

**WCB HOLDINGS, INC. AND SUBSIDIARY**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2007 AND 2006**

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

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders of  
WCB Holdings, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheets of WCB Holdings, Inc. and Subsidiary as of December 31, 2007 and 2006 and the related statements of operations, changes in shareholders' equity, and cash flows for the year ended December 31, 2007 and the period from February 6, 2006 (inception of business) through December 31, 2006. 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 WCB Holdings, Inc. and Subsidiary as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the year ended December 31, 2007 and the period February 6, 2006 (inception of business) through December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

*Vavrinek, Trine, Day & Co., LLP*

Laguna Hills, California  
February 15, 2008

**WCB HOLDINGS, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
December 31, 2007 and 2006**

**ASSETS**

	2007	2006
Cash and Due from Banks	\$ 1,703,594	\$ 1,008,487
Interest-Bearing Deposits in Financial Institutions	1,655,803	14,110
Federal Funds Sold	6,414,173	4,040,000
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>9,773,570</b>	<b>5,062,597</b>
Investment Securities Available for Sale	4,611,961	1,921,010
Loans:		
Construction and Land Development	7,746,762	3,310,966
Real Estate - Other	39,894,145	22,177,080
Commercial	27,606,170	5,848,534
Small Business Administration "SBA"	361,603	400,000
Consumer	706,793	-
<b>TOTAL LOANS</b>	<b>76,315,473</b>	<b>31,736,580</b>
Deferred Loan Fees, Net of Costs	( 175,271)	( 74,752)
Allowance for Loan Losses	( 870,000)	( 397,000)
<b>NET LOANS</b>	<b>75,270,202</b>	<b>31,264,828</b>
Pacific Coast Bankers' Bank Stock, at Cost	475,000	475,000
Federal Home Loan Bank Stock, at Cost	159,000	100
Premises and Equipment	573,020	486,394
Accrued Interest and Other Assets	524,045	240,722
	<b>\$ 91,386,798</b>	<b>\$ 39,450,651</b>

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

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2007 and 2006**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	2007	2006
Deposits:		
Noninterest-Bearing Demand	\$ 10,184,680	\$ 5,584,680
Savings, NOW and Money Market Accounts	19,181,773	12,539,387
Time Deposits Under \$100,000	30,463,587	9,023,729
Time Deposits \$100,000 and Over	18,632,778	1,383,968
<b>TOTAL DEPOSITS</b>	<b>78,462,818</b>	<b>28,531,764</b>
Other Borrowings	2,050,000	-
Accrued Interest and Other Liabilities	616,949	271,206
<b>TOTAL LIABILITIES</b>	<b>81,129,767</b>	<b>28,802,970</b>
 Commitments and Contingencies - Notes D and J	 -	 -
Shareholders' Equity:		
Preferred Stock - 10,000,000 Shares Authorized, No Par Value None Outstanding	-	-
Common Stock - 10,000,000 Shares Authorized, No Par Value; 1,373,149 Shares Issued and Outstanding	13,731,490	13,731,490
Additional Paid-in Capital	297,686	111,904
Accumulated Deficit	( 3,831,477)	( 3,212,176)
Accumulated Other Comprehensive Income - Unrecognized Gain on Available-for-Sale Securities	59,332	16,463
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>10,257,031</b>	<b>10,647,681</b>
	<b>\$ 91,386,798</b>	<b>\$ 39,450,651</b>

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

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the Year Ended December 31, 2007 and the Period**  
**February 6, 2006 (Inception of Business) through December 31, 2006**

