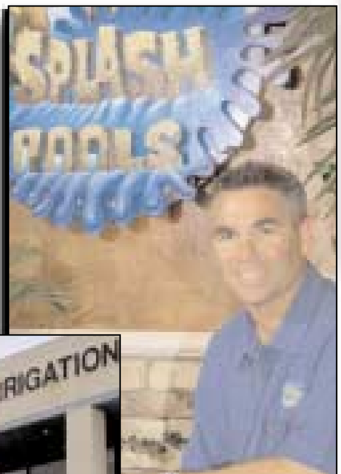
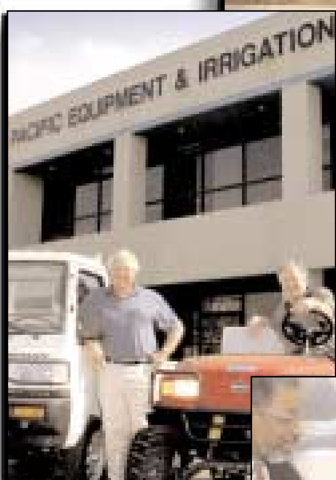
Chino Commercial Bank N.A.

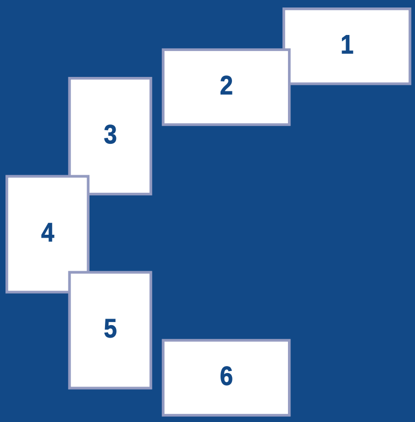
"Working for your business"





Annual Report 2001

TABLE OF CONTENTS



ON THE COVER:

1. *Robin Mora, Personal Banker, with bank customer, Beverly Bassler*
"I really enjoy my relationship with Chino Commercial Bank, because the people are so friendly and they always know your name."
– Beverly Bassler

2. *"It's wonderful to have the personal level of service with a business banking relationship."*
– Jeff Meyers, CFO and Diana Hanak, CEO of Canyon Ridge Hospital

3. *"I'm real glad I keep with Chino Commercial Bank to do my banking. It's been a great relationship."*
– Jeff Stephanson of Splash Pools

4. *"It's personal relationships that make CCB stand out from the "Mega" banks. They know you when you walk in the door and they get to know your business."*
– Dick Danielson and Dennis Schmid of Pacific Irrigation

5. *"As the owners of Photosonic Inc., we feel the Bank is large enough to meet any business need yet small enough to maintain a personal touch."*
– Henry & Marie Marshall of Photosonic, Inc.

6. *"Normally, you don't think about a bank being your best friend, but Chino commercial is. You were there when we needed you, couldn't have done it without you, we appreciate it."*
– Chuck Cypher, Jr., President and Jerry Cypher of Von Cypher Fence Products

CORPORATE PROFILE

Chino Commercial Bank is an independent, community based institution specializing in serving small and medium sized businesses and upscale individuals. The Bank is locally owned and offers highly personal service to customers, emphasizing long term banking relationships.

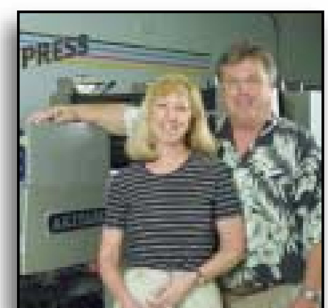
The Bank offers a wide range of banking services, including deposit services, mortgage banking, cash management and lending. Business financing options include accounts receivable financing, inventory financing, commercial lines of credit, construction financing, commercial real estate lending and equipment financing.

Chino Commercial Bank offers a spectrum of services that are enhanced by technology, including 24 hour telephone banking, ATM/Debit cards and check imaging.

The slogan of Chino Commercial Bank is *"Working For Your Business"* – which is more than just a phrase. It's an attitude that drives every aspect of the Bank's service. Customer's can count on Chino Commercial Bank to be there when they need them, working to make customer's businesses more productive and profitable.

"Dealing with CCB is so much easier than big banks".

Art Teunissen of Dairy Center, Inc. and Kwick Load Industries and Dave Haringa, Kwick Load Industries



" We have enjoyed individual and business banking with Chino Commercial Bank because the people there are very interested in getting us what we need and will go the extra mile to do so".

Dave and Cathy Wetzel, DL Wetzel, Inc. (Lithographics)

LETTER TO SHAREHOLDERS

To our shareholders;

We are very pleased to present you with Chino Commercial Bank's second annual report, for the year 2001. After what can only be described as a very remarkable opening in 2000, 2001 was a very successful year for building and developing the Bank's totals. The basis of the Bank's success this year has been the people. The people who are our valued customers, the *people* who are our skilled and talented staff, and the people who are our Board of Directors: all working together to build a strong foundation for the continued success of the Bank.

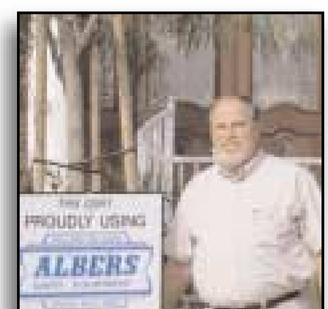
It is through these special, personal relationships that the Bank was able to add over 370 new deposit accounts, or a 149% increase during the year, which increased deposits by 129%, to $20.0 million. During this same time, Loans increased by 566% to $11.8 million, and Investments increased 891% to $10.9 million. In December, the Bank added a mortgage department which originates fixed rate mortgage loans, providing a means to offer our customers 30 year fixed rate mortgages, while limiting interest rate risk for the Bank.

In summary it has been a very successful year.

The unprecedented decline in interest rates during the year created a challenging environment for the Bank, however, steady and solid growth in total assets offset some of the impact to earnings. It is with little surprise that these challenges effectively delayed posting a profit this year, however, with the increased earning assets, the Bank is now in a position to experience significant gains once rates return to more typical levels.

"Chino Commercial Bank understands my business of homebuilding and what's involved in it. With their construction lending on new projects, I can send my clients to Chino Commercial Bank first to handle all of their lending needs and know that they'll be taken care of."

Toby Cornell, Cornell Custom Homes



"Chino Commercial Bank has a very personal approach, along with a professional standard committed to providing services not only required, but beyond."

