FRESNO FIRST BANK

June 11, 2009

To Our Shareholders,

2008, a year which presented many extraordinary economic challenges. In 2008, the financial services industry was at the center of the "perfect (economic) storm".

The stress caused in part by the subprime mortgage market and the systemic effect on Wall Street and Main Street presented a number of challenges for the banking industry. Included in these challenges was an over 300 basis point drop in the Federal Funds Rate. As a result, net interest income was reduced and the cost of funds destabilized. In addition, the weakened economic conditions caused loan delinquencies, loan losses and loan loss reserve allocations to increase. Due to these pressures most banks lost money or reported a dramatic reduction of income. This in turn affected market confidence resulting in a major decline in bank stock valuation. I am pleased to report that Fresno First Bank, your bank, has met many of the challenges presented in 2008 with great success.

RESULTS	2008
Growth in Total Assets	62.5%
Growth in Loans Invested in our Business Community	89.1%
Growth in Total Deposits	82.1%
Loan to Deposit Ratio	72.0%
Capital to Assets Ratio	11.50%

Our success is attributable to a number of initiatives implemented recently. The most important of those is the "Great Game of Banking" which has helped us move our staff from a company of employees to a company of owners. The power of moving to an ownership culture has tapped the most important resource we have, the creativity and commitment of our employees or more appropriately our co-owners. Along with the Great Game model, we practice "Open Book Management" by teaching each co-owner how their job impacts the income & expenses of the Bank and asking them to develop ideas and action steps to improve profitability and efficiency. It's working, and we are having fun making things happen. Thank you to our co-owners, board members, ambassadors and shareholders for supporting the growth and profitability of our Bank.

Sustainable profitability is our number one goal for 2009. We have built a strong foundation over the past two years and are positioned to achieve profitability this year.

Cordially,

Richard Whitsell
President & CEO

David N. Price
Chairman of the Board

Meet our Employee Owners

ESOP Mission Statement

Through education, empowerment and communication, we will enable our employees to build a great company and ownership culture. We will accomplish this mission by encouraging our employees, as owners, to accept responsibility and accountability for increasing the bottom line while creating value for all shareholders of Fresno First Bank.

Pictured- Front row from left to right: Lee Reed, Senior Credit Consultant; Rick Whitsell, President & CEO; Steve Canfield, EVP/ Chief Financial Officer; Evangelina Gonzalez, SVP/Senior Operating Officer. Second row: Lanny Chan, VP/ Personal Banker; Debbie Cameron, VP/ Executive Assistant; Doug Constant, VP/Commercial Lender; Teresa Palsgaard, VP/Commercial Relationship Manager; Craig DeShields, VP/Commercial Lender. Third row: Julie Henvit, Operations Officer; Melisa Garcia-Porto, Customer Service Representative; Alice Shevenell, AVP/Note Department Manager; Kara Townsend, Customer Service Representative; Jill Monaco, Real Estate Mortgage Department Manager; Jennifer Peterson, Business Banking Officer; Ann Bridges, Commercial Relationship Officer; Louie Nonini, Note Clerk; Ruth Setencich, Business Banking Officer; Rebecca Bishel, Accounting Clerk; Lisa Bassill, AVP/Personal Banker; Margaret Rodriguez, Customer Service Representative.

Know and teach the rules "think like an owner"

Follow the Action and Keep Score "act like an owner"

Provide a stake in the Outcome "feel like an owner"

FRESNO FIRST BANK

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2008 AND 2007

CONTENTS

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders of
Fresno First Bank

We have audited the accompanying statements of financial condition of Fresno First Bank as of December 31, 2008 and 2007 and the related statements of operations, changes in shareholders' equity, and cash flows for the years then ended These financial statements are the responsibility of the Bank'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 Fresno First Bank as of December 31, 2008 and 2007 and the results of its operations and its 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

Laguna Hills, California
February 19, 2009

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FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