	2007	2006
<b>INTEREST INCOME</b>		
Interest and Fees on Loans	\$ 4,474,657	\$ 702,202
Interest on Interest-Bearing Deposits	33,690	14,117
Interest on Investment Securities	97,661	101,106
Interest on Federal Funds Sold	355,632	251,700
<b>TOTAL INTEREST INCOME</b>	<b>4,961,640</b>	<b>1,069,125</b>
<b>INTEREST EXPENSE</b>		
Interest on Savings Deposits, NOW and Money Market Accounts	725,871	159,365
Interest on Time Deposits	1,515,129	89,784
Interest on Other Borrowings	43,676	-
<b>TOTAL INTEREST EXPENSE</b>	<b>2,284,676</b>	<b>249,149</b>
<b>NET INTEREST INCOME</b>	<b>2,676,964</b>	<b>819,976</b>
Provision for Loan Losses	473,000	397,000
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>2,203,964</b>	<b>422,976</b>
<b>NONINTEREST INCOME</b>		
Service Charges, Fees and Other	110,604	37,872
<b>NONINTEREST EXPENSE</b>		
Salaries and Employee Benefits	1,471,093	1,259,439
Occupancy and Equipment Expenses	442,514	344,338
Other Expenses	1,019,462	723,674
	<b>2,933,069</b>	<b>2,327,451</b>
<b>LOSS BEFORE INCOME TAXES</b>	<b>( 618,501)</b>	<b>( 1,866,603)</b>
Income Taxes	800	800
<b>NET LOSS</b>	<b>\$ ( 619,301)</b>	<b>\$ ( 1,867,403)</b>
<b>NET LOSS PER SHARE - BASIC</b>	<b>\$ ( 0.45)</b>	<b>\$ ( 1.36)</b>

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

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Year Ended December 31, 2007 and the Period**  
**February 6, 2006 (Inception of Business) through December 31, 2006**

	Comprehensive Income	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income
		Number of Shares	Amount			
<b>Balance at February 6, 2006</b>		-	\$ -	-	\$ -	-
Organizational Expenses, Net					(1,344,773)	
Initial Capitalization		1,373,149	13,731,490			
Stock-Based Compensation				111,904		
<b>Comprehensive Income:</b>						
Net Loss	\$( 1,867,403)				(1,867,403)	
Unrealized Gain On Available-for-Sale Securities	<u>16,463</u>					16,463
<b>Total Comprehensive Income</b>	<u><u>\$( 1,850,940)</u></u>					
<b>Balance at December 31, 2006</b>		1,373,149	\$ 13,731,490	\$ 111,904	\$( 3,212,176)	\$ 16,463
Stock-Based Compensation				185,782		
<b>Comprehensive Income:</b>						
Net Loss	\$( 619,301)				( 619,301)	
Unrealized Gain On Securities Available for Sale	<u>42,869</u>					42,869
<b>Total Comprehensive Income</b>	<u><u>\$( 576,432)</u></u>					
<b>Balance at December 31, 2007</b>		<u>1,373,149</u>	<u>\$ 13,731,490</u>	<u>\$ 297,686</u>	<u>\$( 3,831,477)</u>	<u>\$ 59,332</u>

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

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2007 and the Period**  
**February 6, 2006 (Inception of Business) through December 31, 2006**

	2007	2006
<b>OPERATING ACTIVITIES</b>		
Net Loss	\$( 619,301)	\$( 1,867,403)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	171,949	147,772
Provision for Loan Losses	473,000	397,000
Stock-Based Compensation	185,782	111,904
Other Items	33,780	21,443
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	245,210	( 1,189,284)
<b>INVESTING ACTIVITIES</b>		
Purchase of Available-for-Sale Securities	( 3,019,298)	( 2,955,658)
Principal Reduction on Available-for-Sale Securities	377,800	1,060,152
Net Increase in Loans	( 44,478,374)	( 31,661,828)
Purchase of Pacific Coast Bankers Bank Stock	-	( 475,000)
Purchase of Federal Home Loan Bank Stock	( 155,400)	( 100)
Purchases of Premises and Equipment	( 240,019)	( 634,166)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	( 47,515,291)	( 34,666,600)
<b>FINANCING ACTIVITIES</b>		
Net Increase in Demand Deposits and Savings Accounts	11,242,386	18,124,067
Net Increase in Time Deposits	38,688,668	10,407,697
Net Increase in Other Borrowings	2,050,000	-
Proceeds from Initial Capitalization	-	13,731,490
Organizational Expenses, net	-	( 1,344,773)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	51,981,054	40,918,481
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,710,973	5,062,597
Cash and Cash Equivalents at Beginning of Period	5,062,597	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 9,773,570	\$ 5,062,597
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest Paid	\$ 2,165,240	\$ 223,161
Taxes Paid	\$ 800	\$ 800

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

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation

The consolidated financial statements included the accounts of WCB Holdings, Inc. and its wholly owned subsidiary, Western Commercial Bank (the "Bank"), collectively referred to herein as the "Company." All significant intercompany transactions have been eliminated.

WCB Holdings, Inc. has no significant business activity other than its investment in Western Commercial Bank. Accordingly, no separate financial information on the Company is provided.

