129	11,570
TOTAL ASSETS	$ 32,426,160	$ 31,327,656
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Other liabilities	$ 15,000	$ 18,100
TOTAL LIABILITIES	15,000	18,100
Stockholders' Equity		
Common stock	5,458,796	5,416,820
Retained earnings	26,960,511	25,900,554
Other comprehensive loss	(8,147)	(7,818)
TOTAL STOCKHOLDERS' EQUITY	32,411,160	31,309,556
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 32,426,160	$ 31,327,656

STATEMENTS OF INCOME AND EXPENSES

For the period January 1, 2007 through December 31, 2007, are as follows:

	2007	2006
Non-Interest Income		
Income from banking subsidiary	$ 1,001,272	$ 802,749
Other	60,903	76,837
Total Non-Interest Income	1,062,175	879,586
Other	121,683	260,117
Total Non-Interest Expense	121,683	260,117
Income Before Income Taxes	940,492	619,469
Income Tax (Benefit)/Expense	(22,500)	86,873
Net Income	$ 962,992	$ 706,342

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 15 - CONDENSED FINANCIAL INFORMATION OF ICB FINANCIAL (Parent Company), Continued

STATEMENTS OF CASH FLOW

For the period January 1, 2007 through December 31, 2007, respectively, are as follows:

	2007	2006
Cash Flows from Operating Activities		
Net income	$ 962,992	$ 706,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in income tax receivable	(77,420)	(86,870)
Undistributed earnings in subsidiary	(1,001,272)	(802,749)
Decrease in other assets	(4,430)	(5,770)
Decrease in other liabilities	(3,100)	(12,981)
Net Cash Flows Used by Operating Activities	(123,230)	(202,028)
Cash Flows from Investing Activities		
Increase in investment of subsidiary	-	(2,950,001)
Western State Bank purchase	-	(13,375,000)
Net Cash Flows Used by Investing Activities	-	(16,325,001)
Cash Flows from Financing Activities		
Proceeds from private placement offering	-	14,803,408
Proceeds from the exercise of warrants	-	3,191,004
Proceeds from exercise of stock options	139,856	4,501
Repurchase of stock	-	(14,040)
Net Cash Flows Provided by Financing Activities	139,856	17,984,873
Increase in Cash and Cash Equivalents	16,626	1,457,844
Cash and Cash Equivalents, Beginning of Period	1,464,987	7,143
Cash and Cash Equivalents, End of Year	$ 1,481,613	$ 1,464,987

OFFICERS AND BOARD OF DIRECTORS OF INLAND COMMUNITY BANK, N. A.

BOARD OF DIRECTORS

Glenda M. Bayless
Chairman

James S. Cooper
President
Chief Executive Officer

Dr. Anthony Theodorou
Vice Chairman

Leonard E. Kordys

Byron Matteson

Ronald Mayer

Robert Ziprick

Laurence C. Fentriss

Kenneth R. Lehman

ADMINISTRATION OFFICERS

James S. Cooper
President
Chief Executive Officer

Robert C. Littlejohn
Executive Vice President
Chief Administrative Officer
Chief Credit Officer

Richard J. Balogh
Executive Vice President
Senior Credit Officer

Cynthia Filbin
Senior Vice President
Director of Operations

Thomas O. Griel
Senior Vice President
Chief Financial Officer

Teresa Romero
First Vice President
Credit Administration

Howard Meacham
Senior Vice President
Asset/Liability Manager

Bob McCullough
First Vice President
Credit Administration

Barbara Oliver
Vice President
Corporate Secretary

BRANCH MANAGERS

James L. Walling
Vice President and Manager
(Loma Linda)

Russell Scranton
Senior Vice President and Manager
(Ontario)

David Weiss
Vice President and Manager
(Los Angeles)

Steve Templar
Vice President and Manager
(Rialto)

Larry McCurley
Senior Vice President and Manager
(Duarte)

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Rialto, California 92376
(909) 874-4444; FAX (909) 874-6999
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Loma Linda
11175 Mountain View, Suite A
Loma Linda, California 92354
(909) 796-7100; FAX (909) 796-0818
Mon-Thurs 9-5; Fri 9-6 or dusk

Ontario
3999 Inland Empire Blvd.
Ontario, California 91764
(909) 481-8706; FAX (909) 481-8713
Mon-Thurs 9-5; Fri 9-6

Los Angeles
306 North La Brea Avenue
Los Angeles, California 90036
(323) 935-6132; FAX (323) 935-7695
Mon-Thurs 9-5; Fri 9-6 or dusk

Duarte
1801 Huntington Drive
Duarte, California 91010
(626) 357-9611; FAX (626) 358-9613
Mon-Thurs 9-5; Fri 9-6

ICB FINANCIAL OFFICERS AND BOARD OF DIRECTORS

BOARD OF DIRECTORS

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Chairman

James S. Cooper
President
Chief Executive Officer

Dr. Anthony Theodorou
Vice Chairman

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OFFICERS

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Chief Executive Officer

Robert C. Littlejohn
Executive Vice President
Chief Administrative Officer
Chief Credit Officer

Barbara Oliver
Vice President
Corporate Secretary

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ICBN

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FIRST QUARTER 2008
FINANCIAL PERFORMANCE

ICB FINANCIAL REPORTS FIRST QUARTER 2008 EARNINGS
REVENUE UP 10%
LOANS UP 28%
NET INCOME UP 27%

Financial Performance highlights for the quarter ended March 31, 2008 include:

- Total assets increased 14%; $239.0 million as of March 31, 2008 compared to $209.7 million a year earlier, an increase of $29.3 million.
- Gross revenue of $4.3 million for the current three months compared to $3.9 million for the three months ended March 31, 2007, an increase of 10.3%.
- Total loans at March 31, 2008 were up $40.4 million over March 31, 2007, an increase of 28%.
- Total deposit growth of 15.5% or $27.3 million in March 31, 2008 over March 31, 2007.
- Net income of $475,000 for the three months ended March 31, 2008; this represents an increase of 27.3% when compared to the $373,000 for the first three months of 2007.

- Earnings per basic common share for the three months ended March 31, 2008 were $0.09 compared to $0.07 for the same period in 2007, an increase of 28.5%. Fully diluted earnings per share for the three month period were $.08 in 2008 compared to $.06 in 2007, an increase of 33.3%.
- Return on average assets for the three months ended March 31, 2008 is 0.78% compared to 0.72% in 2007, an increase of 8.3% for the period.
- Efficiency ratio was down to 69.0% in 2008 from 80.4% in 2007, an improvement of 14.2%.
- First quarter Annualized Revenue per Full Time Equivalent employee (FTE) was $196,000 verses $166,000 for the first three months of 2007.

