COMMUNITY FIRST
BANCORPORATION, INC.
AND SUBSIDIARY
KENNEWICK, WA

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

DECEMBER 31, 2006 AND 2005

C O N T E N T S

AUDITED CONSOLIDATED FINANCIAL STATEMENTS:

OTHER FINANCIAL INFORMATION:

NOTE: This annual report serves as the Bank's annual disclosure statement under requirements of the Federal Deposit Insurance Corporation (FDIC). This statement has not been reviewed, or confirmed for accuracy or relevance, by the FDIC.

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CERTIFIED
PUBLIC
ACCOUNTANTS
&
BUSINESS
ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders
of Community First Bancorporation, Inc.
Kennewick, WA

We have audited the accompanying consolidated balance sheets of Community First Bancorporation, Inc. and Subsidiary as of December 31, 2006 and 2005 and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Companies' 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 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 Community First Bancorporation, Inc. and Subsidiary as of December 31, 2006 and 2005 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information on pages 26-32 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

Stovall, Grandey & Allen, LLP

STOVALL, GRANDEY & ALLEN, L.L.P.
Fort Worth, Texas
February 27, 2007

COMMUNITY FIRST BANCORPORATION, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 AND 2005
(Dollars in Thousands)

	2006	2005
ASSETS		
Cash and cash equivalents:		
Cash and due from banks - Note 3	$ 4,288	$ 2,465
Interest-bearing deposits in financial institutions maturing in less than three months	1,150	8,969
Federal funds sold	17,700	-
Total cash and cash equivalents	23,138	11,434
Investment securities - Note 4	4,710	11,450
Loans, net of allowance for loan losses - Note 5	61,356	49,958
Bank premises and equipment, net of accumulated depreciation - Note 6	1,672	1,765
Accrued interest receivable	488	413
Net deferred tax asset - Note 9	-	5
Goodwill	489	489
Other assets	180	242
Total Assets	$ 92,033	$ 75,756
LIABILITIES		
Deposits - Note 7	$ 80,783	$ 65,296
Short-term borrowings - Note 8	450	450
Other liabilities:		
Accrued interest payable	264	151
Accrued expenses and other liabilities	62	80
Net deferred tax liability	44	-
Total other liabilities	370	231
Total Liabilities	81,603	65,977
Commitments and contingencies - Notes 11, 12, 13 and 14		
SHAREHOLDERS' EQUITY - Notes 16 and 17		
Common stock, $1 par value:		
Authorized - 1,000,000 shares		
Issued and outstanding - 417,630 and 401,380 shares at December 31, 2006 and 2005, respectively	418	401
Additional paid-in capital	9,712	9,332
Retained earnings	400	209
Accumulated other comprehensive loss, net of tax benefit of $84 for 2005	(100)	(163)
Total Shareholders' Equity	10,430	9,779
Total Liabilities and Shareholders' Equity	$ 92,033	$ 75,756

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

COMMUNITY FIRST BANCORPORATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in Thousands)

	2006	2005
Interest income		
Interest and fees on loans	$ 4,842	$ 3,883
Interest on investment securities	212	429
Interest on federal funds sold and interest-bearing deposits with financial institutions	443	74
Total interest income	5,497	4,386
Interest expense		
On deposits	1,641	1,171
On borrowed funds	15	30
Total interest expense	1,656	1,201
Net interest income	3,841	3,185
Provision for loan losses - Note 5	-	-
Net interest income after provision for loan losses	3,841	3,185
Non-interest income		
Service charges and fees on deposit accounts	141	118
Mortgage broker fees	69	80
Loss on sales of investment securities	(70)	(22)
Gain on sales of other real estate	-	19
Loss on disposals of other assets	(1)	-
Other	66	62
Total non-interest income	205	257
Non-interest expense		
Salaries and employee benefits	2,201	1,873
Occupancy	266	169
Furniture and equipment	125	108
Data processing	181	204
Professional fees	91	240
Other operating expenses	768	598
Total non-interest expense	3,632	3,192
Income before federal income tax (benefit)	414	250
Federal income tax (benefit) - Note 9	(18)	41
Net Income	$ 432	$ 209

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

COMMUNITY FIRST BANCORPORATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Inception of corporation - January 1, 2005	$ 401	$ 9,315	$ -	$ (99)	$ 9,617
Exercise of stock options	-	17			17
Net income for the year ended December 31, 2005			209		209
Reclassification adjustment for loss on sales of securities, net of tax benefit of $8				15	15
Unrealized loss on available-for-sale securities, net of tax benefit of $41				(79)	(79)
Comprehensive income					145
Balance at December 31, 2005	401	9,332	209	(163)	9,779
Exercise of stock options	17	351			368
Stock option compensation expense		29			29
Net income for the year ended December 31, 2006			432		432
Reclassification adjustment for loss on sales of securities				70	70
Unrealized loss on available-for-sale securities				(7)	(7)
Comprehensive income					495
Dividends paid - $.60 per share			(241)		(241)
Balance at December 31, 2006	$ 418	$ 9,712	$ 400	$ (100)	$ 10,430