Nature of Operations

The Bank has been incorporated in the State of California and organized as a single operating segment that operates one full-service office in Woodland Hills, California. The Company's primary source of revenue is providing loans to customers, who are predominately small and middle-market businesses and individuals.

Organizational Costs

As discussed in Note K, costs incurred from the period of the Company's organization through the inception of business have been charged directly to shareholders' equity.

Use of Estimates in the Preparation of Financial Statements

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, 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.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, due from banks and federal funds sold. Generally, federal funds are sold for one-day periods.

Cash and Due From Banks

Banking regulations require that banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. The Bank was in compliance with its reserve requirements as of December 31, 2007 and 2006.

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

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Investment Securities

Bonds, notes, and debentures for which the Company has 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 excluded from net income and reported as an amount net of taxes as a separate component of other comprehensive income included in shareholders' equity. Premiums or discounts on held-to-maturity and available-for-sale securities are amortized or accreted into income using the interest method. Realized gains or losses on sales of held-to-maturity or available-for-sale securities are recorded using the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other-than-temporary result in write-downs of the 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; the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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-offs 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.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days based on the contractual terms of the loan or when, in the opinion of management, there is reasonable doubt as to collectibility. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Loans - Continued

The Company considers a loan to be impaired when it is probable that the Company will be unable to collect any or all amounts due (principal and interest) according to the contractual terms of the loan agreement. Measurement of impairment is based on the expected future cash flows of an impaired loan, which are to be discounted at the loan's effective interest rate, or measured by reference to an observable market value, if one exists, or the fair value of the collateral for a collateral-dependent loan. The Company selects the measurement method on a loan-by-loan basis except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral. The Company recognizes interest income on impaired loans based on its existing methods of recognizing interest income on nonaccrual loans.

Allowance for Loan Losses

The allowance for loan losses is adjusted 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 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

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives, which ranges from three to seven years for furniture, equipment and computer equipment. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the remaining lease term, whichever is shorter. Expenditures for betterments or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred.

Advertising Costs

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

Income Taxes

Deferred income taxes are computed using the asset and liability 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.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Income Taxes - continued

The Company has adopted Financial Accounting Standards Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

Comprehensive Income

Statement of Financial Accounting Standard ("SFAS") No. 130, *Reporting Comprehensive Income*, requires the disclosure of comprehensive income and its components. Changes in unrealized gain on available-for-sale securities are the only component of accumulated other comprehensive income for the Company.

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 as described in Note J. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Earnings per Shares (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 securities 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. The Company has an operating loss and therefore only reports basic EPS.

Weighted average shares outstanding used in the computation of basic earning per share were 1,373,149 in 2007 and 2006.

Disclosure about Fair Value of Financial Instruments

Other than the Company's investment securities, no active market exists for the Company's financial instruments. The fair market value of investment securities are discussed in Note B. Management believes the fair market value of its other financial instruments, primarily loans and deposits, approximates the amounts reported in the financial statements and notes.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Stock-Based Compensation

The Company has adopted SFAS No. 123(R) "*Share-Based Payment*." 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 is recognized over the period which an employee is required to provide services in exchange for the award, generally the vesting period.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "*Fair Value Measurements*", effective for the Company January 1, 2008. This Statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement establishes a fair value hierarchy that distinguishes between valuations obtained from sources independent of the entity and those from the entity's own observable inputs that are not corroborated by observable market data. SFAS No. 157 expands disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. The disclosures focus on the inputs used to measure fair value, and for recurring fair value measurements using significant unobservable inputs, the effect of the measurements on earnings or changes in net assets for the period. The Company is currently assessing the impact of this guidance on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*". SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*", applies to all entities with available-for-sale or trading securities. For financial instruments elected to be accounted for at fair value, an entity will report the unrealized gains and losses in earnings. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company is currently assessing the financial impact this Statement will have on the statement of financial condition or results of operations.

