ANNEX E

FORM OF WARRANT

[SEE ATTACHED]

ANNEX E

FORM OF WARRANT TO PURCHASE PREFERRED STOCK

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS. THIS INSTRUMENT IS ISSUED SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID.

WARRANT
to purchase
____
Shares of Preferred Stock

of ______________________

Issue Date: ________________________

1. <u>Definitions</u>. Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

"*Board of Directors*" means the board of directors of the Company, including any duly authorized committee thereof.

"*business day*" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

"*Charter*" means, with respect to any Person, its certificate or articles of incorporation, articles of association, or similar organizational document.

"*Company*" means the Person whose name, corporate or other organizational form and jurisdiction of organization is set forth in Item 1 of Schedule A hereto.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"*Exercise Price*" means the amount set forth in Item 2 of Schedule A hereto.

"*Expiration Time*" has the meaning set forth in Section 3.

"*Issue Date*" means the date set forth in Item 3 of Schedule A hereto.

"*Liquidation Amount*" means the amount set forth in Item 4 of Schedule A hereto.

"*Original Warrantholder*" means the United States Department of the Treasury. Any actions specified to be taken by the Original Warrantholder hereunder may only be taken by such Person and not by any other Warrantholder.

"*Person*" has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

"*Preferred Stock*" means the series of perpetual preferred stock set forth in Item 5 of Schedule A hereto.

"*Purchase Agreement*" means the Securities Purchase Agreement – Standard Terms incorporated into the Letter Agreement, dated as of the date set forth in Item 6 of Schedule A hereto, as amended from time to time, between the Company and the United States Department of the Treasury (the "*Letter Agreement*"), including all annexes and schedules thereto.

"*Regulatory Approvals*" with respect to the Warrantholder, means, to the extent applicable and required to permit the Warrantholder to exercise this Warrant for shares of Preferred Stock and to own such Preferred Stock without the Warrantholder being in violation of applicable law, rule or regulation, the receipt of any necessary approvals and authorizations of, filings and registrations with, notifications to, or expiration or termination of any applicable waiting period under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"*Shares*" has the meaning set forth in Section 2.

"*Warrantholder*" has the meaning set forth in Section 2.

"*Warrant*" means this Warrant, issued pursuant to the Purchase Agreement.

2. Number of Shares; Exercise Price. This certifies that, for value received, the United States Department of the Treasury or its permitted assigns (the "*Warrantholder*") is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the

Company, in whole or in part, after the receipt of all applicable Regulatory Approvals, if any, up to an aggregate of the number of fully paid and nonassessable shares of Preferred Stock set forth in Item 7 of Schedule A hereto (the "*Shares*"), at a purchase price per share of Preferred Stock equal to the Exercise Price.

3. Exercise of Warrant; Term. Subject to Section 2, to the extent permitted by applicable laws and regulations, the right to purchase the Shares represented by this Warrant is exercisable, in whole or in part by the Warrantholder, at any time or from time to time after the execution and delivery of this Warrant by the Company on the date hereof, but in no event later than 5:00 p.m., New York City time on the tenth anniversary of the Issue Date (the "*Expiration Time*"), by (A) the surrender of this Warrant and Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the principal executive office of the Company located at the address set forth in Item 8 of Schedule A hereto (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company), and (B) payment of the Exercise Price for the Shares thereby purchased, by having the Company withhold, from the shares of Preferred Stock that would otherwise be delivered to the Warrantholder upon such exercise, shares of Preferred Stock issuable upon exercise of the Warrant with an aggregate Liquidation Amount equal in value to the aggregate Exercise Price as to which this Warrant is so exercised.

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time, and in any event not exceeding three business days, a new warrant in substantially identical form for the purchase of that number of Shares equal to the difference between the number of Shares subject to this Warrant and the number of Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, the Warrantholder hereby acknowledges and agrees that its exercise of this Warrant for Shares is subject to the condition that the Warrantholder will have first received any applicable Regulatory Approvals.

4. Issuance of Shares; Authorization. Certificates for Shares issued upon exercise of this Warrant will be issued in such name or names as the Warrantholder may designate and will be delivered to such named Person or Persons within a reasonable time, not to exceed three business days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder, income and franchise taxes incurred in connection with the exercise of the Warrant or taxes in respect of any transfer occurring contemporaneously therewith). The Company agrees that the Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Shares may not be actually delivered on such date. The Company will at all times reserve and keep available, out of its authorized but unissued preferred stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Preferred Stock then issuable upon exercise of this Warrant at any

time. The Company will use reasonable best efforts to ensure that the Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Shares are listed or traded.

5. No Rights as Stockholders; Transfer Books. This Warrant does not entitle the Warrantholder to any voting rights or other rights as a stockholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.

6. Charges, Taxes and Expenses. Issuance of certificates for Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company.

7. Transfer/Assignment.

(A) Subject to compliance with clause (B) of this Section 7, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 3. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 7 shall be paid by the Company.

(B) The transfer of the Warrant and the Shares issued upon exercise of the Warrant are subject to the restrictions set forth in Section 4.4 of the Purchase Agreement. If and for so long as required by the Purchase Agreement, this Warrant shall contain the legends as set forth in Section 4.2(a) of the Purchase Agreement.

8. Exchange and Registry of Warrant. This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

9. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of a bond, indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

10. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a business day, then such action may be taken or such right may be exercised on the next succeeding day that is a business day.

11. Rule 144 Information. The Company covenants that it will use its reasonable best efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated by the SEC thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Warrantholder, make publicly available such information as necessary to permit sales pursuant to Rule 144 under the Securities Act), and it will use reasonable best efforts to take such further action as any Warrantholder may reasonably request, in each case to the extent required from time to time to enable such holder to, if permitted by the terms of this Warrant and the Purchase Agreement, sell this Warrant without registration under the Securities Act within the limitation of the exemptions provided by (A) Rule 144 under the Securities Act, as such rule may be amended from time to time, or (B) any successor rule or regulation hereafter adopted by the SEC. Upon the written request of any Warrantholder, the Company will deliver to such Warrantholder a written statement that it has complied with such requirements.

12. Adjustments and Other Rights. For so long as the Original Warrantholder holds this Warrant or any portion thereof, if any event occurs that, in the good faith judgment of the Board of Directors of the Company, would require adjustment of the Exercise Price or number of Shares into which this Warrant is exercisable in order to fairly and adequately protect the purchase rights of the Warrants in accordance with the essential intent and principles of the Purchase Agreement and this Warrant, then the Board of Directors shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of the Board of Directors, to protect such purchase rights as aforesaid.

Whenever the Exercise Price or the number of Shares into which this Warrant is exercisable shall be adjusted as provided in this Section 12, the Company shall forthwith file at the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Shares into which this Warrant shall be exercisable after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Company's records.

13. No Impairment. The Company will not, by amendment of its Charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder.

14. Governing Law. This Warrant will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and

to be performed entirely within such State. Each of the Company and the Warrantholder agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia for any civil action, suit or proceeding arising out of or relating to this Warrant or the transactions contemplated hereby, and (b) that notice may be served upon the Company at the address in Section 17 below and upon the Warrantholder at the address for the Warrantholder set forth in the registry maintained by the Company pursuant to Section 8 hereof. To the extent permitted by applicable law, each of the Company and the Warrantholder hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to the Warrant or the transactions contemplated hereby or thereby.

15. Binding Effect. This Warrant shall be binding upon any successors or assigns of the Company.

16. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.

17. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second business day following the date of dispatch if delivered by a recognized next day courier service. All notices hereunder shall be delivered as set forth in Item 9 of Schedule A hereto, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

18. Entire Agreement. This Warrant, the forms attached hereto and Schedule A hereto (the terms of which are incorporated by reference herein), and the Letter Agreement (including all documents incorporated therein), contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

[Remainder of page intentionally left blank]

[Form of Notice of Exercise]
Date: _________

TO: **[Company]**

RE: Election to Purchase Preferred Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase such number of shares of Preferred Stock covered by the Warrant such that after giving effect to an exercise pursuant to Section 3(B) of the Warrant, the undersigned will receive the net number of shares of Preferred Stock set forth below. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Preferred Stock in the manner set forth in Section 3(B) of the Warrant.

Number of Shares of Preferred Stock:[1] ________________________

The undersigned agrees that it is exercising the attached Warrant in full and that, upon receipt by the undersigned of the number of shares of Preferred Stock set forth above, such Warrant shall be deemed to be cancelled and surrendered to the Company.

Holder: ________________________
By: ________________________
Name: ________________________
Title: ________________________

1. Number of shares to be received by the undersigned upon exercise of the attached Warrant pursuant to Section 3(B) thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by a duly authorized officer.