FRESNO FIRST BANK

STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007

ASSETS

	2008	2007
Cash and Due from Banks	$ 4,900,141	$ 2,634,156
Interest-Bearing Deposits in Financial Institutions	4,005,758	3,000,000
Federal Funds Sold	815,000	7,510,000
TOTAL CASH AND CASH EQUIVALENTS	9,720,899	13,144,156
Investment Securities Available for Sale	28,009,252	14,904,058
Loans:		
Construction and Land Development	17,763,961	8,400,088
Real Estate - Other	23,395,774	13,811,230
Commercial	21,486,886	11,320,613
Consumer	2,511,993	929,148
TOTAL LOANS	65,158,614	34,461,079
Deferred Loan Fees, Net of Costs	(86,426)	(79,901)
Allowance for Loan Losses	(1,426,013)	(739,000)
NET LOANS	63,646,175	33,642,178
Federal Home Loan Bank Stock, at Cost	244,900	163,700
Premises and Equipment	1,059,501	1,366,440
Accrued Interest and Other Assets	792,320	449,627
	$ 103,473,047	$ 63,670,159

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

FRESNO FIRST BANK

STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007

LIABILITIES AND SHAREHOLDERS' EQUITY

	2008	2007
Deposits:		
Noninterest-Bearing Demand	$ 21,844,092	$ 18,312,387
Savings, NOW and Money Market Accounts	37,705,526	16,843,436
Time Deposits Under $100,000	19,459,210	2,899,667
Time Deposits $100,000 and Over	11,955,115	11,887,130
TOTAL DEPOSITS	90,963,943	49,942,620
Accrued Interest and Other Liabilities	607,446	234,629
TOTAL LIABILITIES	91,571,389	50,177,249
Commitments and Contingencies - Notes D and K	-	-
Shareholders' Equity:		
Preferred Stock - 5,000,000 Shares Authorized, No Par Value None Outstanding	-	-
Common Stock - 5,000,000 Shares Authorized, No Par Value; Issued and Outstanding 1,674,497 in 2008 and 2007	16,819,686	16,819,686
Additional Paid-in Capital	1,234,643	765,440
Accumulated Deficit	(6,401,611)	(4,139,840)
Accumulated Other Comprehensive Income - Unrealized Gain on Available-for-Sale Securities	248,940	47,624
TOTAL SHAREHOLDERS' EQUITY	11,901,658	13,492,910
	$ 103,473,047	$ 63,670,159

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

FRESNO FIRST BANK

STATEMENTS OF OPERATIONS
December 31, 2008 and 2007

	2008	2007
INTEREST INCOME		
Interest and Fees on Loans	$ 3,400,118	$ 3,223,136
Interest on Investment Securities	808,744	614,643
Interest on Federal Funds Sold and Other	222,935	773,620
TOTAL INTEREST INCOME	4,431,797	4,611,399
INTEREST EXPENSE		
Interest on Savings Deposits, NOW and Money Market Accounts	485,336	637,298
Interest on Time Deposits	899,288	924,075
Interest on Other Borrowings	981	6,042
TOTAL INTEREST EXPENSE	1,385,605	1,567,415
NET INTEREST INCOME	3,046,192	3,043,984
Provision for Loan Losses	1,062,000	213,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,984,192	2,830,984
NONINTEREST INCOME		
Service Charges, Fees and Other	116,892	63,159
Gain on Sale of Investment Securities	48,396	-
	165,288	63,159
NONINTEREST EXPENSE		
Salaries and Employee Benefits	2,111,972	2,050,744
Occupancy and Equipment Expenses	697,634	781,701
Other Expenses	1,600,845	1,342,869
	4,410,451	4,175,314
LOSS BEFORE INCOME TAXES	(2,260,971)	(1,281,171)
Income Taxes	800	800
NET LOSS	$(2,261,771)	$(1,281,971)
NET LOSS PER SHARE - BASIC	$(1.35)	$(0.77)

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

FRESNO FIRST BANK

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
December 31, 2008 and 2007

	Shares Outstanding	Common Stock	Additional Paid-in Capital	Comprehensive Income	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2007	1,650,332	$ 16,504,250	$ 417,192		$(2,857,869)	$(9,247)	$ 14,054,326
Stock-based Compensation			422,034				422,034
Exercise of Stock Options	24,165	315,436	(73,786)				241,650
Comprehensive Income:							
Net Loss				$(1,281,971)	(1,281,971)		(1,281,971)
Unrealized Gain on Available-for-Sale Securities				56,871		56,871	56,871
Total Comprehensive Income				$(1,225,100)			
Balance at December 31, 2007	1,674,497	16,819,686	765,440		(4,139,840)	47,624	13,492,910
Stock-based Compensation			469,203				469,203
Exercise of Stock Options			-				-
Comprehensive Income:							
Net Loss				$(2,261,771)	(2,261,771)		(2,261,771)
Unrealized Gain on Available-for-Sale Securities				249,712		249,712	249,712
Less Reclassification Adjustment for Gains Included in Net Loss				(48,396)		(48,396)	(48,396)
Total Comprehensive Income				$(2,012,059)			
Balance at December 31, 2008	1,674,497	$ 16,819,686	$ 1,234,643		($ 6,401,611)	$ 248,940	$ 11,901,658