Reclassifications

Certain reclassifications have been made in the 2006 financial statements to conform to the presentation used in 2007. These reclassifications had no impact on the Bank's previously reported financial statements.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE B - INVESTMENT SECURITIES**

Debt and equity securities have been classified in the statements of condition according to management's intent. The carrying amount of available-for-sale securities and their approximate fair values at December 31 were as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
December 31, 2007:				
Mortgage-Backed Securities	<u>\$ 4,552,629</u>	<u>\$ 59,332</u>	<u>\$ -</u>	<u>\$ 4,611,961</u>
December 31, 2006:				
Mortgage-Backed Securities	<u>\$ 1,904,547</u>	<u>\$ 16,463</u>	<u>\$ -</u>	<u>\$ 1,921,010</u>

The scheduled maturities of available-for-sale securities at December 31, 2007 and 2006 were as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due after Ten Years	<u>\$ 4,552,629</u>	<u>\$ 4,611,961</u>

Investment securities carried at approximately \$4,612,000 at December 31, 2007, were pledged with the Federal Home Loan Bank to secure public deposits and other purposes. As of December 31, 2006 the Company had no pledged securities.

**NOTE C - LOANS**

The Company's loan portfolio consists primarily of loans to borrowers within Los Angeles County, California. Although the Company seeks to avoid concentrations of loans to a single industry or based upon a single class of collateral, real estate and real estate associated businesses are among the principal industries in the Company's market area and, as a result, the Company's loan and collateral portfolios are, to some degree, concentrated in those industries.

The Bank has pledged loans totaling approximately \$8.6 million to secure a line of credit with the Federal Home Loan Bank as discussed in Note F.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE C - LOANS - Continued**

A summary of the changes in the allowance for loan losses as of December 31 follows:

	<u>2007</u>	<u>2006</u>
Beginning Balance	\$ 397,000	\$ -
Additions to the Allowance Charged to Expense	473,000	397,000
Recoveries on Loans Charged Off	-	-
	<u>870,000</u>	<u>397,000</u>
Less Loans Charged Off	<u>-</u>	<u>-</u>
Ending Balance	<u>\$ 870,000</u>	<u>\$ 397,000</u>

The Company had no non-performing or impaired loans during the period ended December 31, 2007 and 2006.

**NOTE D - PREMISES AND EQUIPMENT**

A summary of premises and equipment as of December 31 follows:

	<u>2007</u>	<u>2006</u>
Leasehold Improvements	\$ 158,126	\$ 158,126
Furniture, Fixtures, and Equipment	299,520	211,562
Computer Equipment	435,868	264,478
	<u>893,514</u>	<u>634,166</u>
Less Accumulated Depreciation and Amortization	<u>( 320,494)</u>	<u>( 147,772)</u>
	<u>\$ 573,020</u>	<u>\$ 486,394</u>

The Company has entered into a ten-year lease for its main banking office, and a three-year lease for the loan department. The Company is responsible for increases in common area maintenance, taxes and insurance. The leases expire on June 30, 2015 and December 31, 2010, respectively.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE D - PREMISES AND EQUIPMENT - Continued**

At December 31, 2007, the future lease rental payable under noncancellable operating lease commitments for the Company's main banking office were as follows:

2008	\$ 231,876
2009	239,504
2010	247,390
2011	204,480
2012	210,614
Thereafter	<u>553,744</u>
	<u>\$ 1,687,608</u>

The minimum rental payments shown above are given for the existing lease obligation and are not a forecast of future rental expense. Total rental expense was approximately \$194,000 and \$162,000 for the periods ended December 31, 2007 and 2006, respectively.

**NOTE E - DEPOSITS**

At December 31, 2007 the scheduled maturities of time deposits are as follows:

2008	\$ 12,232,443
2009	18,554,712
2010 and Later	<u>12,309,210</u>
	<u>\$ 43,096,365</u>

**NOTE F - BORROWING ARRANGEMENTS**

The Bank may borrow up to \$2,000,000 overnight on an unsecured basis from both Pacific Coast Banker's Bank and Union Bank of California, and \$1,000,000 from Beach Business Bank, the Company's correspondent banks. No borrowings were outstanding under these arrangements.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE F - BORROWING ARRANGEMENTS - Continued**

The Bank is also a member of the Federal Home Loan Bank and has arranged secured borrowing lines with that institution. As of December 31, 2007, the Bank had pledged loans totaling approximately \$8.6 million resulting in a secured borrowing capability of approximately \$4.5 million. As of December 31, 2007, a \$2,000,000 advance was outstanding under this arrangement and maturing on August 3, 2009 at a rate of 4.92%. In addition, the Company has received a \$2.75 million letter of credit under this arrangement which is pledged to secure public deposits.