Dated: ________________

COMPANY: ________________

By: __________________________
Name:
Title:

Attest:

By: _________________________________
Name:
Title:

[Signature Page to Warrant]

SCHEDULE A

Item 1
Name:
Corporate or other organizational form:
Jurisdiction of organization:

Item 2
Exercise Price:[2]

Item 3
Issue Date:

Item 4
Liquidation Amount:

Item 5
Series of Perpetual Preferred Stock:

Item 6
Date of Letter Agreement between the Company and the United States Department of the Treasury:

Item 7
Number of shares of Preferred Stock:[3]

Item 8
Company's address:

Item 9
Notice information:

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[2] $0.01 per share or such greater amount as the Charter may require as the par value of the Preferred Stock.

[3] The initial number of shares of Preferred Stock for which this Warrant is exercisable shall include the number of shares required to effect the cashless exercise pursuant to Section 3(B) of this Warrant (e.g., such number of shares of Preferred Stock having an aggregate Liquidation Amount equal in value to the aggregate Exercise Price) such that, following exercise of this Warrant and payment of the Exercise Price in accordance with such Section 3(B), the net number of shares of Preferred Stock delivered to the Warrantholder (and rounded to the nearest whole share) would have an aggregate Liquidation Amount equal to 5% of the aggregate amount invested by the United States Department of the Treasury on the investment date.

SCHEDULE 2.2(H)

FINANCIAL STATEMENTS

Messages to Shareholders:

In 2005, ICB Financial embarked upon several strategic processes designed to: 1) increase net profit and earnings per share to maximize return on shareholder investment; 2) soundly enhance customer service; 3) increase the Bank's loan and deposit totals; and 4) present our redesigned brand name in the marketplace. These processes included several "firsts" for the Bank. Some exciting things accomplished in 2005 include: 1) the formation of a holding company, ICB Financial, with a redesigned logo; 2) construction of our building in Ontario; and 3) entering into an agreement to acquire Western State Bank. With all this activity management has maintained its commitment to our shareholders to maximize the return on your investment. The year 2005 was an exciting and challenging year for our customers, shareholders, and staff of ICB Financial. We are proud to share with you some financial highlights.

ICB Financial and its subsidiary, Inland Community Bank, N. A. (the "Bank") completed 2005 with operating results yielding a third consecutive year of growth in Assets, Deposits and Earnings. The Bank generated record net income before income tax ("NIBIT") in 2005 while becoming fully taxable at the federal and state levels. In 2005, ICB Financial generated a consolidated book NIBIT of $1,522,943 as compared to $541,666 in 2004, an increase of $981,277 or 181.16%. Net consolidated book income after tax in 2005 was $930,838 as compared to $306,770 in 2004, an increase of $624,068 or 119.10%.

Basic Earnings per Share ("EPS") as of December 31, 2005 was 36¢ compared to 12¢ as of December 31, 2004, an increase of 23¢ or 191.60% per share. Diluted EPS as of December 31, 2005 was 32¢ compared to 12¢ as of December 31, 2004, an increase of 20¢ or 166.67% per share.

Book value of ICB Financial as of December 31, 2005 was $4.63 per share compared to $4.28 per share as of December 31, 2004, an increase of 35¢ or 8.18% per share.

Consolidated Return on Average Assets ("ROAA") as of December 31, 2004 was .78% as compared to .59% as of December 31, 2004, an increase of .19% or 32.20%. Consolidated Return on Equity ("ROE") as of December 31, 2005 was 8.65% compared to 11.25% as of December 31 2004, a decrease of 2.9% or 25.77%. ROE decreased in 2005 primarily due to 1) tax expense of $592,838 in 2005 as compared to $234,896 in 2004, and 2) increased beginning equity in 2005 as a result of the Private Placement Offering conducted in 2004, which generated $5.56 million in new equity in May of 2004, a 119% increase over equity as of December 31, 2004.

Net Loans outstanding as of December 31, 2005 were $78,806,586 as compared to $72,699,998 as of December 31, 2004, an increase of $6,106,588 or 8.39%. Loan interest and fee income for the 12 months ending December 31, 2005 was $6,225,599 as compared to $3,878,062 ~~as of~~ December 31, 2004, an increase of $2,347,537 or 60.53%. The increase in loan and fee income stemmed primarily from interest rate increases and core loan growth in 2005.

Deposits were $112,981,090 as of December 31, 2005 compared to $100,539,873 as of December 31, 2004, an increase of $12,441,217 or 12.37%.

Total Assets were $126,037,393 as of December 31, 2005 compared to $111,988,706 as of December 31, 2004, an increase of $14,048,687 or 12.54%.

Total operating income was $9,045,000 as of December 31, 2005 as compared to $6,365,411 as of December 31, 2004, an increase of $2,679,589 or 42.10%. Total operating expense as of December 31, 2005 was $7,969,162 as compared to $5,951,141 as of December 31, 2004, an increase of $2,018,021 or 33.91%. Increases in operating expense were centered in taxes, increased interest expense resulting from increasing deposits and an overall increase in market rates on interest paid on deposits, and increases in salary and personnel related expenses.

The Board of Directors, management, and staff of ICB Financial thank you for your continued support and business. If you have any questions please call me at (909) 481-8706 Extension 280.

Glenda M. Bayless
Chairman of the Board

James S. Cooper
President and CEO

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

ASSETS

	2005	2004
Cash and non-interest earning deposits	$ 8,304,009	$ 5,074,924
Federal funds sold	16,635,000	12,490,000
CASH AND CASH EQUIVALENTS	24,939,009	17,564,924
Time deposits in other financial institutions	3,753,000	3,267,000
Investment securities - held-to-maturity	15,204,918	15,497,519
Loans, net of unearned income	79,453,958	73,201,165
Less allowance for possible loan losses	(647,372)	(501,167)
NET LOANS	78,806,586	72,699,998
Premises and equipment		
Furniture and equipment	1,756,003	1,672,778
Buildings	1,001,490	1,001,490
Leasehold improvements	279,414	279,414
TOTAL PREMISES AND EQUIPMENT	3,036,907	2,953,682
Less: Accumulated depreciation and amortization	(1,584,963)	(1,376,915)
NET PREMISES AND EQUIPMENT	1,451,944	1,576,767
Accrued interest	473,291	332,292
Federal Reserve Bank Stock, at cost	299,850	282,871
SBA servicing asset	433,472	378,694
Income tax receivable	217,152	-
Deferred tax benefit	67,376	126,800
Other assets	390,794	261,841
TOTAL ASSETS	$ 126,037,392	$ 111,988,706

LIABILITIES AND STOCKHOLDERS' EQUITY

	2005	2004
Liabilities		
Deposits		
Demand	$ 50,522,082	$ 41,497,905
Money market, NOW and savings	49,376,731	47,462,371
Time deposits greater than $100,000	8,291,215	7,011,052
Other time deposits	4,791,062	4,568,545
TOTAL DEPOSITS	112,981,090	100,539,873
Accrued interest	34,145	60,903
Other liabilities	395,998	638,709
TOTAL LIABILITIES	113,411,233	101,239,485
Commitments and Contingencies - Note 9		
Stockholders' Equity		
Common Stock - 10,000,000 shares authorized $1 par value; 2,740,409 and 2,510,789 shares issued and outstanding at December 31, 2005 and 2004, respectively	2,740,409	2,510,789
Paid in capital	7,841,123	7,124,643
Retained earnings, after quasi reorganization on December 18, 1995, of $2,197,369 charged against its capital accounts	2,044,627	1,113,789
TOTAL STOCKHOLDERS' EQUITY	12,626,159	10,749,221
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 126,037,392	$ 111,988,706

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
Interest Income		
Interest and fees on loans	$ 6,225,599	$ 3,878,062
Interest on investment securities	512,339	274,669
Federal funds sold	345,549	185,673
Time certificates of deposit	118,198	47,065
Total Interest Income	7,201,685	4,385,469
Interest Expense		
NOW and money market deposits	734,747	251,179
Savings	22,804	13,299
Time deposits greater than $100,000	158,031	111,306
Other time deposits	89,492	56,174
Other interest expense	982	-
Total Interest Expense	1,006,056	431,958
Net Interest Income	6,195,629	3,953,511
Provision for Possible Loan Losses	145,000	107,500
Net Interest Income after Provision for Loan Losses	6,050,629	3,846,011
Non-Interest Income		
Service fees	830,747	1,106,380
Gain on SBA loan sales	744,276	625,302
Other	268,292	248,260
Total Non-Interest Income	1,843,315	1,979,942
Non-Interest Expense		
Salaries and employee benefits	3,805,815	3,060,392
Occupancy	390,891	390,937
Furniture and equipment	219,230	202,896
Other	1,955,065	1,630,062
Total Non-Interest Expense	6,371,001	5,284,287
Income Before Income Taxes	1,522,943	541,666
Income Taxes	592,105	234,896
Net Income	$ 930,838	$ 306,770
Earnings Per Share		
Net income - **Basic**	$ 0.36	$ 0.12
Net income - **Diluted**	$ 0.32	$ 0.12