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

FRESNO FIRST BANK

STATEMENTS OF CASH FLOWS
December 31, 2008 and 2007

	2008	2007
OPERATING ACTIVITIES		
Net Loss	$(2,261,771)	$(1,281,971)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	339,967	352,546
Provision for Loan Losses	1,062,000	213,000
Stock-based Compensation	469,203	422,034
Gain on Sale of Investment Securities	(48,396)	-
Other Items	17,275	67,175
NET CASH USED BY OPERATING ACTIVITIES	(421,722)	(227,216)
INVESTING ACTIVITIES		
Purchase of Available-for-Sale Securities	(24,012,521)	(21,458,568)
Proceeds from Maturities of Available-for-Sale Securities	10,276,543	12,339,896
Proceeds from Sale of Available-for-Sale Securities	891,145	-
Net Increase in Loans	(31,522,610)	(1,180,395)
Purchase of Federal Home Loan Bank Stock	(79,000)	(50,100)
Proceeds from Sale of Other Real Estate Owned	456,613	-
Purchases of Premises and Equipment	(33,028)	(102,955)
NET CASH USED BY INVESTING ACTIVITIES	(44,022,858)	(10,452,122)
FINANCING ACTIVITIES		
Net Increase in Demand Deposits and Savings Accounts	24,393,795	7,231,984
Net Increase in Time Deposits	16,627,528	7,327,233
Proceeds from Exercise of Stock Options	-	241,650
NET CASH PROVIDED BY FINANCING ACTIVITIES	41,021,323	14,800,867
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,423,257)	4,121,529
Cash and Cash Equivalents at Beginning of Period	13,144,156	9,022,627
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 9,720,899	$ 13,144,156
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	$ 1,305,055	$ 1,554,535
Taxes Paid	$ 800	$ 800
Loans Transferred to Other Real Estate Owned	$ 456,613	$ -

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Fresno, California. The Bank's primary source of revenue is providing loans to customers, who are predominately small and middle-market businesses and individuals.

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, interest-bearing deposits in financial institutions and federal funds sold. Generally, federal funds are sold for one-day periods and interest-bearing deposits are for periods of ninety days or less.

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 complied with the reserve requirements as of December 31, 2008.

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

Investment Securities

Investment securities are classified as held-to-maturity when the Bank has the positive intent and ability to hold the securities to maturity. Securities held-to-maturity is carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investment Securities - Continued

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 Bank 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. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Loans - Continued

The Bank considers a loan to be impaired when it is probable that the Bank will be unable to collect 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 Bank 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 Bank 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 established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the loan is uncollectible. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Federal Home Loan Bank ("FHLB") Stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Advertising Costs

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

Other Real Estate Owned

Real estate acquired by foreclosure or deed in lieu of foreclosure is recorded at fair value at the date of foreclosure, establishing a new cost basis by a charge to the allowance for loan losses, if necessary. Other real estate owned is carried at the lower of the Bank's carrying value of the property or its fair value, less estimated carrying costs and costs of disposition. Fair value is based on current appraisals less estimated selling costs. Any subsequent write-downs are charged against operating expenses and recognized as a valuation allowance. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in other operating expenses.

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.

The Bank 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 and loss on available-for-sale securities is the only component of accumulated other comprehensive income for the Bank.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurement

Effective January 1, 2008, the Bank adopted SFAS No. 157, *Fair Value Measurements*. 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 about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The impact of adoption of SFAS No. 157 is not material. Applicable disclosures are presented in these consolidated financial statements.

In February 2008, the FASB issued Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) for fiscal years beginning after November 15, 2008. Major categories of assets that are recognized or disclosed at fair value for which the Bank has not applied the provisions of SFAS 157 include Other Real Estate Owned.

In February 2007, the FASB issued Statement 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The standard provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The new standard was effective for the Company on January 1, 2008. The Bank did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008.

