Fife

Commercial

Bank

Financial

Report

December 31

1999

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Independent Auditors' Report

January 28, 2000

Board of Directors
Fife Commercial Bank
Fife, Washington

We have audited the accompanying balance sheets of **Fife Commercial Bank** as of December 31, 1999 and 1998, and the related statements of operations, shareholders' equity and cash flows for the year ended December 31, 1999 and the period July 15, 1998 through December 31, 1998. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit 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 **Fife Commercial Bank** as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the year ended December 31, 1999 and the period July 15, 1998 through December 31, 1998, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Financial

Statements

Balance Sheets

(Dollars in Thousands)

Fife Commercial Bank
December 31, 1999 and 1998

	1999	1998
Assets		
Cash and due from banks	$ 1,210	$ 1,137
Interest bearing deposits in banks	3,539	- -
Federal funds sold	715	770
Securities available for sale	560	598
Loans	22,745	12,308
Allowance for credit losses	(284)	(135)
Net loans	**22,461**	**12,173**
Premises and equipment	706	322
Accrued interest receivable	132	72
Other assets	66	51
Total assets	**$29,389**	**$15,123**
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Demand	$ 3,432	$ 3,138
Savings and interest-bearing demand	8,726	3,487
Time	13,921	4,194
Total deposits	**26,079**	**10,819**
Accrued interest payable	7	- -
Secured borrowings	- -	1,421
Other liabilities	84	22
Total liabilities	**26,170**	**12,262**
Shareholders' Equity		
Preferred stock (no par value); authorized 100,000 shares; no shares issued and outstanding	- -	- -
Common stock (par value: $1); authorized 2,000,000 shares; issued and outstanding: 1999 - 159,415 shares; 1998 - 158,160 shares	159	158
Surplus	3,033	3,005
Retained earnings (accumulated deficit)	49	(300)
Accumulated other comprehensive loss	(22)	(2)
Total shareholders' equity	**3,219**	**2,861**
Total liabilities and shareholders' equity	**$29,389**	**$15,123**

See notes to financial statements.

Statements of Operations

(Dollars in Thousands, Except Per Share Amounts)

Fife Commercial Bank
Year Ended December 31, 1999 and
Period July 15, 1998 Through December 31, 1998

	1999	1998
Interest Income		
Loans	$1,875	$376
Federal funds sold and deposits in banks	185	59
Securities available for sale	37	11
Total interest income	**2,097**	**446**
Interest Expense		
Deposits	762	103
Secured borrowings	- -	10
Total interest expense	**762**	**113**
Net interest income	**1,335**	**333**
Provision for Credit Losses	149	135
Net interest income after provision for credit losses	**1,186**	**198**
Non-Interest Income		
Service charges on deposit accounts	87	17
Other operating income	11	2
Total non-interest income	**98**	**19**
Non-Interest Expense		
Salaries	(385)	(136)
Employee benefits	(69)	(35)
Occupancy	(47)	(22)
Furniture and equipment	(62)	(26)
Other	(335)	(153)
Total non-interest expense	**(898)**	**(372)**
Pre-Opening Expenses	- -	(145)
Income (loss) before income taxes	**386**	**(300)**
Income Taxes	37	- -
Net income (loss)	**$ 349**	**($300)**
Earnings (Loss) Per Share		
Basic	$2.21	($1.90)
Diluted	2.18	(1.90)

See notes to financial statements.