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

COMMUNITY FIRST BANCORPORATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in Thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 432	$ 209
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	196	162
Net premium amortization on investment securities	12	40
Stock dividends	-	(1)
Loss on sales of investment securities	70	22
Gain on sales of other real estate	-	(19)
Loss on disposals of other assets	1	-
Deferred tax benefit	(35)	(48)
Stock option compensation expense	29	-
Increase in interest receivable	(75)	(61)
Increase (decrease) in interest payable	113	(9)
Other	(7)	46
Total adjustments	304	132
Net Cash Provided by Operating Activities	736	341
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities:		
Available-for-sale	(938)	(2,122)
Proceeds from maturities and calls of investment securities:		
Available-for-sale	1,000	2,000
Proceeds from sales of investment securities:		
Available-for-sale	5,631	1,979
Proceeds from principal paydowns of investment securities:		
Available-for-sale	1,112	2,375
Net increase in loans made to customers	(11,399)	(2,647)
Purchases of premises and equipment	(53)	(338)
Cash proceeds from sales of foreclosed and repossessed assets	-	174
Cash of subsidiary at acquisition	-	1,714
Net Cash Provided (Used) by Investing Activities	$ (4,647)	$ 3,135

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

COMMUNITY FIRST BANCORPORATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in Thousands)

	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposits, interest-bearing transaction accounts and savings	$ 11,941	$ 14,197
Net increase (decrease) in time deposits	3,547	(5,136)
Net decrease in short-term borrowings	-	(1,120)
Proceeds from stock options exercised	368	17
Dividends paid	(241)	-
Net Cash Provided by Financing Activities	15,615	7,958
Net increase in cash and cash equivalents	11,704	11,434
Cash and cash equivalents at beginning of year	11,434	-
Cash and cash equivalents at end of year	$ 23,138	$ 11,434
SUPPLEMENTAL SCHEDULE OF OPERATING AND INVESTING ACTIVITIES:		
Interest paid	$ 1,542	$ 1,210
Other real estate acquired through loan foreclosure	-	109
Federal income taxes paid	23	63
Federal income tax refunds received	4	77

COMMUNITY FIRST BANCORPORATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Note 1 History

Community First Bancorporation, Inc. was formed August 6, 2004 to serve as a bank holding company. The Corporation was activated January 1, 2005, when Community First Bancorporation, Inc. and Community First Bank entered into a Share Exchange Agreement in order to effect the acquisition of 100 percent of the issued and outstanding common stock of the Bank. Each eligible Bank Shareholder received one share of Corporation stock in exchange for each share of Bank stock owned.

In order to effect a conversion to a Subchapter S corporation, there was a 1-for-1,000 reverse stock split. During 2005, Community First Merger Corporation, Inc. was formed in order to effectuate the Subchapter S conversion. Effective January 1, 2006, Community First Bancorporation, Inc. and Community First Merger Corporation, Inc., a Subchapter S corporation, merged. After this merger, a 1,000-for-1 stock split occurred, which restored the number of shares to the original amounts prior to the reverse stock split; therefore, the effects of the reverse stock split are not incorporated into this report.

Note 2 Summary of Significant Accounting Policies

The consolidated financial statements of the Corporation include its accounts and those of its one hundred percent (100%) owned subsidiary, Community First Bank. The accounting and reporting policies of both entities are in accordance with accounting principles generally accepted in the United States of America. All dollar amounts, except per share information, are stated in thousands.

Principles of Consolidation

In the consolidated statements, all significant intercompany accounts and transactions have been eliminated upon consolidation.

Nature of Operations

Community First Bancorporation, Inc. is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, Community First Bank. Community First Bank operates three offices in Kennewick, Connell and Richland, Washington. Community First Bank provides loan services to and accepts deposits from customers, who are predominately small- and middle-market businesses and middle-income individuals, in Southeastern Washington State. Funding sources are deposits from customers, public entities and borrowings from various sources. The Bank operates under a state bank charter and provides full banking services.

Estimates

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 and 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.

Note 2 Summary of Significant Accounting Policies, continued

Estimates, continued

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Corporation's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Corporation has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Corporation to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Cash and Cash Equivalents and Cash Flows

For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents are defined as those amounts included in cash and amounts due from depository institutions, interest-bearing deposits maturing in three months or less and federal funds sold. The Companies report net cash flows from customer loan transactions, deposit transactions and short-term borrowings.

Investment Securities

The Corporation accounts for investment securities according to Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, (SFAS 115). Under the provisions of SFAS 115, debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and 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.

Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income. Realized gains (losses) on securities available-for-sale are included in other income and, when applicable, are reported as a reclassification adjustment in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method.

Note 2 Summary of Significant Accounting Policies, continued

Investment Securities, continued

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their amortized 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 (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans

Loans are stated at the principal amount outstanding less the allowance for loan losses. Interest income on loans is recognized based upon the principal amounts 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 on a cash-basis method, until the loans qualify for return to accrual status or principal is paid in full. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured. Past due status is determined based on contractual terms.

Allowance for Loan Losses

The allowance for loan losses is comprised of amounts charged against income in the form of the provision for loan losses, less charged-off loans, net of recoveries. Loans are charged against the allowance for loan losses when management believes that collection of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance for loan losses.

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.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Note 2 Summary of Significant Accounting Policies, continued

Allowance for Loan Losses, continued

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are 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 the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loans' obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogenous loans are collectively evaluated for impairment; accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are subject to a restructuring agreement.

Periodically, regulatory agencies review the Corporation's allowance for loan losses as an integral part of their examination process, and may require the Corporation to make additions to the allowance based on their judgment about information available to them at the time of their examination.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method based upon the estimated useful lives of the assets, which range from 3 to 7 years for furniture and equipment, and 30 to 40 years for buildings and improvements. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is less.