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

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Number of Shares Outstanding	Common Stock	Paid In Capital	Retained Earnings	Total
Balance, January 1, 2004	1,336,049	$1,336,049	$ 2,511,390	$ 807,019	$ 4,654,458
Net income for the year	-	-	-	306,770	306,770
Tax benefit from change in deferred tax valuation allowance	-	-	216,984	-	216,984
Other equity increases:					
Options exercised	5,072	5,072	3,804	-	8,876
Private placement stock offering	1,169,668	1,169,668	4,392,465	-	5,562,133
Balance, December 31, 2004	2,510,789	2,510,789	7,124,643	1,113,789	10,749,221
Net income for the year	-	-	-	930,838	930,838
Tax benefit on non-qualified stock options exercised	-	-	308,495	-	308,495
Other equity increases:					
Options exercised	176,620	176,620	142,985	-	319,605
Warrants exercised	53,000	53,000	265,000	-	318,000
Balance, December 31, 2005	2,740,409	$2,740,409	$ 7,841,123	$ 2,044,627	$12,626,159

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
Cash Flows from Operating Activities		
Net income	$ 930,838	$ 306,770
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for possible loan losses	145,000	107,500
Depreciation and amortization	208,050	202,087
Gain on sale of SBA loans	(744,276)	(609,942)
Discount accretion/amortization on investments	(7,399)	-
Increase in SBA servicing assets	(54,788)	(180,415)
Increase in income tax receivable	(217,152)	-
(Increase) in accrued interest receivable	(140,999)	(145,724)
Decrease/(increase) in other assets	298,400	(72,216)
(Decrease)/increase in deferred tax benefit	(59,424)	260,545
(Decrease)/increase in other liabilities	(269,469)	331,361
Net Cash Provided by Operating Activities	88,781	199,966
Cash Flows from Investing Activities		
Net decrease in time deposits in other institutions	(486,000)	(1,978,000)
Proceeds from maturing held-to-maturity securities	3,000,000	9,497,635
Proceeds from the Sale of SBA loans	1,253,360	9,658,205
Purchases of investment securities	(2,700,000)	(17,500,000)
Net increase in loans	(4,817,492)	(28,732,317)
Origination of SBA loans	(1,943,180)	(8,837,440)
Purchases of bank premises and equipment	(83,227)	(224,987)
Purchase of Federal reserve bank stock	(16,979)	(173,771)
Net Cash Used by Investing Activities	(5,793,518)	(38,290,675)
Cash Flows from Financing Activities		
Net increase in demand, savings, money market and NOW accounts	10,938,537	35,037,475
Net increase/(decrease) in time deposits	1,502,680	(786,799)
Proceeds from options and warrants exercised	637,605	8,876
Proceeds from private placement offering	-	5,562,133
Net Cash Provided by Financing Activities	13,078,822	39,821,685
Increase in Cash and Cash Equivalents	7,374,085	1,730,976
Cash and Cash Equivalents, Beginning of Year	17,564,924	15,833,948
Cash and Cash Equivalents, End of Year	$ 24,939,009	$ 17,564,924
Supplemental Disclosures of Cash Flow Information		
Income taxes paid	$ 810,503	$ 271,231
Interest paid	$ 1,032,814	$ 381,153

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Inland Community Bank ("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 one branch 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, 2005 AND 2004

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, 2005.

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 and equity securities have been classified in the balance sheet according to management's intent. At December 31, 2005 and 2004, all investments are classified as held-to-maturity.

Securities held-to-maturity consist of government obligations reported at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity.

Declines in the fair values of individual held-to-maturity securities below their cost that are other than temporary result in write-downs of individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than costs, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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 excess servicing fees in excess of the contractual servicing fees is reflected as interest-only (I/O) strips receivable, which are classified as interest-only strips receivable available for sale and are carried at fair value.

Gains and losses from the sale of participating interests in loans guaranteed by the Small Business Administration (SBA) are recognized on the premium received or discount paid and the cost basis of the portion of the loan sold. The cost basis of the portion of the loan sold was arrived at by allocating the total cost of each loan between the guaranteed portion of the loan sold and the unguaranteed portion of the loan retained, based on their relative fair values. The book value allocated to the unguaranteed portion of the loan, if less than the principal amount, is recorded as a discount on the principal amount retained. The discount is accreted to income over the remaining estimated life of the loan. The Company retains the servicing on the portion of the loans sold and recognizes income on the servicing fees that are received.

Loans Held for Sale

The Bank may sell the guaranteed portion of SBA, as well as the rights and obligations to service the loans. The Bank receives an interest rate differential from payments made by borrowers, which is at least sufficient to provide for the future servicing costs and an allowance for a reasonable profit. Gains are recorded upon the sale of the loans based upon premiums paid by the purchasers and upon the fair value of any retained interests.

At December 31, 2005 and December 31, 2004, the balance of SBA loans serviced for others was $433,472 and $378,694, respectively. The Bank continues to collect payments from the loans and transfers to the buyers' principal collected plus yield based on agreed upon rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Loans Held for Sale, Continued

Loans held for sale are carried at the lower of aggregate cost or market value, which is determined by the specified value in the commitments. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Allowance for Possible Loan Losses

The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions.

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 2005 and 2004 was $208,050 and $202,087, respectively.

Estimated useful lives are as follows:

Furniture, fixtures and equipment	3 to 10 years
Leasehold improvements	3 to 10 years
Buildings	39 years

Other Real Estate Owned (OREO)

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure establishing a new cost basis. After foreclosure, management periodically performs valuations and the real estate is carried at the lower of cost or fair value, minus estimated costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other expenses. The Company had no OREO at December 31, 2005 or 2004.

Advertising Costs

The Company expenses the costs of advertising in the period incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Comprehensive Income

Beginning in 1998, the Company adopted SFAS No. 130, "*Reporting Comprehensive Income,*" which requires the disclosure of comprehensive income and its components. Since the Company's investments are held-to-maturity, there is no comprehensive income other than net 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.

Stock-Based Compensation

SFAS No. 123, "*Accounting for Stock-Based Compensation,*" encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, "*Accounting for Stock Issued to Employees*," and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Stock-Based Compensation, Continued

Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income would have been reduced to the following proforma amounts:

	2005	2004
Net income:		
As reported	$ 930,838	$ 306,770
Proforma	$ 930,838	$ 306,770
Per share data:		
Net income - Basic	$ 0.36	$ 0.12
As reported	$ 0.36	$ 0.12
Proforma		
Net income - Diluted		
As reported	$ 0.32	$ 0.12
Proforma	$ 0.32	$ 0.12

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 8.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recent Accounting Pronouncements

SFAS No. 123R – Share-Based Payment

In December 2004, FASB revised SFAS No. 123 and issued it under its new name, "*Share-Based Payment*". This Statement eliminates the alternative to use APB Opinion No. 25 intrinsic value method of accounting discussed in the previous paragraph. Instead, this Statement generally requires entities to recognize the cost of employee services received in exchange for awards of stock options, or other equity instruments, based on the grant-date fair value of those awards. This cost will be recognized over the period during which an employee is required to provide service in exchange for the award, generally the vesting period.

The Company must adopt this Statement in 2006 for all new stock option awards as well as any existing awards that are modified, repurchased or cancelled. In addition, the unvested portion of previously awarded options will also be recognized as expense. The Company is unable to estimate the impact of this Statement on its financial condition and results of operations as the decision to grant option awards is made annually on a case-by-case basis, and accordingly, the Company cannot estimate the amount of stock awards that will be made in 2006.

The phase-in period for this statement, as amended April 14, 2005 by the SEC, begins on January 1, 2006.

Staff Accounting Bulletin (SAB) No. 107

In March 2005, the SEC staff issued SAB No. 107 to provide guidance on SFAS No. 123R. SAB No. 107 provides the SEC staff's view regarding the valuation of share-based payment arrangements for public companies.

