2000 Annual Report

Chino Commercial Bank N.A.

In 1999 a group of business people and civic leaders gathered together to discuss how they could establish a new community bank to serve the financial needs of the Chino Valley and surrounding cities. The founders had a vision for the new bank, a vision based on local ownership, community support and excellent service.

Later that year, the Directors received regulatory approval to organize, and thereby established Chino Commercial Bank, N.A. Shortly thereafter, the Bank issued an Initial Public Offering of common stock, raising over $5.4 million in capital, primarily from investors in the community.

On September 1, 2000 the newly formed Chino Commercial Bank opened for business in their initial location on Pipeline Avenue, in Chino. The community support for the new bank was again very visible, with over 200 local residents and business people attending the grand opening celebration.

The grand opening of the Bank was celebrated on September 1, 2000 with an open house and ribbon cutting, sponsored by the Chino Chamber of Commerce.

Between September 1, and the fiscal year end, or in just 78 days, the Bank opened over 300 deposit accounts totaling more than $8.7 million, far exceeding the founders expectations for the first four months of operation.

During this time of mergers and consolidations in the financial service industry, the success of Chino Commercial Bank seems to be reinforcing the premise that excellent customer service *does make a difference.*

The early success of Chino Commercial Bank has caught the attention of many in the industry and the media. In November 2000, the Bank was featured in the Business Press' Financial Quarterly under the headline "Leading the New Wave in Banking."

SENIOR MANAGEMENT TEAM

(left to right)

DANN H. BOWMAN
President & CEO

ROGER CUBERTO
VP & Chief Credit Officer

JO ANNE PAINTER
VP & Chief Financial Officer

JERRY BUCK
Regional Vice President

The Bank's attention to personal service and innovative financial solutions seems to give the Bank an edge with small businesses and individuals, who may need to have a close relationship with their banker. We offer a full range of banking services, including deposit services, cash management and lending. Our business financing options include accounts receivable financing, inventory financing, commercial lines of credit, construction financing, commercial real estate lending and equipment financing.

Though the Bank is still relatively small, management has taken advantage of many available technological innovations to enhance service delivery. Features such as ATM/Debit Cards, 24 hour telephone banking, and check imaging are available to bank customers; and Internet Banking is scheduled to be released during the second half of 2001.

Our slogan *"Working For Your Business"*, is more than just a phase, it's an attitude that drives every aspect of our Bank. It means you can count on us to be there when you need us, working to make your business more productive and more profitable.

We are very pleased to present you with Chino Commercial Bank's first annual report, for fiscal year end 2000. This past year was truly a remarkable year for the Bank, with such accomplishments as the completion of the IPO stock offering, the construction of the building, and the grand opening of the office. Following this very successful organizing process, we were again pleased to see the community's support of the Bank in opening over 300 accounts, totaling more than $8.7 million.

In December of 2000, the company's stock commenced trading on the OTC, under the ticker symbol "CKNA." This active market for the Bank's stock is fully electronic, allowing shareholders to obtain quick and accurate quotes over the computer, as well as affording improved liquidity and market exposure should a shareholder wish to purchase additional shares, or reduce their holdings.

Our customers receive personal service from a friendly banking staff who know you by name.

Chino Commercial Bank was operational for only four months during the year 2000. As expected, the Bank was not profitable during this time period. However, management is confident that we will begin to generate net earnings during the first half of 2001.

Looking forward, we continue to be very bullish concerning the Bank's prospects for growth. Management and your Board of Directors are evaluating methods for expanding the Bank's geographic markets, including possible locations for a first branch office. Depending on the state of the economy and continued growth of the Bank, a first branch location could be announced as early as 2001.

The next year should also see the introduction of Internet banking, allowing our customers to access their accounts 24 hours a day from any location. This service is considered to be a significant technological advancement and is intended to position the Bank to serve the needs of an increasingly growing and sophisticated bank customer. The Internet banking system, as it is planned, will allow customers to access their accounts, transfer balances, initiate Fed wire transfers, order cash and apply for credit at any time of the day or night.