Maintenance and repairs are charged to operating expenses. Renewals and betterments are added to the asset accounts and depreciated over the periods benefited. Depreciable assets sold or retired are removed from the asset and related accumulated depreciation accounts and any gain or loss is reflected in the income and expense accounts. These assets are reviewed for impairment when events indicate their carrying value may not be recoverable. If management determines an impairment exists, the asset is reduced with an offsetting charge to expense.

Note 2 Summary of Significant Accounting Policies, continued

Other Real Estate

Other real estate is foreclosed property held pending disposition and is initially recorded at fair value less estimated selling costs when acquired, establishing a new cost basis. At foreclosure, if the fair value of the real estate acquired less estimated selling costs is less than the Corporation's recorded investment in the related loan, a write-down is recognized through a charge to the allowance for loan losses. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to income, if necessary, to reduce the carrying value of the property to the its fair value less estimated selling costs. Sales of other real estate are accounted for according to Statement of Financial Accounting Standards No. 66, *Accounting for Sales of Real Estate*.

Repossessed Collateral

Repossessed collateral represents vehicles securing automobile loans which were repossessed due to non-payment by the borrower. The vehicles are carried at the lower of the unpaid loan balance or fair market value. Any write-down to fair value at the time of repossession is charged to the allowance for loan losses. Any subsequent reductions in carrying values are charged to income.

Goodwill

Goodwill results from the Connell branch acquisition and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment is recognized in the period identified. During 2006 and 2005, no impairment loss was recognized.

Federal Income Taxes

Effective January 1, 2006, the shareholders of the Corporation elected to be taxed as a Subchapter "S" Corporation under Internal Revenue Service Code Section 1362. In lieu of corporate income taxes, the shareholders of a Subchapter S Corporation are taxed on their proportionate share of the Corporation's taxable income. The income tax benefit recorded by the Corporation in 2006 relates primarily to the elimination of its deferred tax assets and liabilities, with the exception of the built-in gains tax due in 2007 relating to the conversion of its tax loan loss allowance to the specific charge-off method.

For the year ended December 31, 2005, income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the tax and financial reporting of the allowance for loan losses, deferred loan fees, cash basis tax filing and accumulated depreciation and amortization.

For the year ended December 31, 2005, the deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Note 2 Summary of Significant Accounting Policies, continued

Federal Income Taxes, continued

The Corporation and the Bank join in filing consolidated federal income tax returns. Taxes are paid by the Bank to the Corporation based on the separate taxable income of the Bank.

The Companies maintain their records for financial reporting on the accrual basis of accounting. The Companies maintain their records for income tax reporting on the cash basis of accounting.

Stock-Based Compensation

At December 31, 2006, the Corporation has two stock-based employee compensation plans, which are described more fully in Note 16. Prior to January 1, 2006, the Corporation accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by FASB Statement No. 123, *Accounting for Stock-Based Compensation*. No stock-based employee compensation cost was recognized in the Statement of Income for the year ended December 31, 2005, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, the Corporation adopted the fair value recognition provisions of FASB Statement No. 123R, *Share-Based Payment*, using the modified-prospective-transition method. Under the transition method, compensation cost recognized in 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of Statement 123R. Results for prior periods have not been restated.

As a result of adopting Statement 123R on January 1, 2006, the Corporation's income before income taxes and net income for the year ended December 31, 2006 are $29,000 lower than if it had continued to account for share-based compensation under Opinion 25.

The following table illustrates the effect on net income if the Corporation had applied the fair value recognition provisions of Statement 123 to options granted under the Corporation's stock option plans for the year ended December 31, 2005. For purposes of this pro forma disclosure, the value of the options is estimated using a Black-Scholes option-pricing formula and amortized to expense over the options' vesting periods.

		2005
Net income, as reported	$	209
Less total stock-based compensation expense determined under fair value method for all qualifying awards, net of tax effects		(33)
Pro forma net income	$	176

Note 2 Summary of Significant Accounting Policies, continued

Comprehensive Income

The Corporation has adopted Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income*. The Statement establishes standards for reporting and display of comprehensive income and its components. The Corporation reports comprehensive income in the statement of changes in shareholders' equity.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs in the amount of $78,000 and $31,000 were expensed during 2006 and 2005, respectively.

Note 3 Restriction on Cash and Due From Banks

The Corporation is required to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. The required reserve at December 31, 2006 and 2005 was $477,000 and $385,000, respectively.

Note 4 Investment Securities

The amortized cost and fair values of investment securities at December 31, 2006 are as follows:

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Corporate bonds	$ 1,001	$ -	$ (1)	$ 1,000
U.S. Government agency mortgage-backed securities	3,580	8	(107)	3,481
Other	229	-	-	229
Total available-for-sale securities	$ 4,810	$ 8	$ (108)	$ 4,710

The balance sheet as of December 31, 2006 reflects the fair value of available-for-sale securities in the amount of $4,710,000. A net unrealized loss of $100,000 is in the available-for-sale investment securities balance. The unrealized loss is included in shareholders' equity.

Note 4 Investment Securities, continued

The amortized cost and fair values of investment securities at December 31, 2005 are as follows:

	December 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Government agencies and corporations	$ 5,701	$ -	$ (78)	$ 5,623
Corporate bonds	2,013	-	(54)	1,959
U.S. Government agency mortgage-backed securities	3,754	-	(115)	3,639
Other	229	-	-	229
Total available-for-sale securities	$ 11,697	$ -	$ (247)	$ 11,450

The balance sheet as of December 31, 2005 reflects the fair value of available-for-sale securities in the amount of $11,450,000. A net unrealized loss of $247,000 is in the available-for-sale investment securities balance. The unrealized loss, net of tax benefit, is included in shareholders' equity.