The National and Local economies appeared to soften in the first quarter of 2008 amid many predictions of a short term recession. Consumer confidence is reportedly at the lowest point in the last decade. However, even with these pessimistic circumstances, ICB Financial and its subsidiary Inland Community Bank have appeared to weather the first stages of the economic slow-down and continue to show improving results from operations.

Net interest margins in all financial institutions continue to experience margin compression due to lowering loan yields and the need to reward deposit customers with adequate yields. But because of many cost cutting efforts instituted by the Bank's management in the last half of 2007, earnings continue to increase and were 27% ahead of the first quarter in 2007. The Bank's efficiency ratio has dropped from 80% in 2007 to 69% in 2008. The increase in operating revenue and staff reductions have resulted in an increase in the Annualized Revenue per Full Time Equivalent employee from $166,000 in the first quarter of 2007 to $196,000 for the same period in 2008, an improvement of 18%.

The Company continues to manage its credit risk effectively but still increased its Reserve for Loan Losses with the addition of $216,000 for the quarter bringing the ALLL balance to $2,098,000 at March 31, 2008, a 36% increase over the balance at the same time in 2007.

Past due and non-accrual loans remain at an acceptable level at $2,815,000 or 1.5% of total loans and net charge-offs for the first three months totaled $12,000. However, we will continue to closely monitor credit quality and increase the Reserve balance as required.

As we mentioned in our Fourth Quarter 2007 Earnings release, personnel expenses have been cut by $1.3 million on an annualized basis in the last six months. The expenses of bank premises and fixed assets have been reduced significantly by renting excess space in banking office locations. The Bank continues its cost reduction program by reviewing all non-interest expenses and cutting where it is appropriate.

Other expense control initiatives are proving to be effective. The Bank's Bookkeeping Department, consolidated with other operating departments in the Ontario Office in March, is now realizing new operating efficiencies. The Bank is now evaluating the risks of several new strategic investment alternatives which will help to leverage its strong capital base.

In light of continued good earnings which have been retained in the Company and in an effort to improve the Company's return on our capital, the Board of ICBF has approved a stock repurchase program. Details of the program will be released before the end of April 2008.

Financial institutions will continue to experience a difficult operating environment and conditions similar to those experienced by institutions in the late 1980's and early 1990's and this is anticipated to continue through the remainder of 2008. The direction provided by the Company's Board and Senior Management will provide the basis for our continued success through this period. We appreciate the support of our customers and shareholders during this period.

James S. Cooper
President and Chief Executive Officer

ICB FINANCIAL

Consolidated Balance Sheets
Unaudited - Internally Prepared
(in thousands)

	As of March 31, 2008	As of March 31, 2007	March to March Percentage Change	As of December 31, 2007	December to March Percentage Change
Assets					
Total cash and due from banks					
Noninterest-bearing balances, coin and currency	$ 11,908	$ 13,732	-13.3%	$ 9,355	27.3%
Interest bearing balances	1,782	1,482	20.2%	13,103	-86.4%
Held to maturity securities - held to maturity	7,045	10,630	-33.7%	8,583	-17.9%
Available for sale securities	765	1,105	-30.8%	848	-9.8%
Federal funds sold	8,960	16,380	-45.3%	7,885	13.6%
Loans and leases financing receivables					
Loans , net of unearned income	187,247	146,247	28.0%	188,690	-0.8%
Less: Allowance for loan losses	(2,098)	(1,543)	36.0%	(1,895)	10.7%
Net loans	185,149	144,704	28.0%	186,795	-0.9%
Premises and fixed assets - net	10,256	10,361	-1.0%	10,282	-0.3%
Other real estate owned	600	-	100.0%	600	0.0%
Intangible assets					
Goodwill	2,280	2,280	0.0%	2,280	0.0%
Core deposit intangibles	1,321	1,842	-28.3%	1,396	-5.4%
Other assets	8,996	7,239	24.3%	9,053	-0.6%
Total Assets	$ 239,062	$ 209,755	14.0%	$ 250,180	-4.4%
Liabilities and Capital					
Deposits					
Noninterest-bearing	$ 64,982	$ 68,890	-5.7%	$ 68,177	-4.7%
Interest bearing	138,946	107,711	29.0%	147,315	-5.7%
Total deposits	203,928	176,601	15.5%	215,492	-5.4%
Other liabilities	2,275	1,464	55.4%	2,277	-0.1%
Total liabilities	206,203	178,065	15.8%	217,769	-5.3%
Equity capital					
Common stock	5,459	5,421	0.7%	5,459	0.0%
Surplus	23,239	23,158	0.3%	23,239	0.0%
Retained earnings	4,168	3,124	33.4%	3,721	12.0%
Accumulated other comprehensive income (loss)	(7)	(13)	100.0%	(8)	-12.5%
Total Equity Capital	32,859	31,690	3.7%	32,411	1.4%
Total Liabilities and Equity Capital	$ 239,062	$ 209,755	14.0%	$ 250,180	-4.4%

ICB FINANCIAL

CONSOLIDATED STATEMENTS OF INCOME

Unaudited - Internally Prepared

(in thousands)

		1st Quarter ended March 31, 2008		1st Quarter ended March 31, 2007	Percentage Change		4th Quarter 2007	Percentage Change
Interest Income on:								
Total interest and fees on loans	$	3,627	$	3,123	16.1%	$	3,778	-4.0%
Interest on investment securities		99		149	-33.6%		121	-18.2%
Interest on federal funds sold		44		114	-61.4%		166	-73.5%
Other interest income		131		57	129.8%		90	45.6%
Total interest income		3,901		3,443	13.3%		4,155	-6.1%
Interest Expense:								
Interest paid on deposits		1,185		817	45.0%		1,410	-16.0%
Total interest expense		1,185		817	45.0%		1,410	-16.0%
Net interest income	$	2,716	$	2,626	3.4%		2,745	-1.1%
Provision for Possible Loan Losses and OBS reserve		216		-	100.0%		85	154.1%
Net Interest Income after ALLL Provision		2,500		2,626	-4.8%		2,660	-6.0%
Total non-interest income		416		545	-23.7%		457	-9.0%
Total non-interest expense		2,160		2,548	-15.2%		2,326	-7.1%
Income before income taxes		756		623	21.3%		791	-4.4%
Applicable income taxes		281		250	12.4%		291	-3.4%
Net income	$	475	$	373	27.3%	$	500	-5.0%