"We were again pleased to see the community's support of the Bank in opening over 300 accounts, totaling more than $8.7 million."

Underlying these exciting plans, your Management team and Board of Directors are focused and committed to establishing an efficient and professional community bank, with core values of providing personal service, innovation and common sense credit decisions.

Again, we would like to thank you for your confidence and support of the Bank, both as shareholders and customers, and look forward to another successful year.

Sincerely,

Dann H. Bowman
President & Chief Executive Officer

Balance Sheet

December 31, 2000	
Assets	
Cash and due from banks	$ 1,162,083
Federal funds sold	8,790,000
Cash and cash equivalents	9,952,083
Investment securities available for sale (Note 3)	1,119,409
Federal Reserve Bank stock, at cost	159,100
Pacific Coast Bankers' Bank stock, at cost	50,000
Loans, net (Note 4)	1,652,756
Accrued interest receivable	29,784
Bank premises and equipment, net (Note 5)	588,549
Other assets	53,146
Total assets	$ 13,604,827
Liabilities	
Deposits	
Non-interest bearing demand	$ 5,617,940
Interest bearing	
Money market	2,471,755
Savings	148,105
Time deposits of $100,000 or greater, due in one year	200,000
Time deposits less than $100,000, due in one year	239,146
Total deposits	8,676,946
Accrued interest payable	4,600
Other liabilities	56,709
Total liabilities	8,738,255
Commitments and Contingencies (Notes 8, 9, and 10)	
Stockholders' Equity	
Common stock, authorized 10,000,000 shares with a par value of $5 per share; issued and outstanding 543,982 shares, at December 31, 2000	2,719,910
Additional paid-in capital	2,582,573
Accumulated deficit	(443,376)
Accumulated other comprehensive income	7,465
Total stockholders' equity	4,866,572
Total liabilities and stockholders' equity	$ 13,604,827

The Notes to Financial Statements are an integral part of this statement.

For the Period September 1, 2000 (Inception) through December 31, 2000	
Interest and dividend income:	
Interest and fees on loans	$ 43,983
Interest on Federal funds sold	161,084
Interest and dividends on investment securities	25,346
Total interest income	230,413
Interest expense on deposits:	
Money market	19,649
Savings	417
Time deposits of $100,000 or greater	1,554
Time deposits less than $100,000	3,399
Total interest expense	25,019
Net interest income	205,394
Provision for loan losses	16,700
Net interest income after provision for loan losses	188,694
Other noninterest income:	
Service charges on deposit accounts	1,435
Customer fees and miscellaneous income	910
	2,345
Operating noninterest expenses:	
Salaries and employee benefits	198,032
Occupancy and equipment expenses	63,796
Other operating expenses	147,751
	409,579
Loss before income taxes	(218,540)
Provision for income taxes (Note 7)	—
Net loss	$ (218,540)
Basic loss per share	$ (0.40)
Diluted loss per share	$ (0.39)

The Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Stockholders' Equity

For the Period September 1, 2000 (Inception) through December 31, 2000

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Proceeds from issuance of common stock, net of issuance costs of $137,337	543,982	$ 2,719,910	$ 2,582,573	$ —	$ —	$ 5,302,483
Net pre-operating expenses incurred during development stage (Note 1)	—	—	—	(224,836)	—	(224,836)
Comprehensive loss:						
Net loss	—	—	—	(218,540)	—	(218,540)
Change in unrealized gain on securities available for sale, net of tax effect	—	—	—	—	7,465	7,465
Total comprehensive loss						(211,075)
Balance, December 31, 2000	543,982	$ 2,719,910	$ 2,582,573	$ (443,376)	$ 7,465	$ 4,866,572

The Notes to Financial Statements are an integral part of this statement.

