CHINO COMMERCIAL BANCORP

ANNUAL REPORT 2014

CORPORATE PROFILE

Chino Commercial Bank (CCB) has become one of the Inland Empire's leading community banks, with three full-service banking offices operating in the diverse and growing economic regions of Chino, Ontario and Rancho Cucamonga, California. CCB provides small businesses and individuals with high-quality banking products and an unmatched personalized level of service.

Founded in September 2000, Chino Commercial Bank was established with an emphasis on the value of local ownership, community involvement and commitment to excellent personal service. In 2006, Chino Commercial Bancorp was formed as the holding company of Chino Commercial Bank. The holding company's reorganization was completed in order to allow for more alternatives for raising capital and access to debt markets as well as increased structural alternatives for acquisitions, and greater flexibility with respect to engaging in non-banking activities.

The Bank has established standards that focus on an unsurpassed level of customer service, which help to achieve financial performance objectives that enhance shareholder value. In the future, the Bank will continue to implement new technologies, and increase collective knowledge, and thereby be able to maintain and expand a distinct competitive advantage.

The common stock of Chino Commercial Bancorp is traded on the Over-the-Counter Markets (OTC Markets) under the stock symbol "CCBC".

BRANCH LOCATIONS

CHINO OFFICE • MAIN & CORPORATE OFFICES
14245 Pipeline Avenue • Chino, CA 91710
Phone: (909) 393-8880 • Fax: (909) 465-1279

ONTARIO OFFICE
1551 S. Grove Avenue • Ontario, CA 91761
Phone: (909) 230-7600 • Fax: (909) 230-5595

RANCHO CUCAMONGA OFFICE
8229 Rochester Avenue • Rancho Cucamonga, CA 91730
Phone: (909) 204-7300 • Fax: (909) 204-7319

www.ChinoCommercialBank.com

TABLE OF CONTENTS

FINANCIAL HIGHLIGHTS

	As of and For the Years Ended December 31, 2014	2013	2012
	(Dollars in Thousands, except per share data)		
Selected Balance Sheet Data:			
Total assets	$ 130,133	$ 123,126	$ 114,635
Loans receivable	83,250	64,260	61,790
Deposits	115,441	109,604	102,151
Non-interest bearing deposits	64,657	56,566	48,823
Subordinated notes payable to subsidiary trust	3,093	3,093	3,093
Shareholders' equity	10,801	9,676	8,722
Selected Operating Data:			
Interest income	4,539	4,402	4,057
Net income	$ 1,140	$ 940	$ 590
Basic income per share	$ 1.11	$ 0.92	$ 0.57
Diluted income per share	$ 1.11	$ 0.92	$ 0.57
Performance Ratios:			
Return on average assets	0.91%	0.80%	0.53%
Return on average equity	11.14%	10.28%	7.07%
Equity to total assets at the end of the period	8.30%	7.86%	7.61%
Core efficiency ratio	70.84%	73.02%	80.96%
Non-interest expense to average assets	3.31%	3.46%	3.65%
Regulatory Ratios:			
Average equity to average assets	8.16%	7.75%	7.52%
Leverage capital	11.18%	10.69%	9.86%
Tier I risk-based	16.01%	17.08%	15.95%
Risk-based capital	16.72%	18.18%	17.50%

TO OUR SHAREHOLDERS

We are very pleased to present you with Chino Commercial Bancorp's annual report for 2014. As you will read, the Company had an outstanding year, posting a 21% increase in net earnings of $1,139,773 or $1.11 per basic share. Net earnings represent a Return on Beginning Equity of 11.8% for the year. Total Assets also increased 5.7%; Deposits increased 5.3% and Loans increased by 30%. Perhaps equally important, was the level of Loan quality attained, with the Bank suffering no credit losses during the year, having no non-accrual loans, no foreclosed properties, and only one delinquent loan at year-end.

During the second quarter of last year, your Board of Directors approved the payment of a 10% stock dividend. The dividend amount was based loosely upon the 10.8% return on beginning equity for 2013. By issuing a stock dividend, it allowed shareholders the flexibility to generate cash, or alternatively to accumulate additional shares and increase ownership in the Company. During the first quarter of this year, your Board of Directors approved the payment of a second stock dividend of 12% to the shareholders of record on March 6, 2015. The selection of a 12% stock dividend was based upon the return on beginning equity for 2014 of approximately 11.8%. The Market has responded well to the strong performance of the Company, with the stock selling at a premium above book value on active trading of the shares.