SFAS No. 154 – "Accounting Changes and Error Corrections"

In May 2005, FASB issued SFAS No. 154, "*Accounting Changes and Error Corrections*". SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in the accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

FASB Staff Position (FSP) FAS 123I-1

On August 31, 2005, the FASB Staff issued FSP FAS 123I-1, "*Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services*" under SFAS No. 123R. This FSP defers the requirement that a freestanding financial instrument originally subject to SFAS No. 123R becomes subject to the recognition and measurement requirements of other applicable generally accepted accounting principles (GAAP) when the rights conveyed by the instrument to the holder are no longer dependent on the holder being an employee of the entity. Such instruments shall continue to be accounted for under the provisions of SFAS No. 123R unless its terms are modified when the holder is no longer an employee.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recent Accounting Pronouncements, Continued

FSP FAS 123I-2

On October 18, 2005, the FASB Staff issued FSP FAS 123I-2, "*Practical Accommodation to the Application of Grant Date as Defined in FASB Statement No. 123I*". This FSP permits the presumption that an understanding of the key terms and conditions of an individual employee's award are known at the date the Board, or other corporate governing body, approves the award, as long as the award is a unilateral grant and the key terms and conditions are expected to be communicated to the recipient within a relatively short period of time.

FSP FIN 46I-5

On March 3, 2005, the FASB Staff issued FSP FIN 46I-5, "*Implicit Variable Interests under FASB Interpretation No. 46*" (FIN 46R - Revised December 2003), Consolidation of Variable Interest Entities ("VIE"). This FSP requires a reporting enterprise to consider the impact of implicit variable interests in determining whether the reporting enterprise may absorb variability of the VIE or potential VIE. This staff position was effective in the second quarter of 2005.

FSP FAS 115-1

At the June 29, 2005, FASB Board meeting, the Board agreed to issue FSP FAS 115-1, "*The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*", which will replace the guidance previously set forth in EITF 03-1, "*The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*". This FSP effectively eliminates the accounting guidance provided in EITF 03-1 in favor of existing impairment recognition guidance under SFAS No. 115, SAB No. 59, APB No. 18, and EITF Topic D-44. The FSP is for periods beginning after September 15, 2005.

Reclassifications

Certain reclassifications have been made to the 2005 financial statements to conform to the classifications used in 2004. These classifications are of a normal recurring nature.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 2 - INVESTMENT SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2005				
U. S. Government Obligations	$ 15,204,918	$ 594,301	$ -	$ 15,799,219

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2004				
U. S. Government Obligations	$ 15,497,519	$ -	$ 77,622	$ 15,419,897

Management does not believe that any individual unrealized loss as of December 31, 2005 represents an other-than-temporary impairment. The unrealized losses reported for mortgage-backed securities relate primarily to securities issued by FNMA, FHLMC and GNMA. These unrealized losses are primarily attributable to changes in interest rates and were individually not significant to their respective amortized cost. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the debt securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2005, management believes the impairments detailed in the table above are temporary.

The amortized cost and fair values of investment securities held-to-maturity at December 31, 2005, 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	$ 15,204,918	$ 15,799,219

Proceeds from maturities of held-to-maturity investment securities were $3,000,000 during 2005 and $9,497,635 during 2004. There were no gains or losses on sales of investment securities in 2005 or 2004.

Investment securities carried at approximately $5,500,000 at December 31, 2005 and 2004, were pledged to secure public deposits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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 a diversity of commercial real estate types, and to a lesser extent, in real estate investors.

The Company also originates SBA loans for sale to governmental agencies and institutional investors. At December 31, 2005 and 2004, the Company was servicing approximately $23,299,979 and $16,302,694, respectively, in SBA loans previously sold.

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

	2005	2004
Real Estate		
Commercial and industrial	$ 52,804,496	$ 40,035,332
Multi-family and other residential	6,553,064	12,908,501
Construction	14,090,619	10,371,569
Total Real Estate	73,448,179	63,315,402
Commercial and industrial	6,622,869	9,609,681
Loans to individuals for household, family and other consumer expenditures	241,868	430,101
Overdrafts	72,906	58,492
Gross Loans	80,385,822	73,413,676
Less: Allowance for possible loan losses	(647,372)	(501,167)
Less: Deferred loan origination fees and costs	(931,864)	(212,511)
Net Loans	$ 78,806,586	$ 72,699,998

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

	2005	2004
Balance, Beginning of Year	$ 501,167	$ 363,628
Provision charged to operating expense	145,000	107,500
Recoveries on loans previously charged off	1,205	30,039
Balance, End of Year	$ 647,372	$ 501,167

The Company had no impaired loans at December 31, 2005 and December 31, 2004.

NOTE 4 - OTHER REAL ESTATE OWNED

The Company had no Other Real Estate Owned at December 31, 2005 and 2004.

NOTE 5 - 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:

	2005	2004
Balance, Beginning of Year	$ 601,385	$ 257,494
Loans granted	-	368,113
Payments	(335,559)	(24,222)
Balance, End of Year	$ 265,826	$ 601,385
Undisbursed commitment to lend, End of Year	$ 72,271	$ 110,758

NOTE 6 - DEPOSITS

The following is the scheduled maturities of time deposits:

Years Ending December 31,	
2006	$ 12,818,506
2007	263,771
Total	$ 13,082,277

Deposits from related parties were $1,356,413 and $2,007,669 at December 31, 2005 and 2004, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 7 - STOCK OPTION PLANS

At December 31, 2004, the Company had two stock-based compensation plans, which are described below. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation costs have been recognized in the financial statements for its 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.

A summary of the status of the Company's stock option plans as of December 31, 2005 and 2004, respectively, and changes during the years ending on those dates, are presented below:

	2005		2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Year	277,810	$ 2.34	282,882	$ 2.33
Exercised	(176,620)	$ 1.81	(5,072)	$ 1.75
Forfeited	-	-	-	-
Granted	-	-	-	-
Outstanding at End of Year	101,190	$ 3.27	277,810	$ 2.34
Options Exercisable at Year-End	101,190	$ 3.27	277,810	$ 2.34

The following table summarizes information about stock options outstanding at December 31, 2005.

	Outstanding Options		Exercisable Options	
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Number Outstanding	Weighted Average Exercise Price
$ 3.13	4,000	2.4	4,000	$ 3.13
3.25	56,400	3.6	56,400	3.25
3.35	4,600	6.6	4,600	3.35
3.30	36,190	6.8	36,190	3.30
	101,190	4.8	101,190	3.27

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 8 - EARNINGS PER SHARE

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

	2005		2004	
	Income	Shares	Income	Shares
Net income	$ 930,838	-	$ 306,770	-
Shares outstanding at year end	-	2,740,409	-	2,510,789
Impact of options exercised during the year	-	(146,457)	-	(5,072)
Used in Basic EPS	930,838	2,593,952	306,770	2,505,717
Dilutive effect of outstanding stock options	-	318,478	-	69,000
Used in Dilutive EPS	$ 930,838	2,912,430	$ 306,770	2,574,717

NOTE 9 - 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, 2005 and 2004, the Company had commitments to extend credit of $15,583,001, and $17,742,973 and obligations under standby letters of credit of $25,000 and $81,250, 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 two unsecured lines of credit with its correspondent banks for a total of $2 million.

NOTE 9 - COMMITMENTS AND CONTINGENCIES, Continued

The Company is leasing two of its present operating premises from non-affiliates. The lease on the Loma Linda branch expires in May 2007. The Los Angeles branch is leased for a period to expire October 2006. The minimum future rental payments for all leases, excluding property taxes and insurance, are as follows:

Year Ending December 31,	Amount
2006	$ 85,680
2007	36,576
Total	$ 122,256

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 2005 and 2004, was $257,843 and $255,424, respectively.

NOTE 10 - EMPLOYEE BENEFITS

In 1999, the Company adopted a SIMPLE IRA plan to allow employees and board of director members to defer up to $9,000 for 2005 and 2004 of their current compensation until retirement. The Plan allows for discretionary matching contributions by the Company. These contributions totaled $43,961 and $31,235 for the years ended December 31, 2005 and 2004, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 11 - OTHER EXPENSES

The following is a breakdown of other expenses for the years ended December 31, 2005 and 2004:

	2005	2004
Legal and professional	$ 175,154	$ 98,581
Data processing	362,563	375,519
Stationary and supplies	126,578	153,300
Outside services	320,595	180,261
Telephone	116,668	101,454
Commissions	108,291	51,811
SBA broker fees	3,375	12,670
Directors fees	85,368	77,528
Regulatory expenses	67,916	57,255
Advertising and promotion	52,422	34,481
Insurance	35,652	36,271
Auto and travel	58,955	46,805
Operating losses	13,409	13,715
Other	428,119	390,411
Total	$ 1,955,065	$ 1,630,062

NOTE 12 - INCOME TAXES

As explained in Note 1, SFAS No. 109, *"Accounting for Income Taxes,"* adopts an asset and liability method that requires 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 income tax provision differs from the amount computed by applying the Federal statutory rate of 34 percent as follows:

	2005	Percent	2004	Percent
Expected tax expense:				
Federal tax at stationary tax rate	$ 518,000	34.0%	$ 184,000	34.0%
California franchise tax, net of Federal benefit	86,363	5.7%	32,774	6.1%
Other	(12,258)	(0.8)%	18,122	3.3%
	$ 592,105	39.8%	$ 234,896	43.4%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 12 - INCOME TAXES, Continued

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

	2005	2004
Current tax expense:		
Federal	$ 372,705	$ (26,449)
State	159,879	800
	532,584	(25,649)
Deferred tax expense (benefit):		
Federal	97,546	210,545
State	(38,025)	50,000
	59,521	260,545
	$ 592,105	$ 234,896

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

	2005	2004
Deferred Tax Assets		
Allowance for loan losses	$ 208,476	$ 148,803
Benefit of loss carryforwards	-	255,761
Other	72,552	902
Total Deferred Tax Assets	281,028	405,466
Deferred Tax Liabilities		
Depreciation	(8,334)	(31,091)
Cash to accrual	(102,715)	(156,440)
Loan origination costs	(102,603)	(91,135)
Total Deferred Tax Liabilities	(213,652)	(278,666)
Net Deferred Taxes	$ 67,376	$ 126,800

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 13 - 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 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, 2005, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2005, the Bank is well capitalized under the regulatory framework for prompt corrective action. (There are no conditions or events since December 31, 2005 that management believes have changed the Bank's category.)