Statements of Shareholders' Equity

(Dollars in Thousands)

Fife Commercial Bank
Year Ended December 31, 1999 and
Period July 15, 1998 Through December 31, 1998

	Shares of Common Stock	Common Stock	Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Initial offering of common stock	157,500	$157	$2,993	$ - -	$- -	$3,150
Comprehensive loss:						
Net loss	- -	- -	- -	(300)	- -	(300)
Other comprehensive loss:						
Change in unrealized loss on securities	- -	- -	- -	- -	(2)	(2)
Comprehensive loss						**(302)**
Directors' compensation	660	1	12	- -	- -	13
Balance at December 31, 1998	**158,160**	**158**	**3,005**	**(300)**	**(2)**	**2,861**
Comprehensive income:						
Net income	- -	- -	- -	349	- -	349
Other comprehensive loss:						
Change in unrealized loss on securities	- -	- -	- -	- -	(20)	(20)
Comprehensive income						**329**
Directors' compensation	1,255	1	28	- -	- -	29
Balance at December 31, 1999	**159,415**	**$159**	**$3,033**	**$ 49**	**($22)**	**$3,219**

See notes to financial statements.

Statements of Cash Flows

(Dollars in Thousands)

Fife Commercial Bank
Year Ended December 31, 1999 and
Period July 15, 1998 Through December 31, 1998

	1999	1998
Cash Flows from Operating Activities		
Net income (loss)	$ 349	($ 300)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for credit losses	149	135
Depreciation and amortization	44	18
Deferred income tax	32	- -
Directors' compensation	29	13
Increase in accrued interest receivable	(60)	(72)
Increase in accrued interest payable	7	- -
Other	16	(32)
Net cash provided by (used in) operating activities	**566**	**(238)**
Cash Flows from Investing Activities		
Net (increase) decrease in federal funds sold	55	(770)
Net increase in interest bearing deposits in banks	(3,539)	- -
Activity in securities available for sale:		
Maturities, prepayments and calls	550	- -
Purchases	(542)	(600)
Net increase in loans made to customers, net of principal collections	(11,858)	(12,308)
Purchases of premises and equipment	(419)	(337)
Net cash used in investing activities	**(15,753)**	**(14,015)**
Cash Flows from Financing Activities		
Net increase in deposits	15,260	10,819
Net increase in secured borrowings	- -	1,421
Issuance of common stock	- -	3,150
Net cash provided by financing activities	**15,260**	**15,390**
Net increase in cash and due from banks	**73**	**1,137**
Cash and Due from Banks		
Beginning of period	1,137	- -
End of period	**$ 1,210**	**$ 1,137**

(continued)

See notes to financial statements.

Statements of Cash Flows

(concluded) (Dollars in Thousands)

Fife Commercial Bank
Year Ended December 31, 1999 and
Period July 15, 1998 Through December 31, 1998

	1999	1998
Supplemental Disclosures of Cash Flow Information		
Interest paid	$755	$113
Income taxes paid	5	- -
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Fair value adjustment of securities available for sale	($ 20)	($ 2)
Reclassification of secured borrowings	(1,421)	- -

See notes to financial statements

Fife Commercial Bank
December 31, 1999 and 1998

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Fife Commercial Bank (the Bank) was formed in 1998. It completed its initial stock offering on July 1, 1998 and commenced operations on July 15, 1998. The Bank operates one branch in Fife, Washington. The Bank's primary source of revenue is providing loans to customers, who are predominately small- and middle-market businesses and middle-income individuals.

Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles and practices within the banking industry. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, as of the date of the balance sheet, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses and the valuation of deferred tax assets.

Certain prior year amounts have been reclassified to conform to the 1999 presentation. All dollar amounts, except per share information, are stated in thousands.

Securities Available for Sale

Securities available for sale consist of debt securities which may be sold to implement the Bank's asset/liability management strategies and in response to changes in interest rates and similar factors, and certain equity securities. Securities available for sale are reported at fair value. Unrealized gains and losses, net of the related deferred tax effect, are reported as a net amount in a separate component of shareholders' equity entitled "accumulated other comprehensive loss." Realized gains and losses on securities available for sale, determined using the specific identification method, are included in earnings. Amortization of premiums and accretion of discounts are recognized in interest income over the period to maturity.

Loans

Loans are stated at the amount of unpaid principal, reduced by an allowance for credit losses. Interest on loans is accrued daily based on the principal amount outstanding.