The amortized cost and fair value of debt securities at December 31, 2006, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities and equity securities are shown separately, since they are not due at a single maturity date.

	Available-for-Sale	
	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	$ 1,001	$ 1,000
Mortgage-backed securities	3,580	3,481
Other	229	229
Totals	$ 4,810	$ 4,710

Investment securities with fair market values of $3,481,000 and $7,375,000 at December 31, 2006 and 2005, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law. Included in these pledged investment securities are securities with fair values of $1,239,000 and $1,237,000 at December 31, 2006 and 2005, respectively, to secure short-term borrowings.

Proceeds from sales of investment securities in 2006 and 2005 were $5,631,000 and $1,979,000, respectively, resulting in gross realized losses of $70,000 and $22,000, respectively.

Note 4 Investment Securities, continued

At December 31, 2006 and 2005, the Corporation had $229,000 recorded as available-for-sale investment securities that represent stock in the Federal Home Loan Bank (FHLB). As a member of the FHLB system, the Corporation is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its outstanding home loans or 5% of advances from the FHLB. The recorded amount of FHLB stock equals its fair value because the shares can only be redeemed by the FHLB at the $100 per share par value. This stock is classified as a restricted investment security, carried at cost and evaluated annually for impairment. During 2006 and 2005, no impairment loss was recorded.

Information pertaining to securities with gross unrealized losses at December 31, 2006 and 2005, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2006:						
Federal agencies	$ -	$ -	$ 2,556	$ (107)	$ 2,556	$ (107)
Corporate bonds	-	-	1,000	(1)	1,000	(1)
Total	$ -	$ -	$ 3,556	$ (108)	$ 3,556	$ (108)
December 31, 2005:						
Federal agencies	$ 2,990	$ (49)	$ 6,272	$ (144)	$ 9,262	$ (193)
Corporate bonds	1,959	(54)	-	-	1,959	(54)
Total	$ 4,949	$ (103)	$ 6,272	$ (144)	$ 11,221	$ (247)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2006, the 5 debt securities with unrealized losses have depreciated 2.95% from the Corporation's amortized cost basis. Most of these securities are guaranteed by either the U.S. Government or other governments. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

Note 5 Loans and Allowance for Loan Losses

An analysis of loan categories at December 31, 2006 and 2005 is as follows:

	2006	2005
Commercial, farm and industrial loans	$ 22,722	$ 16,257
Real estate loans:		
Construction	1,687	1,448
1-4 family residential	4,941	4,464
Commercial	29,607	25,395
Dealer contracts	885	1,429
Consumer loans	2,370	1,830
Overdrafts	23	4
	62,235	50,827
Less: Allowance for loan losses	879	869
Loans, net	$ 61,356	$ 49,958

Transactions in the allowance for loan losses are summarized as follows:

	2006	2005
Balance, beginning of year	$ 869	$ 945
Provision, charged to income	-	-
	869	945
Loans charged off	(39)	(229)
Recoveries of loans previously charged off	49	153
Net	10	(76)
Balance, end of year	$ 879	$ 869

At December 31, 2006 and 2005, the total recorded investment in loans on non-accrual amounted to $4,000 and $633,000, respectively, and there were no loans past due ninety days or more and still accruing interest.

At December 31, 2006 and 2005, the recorded investment in impaired loans as defined in Statement of Financial Accounting Standards No. 114, *Accounting by Creditors for Impairment of a Loan*, is as follows:

	2006	2005
Balance of impaired loans with no allocated allowance	$ 4	$ 633
Balance of impaired loans with an allocated allowance	567	1,629
Total recorded investment in impaired loans	$ 571	$ 2,062
Amount of the allowance allocated to impaired loans	$ 28	$ 83

Note 5 Loans and Allowance for Loan Losses, continued

The average recorded investment in impaired loans amounted to $1,317,000 and $1,553,000 for the years ended December 31, 2006 and 2005, respectively. No interest income was recognized on these loans during 2006 and 2005. The Corporation has no commitments to loan additional funds to borrowers whose loans have been modified.

Dealer contracts represent automobile purchase contracts which the Corporation buys from automobile dealers in its primary market area. Such contracts represent 1% and 3% of the Corporation's loan portfolio at December 31, 2006 and 2005, respectively. The Bank did not originate any dealer contracts from May 2002 through December 2005. During 2006, the Bank began originating dealer contracts again.

During 2002, the Bank sold to another bank a 70% interest in $7,150,000 in dealer contracts. The dealer contracts were sold at a discount of 12% resulting in a loss of $227,000. The Bank receives a fee of 1% of the aggregate monthly balance of the participated contract value to service the contracts sold. During 2006, these dealer contracts were repurchased by the Bank for their current book value.

The Corporation grants commercial, consumer and real estate loans to customers within Southeastern Washington State. A substantial portion of its debtors' ability to honor their contracts is dependent upon the commercial and real estate economic sectors in that geographic area.

Note 6 Bank Premises and Equipment

The investment in bank premises and equipment at December 31, 2006 and 2005 is as follows:

	2006	2005
Land	$ 27	$ 27
Buildings	1,265	1,265
Leasehold improvements	197	35
Furniture and equipment	716	656
Premises and equipment in process	-	232
	2,205	2,215
Less accumulated depreciation and amortization	533	450
Bank premises and equipment, net	$ 1,672	$ 1,765

Depreciation and amortization on bank premises and equipment charged to expense totaled $147,000 and $115,000 for the years ended December 31, 2006 and 2005, respectively. Computer software, net of accumulated amortization, is included in Other Assets. Amortization on computer software charged to expense totaled $49,000 and $47,000 for the years ended December 31, 2006 and 2005, respectively.