As of December 31, 2007, the Company had borrowed \$50,000 under a short term noted with a director to cover its organizational costs. This note is due and payable on June 19, 2008 with interest at 8.75%.

**NOTE G - INCOME TAXES**

The tax benefit related to the operating loss incurred during these periods was not recognized, as realization of the benefit is dependent upon future income.

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition. The following is a summary of the components of the net deferred tax asset accounts recognized in the accompanying statements of financial condition at December 31:

	<u>2007</u>	<u>2006</u>
Deferred Tax Assets:		
Operating Loss Carryforwards	\$ 704,000	\$ 633,000
Pre-Opening Expenses	517,000	554,000
Allowance for Loan Losses Due to Tax Limitations	246,000	79,000
Other Items	42,000	71,000
	<u>1,509,000</u>	<u>1,337,000</u>
Valuation Allowance	( 1,422,000)	( 1,292,000)
Deferred Tax Liabilities:		
Loan Costs	( 84,000)	( 44,000)
Other Items	( 3,000)	( 1,000)
	<u>( 87,000)</u>	<u>( 45,000)</u>
Net Deferred Tax Assets	<u>\$ -</u>	<u>\$ -</u>

The valuation allowance was established because the Company has not reported earnings sufficient enough to support the recognition of the deferred tax assets.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
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**NOTE G - INCOME TAXES - Continued**

The Company has net operating loss carryforwards of approximately \$1,700,000 for federal income and California franchise tax purposes. Federal net operating loss carryforwards, to the extent not used will expire in 2027. California net operating loss carryforwards, to the extent not used will expire in 2017.

The Company is subject to federal income tax and California franchise tax. Federal income tax returns for the years ended December 31, 2006 and 2005 are open to audit by the federal authorities and California returns for the years ended December 31, 2006 and 2005 are open to audit by state authorities.

**NOTE H - OTHER EXPENSES**

Other expenses as of December 31 are comprised of the following:

	2007	2006
Data Processing	\$ 130,566	\$ 114,971
Marketing and Business Promotion	116,818	96,870
Professional Fees	355,585	288,971
Office Expenses	38,531	49,211
Insurance	30,511	27,408
Director Fees and Expenses	111,669	57,554
Regulatory Expense	60,662	5,510
Loan Expenses	4,092	8,381
Other Expenses	171,028	74,798
	\$ 1,019,462	\$ 723,674

**NOTE I - RELATED PARTY TRANSACTIONS**

Loans granted to certain directors, executive officers and their related interests with which they are associated totaled approximately \$825,000 and \$375,000 as of December 31, 2007 and 2006, respectively.

Deposits from certain directors, officers and their related interests with which they are associated held by the Bank amounted to approximately \$451,000 and \$519,000 as of December 31, 2007 and 2006, respectively. In addition, the Bank engaged a director to perform one real estate appraisal in 2007 at a cost of \$6,500.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
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**NOTE J - COMMITMENTS**

In the ordinary course of business, the Company enters into financial commitments to meet the financing needs of its customers. These financial commitments include commitments to extend credit and standby letters of credit. Those instruments involve to varying degrees, elements of credit and interest rate risk not recognized in the Company's financial statements.

The Company's exposure to loan loss in the event of nonperformance on 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.

As of December 31, 2007 and 2006, the Company had the following outstanding financial commitments whose contractual amount represents credit risk:

	<u>2007</u>	<u>2006</u>
Commitments to Extend Credit	\$ 17,881,000	\$ 13,117,000
Letters of Credit	<u>3,404,000</u>	<u>-</u>
	<u>\$ 21,285,000</u>	<u>\$ 13,117,000</u>

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. Since many of the commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. The Company evaluates each client's credit worthiness 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.

**NOTE K - ORGANIZATIONAL PERIOD**

The Commissioner granted authority to organize the Bank on July 21, 2005. Western Commercial Bank was subsequently incorporated as a California banking corporation on August 5, 2005. Prior to that date, and up to the inception of business on February 6, 2006, Western Commercial Bank incurred costs in connection with the organizational process and raising of the initial capitalization of the Bank.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
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**NOTE K - ORGANIZATIONAL PERIOD - Continued**

These organizational expenses were comprised of the following:

Salaries and Employee Benefits	\$ 294,224
Consulting Fees	850,508
Occupancy Expense	153,200
Equipment Expense	41,942
Office Expense	48,469
Promotional and Advertising Expense	66,428
Other Expenses	<u>21,095</u>
	1,475,866
Interest Earned during Organizational Period	<u>(131,093)</u>
	<u><u>\$ 1,344,773</u></u>