Generally the accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due or when they are past due 90 days as to either principal or interest, unless they are well secured and in the process of collection. When interest accrual is discontinued, all unpaid accrued interest is reversed against current income. If management determines that the ultimate collectibility of principal is in doubt, cash receipts on nonaccrual loans are applied to reduce the principal balance.

(continued)

Fife Commercial Bank
December 31, 1999 and 1998

Note 1 - Summary of Significant Accounting Policies *(continued)*

Allowance for Credit Losses

The allowance for credit losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance is increased by provisions charged to operations and reduced by loans charged off, net of recoveries. The allowance is based on management's periodic evaluation of potential losses in the loan portfolio after consideration of historical loss experience, adverse situations that may affect the borrowers' ability to repay, the estimated value of any underlying collateral, economic conditions, the results of examination of individual loans, the evaluation of the overall portfolio by senior credit personnel and federal and state regulatory agencies, and other risks inherent in the portfolio. This evaluation is inherently subjective, as it requires the use of current estimates, which may vary from the ultimate collectibility experienced in the future. The estimates used are reviewed periodically; as adjustments become necessary, they are charged to operations in the period in which they become known.

When management determines it is possible that a borrower will be unable to repay all amounts due according to the terms of the loan agreement, including scheduled interest payments, the loan is considered impaired. Loans that experience insignificant payment delays and payment shortfalls are generally not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed. The amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, when the primary source of repayment is provided by real estate collateral, at the fair value of the collateral less estimated selling costs. The amount of impairment and any subsequent charges are recorded through the provision for credit losses as an adjustment to the allowance for credit losses.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation, which is computed on a straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is less. Gains or losses on dispositions are reflected in earnings.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

(continued)

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies *(continued)*

Income Taxes

Deferred tax assets and liabilities result from differences between the financial statement carrying amounts and the tax bases of assets and liabilities, and are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. The deferred tax provision represents the difference between the net deferred tax asset/liability at the beginning and end of the year. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Cash Equivalents

The Bank considers all amounts included in the balance sheet caption "Cash and due from banks" to be cash equivalents.

Stock-Based Compensation

The Bank accounts for stock-based awards to employees using the intrinsic value method, in accordance with APB No. 25, *Accounting for Stock Issued to Employees*. Accordingly, no compensation expense has been recognized in the financial statements for employee stock arrangements. However, the required pro forma disclosures of the effects of all options granted have been provided in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*.

Earnings Per Share

Basic earnings (loss) per share exclude dilution and are computed by dividing net income or loss by the weighted average number of common shares outstanding.

Diluted earnings (loss) per share reflect the dilution that could occur if common shares were issued pursuant to the exercise of options under the Bank's stock option plans.

(continued)

Note 1 - Summary of Significant Accounting Policies *(concluded)*

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in its balance sheet and measure those instruments at fair value. Under this statement, an entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk. This statement is effective for all fiscal years beginning after June 15, 2000. The Bank had no derivatives as of December 31, 1999, nor does the Bank engage in any hedging activities. The Bank does not anticipate that the adoption of SFAS No. 133 will have a material effect on its financial position or results of operations.

Note 2 - Debt and Equity Securities

Investment securities have been classified as available for sale according to management's intent. The carrying amount of securities and their approximate fair values were as follows:

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities Available for Sale				
December 31, 1999				
U.S. agency securities	$550	$- -	$33	$517
FHLB stock	43	- -	- -	43
Total	**$593**	**$- -**	**$33**	**$560**
December 31, 1998				
U.S. agency securities	**$600**	**$- -**	**$2**	**$598**

The contractual maturities of debt securities available for sale at December 31, 1999 are as follows:

	Amortized Cost	**Fair Value**
Due from five to ten years	$200	$199
Due after ten years	350	318

Securities, carried at approximately $318 at December 31, 1999, were pledged to secure public deposits and for other purposes required or permitted by law.