For the Period September 1, 2000 (Inception) through December 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (218,540)
Adjustments to reconcile net loss to net cash used in operating activities:	
Provision for loan losses	16,700
Depreciation and amortization	26,422
Accretion of discounts on investment securities available for sale	(1,756)
(Increase) decrease in:	
Accrued interest receivable	69,408
Other assets	(38,830)
Increase in:	
Accrued interest payable	1,406
Other liabilities	10,271
Net cash used for operating activities	(134,919)
CASH FLOWS FROM INVESTING ACTIVITIES	
Activity in available for sale investment securities:	
Purchases	(1,401,610)
Repayments and calls	296,642
Purchase of Federal Reserve Bank stock	(159,100)
Purchase of Pacific Coast Bankers' Bank stock	(50,000)
Net increase in loans	(1,669,456)
Purchases of premises and equipment	(369,187)
Net cash used in investing activities	(3,352,711)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net increase in deposits	8,676,947
Proceeds from issuance of common stock	5,439,820
Principal payments of notes payable	(685,000)
Net cash provided by financing activities	13,431,767
Net increase in cash and cash equivalents	9,944,137
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,946
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$9,952,083
SUPPLEMENTARY INFORMATION	
Interest paid	$ 26,807
Income taxes paid	$ 165

The Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements

1. Bank Organizational and Development Stage Activities

Chino Commercial Bank, N.A, a nationally chartered bank, was incorporated on December 8, 1999 and began operations on September 1, 2000 with the opening of its office in Chino, California. Expenses incurred from January 1999 to the start of business on September 1, 2000 were related to the organization, advertising and promotion of the Bank. The expenses incurred and interest earned during the development stage were charged to accumulated deficit on September 1, 2000 with the permission of the Office of the Comptroller of the Currency. A summary of expenses and income during the development stage follows:

Salaries	$ 91,986
Promotion and advertising	15,749
Rent	13,951
Other expenses	203,554
	325,240
Less interest income	100,404
	$ 224,836

The Bank also purchased furniture, fixtures, equipment and leasehold improvements totaling $245,784 during the development stage.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Use of estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of the deferred tax asset.

Business

The Bank provides a variety of commercial banking services to individuals and small businesses in the Inland Empire area. Its primary deposit products are non-interest bearing deposits and money market accounts. Its primary lending products are real estate and commercial loans.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, amounts due from banks and Federal funds sold on a daily basis.

Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Federal Reserve Bank stock and Pacific Coast Bankers' Bank stock are stated at cost, since their fair market values are not readily determinable.

Purchase premiums and discounts are recognized in interest income using methods approximating the interest method over the terms of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans

The Bank grants real estate, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans in the Inland Empire area. The ability of the Bank's debtors to honor their contracts is dependent upon the general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances. Loans, as reported, have been reduced by unadvanced loan funds, net deferred loan fees, and the allowance for loan losses.

Interest income is accrued daily, as earned, on all loans. Interest is not accrued on loans that are generally ninety days or more past due. Interest income previously accrued on such loans is reversed against current period interest income. Interest income on non-accrual loans is generally recognized only to the extent of interest payments received.

Loan fees, net of origination costs, are deferred and amortized as an adjustment of the loan's yield over the life of the loan using the interest method, which results in a constant rate of return.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the collectibility of the loan balance is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based on 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.

A loan is considered impaired when, based on current information and events, it is probable that a creditor 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 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 by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over the term of the lease or the service lives of the improvements, whichever is shorter. The straight-line method of depreciation is followed for financial reporting purposes, while both accelerated and straight-line methods are followed for income tax purposes.

Income taxes

Deferred tax assets and liabilities are recognized for estimated future tax effects attributable to temporary differences between income tax and financial reporting purposes and carryforwards. Valuation allowances are established when necessary to reduce the deferred tax asset to the amount expected to be realized. The current and deferred taxes are based on the provisions of currently enacted tax laws and rates.

Stock Compensation Plans

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Stock options issued under the Bank's stock option plan have no intrinsic value at the grant date, and under Opinion No. 25 no compensation cost is recognized for them. The Bank has elected to continue with the accounting methodology in Opinion No. 25 and, as a result, has provided pro forma disclosures of net income and earnings per share and other disclosures, as if the fair value based method of accounting had been applied. The pro forma disclosures include the effects of all stock options granted in 2000 (see Note 11).

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Bank relate solely to outstanding stock options, and are determined using the treasury stock method.