Teo Albers, Sr., President,
Albers Dairy Equipment, Inc.

Chino Commercial Bank N.A.

In addition to illustrating the important financial changes affecting the Bank this year, this annual report also includes pictures and comments of a few of those people I spoke of earlier, and what the Bank means to them, as customers, shareholders and members of our community.

Looking forward, we continue to be very bullish concerning the Bank's future growth prospects, and though delayed by challenging economic events of last year, we are again evaluating possible locations for a first branch. Your management and staff are focused on building a solid foundation for future growth of the Bank, through the principles of aggressive marketing efforts, sound, conservative credit policies and innovative solutions to our customers financial needs. We believe that these core values are what sets Chino Commercial Bank apart.

As a locally owned, locally managed independent bank, we feel that Chino Commercial Bank is truly a benefit to not only our customers and shareholders, but also the community as a whole.

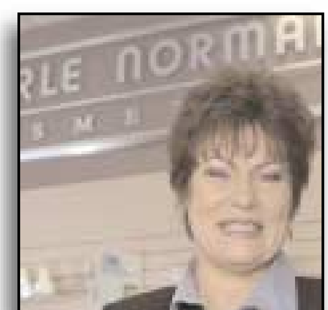
On behalf or your Board of Directors and Management, I would like to thank you for your confidence and continued support of the Bank, both as shareholders and as customers and look forward to another successful year.

Sincerely,

Dann H. Bowman
President & Chief Executive Officer

"Chino Commercial Bank has given us the edge that we had been looking for. With outstanding service and support, we look to grow leaps and bounds, with their help."

Tim Boucher,
Air Craftors Engineering



"I enjoy walking into the bank and having them know me, versus the bank I had before, where I was only a number."

Judy Allen,
Merle Norman Cosmetic Studio

Board of Directors

Dann H. Bowman
President and
Chief Executive Officer

Bernard Wolfswinkel
Chairman of the Board
Retired

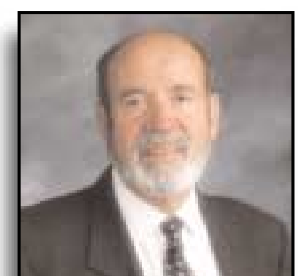
Linda M. Cooper
Corporate Secretary
President, Inland Empire Escrow

H. H. "Corky" Kindsvater
Vice Chairman of the Board
Retired -
Former Chief Executive Officer
Hillview Acres

Pollyanna Franks
President and
Chief Executive Officer
Sunset Haven

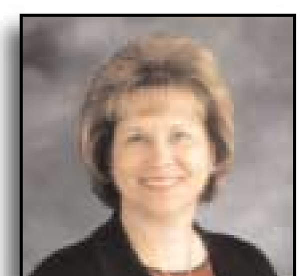
Alan G. Goldstein
Owner and Operator,
Retail Shoe Stores

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 & STAFF

Chino Commercial Bank N.A.

Pictured left to right

Jo Anne Painter
EVP/Chief Financial Officer

Roger Caberto
VP/Chief Credit Officer

Jerry Buck
Regional VP

Pictured left to right

Elvia Cardenas
Utility

Cecelia Juarez
Utility

Laura Mota
Utility

Jan Moore
AVP/Cashier

Pictured left to right

Trish Bowman
Shareholder Relations

Sue Richards
Note Department Manager

Allison Gray
Mortgage Department

Pictured left to right

Robin Mora
Personal Banker

John Hagen
Commercial Relationship Officer

Nadine Cleberg
AVP/Commercial Relationship Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This discussion presents Management's analysis of the results of operations and financial condition of the Bank for the year ended December 31, 2001 and from its commencement date of operations on September 1, 2000 through the year ended December 31, 2000. The discussion should be read in conjunction with the financial statements of the Bank and the notes related thereto presented elsewhere herein.

GENERAL

Chino Commercial Bank, N.A. ("the Bank") is a national bank organized under the laws of the United States, which was organized on December 8, 1999. The Bank commenced operations on September 1, 2000 upon granting to it of a national bank charter by the Comptroller of the Currency ("OCC").

The Bank's initial capitalization of $5.4 million was raised through an initial public offering of its common stock, the proceeds of which were released to the Bank on September 1, 2000, immediately prior to its opening for business.

The Bank operates a full-service banking office in Chino, California. The deposits of the Bank are insured under the Federal Deposit Insurance Act up to the maximum limits thereof. Like all national banks, the Bank is a member of the Federal Reserve System.

The Bank is a community bank conducting a general commercial banking business within the Inland Empire of Southern California. The Bank's customers consist primarily of small to medium-sized businesses, professional firms and individuals located in Chino and Chino Hills.

The Bank offers a wide array of loan products for both commercial and consumer loans including: commercial business loans and lines of credit; commercial real estate loans; construction loans; equipment and accounts receivable loans, inventory financing and mortgage loans. Related services include debit cards, cashier's checks, traveler's checks, ATM, night depository, safe deposit boxes, direct deposit, automated payroll services, Fed wire and other customary banking services.

In addition to the lending activities noted above, the Bank offers a wide range of deposit products including business and personal checking accounts, business and personal money market accounts, IRA accounts, and certificate of deposit accounts. Also offered are pre-approved overdraft lines, telephone banking and other customary non-deposit banking services.

COMPARISON OF FINANCIAL CONDITION AT DECEMBER 31, 2001 AND DECEMBER 31, 2000

At December 31, 2001 and 2000, the Bank had total assets of $26.2 million and $13.6 million, respectively. As discussed below, the increase of $19.1 million in both loans and investments reflects the increase of $11.3 million increase in deposits plus the decline in cash and cash equivalents of $7.8 million and an increase of $1.2 million in FHLB advances. Cash and cash equivalents were $2.2 million at December 31, 2001 as compared to $10.0 million at December 31, 2000.

Loans, net increased by $9.3 million to $11.0 million as of December 31, 2001 from $1.7 million as of December 31, 2000. Loans, net comprised 12.1% and 42.1% of the assets of the Bank at December 31, 2000 and December 31, 2001, respectively.

Commercial loans increased by $3.1 million to $4.1 million or 36.5% of total loans at December 31, 2001 from $897,367 at December 31, 2000 or 53.7% of total loans. Commercial loans include term loans and revolving lines of credit.