SELECTED FINANCIAL RATIOS AND PER SHARE DATA

Per Common Share Data								
Earnings per share - basic		0.09		0.07	28.5%		0.09	0.0%
Earnings per share - diluted		0.08		0.06	33.3%		0.08	0.0%
Shares outstanding - (actual)		5,458,796		5,421,605	0.7%		5,458,796	0.0%
Weighted Average Shares Outstanding		5,458,796		5,419,082	0.7%		5,458,796	0.0%
Shares outstanding - (fully diluted)		6,155,384		6,147,646	0.1%		6,112,476	0.7%
Financial Ratios								
Return on Average Assets		0.78%		0.72%	8.3%		0.80%	-3.0%
Return on Average Equity (Note 1)		5.81%		4.74%	22.6%		6.61%	-12.1%
Net interest margin		5.12%		6.14%	-16.6%		7.58%	-32.4%
Efficiency ratio		69.0%		80.4%	14.2%		72.6%	5.1%
Total Revenue per employee (annualized-actual)	$	269,813	$	209,895	28.5%	$	259,831	3.8%
Loan to deposit ratio		91.8%		82.8%	10.9%		87.6%	4.9%
ALLL as a percent of Total Loans (Includes OBS reserve)		1.14%		1.11%	2.4%		1.06%	7.2%
Past due and Non-accrual loans - in thousands	$	2,815	$	1,420	98.2%	$	3,050	112.0%
Past due and non-accrual loans as a percent of total loans		1.50%		0.96%	56.3%		1.62%	-7.4%
Past due and non-accrual loans as a percent of total assets		1.18%		0.68%	73.9%		1.22%	64.9%
Book value per share	$	6.02	$	5.85	3.0%	$	5.94	2.5%
Tangible book value per share	$	5.36	$	5.09	5.4%	$	5.26	6.6%

Note 1 - A private placement raised $13.4 million additional capital late in the 2nd quarter of 2006.

ICB FINANCIAL

FIRST SIX MONTHS OF 2008
FINANCIAL PERFORMANCE

ICB FINANCIAL REPORTS FIRST HALF 2008 EARNINGS
NET INCOME UP 61%
LOANS UP 20%

ONTARIO, Calif., July 14/ PRNewswire-FirstCall/ -- ICB Financial (OTC Bulletin Board: ICBN) Financial Performance highlights for the first half and quarter ended June 30, 2008 include:

- Net income of $696,000 for the six months ended June 30, 2008; this represents an increase of 61.9% when compared to the $430,000 for the first six months of 2007.
- Total assets increased 9%; $252.9 million as of June 30, 2008 compared to $230.8 million a year earlier, an increase of $22.1 million.
- Gross interest revenue of $7.5 million for the current six months compared to $7.2 million for the six months ended June 30, 2007, an increase of 5.0%.
- Total loans at June 30, 2008 were up $35.6 million over June 30, 2007, an increase of 20.5%.
- Total deposit growth of 1.3% or $2.6 million through June 30, 2008 over June 30, 2007.

- Earnings per basic and fully diluted common share for the six months ended June 30, 2008 were $0.13 compared to $0.08 for the same period in 2007, an increase of 62.5%.
- Return on average assets for the six months ended June 30, 2008 is 0.60% compared to 0.46% in 2007, an increase of 30.4% for the period.
- Efficiency ratio was down to 73.3% in 2008 from 87.7% in 2007, an improvement of 16.4%.
- Annualized total revenue per Full Time Equivalent employee (FTE) was $195,000 for the first six months of 2008 verses $145,000 for the first six months of 2007, a 34% improvement.

To Our Customers and Shareholders:

As the public continues to feel the effects and to criticize the general economic conditions prevailing in the Country, and finger pointing escalates from the abuses which have occurred in the mortgage industry, it is important to separate community banks from the criticisms generally aimed at the financial services industry. Although there are some community banks operating in the Inland Empire that are experiencing difficulties there are equally as many that have had the foresight to avoid extensive participation in those business segments that are causing the problems. ICBF (the Company) and its subsidiary, Inland Community Bank, N.A. (the Bank) have chosen to limit their involvement in these riskier lines of business, and the performance of the Company as reported in the following pages demonstrates our ability to manage these risks more effectively.

Although you will continue to hear about shrinking margins, asset quality and other challenges in the banking industry, many well managed community banks, unlike some regional and national banks, will be able to survive and thrive in the current environment.

The keys to continued success in this economy will be asset quality, liquidity, capital and the transparency to keep our shareholders and customers informed about the Bank's progress as it navigates through these turbulent times.

As you probably noted in the ICBF Annual Report for 2007, we have increased the information available to shareholders about your investment so that you will know the Company is taking the actions that are necessary to control the increased operating risks in the current banking environment.

Banking regulators have recently identified liquidity risk and capital as major concerns for all commercial banks. The Company has been most proactive in formulating detailed plans and policies to mitigate the effects of liquidity risk and has detailed and tested liquidity sources to be used in the early stages of a liquidity concern to the Bank. And as detailed in the Annual Report the Bank continues to maintain its "well capitalized" status with the regulators.

The Bank's asset quality is receiving additional Management attention with past due and non-accrual loans increasing from 0.76% of total loans in June 2007 to 4.69% of total loans in June 2008. And recently, the Bank's percentage of loans Classified and Criticized loans have decreased from 8.8% of total loans in May of 2008 to 7.6% of total loans at the end of June.

These ratios have been a warning sign to Management and with a 20.5% year-over-year increase in loans Senior Management and the Board have increased the provision for credit related reserves substantially adding $480,000 to the reserve in the first half of 2008. The balance in the Allowance for loan losses has increased over 50% from $1,551M in June 2007 to $2,331M in June 2008.

Non-interest expenses have been reduced by more than 17% for the first half of the year and are on track for a total reduction of 35% for all of 2008. These reductions in overhead expenses are important to the increased profitability of the Bank and were implemented at an important time for the Bank.

And finally the tangible book value per share increased to $5.40 per share on June 30, 2008, an increase of 5.5% over June 30, 2007. This increase was due in part to a successful stock repurchase program during the 2nd quarter of 2008 which reduced the number of shares outstanding by 356,450 shares or 6.5%; the repurchase program was successfully completed in less than 30 days and reduced capital by a little more than $2 million.

It is critically important in this environment that the investors and customers of our Company are kept fully informed about every important aspect of the Company's operations. In this regard we welcome any questions concerning the Bank.

We are confident that the Bank and the Company are well positioned to provide the proper sound financial service to our customers and depositors over the years ahead. We thank you for your continued support and look forward to being the "Business Bank that is Specifically Better and Different" for many years to come.