Note 3 - Loans

Loans at December 31 consist of the following:

	1999	1998
Commercial	$ 7,073	$ 5,041
Real estate:		
Residential 1-4 family	5,831	2,267
Commercial	6,041	2,420
Construction	2,645	2,059
Consumer	1,155	521
Total loans	**$22,745**	**$12,308**

Changes in the allowance for credit losses for the year ended December 31, 1999 and the period July 15, 1998 through December 31, 1998 are as follows:

	1999	1998
Balance at beginning of period	$135	$ - -
Provision for credit losses	149	135
Balance at end of period	**$284**	**$135**

The Bank had no impaired loans or loans 90 days past due and still accruing interest at December 31, 1999 and 1998.

Certain related parties of the Bank, principally Bank directors and their associates, were loan customers of the Bank in the ordinary course of business during 1999 and 1998. Total loans outstanding at December 31, 1999 and 1998 to key officers and directors were $1,123 and $850, respectively. During 1999, advances totaled $1,014 and repayments totaled $741 on these loans.

Note 4 - Premises and Equipment

The components of premises and equipment at December 31 are as follows:

	1999	1998
Land	$168	$ - -
Building	431	- -
Leasehold improvements	- -	192
Furniture	51	45
Equipment	105	99
	755	**336**
Less accumulated depreciation and amortization	49	14
Total premises and equipment	**$706**	**$322**

On July 1, 1999, the Bank exercised an option to purchase its existing building for $395. Previously the building had been leased from a partnership comprised of two Bank directors. Rental expense for leased premises and equipment was $20 and $33 for 1999 and 1998, respectively.

Note 5 - Deposits

The aggregate amount of certificates of deposit with balances in excess of one hundred thousand dollars was approximately $4,618 and $1,944 at December 31, 1999 and 1998, respectively.

At December 31, 1999, the scheduled maturities of certificates of deposit are as follows:

2000	$13,237
2001	595
2002	59
2003 and thereafter	30
	$13,921

Note 6 - Employee Benefits

The Bank has a 401(k) plan which covers substantially all employees who have completed three months or more of service. Contributions to the 401(k) profit sharing plan consist of a discretionary match as determined by the Board of Directors, up to a maximum of 8% of employee salaries. Total contributions by the Bank to this plan in 1999 and 1998 were $9 and $3, respectively.

Note 7 - Secured Borrowings

Secured borrowings at December 31, 1998 represented borrowings collateralized by participation interests in loans originated by the Bank. These borrowings were repaid as payments (normally monthly) were made on the underlying loans, bearing interest ranging from 8.5% to 10%. Originally maturing between October 1999 and December 2008, the secured borrowings were reclassified to loans in 1999 after participation agreements were amended.

Note 8 - Income Taxes

Income taxes are comprised of the following for the year ended December 31, 1999:

Current	$ 5
Deferred	32
Total income taxes	**$37**

No income taxes were provided in 1998 as a result of the loss incurred.

The following is a reconciliation between the statutory and the effective federal income tax rate for the years ended December 31, 1999:

	Amount	**Percent of Pre-tax Income**
Income tax at statutory rates	$131	34.0%
Increase (decrease) resulting from:		
Reduction of valuation allowance	(102)	(26.4)
Other	8	2.0
Total income tax expense	**$ 37**	**9.6%**

(continued)

Note 8 - Income Taxes *(concluded)*

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31 are:

	1999	1998
Deferred Tax Assets		
Unrealized loss on securities available for sale	$ 11	$ - -
Net operating loss carryforward	2	88
Pre-opening expenses	37	47
Allowance for credit losses	50	14
Total deferred tax assets	**100**	**149**
Deferred Tax Liabilities		
Accumulated depreciation	(11)	(5)
Deferred income	(81)	(23)
Accrual to cash	(29)	(19)
Total deferred tax liabilities	**(121)**	**(47)**
Valuation Allowance	**- -**	**(102)**
Net deferred tax liabilities	**($ 21)**	**$ - -**

At December 31, 1999, the Bank has a net operating loss carryforward of approximately $6, expiring in 2013, which is available to offset future taxable income.