**NOTE L - STOCK OPTION PLAN**

The Company's 2006 Stock Option Plan was approved by its shareholders in June 2006. Under the terms of the 2006 Stock Option Plan, officers and key employees may be granted both nonqualified and incentive stock options and directors, who are not also an officer or employee, may only be granted nonqualified stock options. The Plan provides for a maximum number of shares that may be awarded to eligible employees and directors not to exceed 411,944 shares. Stock options are granted at a price not less than 100% of the fair market value of the stock on the date of grant. Stock options expire no later than ten years from the date of the grant and all equity based awards generally vest over five years. The Company recognized stock-based compensation cost of \$185,782 in 2007 and \$111,904 in 2006.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions presented below:

	<u>2007</u>	<u>2006</u>
Risk Free Interest Rate	4.69%	4.55%
Estimated Average Life	6.5 Years	6.5 Years
Expected Dividend Rates	0.00%	0.00%
Expected Stock Volatility	20.00%	20.00%
Weighted-Average Option Value	\$4.74	\$3.24

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
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**NOTE L - STOCK OPTION PLAN - Continued**

Since the Company has a limited amount of historical stock activity the expected volatility is based on the historical volatility of similar banks that have a longer trading history. The expected term represents the estimated average period of time that the options remain outstanding. Since the Company does not have sufficient historical data on the exercise of stock options, the expected term is based on the "simplified" method that measures the expected term as the average of the vesting period and the contractual term. 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.

A summary of the status of the Company's fixed stock option plan as of December 31, 2007 and changes during the periods ending thereon is presented below:

	<u>Shares</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at Beginning of Year	330,125	\$ 10.07		
Granted	14,000	\$ 14.21		
Exercised	-			
Forfeited or Expired	<u>( 46,000)</u>	\$ 10.55		
Outstanding at End of Year	<u>298,125</u>	\$ 10.19	<u>8.3 Years</u>	<u>\$ 615,000</u>
Options Exercisable	<u>117,450</u>	\$ 10.13	<u>8.2 Years</u>	<u>\$ 249,000</u>

As of December 31, 2007 there was \$709,000 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted average period of 2.3 years.

**NOTE M - REGULATORY MATTERS**

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

**WCB HOLDINGS, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE M - REGULATORY MATTERS - Continued**

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2007, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2007, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action (there are no conditions or events since that notification that management believes have changed the Bank's category). To be categorized as well capitalized, the Bank must maintain minimum ratios as set forth in the table below. The following table also sets forth the Bank's actual capital amounts and ratios (dollar amounts in thousands):

	Actual		Amount of Capital Required			
			For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of December 31, 2007:</b>						
Total Capital (to Risk-Weighted Assets)	\$11,100	13.8%	\$ 6,454	8.0%	\$ 8,067	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	\$10,230	12.7%	\$ 3,227	4.0%	\$ 4,840	6.0%
Tier 1 Capital (to Average Assets)	\$10,230	11.8%	\$ 3,460	4.0%	\$ 4,325	5.0%
<b>As of December 31, 2006:</b>						
Total Capital (to Risk-Weighted Assets)	\$11,028	30.3%	\$ 2,909	8.0%	\$ 3,636	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	\$10,631	29.2%	\$ 1,454	4.0%	\$ 2,181	6.0%
Tier 1 Capital (to Average Assets)	\$10,631	35.8%	\$ 1,188	4.0%	\$ 1,485	5.0%

In addition to these capital requirements, the FDIC requires the Bank to maintain its Tier 1 Capital to average assets at 8% during its first three years of operations.

The California Financial Code provides that a bank may not make a cash distribution to its shareholders in excess of the lesser of the Bank's undivided profits or the Bank's net income for its last three fiscal years less the amount of any distribution made by the Bank's shareholders during the same period.

**NOTE N - FORMATION OF WCB HOLDINGS, INC.**

During 2007, WCB Holdings, Inc. acquired Western Commercial Bank by issuing 1,373,149 shares of common stock in exchange for the surrender of all outstanding shares of the Bank's common stock. There was no cash involved in this transaction. The acquisition was accounted for like a pooling of interests and the consolidated financial statements contained herein have been restated to give full effect to this Transaction.