James S. Cooper
President and Chief Executive Officer

ICB FINANCIAL

Consolidated Balance Sheets
Unaudited - Internally Prepared
(in thousands)

	As of 6/30/2008	As of 6/30/2007	As of 6/30/2006	June 07 to June 08 Percentage Change	As of 12/31/2007	December to June Percentage Change
Assets						
Total cash and due from banks						
Noninterest-bearing balances, coin and currency	$ 10,886	$ 12,069	$ 13,693	-9.8%	$ 9,355	16.4%
Interest bearing balances	594	492	5,041	20.7%	13,103	-95.5%
Held to maturity securities - HTM and AFS	8,465	11,445	21,564	-26.0%	9,431	-10.2%
Federal funds sold	2,905	12,760	22,565	-77.2%	7,885	-63.2%
Loans and lease financing - Available for Sale	7,676	-	-	100.0%	-	0.0%
Loans and lease financing receivables						
Loans, net of unearned income	201,248	173,314	110,030	16.1%	188,690	6.7%
Less: Allowance for loan losses	(2,331)	(1,551)	(1,604)	50.3%	(1,895)	23.0%
Net loans	198,917	171,763	108,426	15.8%	186,795	6.5%
Premises and fixed assets - net	10,191	10,423	9,756	-2.2%	10,282	-0.9%
Other real estate owned	622	-	-	100.0%	600	3.7%
Intangible assets						
Goodwill	2,280	2,280	1,550	0.0%	2,280	0.0%
Core deposit intangibles	1,245	1,693	2,255	-26.5%	1,396	-10.8%
Other assets	9,147	7,855	4,878	16.4%	9,053	1.0%
Total Assets	$ 252,928	$ 230,780	$ 189,728	9.6%	$ 250,180	1.1%
Liabilities and Capital						
Deposits						
Noninterest-bearing	$ 65,158	$ 64,168	$ 62,531	1.5%	$ 68,177	-4.4%
Interest bearing	135,080	133,423	97,235	1.2%	147,315	-8.3%
Total deposits	200,238	197,591	159,766	1.3%	215,492	-7.1%
Borrowings	20,500	-	-	0.0%	-	0.0%
Other liabilities	1,128	1,450	975	-22.2%	2,277	-50.5%
Total liabilities	221,866	199,041	160,741	11.5%	217,769	1.9%
Equity capital						
Common stock	5,106	5,417	5,418	-5.7%	5,459	-6.5%
Surplus	21,608	23,147	21,230	-6.6%	23,239	-7.0%
Retained earnings	4,381	3,181	2,339	37.7%	3,721	17.7%
Accumulated other comprehensive income (loss)	(33)	(6)	-	450.0%	(8)	312.5%
Total Equity Capital	31,062	31,739	28,987	-2.1%	32,411	-4.2%
Total Liabilities and Equity Capital	$ 252,928	$ 230,780	$ 189,728	9.6%	$ 250,180	1.1%

Unaudited - Internally Prepared

(in thousands, except percentages)	6 months ended 6/30/2008	6 Months ended 6/30/2007	June 07 to June 08 Percentage Change	2nd Quarter ended 6/30/2008	2nd Quarter ended 6/30/2007	June 07 to June 08 Percentage Change
Interest Income on:						
Total interest and fees on loans	$ 7,087	$ 6,518	8.7%	$ 3,460	$ 3,395	1.9%
Interest on investment securities	192	283	-32.2%	93	134	-30.6%
Interest on federal funds sold	74	289	-74.4%	30	175	-82.9%
Other interest income	183	88	108.0%	52	31	67.7%
Total interest income	7,536	7,178	5.0%	3,635	3,735	-2.7%
Interest Expense:						
Interest paid on deposits	2,165	1,858	16.5%	980	1,041	-5.9%
Interest paid on borrowings	118	-	-	118	-	
Total interest expense	2,283	1,858	22.9%	1,098	1,041	5.5%
Net interest income	$ 5,253	$ 5,320	-1.3%	$ 2,537	$ 2,694	-5.8%
Provision for Possible Loan Losses and OBS reserve	480	75	540.0%	264	75	252.0%
Net Interest Income after ALLL Provision	4,773	5,245	-9.0%	2,273	2,619	-13.2%
Total non-interest income	719	726	-1.0%	303	181	67.4%
Total non-interest expense	4,377	5,300	-17.4%	2,217	2,752	-19.4%
Income before income taxes	1,115	671	66.2%	359	48	647.9%
Applicable income taxes	419	241	73.9%	138	(9)	-1633.3%
Net income	$ 696	$ 430	61.9%	$ 221	$ 57	287.7%
Per Common Share Data						
Earnings per share - basic	0.13	0.08	62.5%	0.04	0.01	300.0%
Earnings per share - diluted	0.13	0.08	62.5%	0.04	0.01	300.0%
Shares outstanding - (actual)	5,106,346	5,422,605	-5.8%	5,106,346	5,422,605	-5.8%
Weighted Average Shares Outstanding	5,284,146	5,422,605	-2.6%	5,109,496	5,422,605	-5.8%
Shares outstanding - (fully diluted)	5,440,546	5,583,005	-2.6%	5,265,946	5,583,005	-5.7%
Financial Ratios						
Return on Average Assets	0.60%	0.46%	30.4%	0.18%	0.11%	61.2%
Return on Average Equity	4.38%	2.70%	62.2%	2.83%	0.72%	294.8%
Net interest margin	4.81%	4.70%	2.3%	4.53%	4.70%	-3.6%
Efficiency ratio	73.3%	87.7%	-16.4%	78.1%	95.7%	-18.4%
Total Revenue per employee (annualized-actual)	$ 195,803	$ 145,687	34.4%	$ 186,230	$ 138,554	34.4%
Loan to deposit ratio	103.0%	87.0%	18.4%	103.0%	87.0%	18.4%
ALLL as a percent of Total Loans (Includes OBS reserve)	1.20%	0.94%	27.7%	1.16%	0.94%	23.4%
Past due and Non-accrual loans - in thousands	$ 9,845	$ 1,324	643.6%	$ 9,845	$ 1,324	643.6%
Past due and non-accrual loans as a percent of total loans	4.71%	0.90%	423.3%	4.69%	0.76%	517.1%
Past due and non-accrual loans as a percent of total assets	3.89%	0.57%	578.5%	3.89%	0.57%	582.5%
Book value per share	$ 6.09	$ 5.85	4.1%	$ 6.08	$ 5.85	3.9%
Tangible book value per share	$ 5.40	$ 5.12	5.5%	$ 5.39	$ 5.12	5.3%

FIRST NINE MONTHS OF 2008
FINANCIAL PERFORMANCE

ICB FINANCIAL REPORTS SEPTEMBER 2008 EARNINGS
NET INCOME UP 2%
LOANS UP 4%

ONTARIO, Calif., November 12, 2008/ PRNewswire-FirstCall/ -- ICB Financial (OTC Bulletin Board: ICBN) Financial Performance highlights for the nine months and quarter ended September 30, 2008 include:

- Net income of $475,000 for the nine months ended September 30, 2008; this represents an increase of 2.6% when compared to the $463,000 for the first nine months of 2007.
- Provision for loan and lease losses was $1,645M for the nine months ended September 30, 2008 verses $395M for the same period in 2007.
- Total assets increased 4.8%; $251.1 million as of September 30, 2008 compared to $239.6 million a year earlier, an increase of $11.5 million.
- Gross interest revenue of $11.1 million for the current nine months compared to $11.3 million for the nine months ended September 30, 2007, a decrease of 1.8%.
- Total loans at September 30, 2008 were up $8 million over September 30, 2007, an increase of 4.2%.

