



Ojai Community Bank  
Santa Paula Community Bank  
*a division of Ojai Community Bank*

**4th QUARTER SHAREHOLDERS REPORT**

December 31, 2010

**Board of Directors**

**Don Scanlin**

Chairman of the Board

**John Russell**

Vice-Chairman

**Dave Brubaker**

**Dr. Martin Pops**

**Rob Rossi**

**Dietrich Schmidt**

**Bill Sechrest**

**Esther Wachtell**

**Larry Wilde**

Dear Shareholders,

We have come to the end of the year with a feeling of true grit - not the movie, but the daily attitude needed to perform in this economy, the increased regulatory environment and the current banking industry evolution. Many facets of the Bank continue to perform very well and we continue to place additional focus on areas that require improvement. Our liquidity and core earnings are excellent; however, we have experienced some credit related challenges as our borrowers' ability to perform is impacted by our local and national economy.

For the year 2010, we saw continued and stable asset growth. Total assets increased 10.2% to \$123.9 million. Our loan portfolio increased \$4.8 million to \$85.8 million, helping our core earnings throughout the year. For the quarter ending December 31, 2010, the Bank had a net income of \$47 thousand compared to a \$545 thousand loss in the same quarter of 2009. For the entire year 2010, the Bank lost \$243 thousand versus \$1.8 million for the year ending December 31, 2009. Our core earnings, income before provision for loan loss and extraordinary income, performed according to plan. Our cost cutting and asset repositioning produced a significant improvement with core income for 2010 of \$1.167 million, compared to only \$25 thousand in 2009. We thank our staff for all their hard work and dedication.

The issue of loan quality has been exacerbated by the declining economy. Our borrowers are very loyal and committed to our Bank, and despite the challenging environment, have worked hard to keep their loans current. Unemployment and the decline in real estate values have been the key components impacting our borrowers. These are the unexpected times when folks just need help navigating through our current economic landscape. Our 2010 provisions for loan loss reflected these ongoing customer struggles and the associated FDIC requirements to set aside reserves in the interim, in case the loans actually do fail. During the year, as part of the credit workout exercise, we modified several loans to keep borrowers active in their efforts to save their properties. These loans remain current in payments and many of these loans may not have actual capital loss exposure, but we are required to set aside reserves just the same. During the year we, added \$1.9 million to our reserves and charged off \$1.2 million of loans, which decreased earnings in 2010. Our loan loss reserve as a percentage of total loans stands at approximately 2.45%. This compares very favorably with our peer group.

We anticipate that the worst of the credit cycle is behind us. We feel our core earnings are stable and we plan to maintain and improve them in the future. We continue to be conservative controlling overhead and interest expense. In addition, we are focusing our efforts on managing credit administration and problem asset resolution.

We feel strong and solid, yet we see the banking industry is going through a historical transition. It is estimated that the number of banks will decrease from 8,000 to 4,000 over the next few years. This will be done through the continued FDIC closure of troubled banks and increased business consolidations among smaller banks. We are focused on continued efficiency, higher earnings and sound credit decisions, as we move through this period. We are increasing our capital ratios to meet the FDIC's requirements and preparing for expected layers of costly regulatory laws. We anticipate margins will be under pressure, therefore increasing the size and efficiency of the Bank will provide better opportunity for providing returns to our shareholders.

What this means is that we anticipate the need to raise more capital to expand, compete and be successful. The primary goal is to raise the capital from our local area. Many experts seem to agree the more optimal size will be between \$250 and \$500 million in assets. Our focus will certainly remain on our home front, but accessing solid business opportunities outside the market may also be necessary.

We are grateful for the continued support of our customers, shareholders and employees. These have not

**Officers**

**Dave Brubaker**

President/CEO

**Michelle Henson**

Chief Credit Officer

**Susan Lagos**

Chief Financial Officer

**Don Tello**

Santa Paula Division President

**George Tabata**

Commercial Lending

been easy times for anyone. No one could have foreseen the events that have transpired in the past five years. As a family, we persevered through the loss of our founding CEO, Shari Skinner in 2010. Her vision and tenacity carry on and motivate us daily, as we focus on helping the communities we serve. Everyone's dedication to the long-term vision is keeping us strongly on track.