The weighted-average number of shares outstanding used in the computation of basic and diluted loss per share for the period ended December 31, 2000 were 543,982 and 553,763, respectively.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

The components of other comprehensive income and related tax effects at December 31, 2000 are as follows:

Unrealized holding gains on available-for-sale securities	$ 12,685
Tax effect	(5,220)
Net-of-tax amount	$ 7,465

Recent Accounting Pronouncements

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which replaces SFAS No. 125. The guidance in SFAS No. 140, while not changing most of the guidance originally issued in SFAS No. 125, revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain additional disclosures related to transferred assets. The provisions of SFAS No. 140 are effective for transactions occurring after March 31, 2001. Management is currently evaluating the impact of adopting this Statement on the financial statements, but does not anticipate that it will have a material impact.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which, as amended by SFAS Nos. 137 and 138, is effective for fiscal years beginning after June 15, 2000. This Statement establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other contracts, and requires that an entity recognize all derivatives as assets or liabilities in the balance sheet and measure them at fair value. If certain conditions are met, an entity may elect to designate a derivative as follows: (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of an unrecognized firm commitment, an available-for-sale security, a foreign currency denominated forecasted transaction, or a net investment in a foreign operation. The Statement generally provides for matching the timing of the recognition of the gain or loss on derivatives designated as hedging instruments with the recognition of the changes in the fair value of the item being hedged. Depending on the type of hedge, such recognition will be in either net income or other comprehensive income. For a derivative not designated as a hedging instrument, changes in fair value will be recognized in net income in the period of change. Management is currently evaluating the impact of adopting this Statement on the financial statements, but does not anticipate that it will have a material impact.

3. Investment Securities

The amortized cost and fair value of investment securities at December 31, 2000, with gross unrealized gains, are as follows:

	Amortized Cost	Gross Unrealized Gains	Fair Value
Securities Available for Sale			
Debt securities:			
Federal agency	$ 797,066	$ 5,813	$ 802,879
Mortgage backed	309,658	6,872	316,530
	$ 1,106,724	$ 12,685	$ 1,119,409

Maturities for mortgage backed securities at December 31, 2000 may differ from contractual maturities because the loans underlying the securities may be called or repaid without any penalties. Therefore, these securities are not included in the maturity categories in the following maturity summary.

The amortized cost and fair value of investment securities as of December 31, 2000, by contractual maturity, are shown below:

	Available for Sale	
	Amortized Cost	Fair Value
Due after one year through five years	$ 500,000	$ 501,950
Due after five years through ten years	297,066	300,929
Mortgage backed securities	309,658	316,530
	$ 1,106,724	$ 1,119,409

4. Loan and Allowance for Loan Losses

The composition of the Bank's loan portfolio at December 31, 2000 is as follows:

Construction loans	$ 93,459
Real estate loans	602,494
Commercial loans	897,367
Installment loans	76,136
	1,669,456
Less allowance for loan losses	16,700
Net loans	$1,652,756

The allowance for loan losses at December 31, 2000 amounted to $16,700, which equals the provision for loan losses. There were no loans charged off during the period. As of December 31, 2000, there were no loans past due over 90 days or on a nonaccrual basis. In addition, there were no impaired loans.

5. Bank Premises and Equipment

Bank premises and equipment consisted of the following at December 31, 2000:

Furniture, fixtures and equipment	$ 323,243
Leasehold improvements	259,439
Automobile	32,289
	614,971
Less accumulated depreciation and amortization	26,422
	$ 588,549

Depreciation and amortization expense for the period ended December 31, 2000 amounted to $26,422.

6. Related Party Transactions

In the ordinary course of business, the Bank has granted loans to certain officers, directors and companies with which they are associated. All such loans and commitments to lend were made under terms which are consistent with the Bank's normal lending policies. The outstanding balance of such loans at December 31, 2000 was $150,000.

Deposits from related party held by the Bank at December 31, 2000 amounted to $1,896,532.

7. Income Taxes

At December 31, 2000 the Bank had no current or deferred provision for federal and state income tax expense.