- Total deposit growth of .9% or $1.8 million through September 30, 2008 over September 30, 2007.
- Earnings per fully diluted common share for the nine months ended September 30, 2008 were $0.09 compared to $0.08 for the same period in 2007, an increase of 7.1%.
- Return on average assets for the nine months ended September 30, 2008 was 0.25% compared to 0.53% in 2007, a decrease of 52.7% for the period.
- Efficiency ratio was down to 72.6% in 2008 from 101.4% in 2007, an improvement of 28.4%.
- Annualized total revenue per Full Time Equivalent employee (FTE) was $194,000 for the first nine months of 2008 compared to $151,000 for the nine months of 2007, a 28.6% improvement.
- Non-performing assets dropped to 3.53% of total assets at September 30, 2008 compared to 4.14% at June 30, 2008.
- Important Bank Ratios:
  - Total Risk-Based Capital – 13.77%; minimum for well capitalized under regulatory guidelines is 10.00%.
  - Tier 1 Risk-Based Capital – 12.52%; minimum for well capitalized under regulatory guideline is 6.0%.
  - Tier 1 Leverage Capital – 10.90%; minimum for well capitalized under regulatory guideline is 5.0%
  - ALLL as a percent of loans – 1.34%
  - Net charge-offs as a percent of total loans – 0.5%

Letter to Our Customers and Shareholders
3rd Quarter 2008 Results

The financial strength and performance of ICB Financial (the Company) and its subsidiary, Inland Community Bank (ICB) despite a significantly challenging credit environment has been extraordinary compared to many of our competitors in the Inland Empire. ICB did not participate in the risky residential mortgage loan market nor did it invest in FNMC or FNMA stock. And while our expectation is for credit and economic distress in the economy to continue over the next several quarters, we remain focused on maintaining a healthy banking environment to better serve our customers.

Over the years, the exceptional employee team of the Inland Community Bank has worked diligently to ensure that our banking clients receive the highest level of care and service possible. We not only measure our performance based on financial results, but also on increasing service to our customers through delivery of improved products, enhancing our technology and providing the highest level of responsiveness to our customer needs.

In light of the current credit environment and the necessity to strengthen the balance sheet with substantial provisions to the allowance for loan and lease losses, ICB remained profitable and earnings for the nine month period where slightly above the prior years earnings. We are pleased with our financial results for the first nine months of 2008 and we remain positioned to assist and serve our customers well into the future.

The Bank's asset quality continues to receive priority attention from Management and as a result of the continuous monitoring of problem assets the Bank has added an additional $1.645 million to its Allowance for Loan and Lease Losses. We expect to make further additions to this reserve as the economy continues to slip into a recessionary mode but thanks to the foresight of our Executive Management and the Board of Directors, Inland Community Bank will remain healthy and well capitalized under all regulatory guidelines.

Operational improvements continue throughout the Company and you will note that non-interest income for the nine-month period in 2008 has increased 10.2% over the same period in 2007. Non-interest expenses continue to be slashed and have been reduced by more than 18% for the first three quarters of the year and are on track for a substantial reduction for all of 2008. These reductions in overhead expenses are important to the increased profitability of the Bank and were implemented by our Board at an important time for the Bank.

Banking regulators continue to identify liquidity risk, asset quality and capital as major concerns for all commercial banks. ICB has done well in managing these risks, however, the Company has also been very proactive in investigating the various programs and plans made available to financial institutions under the US Treasury Department's Troubled Assets Relief Program.

We have decided to opt into the FDIC programs providing 100% insurance coverage on all non-interest bearing transaction accounts and we have filed our application for the Capital Program, however, our Board has not yet determined whether the capital programs available will be in the best interest of the Company.

And finally the tangible book value per share increased to $5.37 per share on September 30, 2008, an increase of 4.9% over September 30, 2007. As we noted in our 2008 2nd quarter release, this increase was due in part to a successful stock repurchase program during the 2nd quarter of 2008 which reduced the number of shares outstanding by 356,450 shares or 6.5%.

We still believe that it is extremely important in this environment that the investors and customers of our Company are kept fully informed about every important aspect of the Company's operations. In this regard we welcome any questions concerning the Bank.

We are please with the teamwork and dedication of all of our employees. Every member of the ICB team has worked tirelessly to ensure that our customers receive the utmost in customer care throughout this troubling economic period while maintaining a safe and sound position. This is truly the most challenging banking environment in decades which is the primary reason we continue to focus on improving performance and responding to assist our customers and shareholders with superior service. Our primary objectives will continue to be to maintain a strong Company supported by a great team of employees.

Thank you for your business and your support during the difficult time and while we do not know when this market turbulence will subside, we will remain focused on meeting your needs.

James S. Cooper
President and Chief Executive Officer

ICB FINANCIAL

Consolidated Balance Sheets
Unaudited - Internally Prepared
(in thousands)

	As of 9/30/2008	As of 9/30/2007	September to September Percentage Change	As of 12/31/2007	December to September Percentage Change
Assets					
Total cash and due from banks					
Noninterest-bearing balances, coin and currency	$ 18,338	$ 9,157	100.3%	$ 9,355	96.0%
Interest bearing balances	495	99	400.0%	13,103	-96.2%
Held to maturity securities - HTM & AFS	7,177	10,609	-32.3%	9,431	-23.9%
Federal funds sold	5,150	8,700	-40.8%	7,885	-34.7%
Loans, net of unearned income	198,050	190,044	4.2%	188,690	5.0%
Less: Allowance for loan losses	(2,558)	(1,826)	40.1%	(1,974)	29.6%
Net loans	195,492	188,218	3.9%	186,716	6.5%
Premises and fixed assets - net	10,098	10,364	-2.6%	10,282	-0.9%
Other real estate owned	1,484	-	0.0%	600	3.7%
Goodwill	2,280	2,280	0.0%	2,280	0.0%
Core deposit intangibles	1,169	1,545	-24.3%	1,396	-10.8%
Other assets	9,382	8,599	9.1%	8,507	1.0%
Total Assets	$ 251,065	$ 239,571	4.8%	$ 249,555	1.1%
Liabilities and Capital					
Deposits					
Noninterest-bearing	$ 63,930	$ 64,179	-0.4%	$ 68,177	-4.4%
Interest bearing	143,915	141,860	1.4%	147,315	-8.3%
Total deposits	207,845	206,039	0.9%	215,492	-7.1%
Borrowings	10,500	-	-	-	0.0%
Other liabilities	1,851	1,677	10.4%	1,652	-50.5%
Total liabilities	220,196	207,716	6.0%	217,144	1.9%
Equity capital					
Common stock	5,106	5,423	-5.8%	5,459	-6.5%
Surplus	21,608	23,152	-6.7%	23,246	-7.0%
Retained earnings	4,160	3,287	26.6%	3,714	17.7%
Accumulated other comprehensive income (loss)	(5)	(7)	-28.6%	(8)	312.5%
Total Equity Capital	30,869	31,855	-3.1%	32,411	-4.2%
Total Liabilities and Equity Capital	$ 251,065	$ 239,571	4.8%	$ 249,555	1.1%