Statement 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Statement 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

> Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect a Bank's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

See Note N for more information and disclosures relating to the Bank's fair value measurements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Instruments

In the ordinary course of business, the Bank 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 K. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

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 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 Bank had no dilutive securities as of December 31, 2008 and 2007 as well as an operating loss and therefore only reports basic EPS. Weighted average shares outstanding used in the computation of basic earnings per share were 1,674,497 and 1,661,158 in 2008 and 2007, respectively.

Stock-based Compensation

The Bank has adopted SFAS No. 123(R) "*Shared-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.

Reclassification

Certain reclassifications have been made in the 2007 financial statements to conform to the presentation used in 2008. These classifications are of a normal recurring nature.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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 securities and their approximate fair values at December 31 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
December 31, 2008				
U.S. Government and Agency Securities	$20,470,396	$ 151,711	$(38,681)	$20,583,426
Mortgage-Backed Securities	6,556,706	135,570	(13,534)	6,678,742
State and Municipal Securities	488,422	14,362	-	502,784
Corporate Debt Securities	244,788	-	(488)	244,300
	$27,760,312	$ 301,643	$(52,703)	$28,009,252
Available-for-Sale:				
December 31, 2007				
U.S. Government and Agency Securities	$ 8,851,671	$ 32,951	$(247)	$ 8,884,375
Mortgage-Backed Securities	5,523,048	18,092	(7,932)	5,533,208
State and Municipal Securities	481,715	4,760	-	486,475
	$14,856,434	$ 55,803	$(8,179)	$14,904,058

NOTE B - INVESTMENT SECURITIES - Continued

The amortized cost and estimated fair value of all investment securities as of December 31, 2008 by expected maturities are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Fair Value
Due in One Year or Less	$ 8,120,085	$ 8,108,282
Due from One Year to Five Years	2,211,379	2,233,880
Due from Five to Ten Years	10,831,384	10,938,945
Due after Ten Years	6,597,464	6,728,145
	$ 27,760,312	$ 28,009,252

During 2008 the Bank had proceeds from the sale of investment securities in the amount of $891,145 and realized a gain of $54,270 and a loss of $5,874. There were no sales in 2007.

Investment securities carried at approximately $6,561,000 and $501,000 at December 31, 2008 and 2007, respectively, were pledged to secure public deposits and other purposes as permitted or require by law.

NOTE B - INVESTMENT SECURITIES - Continued

The gross unrealized loss and related estimated fair value of investment securities that have been in a continuous loss position for less than twelve months and over twelve months at December 31, 2008 and 2007 are as follows:

	Less than Twelve Months		Over Twelve Months		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized losses	Fair Value
December 31, 2008:						
U.S. Government and Agencies	$(38,681)	$ 2,993,961	$ -	$ -	$(38,681)	$ 2,993,961
Mortage-Backed Securities	-	-	(13,534)	1,163,305	(13,534)	1,163,305
Corporate Debt Securities	(488)	244,300	-	-	(488)	244,300
	$(39,169)	$ 3,238,261	$(13,534)	$ 1,163,305	$(52,703)	$ 4,401,566
December 31, 2007:						
U.S. Government and Agencies	$(247)	$ 1,006,875	$ -	$ -	$(247)	$ 1,006,875
Mortage-Backed Securities	(7,932)	2,277,178	-	-	(7,932)	2,277,178
	$(8,179)	$ 3,284,053	$ -	$ -	$(8,179)	$ 3,284,053

As of December 31, 2008, the Bank had eight investment securities where estimated fair value had declined 1.18% from the Bank's amortized cost. Management evaluates investment securities for other-than-temporary impairment taking into consideration the extent and length of time the fair value has been less than cost, the financial condition of the issuer and whether the Bank has the intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value, which may be at maturity. As of December 31, 2008, no declines in value are deemed to be other-than-temporary.

NOTE C - LOANS

The Bank's loan portfolio consists primarily of loans to borrowers within Fresno County, California. Although the Bank 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 Bank's market area and, as a result, the Bank's loan and collateral portfolios are, to some degree, concentrated in those industries.