The Corporation owns the building that houses its main branch and leases the land and a sign from a director. The lease is classified as an operating lease with an initial term of ten years and minimum annual rents of $28,000, with cost of living increases annually. The Corporation has also entered into a lease agreement for the new Richland branch facilities, which opened in January 2006. This lease has an initial term of five years and minimum annual rents of $61,000.

Note 6 Bank Premises and Equipment, continued

The Corporation recorded lease expense in the amount of $120,000 and $40,000 for the years ended December 31, 2006 and 2005, respectively. Included in the lease expense were amounts paid to a related party in the amount of $41,000 and $40,000 for the years ended December 31, 2006 and 2005, respectively.

The minimum payments under the land and branch leases required for the next five years and in the aggregate are as follows:

2007	$ 90
2008	91
2009	98
2010	98
2011	38
Thereafter	5
	$ 420

The land lease contains renewal clauses from five to twenty years and escalation clauses based on increases in the Consumer Price Index. The branch lease provides for increases beginning with the fourth year which are specified within the lease agreement.

Note 7 Deposits

The carrying amounts of deposits at December 31, 2006 and 2005 are as follows:

	2006	**2005**
Demand	$ 19,129	$ 16,877
Interest-bearing transaction accounts	37,951	28,241
Savings	2,007	2,029
Time deposits less than $100,000	11,361	12,315
Time deposits $100,000 and over	10,335	5,834
Total deposits	$ 80,783	$ 65,296

Maturities of time deposits for each of the next five years and in the aggregate thereafter are:

2007	$ 20,344
2008	765
2009	249
2010	150
2011	45
Thereafter	143
	$ 21,696

Note 7 Deposits, continued

Included in deposits at December 31, 2006 and 2005 are brokered and Internet based deposits, obtained from customers outside the Corporation's primary market area, totaling $4,261,000 and $7,482,000, respectively.

Note 8 Short-Term Borrowings

The Corporation has demand notes issued to the U.S. Treasury, totaling $450,000 at December 31, 2006 and 2005 bearing interest at 5.0% and 4.0%, respectively. The demand notes are collateralized by investment securities.

Note 9 Federal Income Taxes

The components of the federal income tax provision for December 31, 2006 and 2005 were as follows:

	2006	2005
Federal income tax provision:		
Current	$ 17	$ 89
Deferred benefit	(35)	(48)
Tax Expense (Benefit) - Consolidated	$ (18)	$ 41

The principal factors causing a variation from the statutory tax rate are as follows:

	2005
Federal income taxes at statutory rate of 34%	$ 36
Other	5
Federal income tax provision	$ 41

Current taxes receivable in the amount of $21,000 and $20,000 are included in Other Assets at December 31, 2006 and 2005, respectively.

Note 9 Federal Income Taxes, continued

The net deferred tax asset at December 31, 2005 is comprised of the following temporary differences and carryforward items:

	2005
Deferred Tax Asset:	
Allowance for loan losses	$ 209
Unrealized loss on available-for-sale securities	84
Organizational costs of parent company	39
Total Deferred Tax Asset	332
Deferred Tax Liability:	
Financial and tax differences on deferred loan fees	(120)
Financial and tax differences on premises and equipment	(94)
Cash basis conversion	(98)
Other	(15)
Total Deferred Tax Liability	(327)
Net Deferred Tax Asset	$ 5

Note 10 Related Party Transactions

During 2006 and 2005, the Corporation had transactions made in the ordinary course of business with certain of its officers, directors and principal shareholders. All loans included in such transactions were made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. In addition, the Corporation has entered into a lease agreement with a related party for the land and sign at its main branch. Refer to Note 6.

A summary of these transactions follows:

	Balance Beginning of Year	Additions	Amounts Collected	Balance End of Year
For year ended:				
December 31, 2006	$ 565	$ 792	$ (837)	$ 520
December 31, 2005	$ 675	$ 193	$ (303)	$ 565

Note 11 Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not reflected in the financial statements. The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Corporation uses the same credit policies in making such commitments as it does for instruments that are included in the balance sheets.

Financial instruments whose contract amount represents credit risk were as follows:

	2006	2005
Commitments to extend credit	$ 16,222	$ 10,001
Standby letters of credit	260	12

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. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. 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 Corporation's experience has been that approximately 70% of loan commitments are drawn upon by customers. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Corporation has not been required to perform on any financial guarantees during 2006 or 2005. The Corporation has not incurred any losses on its commitments in 2006 or 2005.

Note 12 Compensated Absences

Employees of the Corporation are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Corporation's policy is to recognize the costs of compensated absences when actually paid to employees.

Note 13 Commitments and Contingent Liabilities

The Corporation is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Corporation.

Note 14 Lines of Credit

The Corporation has established unsecured lines of credit in the amount of $5,000,000 for overnight purchase of federal funds. These lines may be cancelled without prior notification. There were no outstanding balances on these lines of credit at December 31, 2006 and 2005. The Corporation also has a credit line with the Federal Home Loan Bank of Seattle totaling 5% of assets. There was no outstanding balance on this line of credit at December 31, 2006 and 2005.

Note 15 Concentration of Credit Risk

The Corporation maintains its cash accounts with several correspondent banks. Generally, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 per bank. Uninsured deposits amounted to $430,000 at December 31, 2006. Furthermore, federal funds sold are essentially uncollateralized loans to other financial institutions. Management regularly evaluates the credit risk associated with the counterparties to these transactions and believes that the Corporation is not exposed to any significant credit risks on cash and cash equivalents.