ICB FINANCIAL

Unaudited - Internally Prepared

(in thousands, except percentages)

	9 months ended 9/30/2008	9 Months ended 9/30/2007	Sept 07 to Sept 08 Percentage Change	3rd Quarter ended 9/30/2008	3rd Quarter ended 9/30/2007	Sept 07 to Sept 08 Percentage Change
Interest Income on:						
Total interest and fees on loans	$ 10,484	$ 10,291	1.9%	$ 3,397	$ 3,395	0.1%
Interest on investment securities	287	531	-46.0%	95	134	-29.1%
Interest on federal funds sold	98	451	-78.3%	24	175	-86.3%
Other interest income	219	14	1464.3%	36	31	16.1%
Total interest income	11,088	11,287	-1.8%	3,552	3,735	-4.9%
Interest Expense:						
Interest paid on deposits	3,126	3,251	-3.8%	961	1,041	-7.7%
Interest paid on borrowings	210	-	0.0%	92	-	
Total interest expense	3,336	3,251	2.6%	1,053	1,041	1.2%
Net interest income	$ 7,752	$ 8,036	-3.5%	$ 2,499	$ 2,694	-7.2%
Provision for Possible Loan Losses and OBS reserve	1,645	395	316.5%	1,165	75	1453.3%
Net Interest Income after ALLL Provision	6,107	7,641	-20.1%	1,334	2,619	-49.1%
Total non-interest income	1,135	1,030	10.2%	416	181	129.8%
Total non-interest expense	6,487	7,976	-18.7%	2,110	2,752	-23.3%
Income (Loss) before income taxes	755	695	8.6%	(360)	48	-850.0%
Applicable income taxes	280	232	20.7%	(139)	(9)	1444.4%
Net income	$ 475	$ 463	2.6%	$ (221)	$ 57	-487.7%

SELECTED FINANCIAL RATIOS

	9 months ended 9/30/2008	9 Months ended 9/30/2007	Percentage Change	3rd Quarter ended 9/30/2008	3rd Quarter ended 9/30/2007	Percentage Change
Per Common Share Data						
Earnings per share - basic	0.09	0.09	0.0%	(0.17)	0.04	-511.7%
Earnings per share - diluted	0.09	0.08	7.1%	(0.16)	0.04	-504.9%
Shares outstanding - (actual)	5,106,346	5,422,605	-5.8%	5,106,346	5,422,605	-5.8%
Weighted Average Shares Outstanding	5,224,879	5,420,888	-3.6%	5,224,879	5,420,888	-3.6%
Shares outstanding - (fully diluted)	5,381,279	5,619,196	-4.2%	5,381,279	5,619,196	-4.2%
Financial Ratios						
Return on Average Assets	0.25%	0.53%	-52.7%	-0.12%	0.03%	-463.2%
Return on Average Equity	1.99%	1.94%	2.5%	-0.98%	0.24%	-510.3%
Net interest margin	4.67%	4.94%	-5.5%	4.53%	5.10%	-11.2%
Efficiency ratio	72.6%	101.4%	28.4%	72.4%	95.7%	24.4%
Total Revenue per employee (annualized-actual)	$ 194,251	$ 151,100	28.6%	$ 191,148	$ 143,750	33.0%
Loan to deposit ratio	95.3%	87.7%	8.6%	95.3%	87.7%	8.7%
ALLL as a percent of Total Loans (Includes OBS reserve)	1.29%	0.89%	44.3%	1.29%	0.89%	44.3%
Non-performing assets	$ 8,837	$ 3,076	187.3%	$ 7,353	$ 3,076	139.0%
Non-performing assets as a percent of total loans	4.46%	1.60%	178.9%	3.70%	1.60%	131.3%
Non-performing assets as a percent of total assets	3.52%	1.33%	164.1%	2.93%	1.33%	120.3%
Book value per share	$ 6.05	$ 5.85	3.3%	$ 6.05	$ 5.85	3.3%
Tangible book value per share	$ 5.37	$ 5.12	4.9%	$ 5.37	$ 5.12	4.9%

DRAFT

ICB FINANCIAL

2008
FINANCIAL PERFORMANCE

LOANS INCREASE 10%
ASSETS INCREASE 1%
TANGIBLE BOOK VALUE PER SHARE UP 2%

ONTARIO, Calif., February 11, 2009/ PRNewswire-FirstCall/ -- ICB Financial (OTC Bulletin Board: ICBN) Financial Performance highlights for the year and quarter ended December 31, 2008 include:

- Net income of $313,000 for the year ended December 31, 2008; this represents a decrease of 67% when compared to the $963,000 for the year ended December 31, 2007.
- Provision for loan and lease losses was $2,700M for 2008 verses $480M for 2007.
- Total assets increased 1.4%; $253.1 million as of December 31, 2008 compared to $249.5 million a year earlier, an increase of $3.5 million.
- Gross interest revenue of $14.6 million for 2008 compared to $15.4 million for 2007, a decrease of 4.9%.
- Total loans including Available for Sale at December 31, 2008 were up $18.9 million over December 31, 2007, representing a 10 % increase over the previous year.
- Total deposits at December 31, 2008 were down 1.7% or $3.6 million compared to December 31, 2007.

- Earnings per fully diluted common share for 2008 were $0.06 compared to $0.16 for the same period in 2007, a decrease of 63%.
- Return on average assets for 2008 was 0.13% compared to 0.43% in 2007, a decrease of 52.7% for the year.
- Efficiency ratio was down to 72.9% in 2008 from 84.0% in 2007, an improvement of 13.2%.
- Non-performing assets increased to 2.08% of total assets at December 31, 2008 compared to 1.22% at December 31, 2007.
- Important Bank Ratios:
    - Total Risk-Based Capital – 13.74%; minimum for well capitalized under regulatory guidelines is 10.00%.
    - Tier 1 Leverage Capital – 10.79%; minimum for well capitalized under regulatory guideline is 5.0%
    - ALLL as a percent of HTM loans – 1.40%
    - Net charge-offs for 2008 as a percent of 2008 average total loans – 1.0%
    - Total OREO, Delinquent and Non-accrual loans to total risk based capital – 26.4%, which is also equivalent to 3.8% of total loans at 12-31-08.
    - Average Net Interest Margin for 2008 was a healthy 4.60%

Letter to Our Customers and Shareholders
Financial Results for the year ended December 31, 2008

Headlines can be misleading and in a time of financial crisis, that can make matters worse. Pick up a newspaper, or listen to the news on TV or radio and what you hear are reports of a “banking” crisis and severe market turmoil. There is no doubt now that we are in a recession and a few very knowledgeable financial “experts” are warning that the economy may be nearing a period of depression.