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

	2008	2007
Beginning Balance	$ 739,000	$ 526,000
Additions to the Allowance Charged to Expense	1,062,000	213,000
Recoveries on Loans Charged Off	13,091	-
	1,814,091	739,000
Less Loans Charged Off	(388,078)	-
Ending Balance	$ 1,426,013	$ 739,000

The following is a summary of the investment in impaired loans, the related allowance for loan losses, income recognized thereon and information pertaining to nonaccrual and past due loans as of December 31:

	2008	2007
Recorded Investment in Impaired Loans	$ 1,598,000	$ 72,000
Related Allowance for Loan Losses	$ 280,000	$ -
Average Recorded Investment in Impaired Loans	$ 548,000	$ 18,000
Interest Income Recognized for Cash Payments	$ -	$ -
Total Nonaccrual Loans	$ 1,598,000	$ 72,000
Total Loans Past-Due Nintey Days or More and Still Accruing	$ -	$ -

NOTE D - PREMISES AND EQUIPMENT

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

	2008	2007
Leasehold Improvements	$ 1,114,902	$ 1,101,775
Furniture, Fixtures, and Equipment	463,660	461,401
Computer Equipment	429,336	412,713
	2,007,898	1,975,889
Less Accumulated Depreciation and Amortization	(948,397)	(609,449)
	$ 1,059,501	$ 1,366,440

The Bank has entered into a ten-year lease for its main banking office and administrative offices. The Bank is responsible for common area maintenance, taxes and insurance to the extent they exceed the base year amounts. The lease expires on January 31, 2016.

At December 31, 2008, the future lease rental payable under noncancellable operating lease commitments for the Bank's main banking office and administrative offices were as follows:

2009	$ 285,549
2010	294,118
2011	302,940
2012	312,028
2013	321,389
Thereafter	700,473
	$ 2,216,497

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 $295,000 and $353,000 for the years ended December 31, 2008 and 2007, respectively.

NOTE E - DEPOSITS

At December 31, 2008, the scheduled maturities of time deposits are as follows:

2009	$ 30,136,807
2010 to 2011	975,159
2012 to 2013	302,359
	$ 31,414,325

As of December 31, 2008 the Bank had four deposit relationships that exceed 2% of total deposits and aggregated approximately $10,328,000.

NOTE F - BORROWING ARRANGEMENTS

The Bank may borrow up to $8,000,000 overnight on an unsecured basis from two correspondent banks. The Bank may also borrow up to approximately $14,447,000 from the Federal Home Loan Bank of San Francisco, collateralized by a blanket lien on the Bank's loan portfolio and subject to fulfilling other conditions of the credit facility. As of December 31, 2008, no amounts were outstanding under these arrangements.

NOTE G - EMPLOYEE BENEFITS

The Bank sponsors an employee stock ownership plan ("ESOP") for eligible employees. Eligibility begins after an employee has attained the age of 21 and completed one year of service, as defined in the Plan document. Under the ESOP, the Bank contributes a discretionary amount to the ESOP for the purchase of the Bank's stock, to be held in trust for each participant to later be distributed in accordance with the ESOP. For the year ended December 31, 2008, contributions to the ESOP were $50,000. The Bank made no contributions to the ESOP for the year ended December 31, 2007.

The Bank sponsors a 401k plan for the benefit of its employees. The Bank matches employee contributions and can make additional contributions as determined by the Board of Directors annually. For the year ended December 31, 2008 contributions to the 401k plan were $6,000. The Bank made no contributions for the year ended December 31, 2007.

FRESNO FIRST BANK

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE H - INCOME TAXES

The tax expense for the years ended December 31, 2008 and 2007 was the minimum franchise tax for the State of California. The tax benefits related to the operating losses incurred during the years ended December 31, 2008 and 2007 were not recognized, as realization of the benefits 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:

	2008	2007
Deferred Tax Assets:		
Pre-Opening Expenses	$ 205,000	$ 222,000
Depreciation Differences	103,000	62,000
Allowance for Loan Losses Due to Tax Limitations	509,000	260,000
Stock-based Compensation	302,000	200,000
Operating Loss Carryforwards	1,472,000	884,000
Other	25,000	22,000
	2,616,000	1,650,000
Valuation Allowance	(2,507,000)	(1,569,000)
Deferred Tax Liabilities:		
Accrual to Cash	(86,000)	(64,000)
Other	(23,000)	(17,000)
	(109,000)	(81,000)
Net Deferred Tax Assets	$ -	$ -

The valuation allowance was established because the Bank has not reported earnings sufficient enough to support the recognition of the deferred tax assets. The Bank has net operating loss carryforwards of approximately $3,302,000 for federal income and $4,884,000 for California franchise tax purposes. Federal and California net operating loss carryforwards, to the extent not used will expire in 2028.