Real estate loans increased by $4.4 million to $5.0 million or 44.8% of total loans at December 31, 2001 from $602,494 at December 31, 2000 or 36.1% of total loans. Real estate loans are extended to finance the purchase and/or improvement of commercial and residential real estate. The properties may be either owner-occupied or for investment purposes.

Construction loans, consisting primarily of participations in loans to single-family real estate developers in Southern California, increased by $1.7 million to $1.8 million or 16.1% of total loans at December 31, 2001 from $93,459 at December 31, 2000 or 5.6% of total loans.

Installment loans, consisting primarily of consumer loans, increased by $212,804 to $288,940 or 2.6% of total loans at December 31, 2001 from $76,136 at December 31, 2000 or 4.6% of total loans.

During December 2001, the Bank began originating single family mortgage loans. These loans are originated according to two mortgage conduits and are underwritten to the conduits' standards with the intent that these loans will be immediately sold upon funding. At December 31, 2001, the Bank had one loan held for sale totaling $135,000. As of December 31, 2001, the Bank had reflected income from mortgage banking activities of $1,927. There was no gain on the sale of loans recorded as of December 31, 2001.

Management anticipates that the categories of commercial and commercial real estate loans will comprise the majority of the Bank's loan portfolio in the future.

Non-performing assets are comprised of loans on non-accrual status, loans 90 days or more past due and still accruing interest, loans restructured where the terms of repayment have been renegotiated resulting in a reduction or deferral of interest or principal, and other real estate owned ("OREO"). As of December 31, 2001 and 2000, the Bank had no non-performing assets, loans on non-accrual status, restructured loans, adversely classified loans or OREO. Though the Bank has no non-performing assets at this time, in the future, Management anticipates a certain level of problem assets and adversely classified loans as they are an inherent part of the lending process. Accordingly, the Bank has established an allowance for loan losses of $111,600 and $16,700 at December 31, 2001 and December 31, 2000, respectively. The ratios of the allowance for loan losses to total loans at December 31, 2001 and December 31, 2000 were 1.01% and 1.00%, respectively. The ratio of net charge-offs to average total loans was not applicable for the periods ended December 31, 2001 and December 31, 2000 due to the lack of charge-offs in both years.

There can be no assurances that future economic or other factors will not adversely affect the Bank's borrowers, or that the Bank's asset quality may not deteriorate through rapid growth, failure to identify and monitor potential problem loans or for other reasons, thereby causing loan losses to exceed the current allowance.

The total investment portfolio at fair value was $10.9 million at December 31, 2001 and $1.3 million at December 31, 2000. The total investment portfolio represented 41.7% of total assets at December 31, 2001 and 9.8% of total assets at December 31, 2000. As of December 31, 2001, $8.5 million of the investment portfolio was classified as available for sale and $2.4 million was classified as held to maturity. As of December 31, 2000, all investment securities were classified as available-for-sale. With the exception of Federal Home Loan Bank stock of $107,800, Federal Reserve stock of $142,550 and Pacific Coast Bank's Bank stock of $50,000, the remaining investment portfolio at December 31, 2001 includes both fixed and adjustable rate instruments.

Total deposits at December 31, 2001 and 2000 were $20.0 million and $8.7 million, respectively. Deposits are the Bank's primary source of funds. As the Bank's need for lendable funds grows, dependence on deposits increases. The percentage of total deposits represented by time deposits was 8.9% and 0.5% at December 31, 2001 and 2000, respectively. The average rate paid on time deposits in denominations of $100,000 or more was 5.43% and 5.67% for the periods ending December 31, 2001 and 2000, respectively. At December 31, 2001 and 2000, the Bank had deposits from related parties of $7.4 million and $1.9 million, respectively.

FHLB advances increased to $1.2 million at December 31, 2001 as compared to no advances outstanding at December 31, 2000.

Total stockholders' equity was $4.6 million and $4.9 million at December 31, 2001 and 2000, respectively. The decrease was due primarily to net loss of $228,831 for the year ended December 31, 2001.

Comparison of Results of Operations for the Year Ended December 31, 2001 and the period ended from September 1, 2000 (commencement of operations) through December 31, 2000

General

One of the Bank's primary sources of revenue is net interest income, which is the difference between interest and fees derived from earning assets and interest paid on liabilities obtained to fund those assets. The Bank's net interest income is affected by changes in the volume of interest-earning assets and interest-bearing liabilities. It is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing liabilities. The Bank also generates non-interest income, including transaction fees. The Bank's non-interest expenses consist primarily of employee compensation and benefits, occupancy and equipment expenses and other operating expenses. The Banks' results of operations are affected by its provision for loan losses. Results of operations may also be affected by other factors, including general economic and competitive conditions, mergers and acquisitions of other financial institutions within the Bank's market area, changes in interest rates, government policies and actions of regulatory agencies.

The Bank's earnings depend largely upon the difference between the income received from its loan portfolio and other interest-earning assets and the interest paid on deposits. The difference is "net interest income". The net interest income, when expressed as a percentage of average total interest-earning assets, is referred to as the net interest margin. The Bank's net interest income is affected by the change in the level and the mix of interest-earning assets and interest-bearing liabilities, referred to as the volume changes. The Bank's net interest income is also affected by changes in the yields earned on assets and rates paid on liabilities, referred to as the rate changes. Interest rates charged on the Bank's loans are affected principally by the demand for such loans, the supply of money available for lending purposes and other factors. Those factors are, in turn, affected by general economic conditions and other factors beyond the Bank's control, such as federal economic policies, the general supply of money in the economy, legislative tax policies, the governmental budgetary matters, and the actions of the Federal Reserve Bank ("FRB").

Because of the short-time since the Bank commencement of operations in September 2000, the comparisons of the results of operations for the period ending December 31, 2000 and the year ending December 31, 2001 should not be deemed indicative of the future results of operations and financial condition of the Bank.

For the period from the commencement of operations through December 31, 2000 and for the year ended December 31, 2001, the Bank has operated at a loss, with a net loss of $218,540 for the four-month period ended December 31, 2000 and a net loss of $228,831 for the year ended December 31, 2001. To date, the Bank's net interest income and non-interest income has not exceeded its operating costs resulting in net losses; however, Management believes that as the Bank's interest earning assets continue to grow, the Bank will become profitable, but there can be no assurance that this will be the case.