The Corporation has credit risk exposure, including off-balance-sheet credit risk exposure, as disclosed in Notes 5 and 11. Most of the Corporation's business activity is with customers located in the state of Washington. The ultimate collectibility of a substantial portion of the loan portfolio is susceptible to changes in economic and market conditions in the region. The Corporation generally requires collateral on all real estate loans and typically maintains loan-to-value ratios of no greater than 75% to 80%. Loans are generally limited, by state banking regulations, to 20% of the Bank's shareholder's equity, excluding accumulated other comprehensive income (loss). The Corporation, as a matter of practice, generally does not extend credit to any single borrower or group of related borrowers in excess of $1,500,000.

The contractual amounts of credit related financial instruments such as commitments to extend credit and letters of credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer defaults, and the value of any existing collateral becomes worthless. Letters of credit were granted primarily to commercial borrowers.

Note 16 Stock Options

On December 31, 2006, the Corporation has two-share-based compensation plans, which are described below. The compensation cost that has been charged against income for those plans was $29,000 for the year ended December 31, 2006. Since the Corporation made the Subchapter S election effective January 1, 2006, there is no tax benefit recognized in the income statement for share-based compensation arrangements for the year ended December 31, 2006.

Note 16 Stock Options, continued

Under the Corporation's two stock option plans, the Corporation may grant both incentive and non-qualified options for up to 56,745 shares of its common stock to certain key employees and directors. The exercise price of each option equals the fair market value of the Corporation's stock on the date of grant, and an option's maximum term is ten years. Options vest 20% annually for five years. The Corporation has options for 11,314 shares remaining available to grant at December 31, 2006.

Beginning January 1, 2006, the Corporation began accounting for stock-based awards to employees and directors using the fair value method, in accordance with SFAS No. 123R, *Share-Based Payment*. The Corporation currently uses the Black-Scholes valuation model to estimate the fair value of stock option awards. The following assumptions are used in the Black-Scholes model: expected volatility, expected dividends, expected term and risk-free rate. Expected volatilities are based on the historical volatility of the Corporation's stock and other factors. The Corporation uses historical data to estimate option exercise and employee termination within the model. The expected term of options granted is determined from the output of the option valuation model and management's experience and represent the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The assumptions are determined at the date of grant and are not subsequently adjusted for actual.

	2006	2005
Expected volatility	12.71%	13.38%
Weighted-average volatility	12.71%	13.38%
Expected dividends	0%	0%
Expected term (in years)	7.5 yrs	7.0 yrs
Risk-free rate	5.11%	3.95%

A summary of option activity under the Plans as of December 31, 2006, and changes during the year then ended, are presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at January 1, 2006	38,931	$ 23.33	
Granted	5,000	33.00	
Exercised	(16,250)	22.60	
Forfeited or expired	-	-	
Outstanding at December 31, 2006	27,681	$ 25.51	5.69
Vested or expected to vest at December 31, 2006	27,681	$ 25.51	5.69
Exercisable at December 31, 2006	15,521	$ 23.33	4.15

Note 16 Stock Options, continued

The weighted-average grant-date fair value of options granted during the years 2006 and 2005 was $13.58 and $12.81, respectively. The fair value of nonvested shares is determined based on the trading price of the Corporation's shares on the grant date. The weighted-average grant-date fair value of shares granted during the years 2006 and 2005 was $33.00 and $25.00, respectively.

Proceeds from options exercised in 2006 were $368,000.

A summary of the status of the Corporation's nonvested shares as of December 31, 2006, and changes during the year ended December 31, 2006, is presented below:

Nonvested Shares	**Shares**	**Weighted-Average Grant-Date Fair Value**
Nonvested at January 1, 2006	11,480	$ 8.59
Granted	5,000	13.58
Vested	(4,320)	8.39
Forfeited	-	-
Nonvested at December 31, 2006	12,160	$ 10.71

As of December 31, 2006, there was $73,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plans. That cost is expected to be recognized over a weighted-average period of 4.51 years.

Note 17 Regulatory Matters

Banks and bank holding companies are subject to various regulatory capital requirements administered by 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 Companies' financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the companies must meet specific capital adequacy guidelines that involve quantitative measures of the Companies' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Companies' capital amounts and classification under the prompt corrective action guidelines 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 Companies to maintain minimum amounts and ratios of: total risk-based capital and Tier 1 capital to risk-weighted assets (as defined in the regulations), and Tier 1 capital to adjusted total assets (as defined). Management believes, as of December 31, 2006 that the Companies meet all capital adequacy requirements to which they are subject.

Note 17 Regulatory Matters, continued

Community First Bank has been notified by its regulators that, as of its most recent regulatory examination, it is regarded as well capitalized under the regulatory framework for prompt corrective action. Such determination has been made based on the Bank's Tier 1, total capital, and leverage ratios. There have been no conditions or events since this notification that management believes would change the Bank's categorization as well capitalized under the ratios listed below.