The following table compares the total capital and Tier 1 capital of the Company (on a consolidated basis), as of December 31, 2005, and the total capital and Tier 1 capital as of December 31, 2005 and December 31, 2004 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, 2005						
Total capital						
(to Risk-Weighted Assets)	$ 13,273	14.9%	$ 7,153	8.0%	N/A	N/A
Tier 1 Capital						
(to Risk-Weighted Assets)	12,626	14.1%	3,577	4.0%	N/A	N/A
Tier 1 Capital						
(to Average Assets)	12,626	9.7%	5,195	4.0%	N/A	N/A

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 13 - 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, 2005						
Total Capital						
(to Risk-Weighted Assets)	$ 12,953	14.5%	$ 7,151	8.0%	$ 8,938	10.0%
Tier 1 Capital						
(to Risk-Weighted Assets)	12,306	13.8%	3,575	4.0%	5,363	6.0%
Tier 1 Capital						
(to Average Assets)	12,306	9.5%	5,195	4.0%	6,494	5.0%
As of December 31, 2004						
Total Capital						
(to Risk-Weighted Assets)	$ 11,208	14.5%	$ 6,171	8.0%	$ 7,714	10.0%
Tier 1 Capital						
(to Risk-Weighted Assets)	10,707	13.9%	3,086	4.0%	4,628	6.0%
Tier 1 Capital						
(to Average Assets)	10,707	9.4%	4,556	4.0%	5,695	5.0%

NOTE 14 - 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, 2005. The estimated fair value amounts for 2005 and 2004 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS, Continued

Investment Securities

Fair value for securities held to maturity is based on quoted market prices.

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, 2005, variable rate loans comprised approximately 75 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 withdrawal 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, 2005 AND 2004

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS, Continued

The estimated fair value of the Company's financial instruments is as follows at December 31, 2005:

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and federal funds sold	$ 24,939,009	$ 24,939,009	$ 17,564,924	$ 17,564,924
Investment securities	15,204,918	15,799,279	15,497,519	15,419,897
Loans, net of fees	78,806,586	75,911,728	72,699,998	70,206,201
FRB stock	299,850	299,850	282,871	282,871
Accrued interest receivable	473,291	473,291	332,292	332,292
Financial liabilities:				
Deposits	112,980,090	102,387,572	100,539,873	100,486,843
Interest payable	34,145	34,145	14,074	14,074

Fair Value of Commitments

	2005		2004	
	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	$ 15,608,001	$ 156,080	$ 17,824,223	$ 178,242

NOTE 15 - ACQUISITION

On December 5, 2005, ICB Financial (the "Company") signed a definitive agreement to acquire Western State Bank ("Western"). Under the terms of the agreement, the Company will organize a subsidiary corporation ("Inland Merger Sub") as a wholly owned subsidiary of the Company for the sole purpose of merging Inland Merger Sub with and into Western (the "Merger") with the Bank being the surviving wholly owned subsidiary of the Company. The acquisition was approved by the Board of ICB Financial on November 22, 2005, and by the FDIC on March 8, 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 16 - CONDENSED FINANCIAL INFORMATION OF ICB FINANCIAL (Parent Company)

ASSETS

	2005
Cash and non-interest earning deposits	$ 7,143
Income tax receivable	338,184
Investment in banking subsidiary	12,306,114
Other assets	5,800
TOTAL ASSETS	$ 12,657,241

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities	
Income tax payable	$ 2,793
Other liabilities	28,289
TOTAL LIABILITIES	31,082
Stockholders' Equity	
Common Stock	2,740,409
Retained earnings	9,885,750
TOTAL STOCKHOLDERS' EQUITY	12,626,159
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 12,657,241

From inception October 1, 2005 through December 31, 2005:

	2005
Interest Expense	
Other interest expense	$ 982
Total Interest Expense	982
Non-Interest Expense	
Loss on banking subsidiary	17,740
Other	64,363
Total Non-Interest Expense	82,103
Income Before Income Taxes	(83,085)
Income Tax Benefit	26,895
Net Income	$ (56,190)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 16 - CONDENSED FINANCIAL INFORMATION OF ICB FINANCIAL (Parent Company), Continued

From inception October 1, 2005 through December 31, 2005:

	2005
Cash Flows from Operating Activities	
Net income	$ (56,190)
Adjustments to reconcile net income to net cash provided by operating activities	
Income tax receivable	(338,184)
Undistributed earnings in subsidiary	17,740
Increase in other assets	(5,800)
Increase in other liabilities	31,082
Net Cash Used by Operating Activities	(351,352)
Cash Flows from Investing Activities	
Dividends from subsidiary	50,000
Net Cash Provided by Financing Activities	50,000
Cash Flows from Financing Activities	
Tax benefits from options exercised	308,495
Net Cash Provided by Financing Activities	308,495
Increase in Cash and Cash Equivalents	7,143
Cash and Cash Equivalents, Beginning of Period	-
Cash and Cash Equivalents, End of Year	$ 7,143
Supplemental Disclosures of Cash Flow Information	
Cash paid for income taxes	$ -
Cash paid for interest	$ 982

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 balance sheets of ICB Financial and Subsidiary (the "Company") (a California Corporation) as of December 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of ICB Financial and Subsidiary as of December 31, 2005 and 2004, 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
March 31, 2006

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Vice Chairman

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Laurence C. Fentriss

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Executive Vice President,
Chief Administrative Officer
Chief Credit Officer

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Executive Vice President
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(Los Angeles)

Robert Story
Assistant Manager Operations
(Los Angeles)

⏩*AUDITORS*

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, CA

⏩*COUNSEL*

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⏩WEB SITE

www.icbbank.com

⏩OTC SYMBOL

ICBN

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FAX (909) 481-8713
Mon-Thurs 9-5 Friday 9-6

OFFICERS AND BOARD OF DIRECTORS OF ICB FINANCIAL

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	**Larence C. Fentriss**	

OFFICERS

James S. Cooper *President* *Chief Executive Officer*	**Robert C. Littlejohn** *Executive Vice President,* *Chief Operating Officer* *Chief Credit Officer*	**Barbara Oliver** *Vice President* *Corporate Secretary*

DECEMBER 31, 2006 AND 2005

TABLE OF CONTENTS

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Message to Shareholders:

ICB Financial and Subsidiary (the Company) successfully completed several strategic initiatives in 2006 that will aid in creating additional shareholder value in future years. Some of these changes have already begun producing benefits and others will enable the Company to achieve prominence as a successful player in the Regional Economy for years to come. These changes have enabled management to attract "best of class" banking professionals who have started producing solid results in 2007.

The changes made in 2006 will: 1) assure that the Company will remain "well capitalized" as defined by the Company's regulators, 2) enable the Company to establish a corporate culture that emphasizes customer satisfaction and management of the operational and compliance risks involved with the Company's operations, 3) implement a state-of-the-art technology platform that will offer many of our commercial customers the ability to scan and deposit checks from their own offices, and 4) build on the solid image of the new headquarters building which establishes Inland Community Bank as a competitor in the Inland Empire, Los Angeles, Riverside and San Bernardino counties and surrounding markets for years to come.