Net Interest Income and Net Interest Margin

Interest income increased $1.1 million from $230,000 for the period from September 1, 2000 through December 31, 2000 to $1.3 million for the year ended December 31, 2001. The increase was principally due to a full year's operations for 2001 compared to four months of operations in 2000. Average interest-earning assets increased $11.4 million to $20.6 million for the year ended December 31, 2001 compared to $9.2 million for the period ending December 31, 2000. This increase was offset by a decrease of 99 basis points in the yield on average earning assets from 7.52% for the period ending December 31, 2000 compared to 6.53% for the year ending December 31, 2001.

The average yield on loans, net decreased from 17.79% for the period ended December 31, 2000 to 8.17% for the year ended December 31, 2001. During the first four months of 2000, loan fees of $17,000 were recognized into income compared to only $12,000 in loan fees for the year ended December 31, 2001. The yield on loans, net for 2000 without loan fees would have been 10.79% compared to 7.98% for the year ended December 31, 2001. The decline of 281 basis points reflects the eleven declines in federal funds rates and the impact of a compressed interest rate environment during 2001.

The average yield on the aggregate average balance of securities decreased from 7.00% for the period ending December 31, 2000 to 6.48% for the year ending December 31, 2001. The decline in the rates was attributable primarily to the decline in the general level of interest rates. The average interest-earning aggregate balance of securities increased from $1.0 million for the period ending December 31, 2000 to $10.4 million for the year ending December 31, 2001.

The increase of $11.4 million in average interest-earning assets between the period ending December 31, 2000 and the year ending December 31, 2001 reflects the growth of the Bank as loans, net increased by $5.4 million, the aggregate balance of securities increased by $9.4 million offset by a decline in average balance of Federal funds sold of $3.3 million as these funds were deployed into higher yielding assets.

Interest expense increased $208,000 to $233,000 for the year ending December 31, 2001 as compared to $25,000 for the period ending December 31, 2000. Average interest-bearing deposits increased to $6.4 million for the year ending December 31, 2001 as compared to $1.8 million during the period ending December 31, 2000. The increase in average interest-bearing liabilities was offset by a decline of 63 basis points in the average interest rate the Bank paid for deposits to 3.63% for the year ending December 31, 2001 as compared to 4.26% for the period ending December 31, 2000. The Bank continues to maintain a high ratio of non-interest bearing deposits in comparison to interest-bearing deposits with a ratio of 65.0% for the period ending December 31, 2001 as compared to 70.0% for the period ending December 31, 2000.

Net interest margin was 5.40% for the year ending December 31, 2001 as compared to 6.72% for the period ending December 31, 2000. The primary reason for the decline was the compression on the interest margin due to the decline in interest rates during the year.

The table on the following page sets forth certain information relating to the Bank for the years ended December 31, 2001 and 2000. The yields and costs are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods shown below. Average balances are derived from average daily balances. Yields include fees, that are considered adjustments to yields. The table reflects the Bank's average balances of assets, liabilities and shareholders' equity; the amount of interest income or interest expense; the average yield or rate for each category of interest-earning assets and interest-bearing liabilities; and the net interest spread and the net interest margin for the periods indicated:

Distribution, Yield and Rate Analysis of Net Income

	For the year ended December 31, 2001			For the four months ended December 31, 2000		
	($ in thousands)					
	Average balance	Income/ Expense	Average Yield/Cost	Average balance	Income/ Expense	Average Yield/Cost (a)
Assets						
Interest-earnings assets						
Net loans (1)	$ 6,081	$ 497	8.17%	$ 723	$ 44	17.79%(1)
Securities of U.S. government agencies	3,133	202	6.45%	615	15	7.30%
Other securities	7,271	473	6.50%	443	10	6.75%
Federal funds sold	4,072	171	4.20%	7,373	161	6.53%
Total interest-earning assets	20,557	1,343	6.53%	9,154	230	7.52%
Non-interest earning assets	2,539			1,595		
Total assets	$ 23,096			$ 10,749		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities						
Money market deposits	$ 3,872	117	3.02%	$ 1,432	19	3.97%
Savings	197	3	1.52%	63	1	1.99%
Time deposits < $100,000	449	19	4.24%	82	2	5.67%
Time deposits equal to or > $100,000	975	53	5.43%	181	3	4.96%
Federal Home Loan Bank Advance	921	41	4.45%			
Total interest-bearing liabilities	6,414	233	3.63%	1,757	25	4.26%
Non-interest bearing liabilities	11,839			4,013		
Stockholders' equity	4,844			4,979		
Total liabilities and stockholders' equity	$ 23,096			$ 10,749		
Net interest income		$1,110			$ 205	
Net interest spread (2)			2.90%			3.26%
Net interest margin (3)			5.40%			6.72%
Ratio of interest-earning assets to interest-bearing liabilities			320.53%			521.00%

(a) rates/yields were annualized for the four month period ending December 31, 2000.

[1] Amortization of loan fees have been included in the calculation of interest income. Loan fees were approximately $17,000 and $12,000 for the years ended December 31, 2001 and 2000, respectively. Loans are net of the allowance for loan losses, deferred fees and related direct costs.

[2] Represents the average rate earned on interest-earning assets less the average rate paid on interest-bearing liabilities.

[3] Represents net interest income as a percentage of average interest-earning assets.

Provision for Loan Losses

Provision for loan losses was $94,900 for the year ended December 31, 2001 as compared to $16,700 for the period September 1, 2000 through December 31, 2000. The increase in the provision for loan losses reflects the increase in loan receivable balances. The allowance for loan losses was $111,600 or 1.0% of gross loans receivable for the year ended December 31, 2001 as compared to $16,700 or 1.0% of gross loans receivable for the period ended December 31, 2000.

Provisions to the allowance for loan losses are made monthly, in anticipation of future probable loan losses. The monthly provision is calculated on a predetermined formula to ensure adequacy as the portfolio grows. The formula is composed of various components. Allowance factors are utilized in estimating the allowance for loan losses. The allowance is determined by assigned specific allowances for all loans. As higher allowance levels become necessary as a result of this analysis, the allowance for loan losses will be increased through the provision for loan losses.