In addition, we are pleased to inform you that the Board of Directors has also approved the adoption of "Electronic" or "Book Entry" stock registration. What this means to you is that beginning with the most recent stock dividend, shares will be credited to your shareholder account with Chino Commercial Bancorp rather than receiving paper stock certificates in the mail. This system promises to improve the security and convenience of stock purchase and sale transactions, while enhancing access and record keeping of the shares you own. Shareholders will begin receiving statements reflecting their share balance and any cash in lieu of fractional shares in the second quarter of 2015.

Now that the "Great Recession" has passed, the Company's subsidiary Bank finds itself in a very good position. As mentioned above, credit quality is very strong, with the Bank suffering no loan losses over the past two years. In addition, a number of loans that were previously counted as loss, or charged-off, are beginning to be collected and are producing significant recoveries. For example, in 2014 the Bank collected $163,728 on loans which were previously charged-off and did not appear on the balance sheet. Even though we can never project what credit losses may be in the future, we are optimistic about the prospect of collecting more of these previously charged-off loans in the future.

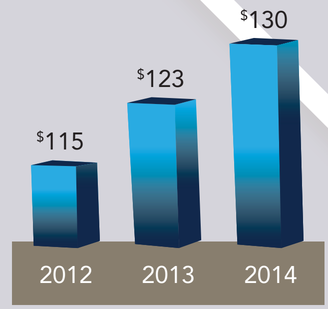
Lately there has been a lot of attention paid to the very large, or "too big to fail" banks, and their potential to adversely impact economic stability. As a result of the Basel III capital requirements, and the effects of the Dodd / Franks Act, we anticipate that over the next few years, many of the largest banks may begin to de-lever or reduce their balance sheets to meet the new capital requirements. This process may have the effect of driving additional business to the smaller Regional and Community banks. With the 50 largest banks in America holding approximately 86% of all domestic assets, even a 10% de-leveraging of these banks would result in Community and Regional banks growing by as much as 60%.

Over the next few years we are very optimistic about the prospects for Community Banking in general and our bank specifically. As a locally owned, locally managed independent bank, we feel that Chino Commercial Bank is truly a benefit not only to our customers and our shareholders, but to the community as a whole.

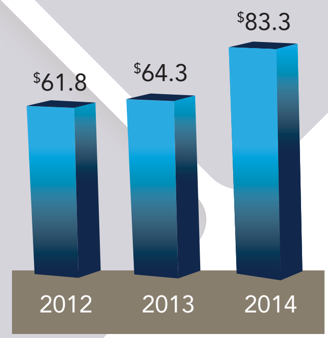
On behalf or your Board of Directors, Management and the Staff, I would like to thank you for your confidence and continued support of the Bank and look forward to another successful year.

Sincerely,

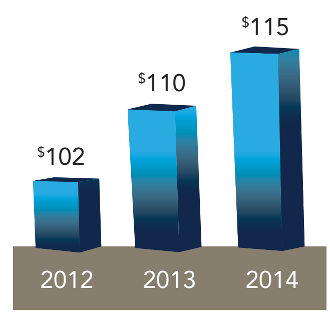
Dann H. Bowman
President and Chief Executive Officer



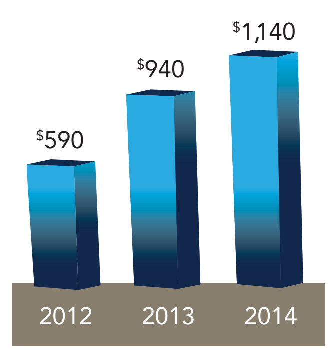
TOTAL ASSETS
(in millions)



TOTAL LOANS
(in millions)



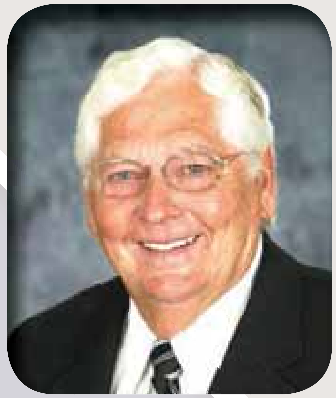
TOTAL DEPOSITS
(in millions)



CONSOLIDATED
NET PROFIT
(in thousands)