The Bank is subject to federal income tax and franchise tax of the state of California. Federal income tax returns and California franchise tax returns for the years ended December 31, 2007, 2006 and 2005 are open to audit by the federal and California authorities.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE I - OTHER EXPENSES

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

	2008	2007
Data Processing	$ 342,206	$ 307,564
Marketing and Business Promotion	190,744	103,052
Professional Fees	272,609	204,132
Office Expenses	95,708	89,772
Insurance	28,084	27,144
Director Stock-based Compensation	263,724	269,775
Reserve for Unfunded Commitments	-	12,000
Regulatory Assessments	91,023	68,232
Other Expenses	316,747	261,198
	$ 1,600,845	$ 1,342,869

NOTE J - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has granted loans to certain directors and their related interests with which they are associated. In the Bank's opinion, all loans and loan commitments to such parties are made on substantially the same terms including interest rates, and collateral, as those prevailing at the time for comparable transactions with other persons. The balance of these loans outstanding was approximately $1,717,000 and $1,514,000 at December 31, 2008 and 2007, respectively.

Deposits from certain directors, officers and their related interests with which they are associated held by the Bank at December 31, 2008 and 2007 amounted to approximately $4,075,000 and $4,357,000, respectively.

NOTE K - COMMITMENTS

In the ordinary course of business, the Bank 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 Bank's financial statements.

The Bank'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 Bank uses the same credit policies in making commitments as it does for loans reflected in the financial statements.

NOTE K - COMMITMENTS - Continued

As of December 31, 2008 and 2007, the Bank had the following outstanding financial commitments whose contractual amount represents credit risk:

	2008	2007
Commitments to Extend Credit	$ 22,036,000	$ 13,603,000
Letters of Credit	300,000	250,000
	$ 22,336,000	$ 13,853,000

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 Bank evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Bank is based on management's credit evaluation of the customer. The majority of the Bank's commitments to extend credit and standby letters of credit are secured by real estate.

NOTE L - STOCK OPTION PLAN

The Bank's 2005 Equity Based Compensation Plan was approved by its shareholders in February 2006. Under the terms of the 2005 Equity Based Compensation Plan, officers and key employees may be granted both nonqualified, incentive stock options and restricted stock award and directors, who are not also an officer or employee, may only be granted nonqualified stock options and restricted stock awards. The Plan provides for a maximum number of shares that may be awarded to eligible employees and directors not to exceed 495,000 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 three years. The Plan provides for accelerated vesting if there is a change of control, as defined in the Plan. The Bank recognized stock-based compensation cost of $469,203 and $422,034 in 2008 and 2007, respectively.

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:

	2008	2007
Expected Volatility	25.00%	17.50%
Expected Term	6.5 Years	6.5 Years
Expected Dividends	None	None
Risk Free Rate	3.12%	5.03%
Weighted-Average Grant Date Fair Value	$ 2.44	$ 3.51

NOTE L - STOCK OPTION PLAN - Continued

Since the Bank 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 Bank 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 stock options that have been granted by the Bank as of December 31, 2008 and changes during the year ending thereon is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at Beginning of Year	414,668	$ 11.03		
Granted	15,750	$ 7.45		
Forfeited or Expired	(23,336)	$ 14.00		
Outstanding at End of Year	407,082	$ 10.72	7.5 Years	None
Options Exercisable	325,325	$ 10.65	7.1 Years	None

The total intrinsic value of options exercised during the year ended December 31, 2007 was $45,164. As of December 31, 2008, there was approximately $228,000 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted average period of 1.5 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.

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, 2008, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2008, 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):

			Amount of Capital Required			
	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2008:						
Total Capital (to Risk-Weighted Assets)	$12,556	17.6%	$ 5,700	8.0%	$ 7,126	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	$11,653	16.4%	$ 2,850	4.0%	$ 4,275	6.0%
Tier 1 Capital (to Average Assets)	$11,653	11.6%	$ 4,037	4.0%	$ 5,046	5.0%
As of December 31, 2007:						
Total Capital (to Risk-Weighted Assets)	$13,969	31.3%	$ 3,586	8.0%	$4,482	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	$13,445	30.0%	$ 1,793	4.0%	$2,689	6.0%
Tier 1 Capital (to Average Assets)	$13,445	19.4%	$ 2,777	4.0%	$3,471	5.0%

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 – FAIR VALUE MEASUREMENT

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Securities:

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2).