Non-Interest Income

Non-interest income was $121,763 for the year ended December 31, 2001 as compared to $2,345 for the period September 1, 2000 through December 31, 2000. The service charges on deposit accounts, customer fees and miscellaneous income are comprised primarily from fees charged to deposit accounts and depository related services. Fees generated from deposit accounts are made up of periodic service fees and fees that relate to specific actions, such as the returning or paying of checks presented against accounts with insufficient funds. Depository related services include fees for money orders and cashier's checks, placing stop payments on checks, check printing fees, wire transfer fees, fees for safe deposit boxes and fees for returned items or checks that were previously deposited. The aggregate balance of these fees increased $78,133 to $80,478 for the year ended December 31, 2001 as compared to $1,435 for the period ending December 31, 2000. The increase is primarily attributable to twelve months of activity on higher aggregate deposit accounts in 2001 as compared to four months activity in 2000 on a lower aggregate number of deposit accounts. The Bank periodically reviews service charges to maximize service charge income while still maintaining competitive pricing. Service charge income on deposit accounts increases with the growing deposit volume and number of accounts and to the extent fees are not waived. Therefore, as the number and balances of deposit accounts increases, service charge income is expected to increase.

The Bank recorded $41,285 from the gain on the sale of securities available for sale. The Bank sold $2.6 million in corporate notes for a gain of $27,142 in June, sold $375,000 FNMA agency security for a gain of $5,881 in October and sold $247,872 in mortgage-backed securities for a gain of $8,262 in November. There were no sales of securities available for sale in 2000.

Non-Interest Expense

The following table sets forth the non-interest expense for the year ended December 31, 2001 and the period from September 1, 2000 through December 31, 2000:

	Non-interest Expense				
	For the year ended December 31, 2001		For the period from September 1, 2000 through December 31, 2000		
	Amount	% of Total	Amount	Annualized (a)	% of Total
	($ in thousands)				
Salaries and employee benefits	$ 588	43.1%	$ 198	$ 594	48.3%
Occupancy and equipment	231	16.9%	64	192	15.6%
Data processing	138	10.1%	35	105	8.5%
Deposit products and services	114	8.4%	21	63	5.1%
Professional	88	6.4%	18	54	4.4%
Advertising and marketing	54	4.0%	21	63	5.1%
Printing and supplies	31	2.3%	34	102	8.3%
Telephone	20	1.5%	7	21	1.7%
Insurance	11	0.8%	4	12	1.0%
Other expenses	90	6.6%	8	24	2.0%
Total non-interest expenses	$ 1,365	100.0%	$ 410	$ 1,230	100.0%

(a) For purposes of discussion, expenses for the four-month period ended December 31, 2000 were annualized.

Non-interest expense was $1.5 million for the year ended December 31, 2001 as compared to $410,000 for the four months ended December 31, 2000, which was the initial period of operations for the Bank or $1.2 million annualized. For the purposes of the discussion that follows, the expenses for 2000 were annualized (multiplied by three) for comparability. Expenses, which denoted unusually high fluctuations, were Salaries and employee benefits, Occupancy and equipment, Data processing, Deposit products and services, Professional and Other expenses. Salaries and employee benefits expense increased to $587,000 for the year ended December 31, 2001 as compared to an annualized $594,000 for the period ended December 31, 2000 due primarily to capitalization of loan origination costs of $140,500 during 2001 as compared to no capitalized costs during the period ending 2000 offset by staff increasing to thirteen employees at December 31, 2001 from nine at December 31, 2000. Occupancy and equipment increased to $231,000 for the year ended December 31, 2001 as compared to an annualized $192,000 for the period ended December 31, 2000 due primarily to increased utility and property tax expenses not incurred during 2000. Data processing expenses increased to $138,000 for the period ended December 31, 2001 as compared to $105,000 for the period ended December 31, 2000 due primarily to the increased volume of transactions as the Bank has tripled the number of deposit and loan accounts. Deposit products and services increased to $114,000 for the year ended December 31, 2001 as compared to $63,000 for the period ended December 31, 2000 due primarily to outside charges incurred on behalf of non-interest bearing accounts, and the higher volume of deposit accounts. Professional expenses increased to $88,000 for the period ended December 31, 2001 as compared to $54,000 due primarily to consultant fees for $20,000 and outside audit fees incurred for loan and compliance audits. Other expenses increased to $90,000 for the period ended December 31, 2001 as compared to $24,000 due primarily to courier expense, expenses related to education and conventions, annual meeting expenses as well as overall transaction-based expense increases. Expenses for this period may not necessarily be representative of future periods of operations. Future non-interest expenses will be higher due to expected loan and deposit volumes and staffing increases.

PROVISION FOR INCOME TAXES

From the commencement of operations (September 1, 2000) through December 31, 2000 as well as for the year ending December 31, 2001, the Bank recorded no provision or benefit resulting from income taxes. While recording a loss of $218,540 for the first four months of operations and $228,821 for the year ending December 31, 2001, Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes" does not allow the Bank to realize the future tax benefit resulting from these losses. Instead, the $239,028 and $81,185 for the periods ending December 31, 2000 and 2001, respectively, combined future state and federal tax benefit may be realized in future periods as the Bank begins to achieve profitability. The future income tax benefit will expire if not utilized by a certain future date. The federal income tax benefit will expire in 2020 and the state income tax benefit will expire in 2010. At the existing income tax rate and structure, future taxable earnings of $544,000 for federal income tax purposes, and $520,000 for state income tax purposes, may be realized prior to the recognition of an income tax provision (subject to minimum income tax requirements and certain provisions of SFAS No. 109).

The income tax rate used in determining the Bank's income tax provision is 34% for federal income tax purposes and 10.84% for state income taxes, net of federal tax benefit. As noted in Note 10 to the Financial Statements, income tax expense is the sum of the two components, namely, current tax expense and deferred tax expense (benefit). Generally, the current tax expense is the result of applying the current tax rate to taxable income. The deferred portion is intended to account for the fact that income on which taxes are paid differs from financial statement pre-tax income because some items of income and expense are recognized in different years for income tax purposes than in the financial statements. These recognition anomalies cause "temporary differences;" eventually, all taxes are paid.