With all this activity, management has maintained its commitment to shareholders to maximize the return on their investment. The year of 2006 was an exciting and challenging year for our customers, shareholders, and staff of ICB Financial and Subsidiary. Although we incurred many extraordinary expenses during the year, including the merger with Western State Bank (WSB), and expenses of new facilities, we are proud to share with you some financial performance ratios for 2006:

- Net income for the year end December 31, 2006 was \$706,342 as compared to \$930,838 for the year ended December 31, 2005, a decrease of 24.2%. Earnings per basic common share were \$0.15 in 2006 versus \$0.36 in 2005. Diluted earnings per share were also \$0.15 in 2006 versus \$0.32 in 2005.

- Gross revenue of \$12.6 million for 2006 versus gross revenue of \$9.0 million for 2005, an increase of 40.0%.

- The Company's efficiency ratio for 2006 was 89.0% compared to 79.2% for the year ended December 31, 2005, an increase of 9.8%. Non-interest expense increased during the year as the result of additional overhead costs involved with the new Main Office building in Ontario, expenses associated with the WSB building in Duarte, the overhead of the San Francisco Branch of WSB, which was closed in January of 2007, and the expenses of ICB's new Loan Production Office in Walnut Creek.

- Total tangible asset growth for 2006 was \$71.8 million or 57.0% compared to \$14.0 million or 12.6% for 2005, an increase of 44.4%. The 2006 tangible asset growth consisted of organic growth of \$23.8 million or 33.1% of the total, and tangible assets acquired from WSB of \$48.0 million or 66.9% of the tangible asset growth. Although we are closing 2006 with intangible assets of approximately \$4.2 million or 2.1% of total assets resulting from our acquisition of Western State Bank, we are confident that these costs represent an investment in the future of the Bank which will return multiples of that investment.

- Total loan growth for 2006 was 78.5%; $141.9 million as of December 31, 2006, compared to $79.5 million as of December 31, 2005, an increase of $62.4 million, of which $35.9 million or 45.2% was organic growth.

- Total deposit growth for 2006 was 50.2%; $169.7 million as of December 31, 2006, compared to $113.0 million as of December 31, 2005, an increase of 50.2%, of which 17.2% was organic with the remainder resulting from the August merger with Western State Bank.

- Book value of ICB Financial as of December 31, 2006 was $5.78 per share compared to $4.60 per share as of December 31, 2005, an increase of $1.18 or 25.7% per share. Tangible book value at December 31, 2006 was $4.94 per share versus $4.60 per share in 2005, an increase of 7.0%.

- Consolidated Return on Average Assets ("ROAA") as of December 31, 2006 was .43% as compared to .78% as of December 31, 2005, a decrease of 44.8%. Consolidated Return on beginning Equity ("ROE") as of December 31, 2006 was 5.59% compared to 8.65% as of December 31 2005, a decrease of 35.4%. ROE decreased in 2006 primarily due to increased capital which increased from $12.6 million as of December 31, 2005 to $31.3 million as of December 31, 2006, an increase of $18.7 million or 148.4%.

Additionally, the Company incurred expenses related to the extraordinary events in 2006 as previously addressed. However, the Company's strategic plan included this process of raising capital, acquiring another financial institution and dedicating expense to obtaining "best of class" banking professionals, all to provide for further high performance growth to increase ROAA and ROE.

The Board of Directors, management, and staff of ICB Financial and Subsidiary are excited about the possibilities for the future of the Bank and we thank you for your continued support and business. If you have any questions after reviewing the enclosed financial report please call us at (909) 481-8706, Extension 280.

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, 2006 and 2005, 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, 2006 and 2005, 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 11, 2007

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CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

ASSETS

	2006	2005
Cash and non-interest earning deposits	$ 11,262,576	$ 8,304,009
Federal funds sold	10,700,000	16,635,000
CASH AND CASH EQUIVALENTS	21,962,576	24,939,009
Time deposits in other financial institutions	4,052,000	3,753,000
Investment securities - held-to-maturity	13,241,056	15,204,918
Investment securities - available-for-sale	1,231,232	-
TOTAL INVESTMENTS	14,472,288	15,204,918
Loans, net of unearned income	141,875,171	79,453,958
Less allowance for possible loan losses	(1,622,399)	(647,372)
NET LOANS	140,252,772	78,806,586
Premises and Equipment		
Furniture and equipment	2,768,360	1,756,003
Buildings	7,244,813	1,001,490
Leasehold improvements	3,060,551	279,414
TOTAL PREMISES AND EQUIPMENT	13,073,724	3,036,907
Less: Accumulated depreciation and amortization	(2,657,962)	(1,584,963)
NET PREMISES AND EQUIPMENT	10,415,762	1,451,944
Accrued interest	794,741	473,291
Federal Reserve Bank Stock, at cost	799,350	299,850
SBA servicing asset	435,679	433,472
Income tax receivable	132,845	217,152
Deferred tax benefit	-	67,376
Core deposit intangible, net	1,990,526	-
Goodwill	2,279,691	-
Other assets	4,509,051	390,794
TOTAL ASSETS	$ 202,097,281	$ 126,037,392

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

CONSOLIDATED BALANCE SHEETS, CONTINUED
DECEMBER 31, 2006 AND 2005

LIABILITIES AND STOCKHOLDERS' EQUITY

	2006	2005
Liabilities		
Deposits		
Demand	$ 69,313,504	$ 50,522,082
Money market, NOW and savings	72,197,229	49,376,731
Time deposits greater than $100,000	16,477,790	8,291,215
Other time deposits	11,714,845	4,791,062
TOTAL DEPOSITS	169,703,368	112,981,090
Accrued interest	176,023	34,145
Deferred tax liability	367,175	-
Other liabilities	541,159	395,998
TOTAL LIABILITIES	170,787,725	113,411,233
Commitments and Contingencies - Note 8		
Stockholders' Equity		
Common Stock - 10,000,000 shares authorized $1 par value; 5,416,820 and 2,740,409 shares issued and outstanding at December 31, 2006 and 2005, respectively	5,416,820	2,740,409
Paid in capital	23,149,585	7,841,123
Retained earnings	2,750,969	2,044,627
Other comprehensive loss	(7,818)	-
TOTAL STOCKHOLDERS' EQUITY	31,309,556	12,626,159
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 202,097,281	$ 126,037,392

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Interest Income		
Interest and fees on loans	$ 9,184,936	$ 6,225,599
Interest on investment securities	712,418	512,339
Federal funds sold	1,033,213	345,549
Time certificates of deposit	201,013	118,198
Total Interest Income	11,131,580	7,201,685
Interest Expense		
NOW and money market deposits	1,513,868	734,747
Savings	52,831	22,804
Time deposits greater than $100,000	452,372	158,031
Other time deposits	317,248	89,492
Other interest expense	-	982
Total Interest Expense	2,336,319	1,006,056
Net Interest Income	8,795,261	6,195,629
Provision for Loan Losses	15,000	145,000
Net Interest Income After Provision for Loan Losses	8,780,261	6,050,629
Non-Interest Income		
Service fees	690,156	830,747
Gain on SBA loan sales	411,753	744,276
Other	354,290	268,292
Total Non-Interest Income	1,456,199	1,843,315
Non-Interest Expense		
Salaries and employee benefits	5,084,143	3,805,815
Occupancy	637,631	390,891
Furniture and equipment	306,335	219,230
Other	3,096,348	1,955,065
Total Non-Interest Expense	9,124,457	6,371,001
Income Before Income Taxes	1,112,003	1,522,943
Income Taxes	405,661	592,105
Net Income	$ 706,342	$ 930,838
Earnings Per Share		
Net income - **Basic**	$ 0.15	$ 0.36
Net income - **Diluted**	$ 0.15	$ 0.32

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

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Number of Shares Outstanding	Common Stock	Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Comprehensive Income	Total
Balance, January 1, 2005	2,510,789	$2,510,789	$ 7,124,643	$1,113,789	$ -	$ -	$ 10,749,221
Net income for the year	-	-	-	930,838	-	930,838	930,838
Tax benefit from change in deferred tax valuation allowance	-	-	308,495	-	-	-	308,495
Other equity increases:							
Options exercised	176,620	176,620	142,985	-	-	-	319,605
Warrants exercised	53,000	53,000	265,000	-	-	-	318,000
						$ 930,838	
Balance, December 31, 2005	2,740,409	2,740,409	7,841,123	2,044,627	-		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
						$ 698,524	
Balance, December 31, 2006	5,416,820	$5,416,820	$23,149,585	$2,750,969	$ (7,818)		$31,309,556