BOARD OF DIRECTORS

Dann H. Bowman
President and
Chief Executive Officer

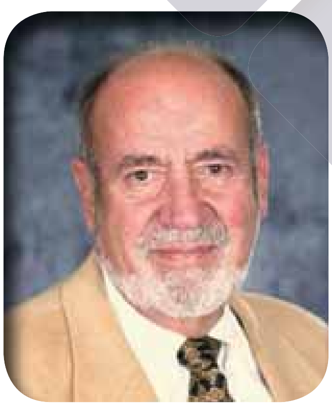


Bernard Wolfswinkel
Chairman of the Board
Retired

H. H. Corky Kindsvater
Vice Chairman of the Board
Chairman, Audit Committee
Retired

Jeanette L. Young
Corporate Secretary
Realtor, Windermere Real Estate
Southern California

Linda M. Cooper
President, Inland Empire Escrow



Richard G. Malooly
Principal, RE/MAX Realty 100

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

Michael Di Pietro, C.P.A.

CHINO COMMERCIAL BANCORP

ANNUAL REPORT

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

HUTCHINSON and BLOODGOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

550 N. Brand Blvd., 14th Floor
Glendale, CA 91203
t 818.637.5000 f 818.240.0949
www.hbllp.com

To the Board of Directors and Stockholders of
Chino Commercial Bancorp
Chino, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Chino Commercial Bancorp and Subsidiary (the Company), which consist of the consolidated statements of financial condition as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chino Commercial Bancorp and subsidiary as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hutchinson and Bloodgood LLP

February 25, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and due from banks	$ 5,529,963	$ 25,538,999
Federal funds sold	—	50,773
Cash and cash equivalents	5,529,963	25,589,772
Interest bearing deposits in other financial institutions	19,048,000	18,990,000
Investment securities available for sale (Note 3)	1,637,579	1,887,251
Investment securities held to maturity (fair value approximates $11,493,000 in 2014 and $3,195,000 in 2013) (Note 3)	11,370,815	3,095,803
Loans held for investment, net of allowance for loan losses of $1,536,241 in 2014 and $1,496,995 in 2013 (Note 5)	81,713,578	62,763,342
Fixed assets, net (Note 6)	5,971,324	6,140,958
Accrued interest receivable	312,508	270,106
Stock investments, restricted, at cost (Note 4)	716,700	605,400
Bank-owned life insurance	3,080,794	2,976,477
Other assets	751,466	806,682
Total assets	$ 130,132,727	$ 123,125,791
LIABILITIES		
Deposits		
Noninterest-bearing	$ 64,657,125	$ 56,565,703
Interest-bearing	50,783,809	53,038,158
Total deposits	115,440,934	109,603,861
Accrued interest payable	26,066	28,367
Other liabilities	772,134	724,120
Subordinated note payable to subsidiary trust (Note 8)	3,093,000	3,093,000
Total liabilities	119,332,134	113,449,348
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 14)		
STOCKHOLDERS' EQUITY		
Common stock, no par value, 10,000,000 shares authorized, 916,550 and 833,280 shares issued and outstanding at December 31, 2014 and 2013, respectively (Note 1, Note 21)	4,579,730	3,463,912
Retained earnings	6,185,281	6,162,103
Accumulated other comprehensive income	35,582	50,428
Total stockholders' equity	10,800,593	9,676,443
Total liabilities and stockholders' equity	$ 130,132,727	$ 123,125,791

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

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2014 and 2013

	2014	2013
INTEREST INCOME		
Interest and fees on loans	$ 4,084,998	$ 4,081,506
Interest on federal funds sold and FRB deposits	27,829	51,713
Interest on time deposits in banks	138,255	97,374
Interest on investment securities	287,524	171,250
Total interest income	4,538,606	4,401,843
INTEREST EXPENSE		
Interest on deposits	221,418	249,378
Interest on borrowings	58,930	59,493
Total interest expense	280,348	308,871
Net interest income	4,258,258	4,092,972
Provision (credit) for loan losses (Note 5)	(124,492)	756
Net interest income after provision (credit) for loan losses	4,382,750	4,092,216
Noninterest income		
Service fees and charges on deposit accounts	1,344,099	1,299,700
Other miscellaneous income	108,343	73,874
Dividend income from restricted stock	48,339	34,348
Income from bank-owned life insurance	104,317	89,172
Total noninterest income	1,605,098	1,497,094
NONINTEREST EXPENSES		
Salaries and employee benefits	2,398,764	2,231,308
Occupancy and equipment	438,251	412,043
Other operating expenses (Note 22)	1,316,301	1,438,686
Total noninterest expenses	4,153,316	4,082,037
Income before income tax expense	1,834,532	1,507,273
Provision for income taxes (Note 12)	694,759	566,545
Net income	$ 1,139,773	$ 940,728
Basic earnings per share (Note 20)	$ 1.11	$ 0.92
Diluted earnings per share (Note 20)	$ 1.11	$ 0.92