BALANCE SHEETS

	At December 31, 2001 and 2000	
	2001	2000
ASSETS		
Cash and due from banks	$ 2,177,720	$ 1,162,083
Federal funds sold	- -	8,790,000
Cash and cash equivalents	2,177,720	9,952,083
Interest-bearing deposits in banks	893,000	- -
Investment securities available for sale (Note 4)	8,542,280	1,119,409
Investment securities held to maturity (Note 4)	2,359,087	- -
Federal Reserve Bank stock, at cost	142,550	159,100
Federal Home Loan Bank stock, at cost	107,800	500
Pacific Coast Bankers' Bank stock, at cost	50,000	50,000
Loans held for sale	135,000	- -
Loans, net (Note 5)	11,018,888	1,652,756
Accrued interest receivable	130,555	29,784
Bank premises and equipment, net (Note 6)	523,848	588,549
Other assets	69,700	52,646
Total assets	$ 26,150,428	$ 13,604,827
LIABILITIES		
Deposits		
Non-interest bearing demand	$ 12,814,625	$ 5,617,940
Interest bearing		
Money market	5,187,852	2,471,755
Savings	213,980	148,105
Time deposits of $100,000 or greater, due in one year	910,428	200,000
Time deposits less than $100,000, due in one year	873,665	239,146
Total deposits	20,000,550	8,676,946
Federal Home Loan Bank advance (Note 8)	1,250,000	- -
Federal funds purchased (Note 9)	160,000	- -
Accrued interest payable	31,099	4,600
Other liabilities	58,643	56,709
Total liabilities	21,500,292	8,738,255
COMMITMENTS AND CONTINGENCIES (NOTES 11, 12 AND 13)		
STOCKHOLDERS' EQUITY (NOTES 14, 16 AND 17)		
Common stock, $5 par value; authorized 10,000,000 shares; issued and outstanding 545,646 and 543,982 shares at December 31, 2001 and 2000, respectively	2,728,230	2,719,910
Additional paid-in capital	2,590,893	2,582,573
Accumulated deficit	(672,207)	(443,376)
Accumulated other comprehensive income	3,220	7,465
Total stockholders' equity	4,650,136	4,866,572
Total liabilities and stockholders' equity	$ 26,150,428	$ 13,604,827

The Notes to Financial Statements are an integral part of these statements.

Chino Commercial Bank N.A.

Year Ended December 31, 2001 and Period of September 1, 2000 (Inception) through December 31, 2000

	2001	2000
Interest and dividend income:		
Interest and fees on loans	$ 497,512	$ 43,983
Interest on Federal funds sold	170,542	161,084
Interest and dividends on investment securities	674,376	25,346
Total interest income	1,342,430	230,413
Interest expense on deposits:		
Money market and NOW accounts	117,206	19,649
Savings	2,479	417
Time deposits of $100,000 or greater	53,294	1,554
Time deposits less than $100,000	18,950	3,399
Total interest expense on deposits	191,929	25,019
Interest expense on borrowings	41,090	- -
Total interest expense	233,019	25,019
Net interest income	1,109,411	205,394
Provision for loan losses (Note 5)	94,900	16,700
Net interest income after provision for loan losses	1,014,511	188,694
Other noninterest income:		
Service charges on deposit accounts	76,172	1,435
Gain on the sale of investment securities available for sale	41,285	- -
Customer fees and miscellaneous income	4,306	910
	121,763	2,345
Operating noninterest expenses:		
Salaries and employee benefits	587,800	198,032
Occupancy and equipment expenses	231,145	63,796
Other operating expenses	545,360	147,751
	1,364,305	409,579
Loss before income taxes	(228,031)	(218,540)
Provision for income taxes (Note 10)	800	- -
Net loss	$ (228,831)	$ (218,540)
Loss per share, basic	$ (0.42)	$ (0.40)
Loss per share, diluted	$ (0.41)	$ (0.39)

The Notes to Financial Statements are an integral part of these statements.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 31, 2001 and Period of 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
Proceeds from the issuance of stock options	1,664	8,320	8,320	- -	- -	16,640
Comprehensive loss:						
Net loss	- -	- -	- -	(228,831)	- -	(228,831)
Change in unrealized gain on securities available for sale, net of tax effect	- -	- -	- -	- -	(4,245)	(4,245)
Total comprehensive loss						(233,076)
BALANCE, December 31, 2001	545,646	$2,728,230	$2,590,893	$(672,207)	$ 3,220	$4,650,136

The Notes to Financial Statements are an integral part of these statements.

Chino Commercial Bank N.A.

Year Ended December 31, 2001 and Period of September 1, 2000 (Inception) through December 31, 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (228,831)	$ (218,540)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for loan losses	94,900	16,700
Depreciation and amortization	117,840	26,422
Accretion of discounts on investment securities available for sale	10,827	(1,756)
Accretion of deferred fees	(71,941)	- -
Change in accrued interest receivable	(100,771)	69,408
Change in other assets	(17,054)	(38,830)
Change in accrued interest payable	26,499	1,406
Change in other liabilities	4,172	10,271
Net cash used in operating activities	(164,359)	(134,919)
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in securities available for sale		
Purchases	(15,898,647)	(1,401,610)
Sales	3,253,443	- -
Repayments and calls	5,246,808	296,642
Purchase of securities held to maturity	(2,359,087)	- -
Purchase of interest-bearing deposits in banks	(893,000)	- -
Purchase (redemption) of Federal Reserve Bank stock	16,550	(159,100)
Purchase of Federal Home Loan Bank stock	(107,300)	- -
Purchase of Pacific Coast Bankers' Bank stock	- -	(50,000)
Purchase of loans	(1,250,000)	- -
Net increase in loans	(8,315,875)	(1,669,456)
Purchases of premises and equipment	(53,139)	(369,187)
Net cash used in investing activities	(20,360,247)	(3,352,711)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	11,323,603	8,676,947
Increase in Federal Home Loan Bank advance	1,250,000	- -
Increase in Federal funds purchased	160,000	- -
Proceeds from issuance of common stock	16,640	5,439,820
Principal payments of notes payable	- -	(685,000)
Net cash provided by financing activities	12,750,243	13,431,767
Net increase (decrease) in cash and cash equivalents	(7,774,363)	9,944,137
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,952,083	7,946
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,177,720	$ 9,952,083
SUPPLEMENTARY INFORMATION		
Interest paid	$ 206,520	$ 26,807
Income taxes paid	$ 800	$ 165

The Notes to Financial Statements are an integral part of these statements.

December 31, 2001 and 2000

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:

	2000
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 of Southern California. 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, Federal Home Loan 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 Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Fair value is based on commitments on hand from investors or prevailing market prices. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

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.

Transfers of Financial Assets

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

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 carry-forwards. 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. As changes in tax laws are enacted, deferred tax assets and liabilities are adjusted accordingly through the provision for income taxes.

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 on or after July 13, 2000 (see Note 14).

Earnings Per Share

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect 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.