We invite you to join us for our Annual Shareholder Meeting on May 7, 2011 at our Bank headquarters. We will continue to update you on where we are and where we are going. In addition, we would like to invite our shareholders to an evening of wine and cheese at the Ojai Valley Museum showing of a fabulous historical exhibit called the "Allure of the Arcade". Simply RSVP for either, or both, events via the enclosed postcard and be sure to provide your email address. This will assist us in creating a beautiful evening for all to enjoy. Some shareholders keep their stock with brokers and may not get this letter in time for the Museum event. Simply RSVP with your email address to avoid future delays.

Again, we thank you for your continued support and patronage. Our Board of Directors is very committed to our success, and we continue to have our shareholders' and communities' best interests in mind as we move forward through these difficult times. We are always available to discuss any questions and welcome your call or visit to further clarify and receive your input.

Together we believe in community banking and the future of serving the needs of our neighbors and friends.

Sincerely,

Dave Brubaker  
President/CEO

Don Scanlin  
Chairman

This letter includes forward-looking information, which is subject to the "safe harbor" created by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act and the Private Securities Litigation Reform Act of 1995. When the Bank uses or incorporates by reference in this letter the words "anticipate," "estimate," "expect," "project," "intend," "commit," "believe," and similar expressions, the Company intends to identify forward-looking statements. Our actual results may differ materially from those projected in any forward-looking statements, as they will depend on many factors about which we are unsure, including many factors that are beyond our control.

*This statement has not been reviewed, or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation*

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## Ojai Community Bank Shareholder Quarterly Report 12/31/10

### Balance Sheet (unaudited)

	12/31/10 (In 000's)	12/31/09 (In 000's)
<b>ASSETS</b>		
Cash & Due from Banks	5,151	3,764
Investments/Securities	30,738	22,964
Bank Premises	1,568	1,718
Loans		
Commercial	6,538	6,847
Real Estate	78,200	73,211
Other	1,108	1,807
Loans, Gross	85,846	81,865
Deferred Loan Fees & Costs	-1	-11
Loan Loss Reserve	-2,101	-1,343
Loans, Net	83,744	80,511
Other Assets	2,721	3,495
<b>Total Assets</b>	<b>123,922</b>	<b>112,452</b>
<b>LIABILITIES</b>		
Deposits		
Non Interest Demand	26,765	22,855
Interest Bearing Demand	11,707	10,925
Savings & Money Mkt	28,488	24,709
Certificates of Deposit	44,651	41,165
Total Deposits	111,611	99,654
Other Liabilities	116	266
Shareholders Equity	12,195	12,532
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>123,922</b>	<b>112,452</b>
Shares Outstanding	1,537,103	1,537,103

### Income & Expenses (unaudited)

	1/1/2010 to 12/31/10 (In 000's)	1/1/2009 to 12/31/09 (In 000's)
<b>Interest Income</b>		
Interest & Fees on Loans	5,390	5,020
Interest on Investments	182	169
<b>Total Interest Income</b>	<b>5,572</b>	<b>5,189</b>
Interest Expense	-822	-1,108
<b>Net Interest Income</b>	<b>4,750</b>	<b>4,081</b>
Provision for Credit Losses	-1,910	-1,314
<b>Net Interest Income after Provision</b>	<b>2,840</b>	<b>2,767</b>
<b>Other Income</b>		
Service Charges on Deposit Accts	305	250
Other Fees & Misc Income	602	94
<b>Total Other Income</b>	<b>907</b>	<b>344</b>
<b>Operating Expenses:</b>		
Salaries & Benefits	1,735	2,128
Occupancy, Equipment	512	517
Promotion	120	111
Supplies	135	164
Professional Services	567	556
Insurance/FDIC	276	271
Other	645	1,181
<b>Total Operating Expenses</b>	<b>3,990</b>	<b>4,928</b>
<b>Profit (Loss) for Period</b>	<b>-243</b>	<b>-1,817</b>