And these predictions and pronouncements of gloom and doom for the financial services industry have be punctuated by the closing of some of our competitors here in the Inland Empire, who in recent history were some of the finest community financial institutions in the Country.

Due to our record of staying the course of conservative banking principles, ICB Financial and its subsidiary, Inland Community Bank, N.A. – are safe and sound. Every account is insured by the FDIC, currently up to $250,000 with additional protection for joint accounts. And every dollar in a non-interest bearing transaction account is fully insured by the FDIC with no limit to the insurance coverage.

But most importantly, Inland Community Bank, N.A. is operated by banking professionals who know how to run the Bank so that the insurance coverage afforded by the FDIC should never be needed.

ICB remains strong and "well capitalized" which means that the Bank holds more capital than the banking regulations require. In addition ICB has received the preliminary approval of the US Treasury Department to participate in its TARP Capital Program which would add an additional capital cushion to the Bank to be used in the event that economic conditions continue to deteriorate in our market. Participation in this program has been limited to banks considered to be strong, viable banking entities with a future of continued community service to their respective markets. The Board of Directors of the Company will decide shortly whether to participate in this program.

Maintaining asset quality remains a priority for Management and as a result of the continuous monitoring of problem assets the Bank has added $2.7 million to its Allowance for Loan and Lease Losses during 2008. Net losses charged to the allowance were $1.97 million during the year and we will continue to make further additions to this reserve as needed until the economy reverses its downward slide. We all know that our financial system is being tested, but let us also remember that the system has and will show resiliency.

Recent market events have further highlighted the need for sound liquidity risk management practices and ICB has improved it liquidity measures by supplementing traditional static balance sheet ratios with forward-looking dynamic measures. The Bank performs stress testing using stress scenarios which are incorporated into a comprehensive Contingent Funding Plan. This planning has resulted in a minimal use of “wholesale” funding and at year end less than 17% of total funding was provided by wholesale sources, which consisted of brokered deposits and FHLB advances.

The Bank’s operating departments have re-emphasized the basic fundamentals of banking and by granular analysis of existing operations have created new operating efficiencies that have contributed to increases in the income generated from operations. Extraordinary efforts implemented by Senior Management have also helped to slash non-interest expenses which have been reduced by more than 16% for 2008. These reductions in overhead expenses will be critical to the increased profitability of the Bank in the years ahead and Management will be diligent in pursing additional expense reductions in 2009.

Finally, the tangible book value (TBV) per share increased to $5.53 per share on December 31, 2008, an increase of 2% from the December 31, 2007 value of $5.42 per share. As we noted in previous earnings releases, this increase was due in part to a successful stock repurchase program early in 2008 which reduced the number of shares outstanding by 356,450 shares or 6.5%.

We remain concerned over the lack of trust which seems to be covering the entire financial services industry. This uncertainty has resulted in depressed share prices throughout the entire industry and we would like to assure our shareholders that in the case of ICB Financial, these depressed values are not reflective of the true condition of the Company.

The ICB team of banking professionals is working hard to help assure that an investment in ICB Financial will be rewarding for years to come. We continue to emphasize the basic fundamentals of banking and managing the risks associated with business banking. Every member of our team has worked hard to ensure that our customers receive the best service possible and to assure each customer that any deposit made in the Inland Community Bank, regardless of size, is safe and sound.

Our primary objective will continue to be to maintain a strong Company supported by a great team of employees. As mentioned previously, we will soon make the decision regarding acceptance of additional capital from the US Treasury. Whatever the final decision, please be assured that it will be made with the best interest of our shareholders and customers in mind and if this capital is accepted it will be used to help businesses in our community.

Thank you once again for your support during this difficult time and while we do not know when this market turbulence will subside, we will remain focused on meeting the needs of our business community.

James S. Cooper
President and Chief Executive Officer

ICB FINANCIAL

Consolidated Balance Sheets
Unaudited - Internally Prepared
(in thousands)

	As of Dec 31, 2008	As of Dec 31, 2007	Dec 2008 to Dec 2007 Percentage Change	As of Dec 31, 2006
Assets				
Total cash and due from banks				
Noninterest-bearing balances, coin and currency	$ 6,111	$ 9,355	-34.7%	$ 11,263
Interest bearing balances	9,979	13,103	-23.8%	4,052
Held to maturity securities - held to maturity	3,001	8,583	-65.0%	13,241
Available for sale securities	4,099	848	383.4%	1,231
Federal funds sold	-	7,885	-100.0%	10,700
Loans held for sale (at the lower of cost or market)	9,520	-	0.0%	-
Loans , net of unearned income	198,125	188,690	5.0%	141,875
Less: Allowance for loan losses	(2,627)	(1,974)	33.1%	(1,622)
Net loans	205,018	186,716	9.8%	140,253
Premises and fixed assets - net	10,181	10,281	-1.0%	10,416
Other real estate owned and investments in OREO	1,688	600	181.3%	-
Intangible assets				
Goodwill	2,280	2,280	0.0%	2,280
Core deposit intangibles	1,094	1,396	-21.6%	1,991
Other assets	9,679	8,508	13.8%	6,670
Total Assets	$ 253,130	$ 249,555	1.4%	$ 202,097
Liabilities and Capital				
Deposits				
Noninterest-bearing	$ 57,277	$ 68,177	-16.0%	$ 69,314
Interest bearing	154,576	147,315	4.9%	100,390
Total deposits	211,853	215,492	-1.7%	169,704
Advances from FHLB San Francisco	9,000	-	100.0%	-
Other liabilities	1,504	1,652	-9.0%	1,083
Total liabilities	222,357	217,144	2.4%	170,787
Equity capital				
Common stock	5,108	5,459	-6.4%	5,417
Surplus	21,611	23,246	-7.0%	23,150
Retained earnings	3,998	3,714	7.6%	2,751
Accumulated other comprehensive income (loss)	56	(8)	-800.0%	(8)
Total Equity Capital	30,773	32,411	-5.1%	31,310
Total Liabilities and Equity Capital	$ 253,130	$ 249,555	1.4%	$ 202,097

ICB FINANCIAL

Consolidated Statements of Income
Unaudited - Internally Prepared
(in thousands)