For the period ending December 31, 2001 and 2000 the weighted-average number of shares outstanding used in the computation of basic and diluted loss per share is as follows:

	2001	2000
Weighted average number of shares used in the computation of:		
Basic loss per share	545,262	543,982
Diluted loss per share	559,228	553,763

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, 2001 and 2000 are as follows:

	2001	2000
Unrealized holding gains (losses) on available-for-sale securities	$ (7,185)	$ 12,685
Tax effect	2,940	(5,220)
Net-of-tax amount	$ (4,245)	$ 7,465

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations". SFAS No. 141 requires the purchase method of accounting for all business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. Management does not believe that the adoption of SFAS No. 141 will have a material impact on its financial statements.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 will require that goodwill no longer be amortized and instead be tested for impairment at least annually. In addition, the standard includes provisions for the accounting and reporting of certain existing recognized intangibles and goodwill. Management does not believe that the adoption of SFAS No. 142 will have a material impact on its financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which is effective for fiscal years beginning after December 15, 2001. This Statement supersedes SFAS No. 121 and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30 for the disposal of a segment of a business. Management does not believe that the adoption of SFAS No. 144 will have a material impact on its financial statements.

3. RESTRICTIONS ON CASH AND AMOUNTS DUE FROM BANKS

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2001 and 2000, the minimum required reserve balances amounted to $30,000 and zero, respectively.

4. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities at December 31, 2001 and 2000, with gross unrealized gains, are as follows:

	2001			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Securities available-for-sale:				
Debt securities:				
Federal agency	$ 996,955	$ - -	$ - -	$ 996,955
Mortgage-backed	7,539,868	13,369	7,912	7,545,325
Total securities available-for-sale	$ 8,536,823	$ 13,369	$ 7,912	$ 8,542,280

	2001			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities held to maturity:				
Federal agency	$ 1,995,240	$ - -	$ 15,317	$ 1,979,923
Corporate bonds	363,847	- -	- -	363,847
Total securities held to maturity	$ 2,359,087	$ - -	$ 15,317	$ 2,343,770

	2000		
	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
Total securities available-for-sale	$ 1,106,724	$ 12,685	$ 1,119,409

As of December 31, 2000, there were no securities held to maturity.

The amortized cost and fair value of investment securities as of December 31, 2001, by contractual maturity, is shown below:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ - -	$ - -	$ - -	$ - -
Over 1 year through 5 years	996,955	996,955	- -	- -
After 5 years through 10 years	- -	- -	- -	- -
Over 10 years	- -	- -	2,359,087	2,343,770
Mortgage-backed securities	7,539,868	7,545,325	- -	- -
	$ 8,536,823	$ 8,542,280	$ 2,359,087	$ 2,343,770

For the years ended December 31, 2001 and 2000, proceeds from sales of securities available-for-sale amounted to $3,253,443 and zero, respectively. Gross realized gains amounted to $41,285 and zero, respectively.

5. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the Bank's loan portfolio at December 31, 2001 and 2000 is as follows:

	2001	2000
Construction loans	$ 1,781,829	$ 93,459
Real estate loans	4,974,373	602,494
Commercial loans	4,055,189	897,367
Installment loans	288,940	76,136
	11,100,331	1,669,456
Allowance for loan losses	(111,600)	(16,700)
Deferred loan costs, net	30,157	- -
Net loans	$11,018,888	$ 1,652,756

Since inception, no loans have been charged off. As of December 31, 2001, there were no loans past due over 90 days or on a non-accrual basis. In addition, there were no impaired loans.

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

	2001	2000
Balance at beginning of period	$ 16,700	$ - -
Provision charged to expense	94,900	16,700
Loans charged off	- -	- -
Recoveries of loans previously charged-off	- -	- -
Balance as of December 31	$ 111,600	$ 16,700

The Bank does not service loans for others and therefore does not have capitalized loan servicing rights.

6. BANK PREMISES AND EQUIPMENT

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

	2001	2000
Furniture, fixtures and equipment	$ 372,586	$ 323,243
Leasehold improvements	263,235	259,439
Automobile	32,289	32,289
	668,110	614,971
Less accumulated depreciation and amortization	144,262	26,422
	$ 523,848	$ 588,549

Depreciation and amortization expense for the period ended December 31, 2001 and 2000 amounted to $117,840 and $26,422, respectively.

7. 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 that are consistent with the Bank's normal lending policies.

Aggregate related party loan transactions were as follows:

	2001	2000
Balance at beginning of period	$ - -	$ - -
Advances	310,079	- -
Repayments, net of borrowings	- -	- -
Balance as of December 31	$ 310,079	$ - -

Deposits from related parties held by the Bank at December 31, 2001 and 2000 amounted to $7,359,755 and $1,896,532, respectively.

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 that are consistent with the Bank's normal lending policies.

8. FEDERAL HOME LOAN BANK ADVANCE

As a member of the Federal Home Loan Bank (FHLB), the Bank may borrow funds collateralized by securities or qualified loans up to 10% of its asset base. The FHLB advance of $1,250,000 at December 31, 2001 matures within one year and has an annual interest rate of 4.41%. This advance is collateralized by three investment securities totaling $3,300,000.

9. FEDERAL FUNDS PURCHASED

The Bank has a total of $4 million in Federal funds lines of credit with two banks. At December 31, 2001, borrowings under these lines of credit totaled $160,000 and matures within one to four days at one percent over the fed funds rate (2.60% at December 31, 2001)

10. INCOME TAXES

The Bank recorded an $800 current provision for state income tax expense for the year ended December 31, 2001. No other current or deferred provisions for income taxes were recorded in 2001 or 2000.

At December 31, 2001 and 2000 there were no differences between the statutory federal income tax rate and the effective income tax rate.

