



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

**4th QUARTER SHAREHOLDERS REPORT**

December 31, 2012

**Board of Directors**

**Don Scanlin**

Chairman of the Board

**John Russell**

Vice-Chairman

**Dave Brubaker**

**George Melton**

**Martin A. Pops, MD**

**Dietrich Schmidt**

**Bill Sechrest**

**Esther Wachtell**

**Larry Wilde**

Dear Shareholders:

Ojai Community Bank reports a banner year for 2012 with record profits. This is in addition to the opening of a new Division in Ventura, increased efficiencies at the Santa Paula Division, and new key personnel. It has been a year of continued diligence to expand market share, improve profitability, and increase shareholder value by carefully investing in the future. Our confidence in this strategy continues stronger than ever and we thank you for your support. We are pleased to present the following 4<sup>th</sup> quarter and year-end 2012 financial performance figures and comments.

Unaudited net income for the year ended December 31, 2012 was a record setting \$1,576,000. This represents a 189% increase over the 2011 annual net income of \$546,000. However, these 2012 results include a one time, non-recurring accounting benefit of \$803,000. This benefit stems from a reversal of the valuation allowance on our tax deferred assets and was required under GAAP accounting. Adjusting out the one time income event, our net income for 2012 would have been \$773,000, a 42% increase over 2011. This strong performance marks our 9<sup>th</sup> consecutive profitable quarter and a new record high for our net annual income.

Total assets increased \$6.1 million or 4.76% from \$128.3 million to \$134.4 million at the end of 2012. This is primarily the result of increased deposits year over year. Total loans declined by \$2.8 million or 3.63% to \$74.5 million as of December 31, 2012. Outstanding loans have been under pressure due to continued payoffs and limited new loan opportunities. As the economy strengthens in 2013, the new Ventura location builds market share, and our marketing efforts expand, we feel increasingly confident in our ability to generate additional new loans. Because of our current high liquidity, we have a strong capacity to fund new loans. These loans would divert funds currently earning nominal interest to significantly more profitable areas in the credit markets.

The Bank has hired Mike Orman as an Executive Vice President and Chief Operating Officer. Mike is one of the most respected banking professionals in Ventura County and brings significant additional experience to the Bank. He will be working toward strengthening credit management and will assist in overseeing expansion in Ventura. Because a consultant had filled a portion of this area, we do not feel the additional cost will be notable; however, the increased market presence will be significant.

The consolidation of the Santa Paula offices from two locations to one is now complete. We have experienced very little deposit runoff from the change and are now looking to increase our efforts for business loan production in the new year. The efficiency gained from the consolidation allowed the Bank to move into Ventura without significant impact to overhead.

The Ventura branch is open and moving forward. The strategy is to first grow deposits cautiously and increase our exposure to the loan demand available in the community, allowing core growth then working toward greater deposits. George Tabata is doing an excellent job bringing customers into the Bank, and maintaining and developing strong relations with the business community at large.

Our mortgage department is gaining traction. We have a number of loans in process,

**Officers**

**Dave Brubaker**

President/CEO

**Michael Orman**

Chief Operating Officer

**Michelle Henson**

Chief Credit Officer

**Susan Lagos**

Chief Financial Officer

**Don Tello**

Santa Paula Division President

**George Tabata**

Commercial Lending

and the satisfaction on the faces of our customers dealing with their local bank and accessing the lowest rates in years, is gratifying. We anticipate this will provide a positive impact to our bottom line in 2013.

Credit quality remains stable. No new loans have migrated into problem status, but a couple of problem credits remain as borrowers attempt to sell their properties and pay off debts. Management believes our loan loss reserve of approximately 1.84% continues to adequately cover anticipated portfolio losses.

Our Bank stock closed the year at \$7.00 per share (our stock symbol is OJCB). We anticipate further fluctuation, which is normal. However, as the banking industry continues to recover, we believe it will translate into stronger stock performance.

Community banking is alive and strong. Both the Bank and our customers value our one-to-one relationships. The industry has gone through tremendous consolidation. We are seeing it in our market as Union Bank buys Santa Barbara Bank and Trust, and Pacific Western buys First California Bank. This environment should provide good opportunities to capture key relationships for our Bank, and grow earnings as a result. This is a rare opportunity and we are well positioned to take advantage of the situation.

Our annual shareholder's meeting is scheduled for May 9, 2013, at 5:30 pm in Ojai. We encourage all to attend. It is an excellent opportunity to get more in-depth information about the Bank, ask any questions and enjoy the company of friends and shareholders. Please mark your calendars and join us.

We thank you for your support and we are always available to answer your questions. Contact Dave Brubaker, President/CEO, at the main office located at 402 W. Ojai Avenue, Ojai CA 93023, [dbrubaker@ojaicommunitybank.com](mailto:dbrubaker@ojaicommunitybank.com) or 805-646-9909.

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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Shareholder Quarterly Report  
 12/31/12

**Balance Sheet**  
 (unaudited)

	12/31/12 (In 000's)	12/31/11 (In 000's)
<b>ASSETS</b>		
Cash & Due from Banks	4,847	4,225
Investments/Securities	50,738	44,939
Bank Premises	1,435	1,428
Loans		
Commercial	5,678	5,593
Real Estate	67,645	70,594
Other	1,167	1,112
Loans, Gross	74,490	77,299
Deferred Loan Fees & Costs	-76	-95
Loan Loss Reserve	-1,364	-1,753
Loans, Net	73,050	75,451
Other Assets	4,379	2,301
Total Assets	<u>134,449</u>	<u>128,344</u>
<b>LIABILITIES</b>		
Deposits		
Non Interest Demand	35,735	32,282
Interest Bearing Demand	12,139	11,454
Savings & Money Mkt	37,430	31,284
Certificates of Deposit	33,398	39,279
Total Deposits	118,702	114,299
Other Liabilities	252	158
Shareholders Equity	15,495	13,887
Total Liabilities & Shareholders Equity	<u>134,449</u>	<u>128,344</u>
Shares Outstanding	2,080,778	2,055,776

**Income & Expenses**  
 (unaudited)

	1/1/2012 to 12/31/12 (In 000's)	1/1/2011 to 12/31/11 (In 000's)
Interest Income		
Interest & Fees on Loans	4,759	4,866
Interest on Investments	211	184
Total Interest Income	4,970	5,050
Interest Expense	-352	-572
Net Interest Income	4,618	4,478
Provision for Credit Losses	0	-490
Net Interest Income after Provision	4,618	3,988
Other Income		
Service Charges on Deposit Accts	257	291
Other Fees & Misc Income	228	102
Total Other Income	485	393
Operating Expenses:		
Salaries & Benefits	2,055	1,767
Occupancy, Equipment	478	506
Promotion	179	120
Supplies	143	131
Professional Services	784	676
Insurance/FDIC	193	290
Other	498	345
Total Operating Expenses	4,330	3,835
Net Operating Income	<u>773</u>	<u>546</u>
Deferred Tax Adjustment	803	
Profit (Loss) for Period	<u>1,576</u>	<u>546</u>