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Cash Flows from Operating Activities		
Net income	$ 706,342	$ 930,838
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for possible loan losses	15,000	145,000
Depreciation and amortization	617,960	208,050
Gain on sale of SBA loans	(411,753)	(744,276)
Discount accretion/amortization on investments	60,573	(7,399)
Increase in SBA servicing assets	(2,207)	(54,788)
Decrease/(increase) in income tax receivable	84,307	(217,152)
Increase in accrued interest receivable	(321,450)	(140,999)
Decrease in other assets	208,518	298,400
Decrease in deferred tax benefit	(45,360)	(59,424)
Increase/(decrease) in other liabilities	6,005	(269,469)
Net Cash Provided by Operating Activities	917,935	88,781
Cash Flows from Investing Activities		
Purchase of bank owned life insurance	(4,026,705)	-
Decrease/(increase) in time deposits in other institutions	196,000	(486,000)
Proceeds from maturing held-to-maturity securities	8,100,000	3,000,000
Proceeds from the sale of SBA loans	7,590,493	1,253,360
Purchases of investment securities	(2,815,000)	(2,700,000)
Paydowns of available-for-sale securities	517,011	-
Net increase in loans	(20,289,813)	(4,818,697)
Origination of SBA loans	(24,552,790)	(1,943,180)
Recoveries on loans charged-off	3,028	1,205
Purchases of bank premises and equipment	(5,554,722)	(83,227)
Purchase of Federal reserve bank stock	(166,600)	(16,979)
Net cash received in Western State Bank acquisition	1,755,474	-
Net Cash Used by Investing Activities	$ (39,243,624)	$ (5,793,518)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Cash Flows from Financing Activities		
Net increase in demand, savings, money market and NOW accounts	$ 20,011,508	$ 10,938,537
Net (decrease)/increase in time deposits	(2,647,125)	1,502,680
Proceeds from warrants exercised	3,191,004	637,605
Proceeds from private placement offering	14,803,408	-
Stock repurchase	(14,040)	-
Stock options exercised	4,501	-
Net Cash Provided by Financing Activities	35,349,256	13,078,822
(Decrease)/Increase in Cash and Cash Equivalents	(2,976,433)	7,374,085
Cash and Cash Equivalents, Beginning of Year	24,939,009	17,564,924
Cash and Cash Equivalents, End of Year	$ 21,962,576	$ 24,939,009
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	$ 534,304	$ 810,503
Interest paid	$ 2,049,593	$ 1,032,814

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

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, two branches in Los Angeles County, and one branch in San Francisco, California, 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, 2006 AND 2005

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, 2006.

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, 2006 and 2005. 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, 2006 AND 2005

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 2006 and 2005 was $309,428 and $208,050, 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.

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 $64,644 and $52,422 for the years ended December 31, 2006 and 2005, 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, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Comprehensive Income

We follow 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.

Change in Accounting Principle

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.

Share-Based Compensation

Prior to the adoption of SFAS No. 123(R), the Company accounted for stock-based awards using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, *"Accounting for Stock Issued to Employees"*, and related interpretations. Accordingly, compensation cost for stock options was measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. All of the Company's stock option grants included exercise prices equal to the Company's current market price per share; accordingly, no compensation expense was reported using the intrinsic value method of APB Opinion No. 25.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Share-Based Compensation, Continued

Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123(R), the Company's net income and earnings per share would have been reduced to the pro forma amount indicated below:

		2005
Net Income:		
As Reported	$	930,838
Stock-Based Compensation using Intrinsic Value Method		-
Stock-Based Compensation that would have been reported using the Fair Value Method of SFAS 123		(275,815)
Pro Forma	$	655,023
Per Share:		
Net Income - Basic		
As Reported	$	0.36
Pro Forma	$	0.25
Net Income - Diluted		
As Reported	$	0.32
Pro Forma	$	0.22

The fair value of each option grant is estimated on the date of the grant using Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2005: dividend yield of 0 percent; expected volatility of 19.54 percent; risk-free interest rate of 4.20 percent; and expected average lives of five years.

The expected volatility is based on the historical volatility of the Company over the expected term. The expected term represents the estimated average period of time that the options remain outstanding. The risk free rate of return reflects the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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

In May 2005, the FASB issued SFAS No. 154, *"Accounting Changes and Error Corrections,"* ("SFAS No. 154"). SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154, effective January 1, 2006, did not have an impact on our financial condition or operating results.

In February 2006, FASB issued SFAS No. 155, *"Accounting for Certain Hybrid Instruments,"* ("SFAS No. 155"), an amendment of SFAS No. 133 and SFAS No. 140. The provisions of this statement allow financial instruments that have embedded derivatives to be accounted for as a whole if the holder elects to account for the whole instrument on a fair value basis, and 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. The new statement also 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 provisions of this standard are effective as of the beginning of our fiscal year 2007. We do not expect the adoption of SFAS No. 155 to have a material impact on our financial condition or operating results.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recent Accounting Pronouncements, Continued

In March 2006, FASB issued SFAS No. 156, *"Accounting for Servicing of Financial Assets - An Amendment of FASB Statement No. 140,"* ("SFAS No. 156"). The provisions of this statement require mortgage servicing rights to be initially valued at fair value. SFAS No. 156 also allows servicers to choose one of the following measurement methods subsequent to the initial fair value measurement: (1) the "fair-value-measurement method", which measures servicing rights at fair value at each reporting date, with changes in fair value reported in earnings or (2) the "amortization method", which allows continued amortization of servicing rights over the period of estimated net servicing income or loss, consistent with the existing requirements of SFAS No. 140. The provisions of this standard are effective as of the beginning of our fiscal year 2007. We currently use the amortization method to account for our servicing rights, and we expect to continue this practice after implementing SFAS No. 156. Therefore, we do not expect the adoption of SFAS No. 156 to have a material impact on our financial condition or operating results.

In June 2006, the FASB issued FASB Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes,"* ("FIN No. 48"). This interpretation clarifies the accounting for uncertainty in income taxes in a company's financial statements, in accordance with FASB Statement No. 109, *"Accounting for Income Taxes,"* by prescribing the minimum recognition threshold a tax position must meet before being recognized in the financial statements. FIN No. 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We do not expect FIN No. 48, which is effective for fiscal years beginning after December 15, 2006, to have a material impact on our financial condition or operating results.

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurement,"* a standard that provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors' requests for expanded information about the extent to which company's measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entities own data. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. We will adopt SFAS No. 157 on January 1, 2008, and we do not expect the adoption of SFAS No. 157 to have a material impact on our financial condition or operating results.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recent Accounting Pronouncements, Continued

On February 15, 2007, FASB issued SFAS No. 159, *"Fair Value Option for Financial Assets and Financial Liabilities,"* which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objectives for accounting for financial instruments. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157, *"Fair Value Measurements"*.

Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform to the classifications used in 2005. These classifications are of a normal recurring nature.

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, 2006				
Mortgage and asset-backed securities	$ 1,239,050	$ -	$ 7,818	$ 1,231,232

NOTE 2 - INVESTMENT SECURITIES, Continued

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, 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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2005				
U. S. Government Obligations	$ 15,204,918	$ 594,301	$ -	$ 15,799,219

Investment securities with gross realized losses at December 31, 2006, aggregated by investment category and length of time that individuals investment securities have been in a continuous loss position is as follows:

	Less than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale 2006				
Mortgage and asset-backed securities	$ 1,231,232	$ 7,818	$ 1,231,232	$ 7,818
Total securities available-for-sale	$ 1,231,232	$ 7,818	$ 1,231,232	$ 7,818
Securities held-to-maturity 2006				
U. S. Government Obligations	$ 11,169,550	$ 28,730	$ 11,169,550	$ 28,730
Municipal securities	2,026,628	16,148	2,026,628	16,148
Total securities held-to-maturity	$ 13,196,178	$ 44,878	$ 13,196,178	$ 44,878

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 2 - INVESTMENT SECURITIES, Continued

There are forty-one securities that have been in a loss position for less 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, 2006, 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	$ 55,877	$ 55,869
Due from five years to ten years	760,732	759,957
Due over ten years	422,441	415,406
	$ 1,239,050	$ 1,231,232

The amortized cost and fair values of investment securities held-to-maturity at December 31, 2006, 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	$ 11,670,508	$ 11,625,942
Due from five years to ten years	800,040	799,654
Due over ten years	770,508	770,582
	$ 13,241,056	$ 13,196,178

Proceeds from maturities of held-to-maturity investment securities were $8,100,000 during 2006 and $3,000,000 during 2005. There were no gains or losses on sales of investment securities in 2006 or 2005.

At December 31, 2006 and 2005, investment securities with a total carrying value and fair value of approximately $1,596,731 and $1,599,173 and $5,500,000 and $5,431,636, 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, 2006 and 2005, the Company was servicing $31,948,572 and $23,299,979, respectively, in SBA loans previously sold.