The components of the net deferred tax liability at December 31, 2001 and 2000 are as follows:

	2001	2000
Deferred tax assets:		
Federal	$ 313,457	$ 226,558
State	65,959	44,667
	379,416	271,225
Valuation allowance	(333,703)	(239,028)
	45,713	32,197
Deferred tax liabilities:		
Federal	(39,615)	(33,395)
State	(8,335)	(4,022)
	(47,950)	(37,417)
Net deferred tax liability	$ (2,237)	$ (5,220)

The tax effects of the temporary differences in income and expense items that give rise to deferred taxes at December 31, 2001 and 2000 are as follows:

	2001	2000
Deferred tax assets:		
Provision for loan losses - state	$ 4,267	$ 446
Provision for loan losses - federal	12,393	- -
Start-up expenses	138,641	176,453
Donation carry-forward	2,063	328
Net operating loss carry-forward	222,052	93,998
	379,416	271,225
Valuation allowance	(333,703)	(239,028)
	45,713	32,197
Deferred tax liabilities:		
Provision for loan losses - federal	$ - -	$ (14,284)
Depreciation and amortization	(4,808)	(10,785)
Cash basis of reporting for tax purposes	(40,896)	(7,128)
Unrealized gain on securities available-for-sale	(2,246)	(5,220)
	(47,950)	(37,417)
Net deferred tax liability	$ (2,237)	$ (5,220)

A summary of the change in the net deferred tax liability is as follows:

	2001	2000
Balance at beginning of period	$ (5,220)	$ - -
Deferred tax benefit	81,185	239,028
Provision to valuation allowance	(81,185)	(239,028)
Deferred tax effects of net unrealized gains or losses on securities available for sale	2,983	(5,220)
Balance at December 31	$ (2,237)	$ (5,220)

As of December 31, 2001 and 2000, the Bank had the following approximate net operating loss carryforwards that are available to offset future taxable income:

	2001	2000
Federal	$ 544,000	$ 237,000
State	520,000	189,000

The federal net operating loss carryforward begins to expire after the year 2020. The state net operating loss carryforward begins to expire after the year 2010.

11. 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, 2001 and 2000, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2001	2000
Commitments to grant loans	$ - -	$ - -
Unadvanced lines of credit	3,312,887	1,183,549
Letters of credit	90,000	- -

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.

12. 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 July 2005 with an option to renew for an additional five years.

At December 31, 2001, the minimum future rental payments are as follows:

Years Ending December 31,	
2002	$ 69,793
2003	71,886
2004	74,043
2005	37,569
	$ 253,291

Rental expense for the year ended December 31, 2001 and the four months ended December 31, 2000 amounted to $68,234 and $22,253, respectively.

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.

Chino Commercial Bank N.A.

13. 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.

14. 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, 2001 and 2000, 80,584 and 81,599 options, respectively, were available for granting, and 80,941 and 81,596 options, respectively, 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. Director optionees may exercise 25% of options each year beginning immediately from the grant date. Officers and employee optionees may exercise 33% of options after one full year from the grant date and 33% each subsequent year. All options expire in ten years after the date of grant and become fully vested after four years.

	2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	81,596	$ 10.00	- -	- -
Options granted	6,000	13.25	81,596	$ 10.00
Options exercised	(1,667)	10.00	- -	- -
Options forfeited	(4,988)	10.00	- -	- -
Options outstanding at December 31	80,941	$ 10.24	81,596	$ 10.00

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 years ended December 31, 2001 and 2000 would have been adjusted to the pro forma amounts indicated below:

	2001	2000
Net loss:		
As reported	$ (228,831)	$ (218,540)
Pro forma	(320,057)	(277,610)
Loss per share, basic:		
As reported	$ (0.42)	$ (0.40)
Pro forma	(0.59)	(0.51)
Loss per share, diluted:		
As reported	$ (0.41)	(0.39)
Pro forma	(0.57)	(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 2001 and 2000:

	2001	2000
Term	10 years	10 years
Expected volatility	10.3%	0.0%
Expected dividend rate	0.0%	0.0%
Risk-free interest rate	5.2%	5.8%

Information pertaining to options outstanding at December 31, 2001 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$10.00	74,941	8.5 years	$10.00	32,937	$10.00
$13.25	6,000	9.0 years	$13.25	- -	$13.25

15. EMPLOYEE BENEFIT PLAN

On January 1, 2001, the Bank began a 401(k) savings and retirement plan (“the Plan”) that includes substantially all employees. Employees may contribute up to 15% of their compensation subject to certain limits based on Federal tax law. The Bank has implemented the Plan based on safe harbor provisions. Under the Plan, the Bank will match 100% of an employee’s contribution up to the first 3% of compensation, and 50% of an employee’s contribution up to the next 2% of compensation. Matching contributions will immediately be 100% vested. For the year ended December 31, 2001, the expense attributable to the Plan amounted to $17,023.

16. 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 capital ratios as set forth in the following table. Management believes, as of December 31, 2001 and 2000, that the Bank met all capital adequacy requirements to which it is subject.

As of June 30, 2001, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios as of December 31, 2001 and 2000 are also presented in the table.

	2001					
	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
Total capital to risk-weighted assets:	$ 4,759	33.47%	$ 1,144	8.00%	$ 1,430	10.00%
Tier 1 capital to risk-weighted assets:	$ 4,647	32.68%	$ 572	4.00%	$ 858	6.00%
Tier 1 capital to average assets:	$ 4,647	17.63%	$ 1,054	4.00%	$ 1,318	5.00%

	2000					
	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
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%

17. RESTRICTIONS ON DIVIDENDS, LOANS AND ADVANCES

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.

Chino Commercial Bank N.A.

The information in the following table indicates the high and low "bid" and "asked" quotations and approximate volume of trading for the Common Stock for the year ended December 31, 2001 and for the four months ended December 31, 2000 (the first four months of operations of the Bank), and is based upon information provided by the Securities Dealers. These quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission, do not reflect the actual transactions and do not include nominal amounts traded directly by shareholders or though other dealers and not through Securities Dealers.

	Quotations for the Bank's Common Stock		Approximate Trading Volume
	High	Low	
Year Ended December 31, 2001			
First Quarter	$13.25	$12.00	11,800
Second Quarter	$13.75	$12.00	7,300
Third Quarter	$13.00	$12.25	14,400
Fourth Quarter	$12.75	$ 9.00	18,400
For the Four Months Ended			
December 31, 2000	$13.25	$10.00	22,773

On March 18, 2002, the "bid" and "asked" quotations for the Common Stock were $9.60 and $11.90, respectively, based upon information provided by Sutro & Co, Big Bear Lake, California. As of March 18, 2002, there were approximately 518 shareholders of record of the Common Stock.

MARKET MAKER:

Troy K Norlander and Michael R. Natzic,
Sutro & Co.
42605 Moonridge Road
P.O. Box 1688
Big Bear Lake, California 92315
(800) 288-2811

Joey L. Warmenhoven,
Wedbush Morgan Securities
1300 SW Fifth Ave., Suite 2000
Portland, Oregon 97201
(800) 234-0480

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

Main Office:

14345 Pipeline Avenue
Chino, California 91710

Telephone: (909) 393-8880
Fax: (909) 465-1269

www.chinocommercialbank.com

Chino Commercial Bank N.A.