	12 Months ended Dec 31, 2008	12 Months ended Dec 31, 2007	Percentage Change	4rd Quarter 2008	4rd Quarter 2007	Percentage Change
Interest Income on:						
Total interest and fees on loans	$ 13,911	$ 14,069	-1.1%	$ 3,427	$ 3,778	-9.3%
Interest on investment securities	376	549	-31.5%	89	18	394.4%
Interest on federal funds sold	108	617	-82.5%	10	166	-94.0%
Other interest income	284	207	37.2%	65	193	-66.3%
Total interest income	14,679	15,442	-4.9%	3,591	4,155	-13.6%
Interest Expense:						
Interest paid on deposits	4,391	4,661	-5.8%	1,055	1,410	-25.2%
Total interest expense	4,391	4,661	-5.8%	1,055	1,410	-25.2%
Net interest income	$ 10,288	$ 10,781	-4.6%	$ 2,536	$ 2,745	-7.6%
Provision for Possible Loan Losses	2,700	480	462.5%	1,055	85	1141.2%
Net Interest Income after ALLL Provision	7,588	10,301	-26.3%	1,481	2,660	-44.3%
Total non-interest income	1,530	1,487	2.9%	395	457	-13.6%
Total non-interest expense	8,616	10,302	-16.4%	2,129	2,326	-8.5%
Income before income taxes	502	1,486	-66.2%	(253)	791	-132.0%
Applicable income taxes	189	523	-63.9%	(91)	291	-131.3%
Net income	$ 313	$ 963	-67.5%	$ (162)	$ 500	-132.4%

SELECTED FINANCIAL RATIOS AND PER SHARE DATA

	12 Months ended Dec 31, 2008	12 Months ended Dec 31, 2007	Percentage Change	4rd Quarter 2008	4rd Quarter 2007	Percentage Change
Per Common Share Data						
Earnings per share - basic	$ 0.06	$ 0.18	-65.3%	$ (0.03)	$ 0.09	-134.6%
Earnings per share - diluted	$ 0.06	$ 0.16	-63.0%	$ (0.03)	$ 0.09	-134.0%
Actual shares outstanding	5,107,731	5,458,796	-6.4%	5,107,731	5,458,796	-6.4%
Weighted Average Shares Outstanding	5,195,557	5,430,772	-4.3%	5,195,557	5,458,796	-4.8%
Shares outstanding - (fully diluted)	5,346,572	5,619,196	-4.9%	5,346,572	5,619,196	-4.9%
Financial Ratios						
Return on Average Assets	0.13%	0.43%	-70.4%	-0.5%	0.80%	-165.5%
Return on Average Equity (Note 1)	0.99%	3.02%	-67.2%	-0.5%	6.21%	-108.5%
Yield on Earning Assets	6.73%	7.90%	-14.8%	6.46%	7.58%	-14.8%
Efficiency ratio	72.9%	84.0%	-13.2%	72.6%	72.6%	0.0%
Loan to deposit ratio	98.0%	87.6%	11.9%	98.0%	87.6%	11.9%
ALLL as a percent of Total Loans (Includes OBS reserve)	1.38%	1.10%	25.5%	1.38%	1.06%	29.8%
Nonperforming assets - in thousands	$ 5,264	$ 3,050	72.6%	$ 5,264	$ 3,050	72.6%
Nonperforming loans as a percent of total assets	2.08%	1.22%	70.6%	2.08%	1.22%	70.5%
Book value per share	$ 6.02	$ 5.94	1.5%	$ 6.02	$ 5.94	1.5%
Tangible book value per share	$ 5.53	$ 5.42	2.0%	$ 5.53	$ 5.42	2.0%

SCHEDULE A

ADDITIONAL TERMS AND CONDITIONS

Company Information:

Name of the Company: **ICB Financial**

Corporate or other organizational form: **Corporation**

Jurisdiction of Organization: **California**

Appropriate Federal Banking Agency: **Board of Governors of the Federal Reserve System**

Notice Information: **James Cooper**
3999 E. Inland Empire Blvd
Ontario, California 91764
Tel: 909-481-8706
Fax: 909-481-9928
jcooper@inlandcommunitybank.com

Terms of the Purchase:

Series of Preferred Stock Purchased: **Fixed Rate Cumulative Perpetual Preferred Stock, Series A.**

Per Share Liquidation Preference of Preferred Stock: **$1,000.000**

Number of Shares of Preferred Stock Purchased: **6,000**

Dividend Payment Dates on the Preferred Stock: **February 15, May 15, August 15 and November 15**

Series of Warrant Preferred Stock: **Fixed Rate Cumulative Perpetual Preferred Stock, Series B.**

Number of Warrant Shares: **300.003**

Number of Net Warrant Shares (after net settlement): **300**

Exercise Price of the Warrant: **$0.01 per Warrant Share**

Purchase Price: **$6,000,000**

Closing:

Location of Closing: **Telephonic**

Time of Closing: **9:00 a.m. EST**

Date of Closing: **March 6, 2009**

UST Sequence Number: 485

Wire Information for Closing:	**ABA Number: [redacted]**
	Bank: Inland Community Bank
	Account Name: Inland Community Bank
	Account Number: [redacted]
	Beneficiary: Inland Community Bank
Contact for Confirmation of Wire Information:	**Thomas O. Griel**
	Chief Financial Officer
	Tel: 909-481-8706
	Fax: 909-481-9928
	tgriel@inlandcommunitybank.com

UST Sequence Number: 485

SCHEDULE B

CAPITALIZATION

Capitalization Date: **February 28, 2009**

Common Stock

Par value: **No Par Value**

Total Authorized: **10,000,000**

Outstanding: **5,107,731**

Subject to warrants, options, convertible securities, etc.: **1,024,388**

Reserved for benefit plans and other issuances: **113,895**

Remaining authorized but unissued: **4,892,269**

Shares issued after Capitalization Date (other than pursuant to warrants, options, convertible securities, etc. as set forth above):

None

Preferred Stock - No preferred stock authorized as of January 31, 2009

Par value: n/a

Total Authorized: **0**

Outstanding (by series): **0**

Reserved for issuance: **0**

Remaining authorized but unissued: **0**

Holders of 5% or more of any class of capital stock	Primary Address
[redacted]	[redacted]
[redacted]	

UST Sequence Number: 485

SCHEDULE C

LITIGATION

List any exceptions to the representation and warranty in Section 2.2(l) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box: [X] .

SCHEDULE D

COMPLIANCE WITH LAWS

List any exceptions to the representation and warranty in the second sentence of Section 2.2(m) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box: [X].

List any exceptions to the representation and warranty in the last sentence of Section 2.2(m) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box: [X].

SCHEDULE E

REGULATORY AGREEMENTS

List any exceptions to the representation and warranty in Section 2.2(s) of the Securities Purchase Agreement – Standard Terms.

If none, please so indicate by checking the box: [X].