Collateral-Dependent Impaired Loans:

The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs, through charge-offs or specific reserve allowances, that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent impaired loans are obtained from real estate brokers or other third-party consultants (Level 3).

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value at December 31, 2008:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets and Liabilities Measured at Fair Value on a Recurring Basis				
Assets:				
Securities Available for Sale	$ -	$28,009,000	$ -	$28,009,000
Assets Measured at Fair Value on a Non-recurring Basis				
Collateral-Dependent Impaired Loans, Net of Specific Reserves	$ -	$ -	$ 1,318,000	$ 1,318,000

Collateral-dependent impaired loans, which are measured for impairment using the fair value of the collateral, had a carrying value of approximately $1,598,000, with a specific reserve of $280,000.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board ("FASB") SFAS No. 107 specifies the disclosure of the estimated fair value of financial instruments. The Bank's estimated fair value amounts have been determined by the Bank using available market information and appropriate valuation methodologies. However, considerable judgment is required to develop the estimates of fair value. Accordingly, the estimates are not necessarily indicative of the amounts the Bank 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.

Fair value estimates are based on financial instruments both on and off the balance sheet without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Additionally, tax consequences related to the realization of the unrealized gains and losses can have a potential effect on fair value estimates and have not been considered in many of the estimates. Fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. The following methods and assumptions were used by the Bank in estimating fair values of financial instruments:

Financial Assets

The carrying amounts of cash, short-term investments, due from customers on acceptances, and bank acceptances outstanding are considered to approximate fair value. Short-term investments include federal funds sold, securities purchased under agreements to resell, and interest bearing deposits with banks. The fair values of investment securities, including available for sale and held to maturity, are generally based on quoted market prices. The fair value of variable loans that reprice frequently and that have experienced no significant change in credit risk are based on carrying values. The fair values for all other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. Fixed rate loans accounted for approximately 60% of total loans as of December 31, 2008 and 2007. Loans are generally expected to be held to maturity and any unrealized gains or losses are not expected to be realized. Fair value for Federal Home Loan Bank stock approximates its carrying value.

Financial Liabilities

The carrying amounts of deposit liabilities payable on demand, commercial paper, and other borrowed funds are considered to approximate fair value. For fixed maturity deposits, fair value is estimated by discounting estimated future cash flows using currently offered rates for deposits of similar remaining maturities. The fair value of long term debt is based on rates currently available to the Bank for debt with similar terms and remaining maturities.

NOTE O - FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

Off-Balance Sheet Financial Instruments

The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. The fair value of these financial instruments are not deemed to be material.

The estimated fair value of financial instruments at December 31, 2008 is summarized as follows (dollar amounts in thousands):

	2008	
	Carrying Value	Fair Value
Financial Assets:		
Cash and Due From Banks	$ 4,900	$ 4,900
Interest-Bearing Deposits	4,006	4,006
Federal Funds Sold	815	815
Investment Securities	28,009	28,009
Loans, Net	63,646	64,123
Federal Home Loan Bank Stock	245	245
Accrued Interest Receivable	616	616
Financial Liabilities:		
Deposits	90,964	91,117
Accrued Interest and Other Liabilities	607	607

NOTE P – SUBSEQUENT EVENT

On January 23, 2009, the Bank, in connection with the Troubled Assets Relief Program ("TARP") Capital Purchase Program, entered into a Purchase Agreement with the United States Department of the Treasury (the "Treasury"), pursuant to which the Bank agreed to issue and sell 1.968 shares of the Bank's Preferred Stock as Fixed Rate Non-cumulative Perpetual Preferred Stock, Series A (the "Series A Preferred Stock") and 98 shares of Fixed Rate Non-cumulative Perpetual Warrant Preferred Stock, Series B (the "Series B Preferred Stock") for an aggregate purchase price of $1,968,000 in cash.

Both Series A and Series B Preferred stock will qualify as Tier 1 Capital. Series A Preferred Stock will pay non-cumulative dividends at a rate of 5% per annum for the first five years and 9% per annum thereafter. Series B Preferred Stock will pay non-cumulative dividends at a rate of 9% per annum. Series A Preferred stock can be redeemed after three years for $1,968,000, and Series B can be redeemed for $98,000 after Series A Preferred Stock has been redeemed.