The consolidated and the Bank's actual and required capital amounts and ratios are as follows:

	Actual		**Minimum Required for Capital Adequacy Purposes**		**Required to be Well Capitalized under the Prompt Corrective Action Provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2006						
Total Risk-based Capital (to Risk-weighted Assets)						
Consolidated	$ 10,635	22.54%	$ 3,774	8.00%	N/A	N/A
Bank	$ 10,246	21.72%	$ 3,774	8.00%	$ 4,718	10.00%
Tier 1 Capital (to Risk-weighted Assets)						
Consolidated	$ 10,041	21.28%	$ 1,887	4.00%	N/A	N/A
Bank	$ 9,653	20.46%	$ 1,887	4.00%	$ 2,831	6.00%
Tier 1 Capital (to Adjusted Total Assets)						
Consolidated	$ 10,041	11.24%	$ 3,574	4.00%	N/A	N/A
Bank	$ 9,653	10.80%	$ 3,574	4.00%	$ 4,468	5.00%
As of December 31, 2005:						
Total Risk-based Capital (to Risk-weighted Assets)						
Consolidated	$ 10,051	20.79%	$ 3,868	8.00%	N/A	N/A
Bank	$ 9,973	20.63%	$ 3,868	8.00%	$ 4,834	10.00%
Tier 1 Capital (to Risk-weighted Assets)						
Consolidated	$ 9,443	19.53%	$ 1,934	4.00%	N/A	N/A
Bank	$ 9,365	19.37%	$ 1,934	4.00%	$ 2,901	6.00%
Tier 1 Capital (to Adjusted Total Assets)						
Consolidated	$ 9,443	12.79%	$ 2,953	4.00%	N/A	N/A
Bank	$ 9,365	12.69%	$ 2,952	4.00%	$ 3,691	5.00%

OTHER FINANCIAL INFORMATION

COMMUNITY FIRST BANCORPORATION, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2006
(Dollars in Thousands)

	COMMUNITY FIRST BANCORP.	COMMUNITY FIRST BANK	ELIMINATIONS	CONSOLIDATED BALANCES 2006
ASSETS				
Cash and due from banks	$ 388	$ 4,288	$ (388)	$ 4,288
Interest-bearing deposits in financial institutions maturing in less than three months	-	1,150	-	1,150
Federal funds sold	-	17,700	-	17,700
Total cash and cash equivalents	388	23,138	(388)	23,138
Investment in subsidiary	10,042	-	(10,042)	-
Investment securities	-	4,710	-	4,710
Loans, net of allowance for loan losses	-	61,356	-	61,356
Bank premises and equipment, net of accumulated depreciation	-	1,672	-	1,672
Accrued interest receivable	-	488	-	488
Goodwill	-	489	-	489
Other assets	-	180	-	180
Total Assets	$ 10,430	$ 92,033	$ (10,430)	$ 92,033
LIABILITIES				
Deposits	$ -	$ 81,171	$ (388)	$ 80,783
Short-term borrowings	-	450	-	450
Other liabilities:				
Accrued interest payable	-	264	-	264
Accrued expenses and other liabilities	-	62	-	62
Net deferred tax liability	-	44	-	44
Total other liabilities	-	370	-	370
Total Liabilities	-	81,991	(388)	81,603
SHAREHOLDERS' EQUITY				
Common stock, $1 par value:				
Authorized - 1,000,000 shares				
Issued and outstanding - 417,630 shares	418	401	(401)	418
Additional paid-in capital	9,712	8,566	(8,566)	9,712
Retained earnings	400	1,175	(1,175)	400
Accumulated other comprehensive loss	(100)	(100)	100	(100)
Total Shareholders' Equity	10,430	10,042	(10,042)	10,430
Total Liabilities and Shareholders' Equity	$ 10,430	$ 92,033	$ (10,430)	$ 92,033

See Independent Auditor's Report.

COMMUNITY FIRST BANCORPORATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006
(Dollars in Thousands)

	COMMUNITY FIRST BANCORP.	COMMUNITY FIRST BANK	ELIMINATIONS	CONSOLIDATED BALANCES 2006
Interest income				
Interest and fees on loans	$ -	$ 4,842	$ -	$ 4,842
Interest on investment securities	-	212	-	212
Interest on federal funds sold and interest-bearing deposits with financial institutions	-	443	-	443
Total interest income	-	5,497	-	5,497
Interest expense				
On deposits	-	1,641	-	1,641
On borrowed funds	-	15	-	15
Total interest expense	-	1,656	-	1,656
Net interest income	-	3,841	-	3,841
Provision for loan losses	-	-	-	-
Net interest income after provision for loan losses	-	3,841	-	3,841
Non-interest income				
Service charges and fees on deposit accounts	-	141	-	141
Equity in undistributed income of subsidiary	249	-	(249)	-
Dividend income from subsidiary	240	-	(240)	-
Mortgage broker fees	-	69	-	69
Loss on sales of investment securities	-	(70)	-	(70)
Loss on disposals of other assets	-	(1)	-	(1)
Other	1	66	(1)	66
Total non-interest income	490	205	(490)	205
Non-interest expense				
Salaries and employee benefits	-	2,201	-	2,201
Occupancy	-	266	-	266
Furniture and equipment	-	125	-	125
Data processing	-	181	-	181
Professional fees	8	83	-	91
Other operating expenses	11	757	-	768
Total non-interest expense	19	3,613	-	3,632
Income before income tax (benefit)	471	433	(490)	414
Federal income tax (benefit)	39	(57)	-	(18)
Net Income	$ 432	$ 490	$ (490)	$ 432

See Independent Auditor's Report.