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

	2006	2005
Real Estate		
Commercial and industrial	$ 96,519,065	$ 52,804,496
Multi-family and other residential	15,707,845	6,553,064
Construction	15,147,940	14,090,619
Total Real Estate	127,374,850	73,448,179
Commercial and industrial	15,082,192	6,622,869
Loans to individuals for household, family and other consumer expenditures	270,204	241,868
Overdrafts	357,279	72,906
Gross Loans	143,084,525	80,385,822
Less: Allowance for possible loan losses	(1,622,399)	(647,372)
Less: Deferred loan origination fees and costs	(1,209,354)	(931,864)
Net Loans	$ 140,252,772	$ 78,806,586

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

	2006	2005
Balance, beginning of year	$ 647,372	$ 501,167
Provision charged to operating expense	15,000	145,000
Loans charged off	(14,062)	-
Recoveries on loans previously charged off	3,028	1,205
Additions due to Western State Bank acquisition	971,061	-
Balance, end of year	$ 1,622,399	$ 647,372

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 6 - STOCK OPTION PLANS, Continued

A summary of the status of the Company's stock option plans as of December 31, 2006 and 2005, and changes during the years ending on those dates, are presented below:

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

2005	Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at Beginning of Year	277,810	$ 2.34		
Exercised	(176,620)	$ 1.81		
Forfeited	-	$ -		
Granted	124,850	$ 8.46		
Outstanding at End of Year	226,040	$ 6.13	8.46 Years	$ 385,364
Options Exercisable at Year-End	226,040	$ 6.13	8.46 Years	$ 385,364

The total intrinsic value of options exercised during the years ended December 31, 2006 and 2005, were $5,610 and $1,101,551, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

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.

	2006		2005	
	Income	Shares	Income	Shares
Net income	$ 706,342	-	$ 930,838	-
Shares outstanding at year-end	-	5,416,820	-	2,740,409
Impact of shares issued and options exercised during the year	-	(815,427)	-	(146,457)
Used in Basic EPS	706,342	4,601,393	930,838	2,593,952
Dilutive effect of outstanding stock options	-	57,127	-	318,478
Used in Dilutive EPS	$ 706,342	4,658,520	$ 930,838	2,912,430

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, 2006 and 2005, the Company had commitments to extend credit of $21,940,332 and $15,583,001 and obligations under standby letters of credit of $25,000 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 $15 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
2007	$ 191,028
2008	149,758
2009	88,956
2010	51,172
Total	$ 480,914

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 2006 and 2005 was $167,094 and $257,843, respectively.

NOTE 9 - EMPLOYEE BENEFITS

In 2006, the Company adopted a 401(k) plan (the Plan) to allow employees to defer up to $15,000 for 2006 of their current compensation until retirement. The Plan allows for discretionary matching contributions by the Company. These contributions totaled $109,955 and $43,961 for the years ended December 31, 2006 and 2005, respectively.

NOTE 10 - OTHER EXPENSES

The following is a breakdown of other expenses for the years ended December 31, 2006 and 2005:

	2006	2005
Legal and professional	$ 293,581	$ 175,154
Data processing	462,318	362,563
Stationary and supplies	235,623	126,578
Outside services	456,446	320,595
Telephone	147,806	116,668
Commissions	8,946	108,291
SBA broker fees	32,540	3,375
Directors fees	110,979	85,368
Amortization core deposit intangible	308,532	-
Regulatory expenses	148,683	67,916
Advertising and promotion	65,688	52,422
Insurance	55,041	35,652
Auto and travel	80,973	58,955
Operating losses	15,674	13,409
Other	673,518	428,119
Total	$ 3,096,348	$ 1,955,065

NOTE 11 - INCOME TAXES

As explained in Note 1, SFAS No. 109, *"Accounting for Income Taxes,"* adopts balance sheet method that requires 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 income tax provision differs from the amount computed by applying the Federal statutory rate of 34 percent as follows:

	2006	Percent	2005	Percent
Expected tax expense:				
Federal tax at stationary tax rate	$ 378,081	34.0%	$ 518,000	34.0%
California franchise tax, net of Federal benefit	48,164	4.3%	86,363	5.7%
Municipal interest	(19,070)	(1.7)%	-	0.0%
CSV life insurance	(4,871)	(0.4)%	-	0.0%
Other	3,357	0.3%	(12,258)	(0.8)%
	$ 405,661	36.5%	$ 592,105	38.9%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 11 - INCOME TAXES, Continued

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

	2006	2005
Current tax expense:		
Federal	$ 362,522	$ 372,705
State	80,779	159,879
	443,301	532,584
Deferred tax expense (benefit):		
Federal	(27,726)	97,546
State	(9,914)	(38,025)
	(37,640)	59,521
	$ 405,661	$ 592,105

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

	2006	2005
Deferred Tax Assets		
Allowance for loan losses	$ 295,110	$ 208,476
Benefit of loss carryforwards	969,485	-
Purchase accounting adjustments	138,293	-
Other	135,205	72,552
Total Deferred Tax Assets	1,538,093	281,028
Deferred Tax Liabilities		
Depreciation	(1,017,602)	(8,334)
Cash to accrual	(68,477)	(102,715)
Loan origination costs	-	(102,603)
Core deposit intangibles	(819,189)	-
Total Deferred Tax Liabilities	(1,905,268)	(213,652)
Net Deferred Taxes	$ (367,175)	$ 67,376

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

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 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, 2006, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2006, 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.

The following table compares the total capital and Tier 1 capital of the Company (on a consolidated basis), as of December 31, 2006, and the total capital and Tier 1 capital as of December 31, 2006 and December 31, 2005 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, 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
As of December 31, 2005						
Total capital						
(to Risk-Weighted Assets)	$ 13,273	14.9%	$ 7,453	8.0%	N/A	N/A
Tier 1 Capital						
(to Risk-Weighted Assets)	12,626	14.1%	3,577	4.0%	N/A	N/A
Tier 1 Capital						
(to Average Assets)	12,626	9.7%	5,195	4.0%	N/A	N/A

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

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, 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%
As of December 31, 2005						
Total Capital						
(to Risk-Weighted Assets)	$ 12,953	14.5%	$ 7,151	8.0%	$ 8,938	10.0%
Tier 1 Capital						
(to Risk-Weighted Assets)	12,306	13.8%	3,575	4.0%	5,363	6.0%
Tier 1 Capital						
(to Average Assets)	12,306	9.5%	5,195	4.0%	6,494	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, 2006. The estimated fair value amounts for 2006 and 2005 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.

FRB Stock

The book value for FRB Stock approximate 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, 2006, 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, 2006 AND 2005

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS, Continued

The estimated fair value of the Company's financial instruments is as follows at December 31, 2006:

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Federal funds sold	$ 21,962,576	$ 21,962,576	$ 24,939,009	$ 24,939,009
Investment securities	14,472,288	14,427,410	15,204,918	15,799,219
Loans, net of fees	140,252,772	140,484,086	78,806,586	75,911,728
FRB stock	799,350	799,350	299,850	299,850
Accrued interest receivable	794,741	794,741	473,291	473,291
Financial Liabilities:				
Deposits	169,703,368	171,270,685	112,981,090	102,387,572
Interest payable	176,023	176,023	34,145	34,145

Fair Value of Commitments

	2006		2005	
	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	$ 21,965,332	$ 219,653	$ 15,608,001	$ 156,080

NOTE 14 - ACQUISITION

ICB Financial acquired Western State Bank on May 21, 2006, for an aggregate cash price of 1.8 times Western State Bank's book value or $13,375,000. This transaction resulted in ICB Financial acquiring gross assets of $47,999,858 and net assets of $7,399,075.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 14 - ACQUISITION, Continued

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition based upon third-party valuations of certain assets:

	At May 21, 2006
Cash and cash equivalents	$ 15,130,474
Investments	5,965,672
Loans	23,800,351
Premises and equipment	3,718,524
Intangible assets	2,299,058
Goodwill	2,279,691
Other assets	1,689,159
Total Assets Acquired	54,882,929
Deposits	(39,357,895)
Other liabilities	(2,150,034)
Total Consideration Paid	$ 13,375,000

The $2,299,058 of acquired intangible assets was assigned to core deposit intangibles that are subject to amortization and have an estimated average useful life of six years. The $308,532 was included in amortization expense as of December 31, 2006.

The following unaudited pro forma combined results of operations and assumes that the acquisition occurred on January 1, 2006:

	For the Year Ended December 31, 2006	For the Year Ended December 31, 2005
Revenues	$ 13,872,269	$ 13,026,147
Net Income	$ 461,823	$ 961,161
Earnings per Common Share		
Basic	$ 0.10	$ 0.21
Diluted	$ 0.10	$ 0.21

These pro forma amounts are based upon certain assumptions and estimates which the Company believes are reasonable. The pro forma consolidated results of operations do not purport to be indicative of the results which would actually have been obtained had the acquisition occurred on the dates indicated or which may be obtained in the future.