The components of the net deferred tax liability at December 31, 2000 are as follows:

Deferred tax asset:		
Federal	$	226,558
State		44,667
		271,225
Valuation allowance		(239,028)
		32,197
Deferred tax liability:		
Federal		(33,395)
State		(4,022)
		(37,417)
Net deferred tax liability	$	(5,220)

The tax effects of the temporary differences in income and expense items that give rise to deferred taxes at December 31, 2000 are as follows:

Deferred tax assets:	
Provision for loan losses - state	$ 446
Start-up expenses	176,453
Donation carryforwad	328
Net operating loss carryforward	93,998
	271,225
Valuation allowance	(239,028)
	32,197
Deferred tax liabilities:	
Provision for loan losses - federal	(14,284)
Depreciation and amortization	(10,785)
Cash basis of reporting for tax purposes	(7,128)
Securities available for sale	(5,220)
	(37,417)
Net deferred tax liability	$ (5,220)

As of December 31, 2000, the Bank had net operating loss carryforwards of approximately $237,000 and $189,000 for federal and state tax purposes, respectively, which are available to offset future taxable income. The federal net operating loss carryforward expires after the year 2020. The state net operating loss carryforward expires after the year 2010.

8. Off-Balance-Sheet Activities

Credit-Related Financial Instruments

The Bank is a party to credit-related 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 grant loans, unadvanced lines of credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank uses the same credit policies in making commitments as it does for on-balance-sheet instruments. At December 31, 2000, the only credit-related financial instruments with off-balance-sheet risk were unadvanced lines of credit totaling $1,183,549.

Commitments to grant loans are agreements to lend to customers 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 some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. 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 customer. Collateral held varies but may include accounts receivable, inventory, equipment, income-producing commercial properties, residential properties, and properties under construction.

Unadvanced lines of credit are commitments for possible future extensions of credit to existing customers. These lines of credit are sometimes unsecured and may not necessarily be drawn upon to the total extent to which the Bank is committed.

Standby and commercial letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

9. Other Commitments and Contingencies

Operating Lease Commitments

The Bank has a non-cancelable lease agreement for its premises. The lease term is five years expiring April 2005 with an option to renew for an additional term of five years.

At December 31, 2000, the minimum future rental payments are as follows:

Years Ending December 31,	
2001	$ 67,760
2002	69,793
2003	71,886
2004	74,043
2005	25,046
	$ 308,528

Rental expense for the four months ended December 31, 2000 amounted to $22,253.

Employment Agreement

The Bank has entered into a three-year employment agreement with a key officer. The agreement provides for an annual base salary plus an incentive bonus equal to 5% of the Bank's net income. In addition, the key officer may receive a discretionary bonus determined by the Board of Directors. Employment may be terminated for cause, as defined, without incurring obligations. In the event of termination without cause, the key officer is entitled to severance compensation equal to at least six months' salary.

10. Concentration of Credit Risk

The Bank grants commercial, real estate and installment loans to businesses and individuals primarily in the Inland Empire area. Most loans are secured by business assets, and commercial and residential real estate. The Bank has no concentration of loans with any one customer or industry.

At December 31, 2000, the Bank had $261,227 of deposits with its correspondent banks, of which $102,239 is federally insured.

11. Stock Option Plan

Under the 2000 Stock Option Plan, the Bank may grant options to its directors, officers and employees for up to 30% of the number of shares of common stock outstanding at the time of grant. Both incentive stock options and non-qualified stock options may be granted under the plan. At December 31, 2000, 81,599 options were available for granting and 81,596 options were outstanding. The exercise price of these options may not be less than the fair market value of the common stock on the date granted. The non-qualified stock options expire in ten years after the date of grant and become fully vested after four years. Optionees may exercise 25% of options each year beginning immediately from the grant date. The incentive stock options expire in ten years after the date of grant and become fully vested after four years. Optionees may exercise 33% of options after one full year from the grant date.