Note 9 - Commitments and Contingencies

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the Bank's commitments at December 31 is as follows:

	1999	1998
Commitments to extend credit:		
Real estate secured	$2,037	$1,106
Other	1,156	949
Total commitments to extended credit	**$3,193**	**$2,055**

(continued)

Note 9 - Commitments and Contingencies *(concluded)*

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 commitment amounts do not necessarily represent future cash requirements. The Bank estimates that approximately 75% of loan commitments are drawn upon by customers. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the party. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate, and income-producing commercial properties.

The Bank has agreements with correspondent banks for lines of credit totaling $1,500, none of which was used at December 31, 1999, and a credit line with the Federal Home Loan Bank totaling 10% of assets, none of which was used at December 31, 1999.

Because of the nature of its activities, the Bank is subject to various pending and threatened legal actions which arise in the ordinary course of business. In the opinion of management, liabilities arising from these claims, if any, will not have a material effect on the financial position of the Bank.

Note 10 - Stock Options Plans

The Bank has two stock option plans. Under the first plan, the Bank may grant options for up to 22,500 shares (8,000 remain available for grant at December 31, 1999) of its common stock to certain key employees. The exercise price of each option equals the fair market value of the Bank's stock on the date of grant, and an option's maximum term is ten years. Under the second plan, the Bank may grant options for up to 9,000 shares (1,000 remain available for grant at December 31, 1999) of its common stock to its Directors. The exercise price equals the fair market value of the Bank's stock on the date of grant, and an option's maximum term is ten years. Under both plans, options vest 20% on the date of grant and 20% on the anniversary of the grant for four succeeding years.

(continued)

Note 10 - Stock Options Plans *(continued)*

The Bank applies APB Opinion No. 25 and related interpretations in accounting for these plans. Accordingly, no compensation cost has been recognized. Had compensation cost for the Bank's stock option plans been determined based on the fair value at the grant dates, consistent with the method of SFAS No. 123, the Bank's net income (loss) and income (loss) per share would have been changed to these pro forma amounts at December 31:

	1999	1998
Net income (loss):		
As reported	$349	($300)
Pro forma	258	(311)
Earnings (loss) per share:		
Basic:		
As reported	$2.21	($1.90)
Pro forma	1.63	(1.97)
Diluted:		
As reported	$2.18	($1.90)
Pro forma	1.63	(1.97)

The fair value of each option grant is estimated on the date of grant, based on the Black-Scholes option-pricing model and using the following weighted-average assumptions:

	1999	1998
Dividend yield	- -%	- -%
Expected life	10 years	10 years
Risk-free interest rate	6.79%	4.69%

The weighted average fair value of options granted during 1999 and 1998 was $9.74 and $7.42, respectively.

(continued)

Note 10 - Stock Options Plans *(concluded)*

A summary of the status of the Bank's stock option plans as of December 31, 1999 and 1998 is presented below:

	1999		1998	
	Shares	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Outstanding at beginning of period	14,500	$20.00	- -	$- -
Granted	9,000	20.00	14,500	20.00
Forfeited	(1,000)	20.00	- -	- -
Outstanding at end of period	**22,500**	**$20.00**	**14,500**	**$20.00**
Options exercisable at year end	7,400		2,900	

The following summarizes information about stock options outstanding and exercisable at December 31, 1999:

Exercise Price	**Number Outstanding**	**Weighted Average Remaining Contractual Life (Years)**	**Number Exercisable**
$20.00	22,500	9.8	7,400

Note 11 - 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 on the regulatory framework for prompt corrective action, the Bank must meet specific capital adequacy 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 classification is also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

(continued)

Note 11 - Regulatory Matters *(concluded)*

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 Tier 1 capital (as defined in the regulations) to total average assets (as defined), and minimum ratios of Tier 1 and total capital (as defined) to risk-weighted assets (as defined).