COMMUNITY FIRST BANK
BALANCE SHEETS
(BANK ONLY)
DECEMBER 31, 2006 AND 2005
(Dollars in Thousands)

	2006	2005
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 4,288	$ 2,465
Interest-bearing deposits in financial institutions maturing in less than three months	1,150	8,969
Federal funds sold	17,700	-
Total cash and cash equivalents	23,138	11,434
Investment securities	4,710	11,450
Loans, net of allowance for loan losses	61,356	49,958
Bank premises and equipment, net of accumulated depreciation	1,672	1,765
Accrued interest receivable	488	413
Goodwill	489	489
Other assets	180	236
Total Assets	$ 92,033	$ 75,745
LIABILITIES		
Deposits	$ 81,171	$ 65,330
Short-term borrowings	450	450
Other liabilities:		
Accrued interest payable	264	151
Accrued expenses and other liabilities	62	80
Net deferred tax liability	44	34
Total other liabilities	370	265
Total Liabilities	81,991	66,045
SHAREHOLDER'S EQUITY		
Common stock, $1 par value:		
Authorized - 1,000,000 shares		
Issued and outstanding - 400,630 shares	401	401
Additional paid-in capital	8,566	8,537
Retained earnings	1,175	925
Accumulated other comprehensive loss, net of tax benefit of $84 at 2005	(100)	(163)
Total Shareholder's Equity	10,042	9,700
Total Liabilities and Shareholder's Equity	$ 92,033	$ 75,745

See Independent Auditor's Report.

COMMUNITY FIRST BANK
STATEMENTS OF INCOME
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in Thousands)

	2006	2005
Interest income		
Interest and fees on loans	$ 4,842	$ 3,883
Interest on investment securities	212	429
Interest on federal funds sold and interest-bearing deposits with financial institutions	443	74
Total interest income	5,497	4,386
Interest expense		
On deposits	1,641	1,171
On borrowed funds	15	30
Total interest expense	1,656	1,201
Net interest income	3,841	3,185
Provision for loan losses	-	-
Net interest income after provision for loan losses	3,841	3,185
Non-interest income		
Service charges and fees on deposit accounts	141	118
Mortgage broker fees	69	80
Loss on sales of investment securities	(70)	(22)
Gain on sales of other real estate	-	19
Loss on disposals of other assets	(1)	-
Other	66	62
Total non-interest income	205	257
	4,046	3,442
Non-interest expense		
Salaries and employee benefits	2,201	1,873
Occupancy	266	169
Furniture and equipment	125	108
Data processing	181	204
Professional fees	83	110
Other operating expenses	757	595
Total non-interest expense	3,613	3,059
Income before federal income tax (benefit)	433	383
Federal income tax (benefit)	(57)	86
Net Income	$ 490	$ 297

See Independent Auditor's Report.

COMMUNITY FIRST BANK
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2005	$ 401	$ 8,537	$ 778	$ (99)	$ 9,617
Net income for the year ended December 31, 2005			297		297
Reclassification adjustment for loss on sales of securities, net of tax benefit of $8				15	15
Unrealized loss on available-for-sale securities, net of tax benefit of $41				(79)	(79)
Comprehensive income					233
Dividends paid - $.37 per share			(150)		(150)
Balance at December 31, 2005	401	8,537	925	(163)	9,700
Stock option compensation expense		29			29
Net income for the year ended December 31, 2006			490		490
Reclassification adjustment for loss on sales of securities				70	70
Unrealized loss on available-for-sale securities				(7)	(7)
Comprehensive income					553
Dividends paid - $.60 per share			(240)		(240)
Balance at December 31, 2006	$ 401	$ 8,566	$ 1,175	$ (100)	$ 10,042

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COMMUNITY FIRST BANK
STATEMENTS OF CASH FLOWS
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in Thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 490	$ 297
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	196	162
Net premium amortization on investment securities	12	40
Stock dividends	-	(1)
Loss on disposals of other assets	1	-
Loss on sales of investment securities	70	22
Gain on sales of other real estate	-	(19)
Deferred tax benefit	(74)	(9)
Stock option compensation expense	29	-
Increase in interest receivable	(75)	(61)
Increase (decrease) in interest payable	113	(9)
Other	(13)	53
Total adjustments	259	178
Net Cash Provided by Operating Activities	749	475
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities:		
Available-for-sale	(938)	(2,122)
Proceeds from maturities and calls of investment securities:		
Available-for-sale	1,000	2,000
Proceeds from sales of investment securities:		
Available-for-sale	5,631	1,979
Proceeds from principal paydowns of investment securities:		
Available-for-sale	1,112	2,375
Net increase in loans made to customers	(11,399)	(2,647)
Purchases of premises and equipment	(53)	(338)
Cash proceeds from sales of foreclosed and repossessed assets	-	174
Net Cash Provided (Used) by Investing Activities	$ (4,647)	$ 1,421

See Independent Auditor's Report.

COMMUNITY FIRST BANK
STATEMENTS OF CASH FLOWS, Continued
(BANK ONLY)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in Thousands)

	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposits, interest-bearing transaction accounts and savings	$ 12,295	$ 14,230
Net increase (decrease) in time deposits	3,547	(5,136)
Net decrease in short-term borrowings	-	(1,120)
Dividends paid	(240)	(150)
Net Cash Provided by Financing Activities	15,602	7,824
Net increase in cash and cash equivalents	11,704	9,720
Cash and cash equivalents at beginning of year	11,434	1,714
Cash and cash equivalents at end of year	$ 23,138	$ 11,434
SUPPLEMENTAL SCHEDULE OF OPERATING AND INVESTING ACTIVITIES:		
Interest paid	$ 1,542	$ 1,210
Other real estate acquired through loan foreclosure	-	109
Federal income taxes paid	29	63
Federal income tax refunds received	4	77

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