The Bank applies APB Opinion 25 and related interpretations in accounting for the stock option plan. Accordingly, no compensation cost has been recognized for stock options granted. Had compensation cost been determined based on the fair value at the grant date for awards under the plan consistent with the method prescribed by SFAS No. 123, the Bank's net income and earnings per share for the year ended December 31, 2000 would have been adjusted to the pro forma amounts indicated below:

Net loss:	
As reported	$ (218,540)
Pro forma	(277,609)
Basic loss per share:	
As reported	$ (0.40)
Pro forma	(0.51)
Diluted loss per share:	
As reported	$ (0.39)
Pro forma	(0.50)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted assumptions used for grants in 2000: risk-free interest rate of 5.78% and expected life of ten years; zero dividend yield and no expected volatility.

A summary of the status of the Bank's stock option plan as of December 31, 2000 and changes during the year then ended is as follows:

	Shares	Weighted Average Exercise Price
Outstanding on September 1, 2000	—	$ —
Granted	81,596	10.00
Outstanding on December 31, 2000	81,596	$ 10.00
Options exercisable at year-end	13,599	$ 10.00
Weighted-average fair value of options granted during year	$ 4.34	
Weighted-average remaining contractual life of outstanding options	10 years	

12. Stockholders' Equity

Minimum Regulatory Requirements

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2000, that the Bank met all capital adequacy requirements to which it is subject.

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 following table. The Bank's actual capital amounts and ratios as of December 31, 2000 are also presented in the table.

	Actual		Minimum Capital Requirement Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount (Dollars in Thousands)	Ratio	Amount	Ratio
Total capital to risk-weighted assets:	$4,877	86.97%	$449	8.00%	$561	10.00%
Tier 1 capital to risk-weighted assets:	$4,860	86.66%	$224	4.00%	$336	6.00%
Tier 1 capital to average assets:	$4,860	40.85%	$476	4.00%	$595	5.00%

13. Restrictions on Dividends

Federal and state banking regulations place certain restrictions on dividends paid by the Bank. The Bank may not pay any dividends during its first three years of operations. After that, dividends are generally limited to the retained earnings of the Bank, subject to minimum regulatory capital requirements.

Independent Auditors' Report

To the Board of Directors
Chino Commercial Bank, N.A.
Chino, California

We have audited the accompanying balance sheet of Chino Commercial Bank, N.A. as of December 31, 2000, and the related statements of income, changes in stockholders' equity, and cash flows for four months then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Chino Commercial Bank, N.A. as of December 31, 2000, and the results of its operations and its cash flows for the four months then ended in conformity with generally accepted accounting principles.

Hutchinson and Bloodgood LLP

Glendale, California
January 26, 2001

Board of Directors

Bernard Wolfswinkel
Chairman of the Board
Retired

Dann H. Bowman
President and Chief Executive Officer

H. H. Kindsvater
Vice Chairman of the Board
Retired - Former Chief Executive Officer
Hillview Acres (Foster Home)

Linda M. Cooper
Corporate Secretary
President, Inland Empire Escrow

Pollyanna Franks
President and Chief Executive Officer
Sunset Haven

Alan G. Goldstein
Owner and Operator, Retail Shoe Stores

Richard G. Malooly
Co-owner, Re/Max Realty 100

Richard J. Vanderpool
President, Cal Cover Products, Inc.

Thomas A. Woodbury, D.O.
Family Practice Physician and Surgeon

Jeanette L. Young
Realtor, Century 21 King Office

Officers

Dann H. Bowman
President and Chief Executive Officer

Jo Anne Painter
Vice President and Chief Financial Officer

Rogelio Caberto
Vice President and Chief Credit Officer

Jan Moore
Assistant Vice President and Cashier

Jerry Buck
Regional Vice President

Market Maker: *Troy K Norlander and Michael R. Natzic, Sutro & Co. 41609 Big Bear Blvd. Big Bear Lake, California 82315*

Stock Symbol: *"CKNA" - Common Stock (OTCBB)*

Form 10-KSB: *A copy of the Bank's Form 10-KSB Annual Report as filed with the Office of the Comptroller of the Currency is available to all shareholders upon request. The request should be addressed to: Jo Anne Painter, Chief Financial Officer, 14345 Pipeline Avenue, Chino, California 91710.*

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Chino Commercial Bank N.A.