As of December 31, 1999, the most recent notification from the Bank's regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and ratios are also presented in the table. Management believes, as of December 31, 1999, that the Bank meets all capital requirements to which it is subject.

			Capital Adequacy Purposes		**To be Well Capitalized Under Prompt Corrective Action Provisions**	
	Actual Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 1999						
Tier 1 capital (to average assets)	$3,241	11.26%	$1,152	4.00%	$1,439	5.00%
Tier 1 capital (to risk-weighted assets)	3,241	13.67	948	4.00	1,422	6.00
Total capital (to risk-weighted assets)	3,525	14.87	1,896	8.00	2,370	10.00
December 31, 1998						
Tier 1 capital (to average assets)	$2,863	22.32%	$513	4.00%	$ 641	5.00%
Tier 1 capital (to risk-weighted assets)	2,863	25.89	443	4.00	664	6.00
Total capital (to risk-weighted assets)	2,998	27.11	885	8.00	1,106	10.00

As a condition for receiving deposit insurance from the Federal Deposit Insurance Corporation, the Bank is required to maintain a minimum of 8% Tier 1 capital for its first three years of operation.

Note 12 - Earnings Per Share Disclosures

Following is information regarding the calculation of basic and diluted earnings (loss) per share for the years indicated:

	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Year ended December 31, 1999			
Basic earnings per share:			
Net income	**$349**	**158,163**	**$2.21**
Effect of dilutive securities:			
Options	- -	2,139	(.03)
Diluted earnings per share:			
Net income	**$349**	**160,302**	**$2.18**
Year ended December 31, 1998			
Basic loss per share:			
Net loss	**($300)**	**157,500**	**($1.90)**
Effect of dilutive securities:			
Options	- -	- -	- -
Diluted loss per share:			
Net loss	**($300)**	**157,500**	**($1.90)**

Note 13 - Pre-Opening Expenses

Prior to opening for business on July 15, 1998, the Bank incurred certain salary, marketing, rent and other expenses totaling $157 associated with the start of operations, which is reported net of $12 interest earned on stock subscription funds.

Note 14 - Directors' Compensation

Members of the Bank's Board of Directors receive shares of stock for each meeting attended. The stock is issued in lieu of cash compensation based on its fair market value.

Average Balances and Net Interest Income

(Dollars in Thousands)

Fife Commercial Bank
Year Ended December 31, 1999 and
Period July 15, 1998 through December 31, 1998

	1999			1998		
	Average Balance	**Interest Income (Expense)**	**Average Rate**	**Average Balance**	**Interest Income (Expense)**	**Average Rate**
Assets						
Earning assets:						
Loans	$17,495	$1,875	10.7%	$3,161	$376	11.9%
Federal funds sold and deposits in banks	3,580	185	5.2	1,032	59	5.7
Investment securities	533	37	6.9	167	11	6.6
Total earning assets/ interest income	**21,608**	**2,097**	**9.7%**	**4,360**	**446**	**10.2%**
Cash and due from banks	1,309			363		
Premises and equipment - net	516			139		
Other assets	147			39		
Allowance for credit losses	(211)			(32)		
Total assets	**$23,369**			**$4,869**		
Liabilities and Shareholders' Equity						
Interest bearing liabilities:						
Deposits:						
Savings and interest-bearing demand	$ 6,344	(261)	4.1%	$1,010	(40)	4.0%
Time	9,659	(501)	5.2	1,200	(63)	5.3
Secured borrowings				222	(10)	4.5
Total interest bearing liabilities/interest expense	**16,003**	**(762)**	**4.8%**	**2,432**	**(113)**	**4.7%**
Demand deposits	4,217			1,070		
Other liabilities	122			17		
Shareholders' equity	3,027			1,350		
Total liabilities and shareholders' equity	**$23,369**			**$4,869**		
Net interest income		**$1,335**			**$333**	
Net Interest Income as a Percentage of Average Earning Assets						
Interest income			9.7%			10.2%
Interest expense			3.5			2.6
Net interest income			**6.2%**			**7.6%**