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2014 and 2013

	2014	2013
NET INCOME	$ 1,139,773	$ 940,728
OTHER COMPREHENSIVE LOSS, NET OF TAX EFFECTS		
Net unrealized holding losses on securities available for sale (tax effects of $10,361 and $14,571 for the years ended December 31, 2014 and 2013, respectively)	(14,846)	(20,841)
Total comprehensive income	$ 1,124,927	$ 919,887

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2014 and 2013

	Number of Shares	Common Stock	Retained Earnings	Accumulated Other Compre-hensive Income (Loss)	Total
Balance at December 31, 2012	829,602	$ 3,429,254	$ 5,221,375	$ 71,269	$ 8,721,898
Net income	—	—	940,728	—	940,728
Change in unrealized gain on securities available for sale, net of tax	—	—	—	(20,841)	(20,841)
Exercise of stock options, Including tax benefit	3,678	34,658	—	—	34,658
Balance at December 31, 2013	833,280	3,463,912	6,162,103	50,428	9,676,443
Net income	—	—	1,139,773	—	1,139,773
Change in unrealized gain on securities available for sale, net of tax	—	—	—	(14,846)	(14,846)
Cash dividend (Note 21)	—	—	(777)	—	(777)
Stock dividend (Note 21)	83,270	1,115,818	(1,115,818)	—	—
Balance at December 31, 2014	916,550	$ 4,579,730	$ 6,185,281	$ 35,582	$ 10,800,593

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,139,773	$ 940,728
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (credit) for loan losses	(124,492)	756
Depreciation and amortization	207,013	211,201
Amortization of deferred loan costs (fees)	(70,654)	(70,730)
Net accretion of discount and amortization of premium on securities	41,942	38,153
Income from bank-owned life insurance	(104,317)	(89,172)
Deferred income taxes	62,801	28,264
Change in:		
Accrued interest receivable	(42,402)	16,705
Other assets	2,796	48,910
Accrued interest payable	(2,301)	(7,307)
Other liabilities	48,014	90,415
Net cash provided by operating activities	1,158,173	1,207,923
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in interest bearing deposits in bank	(58,000)	(1,573,000)
Loan originations and principal collections, net	(18,755,090)	(2,342,243)
Purchases of fixed assets	(37,378)	(93,431)
Proceeds from principal payments received and maturities of available-for-sale securities	220,657	426,494
Purchases of securities held to maturity	(9,832,985)	—
Proceeds from principal payments received and maturities of securities held to maturity	1,519,818	1,472,833
Redemptions (purchases) of stock investments, restricted	(111,300)	17,800
Purchase of bank-owned life insurance	—	(1,000,000)
Net cash used in investing activities	(27,054,278)	(3,091,547)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	5,837,073	7,453,227
Cash received from exercise of options	—	31,889
Cash dividend	(777)	—
Net cash provided by financing activities	5,836,296	7,485,116
Net increase (decrease) in cash and cash equivalents	(20,059,809)	5,601,492
Cash and Cash Equivalents, beginning of year	25,589,772	19,988,280
Cash and Cash Equivalents, end of year	$ 5,529,963	$ 25,589,772
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 282,649	$ 316,178
Income taxes	$ 664,000	$ 495,000
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Stock dividends issued	$ 1,115,818	$ —
Change in unrealized gain on securities available for sale	$ 25,226	$ 35,412

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Chino Commercial Bank, N.A. (the Bank), 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. The Bank opened a branch office in Ontario, California in January 2006, and opened a branch office in Rancho Cucamonga, California in April 2010.

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

Chino Commercial Bancorp (the Company) is a California corporation registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and is headquartered in Chino, California. The Company was incorporated on March 2, 2006 and acquired all of the outstanding shares of Chino Commercial Bank, N.A. effective July 1, 2006. The Company's principal subsidiary is the Bank, and the Company exists primarily for the purpose of holding the stock of the Bank and of such other subsidiaries it may acquire or establish. The Company's only other direct subsidiary is Chino Statutory Trust I, which was formed on October 25, 2006 solely to facilitate the issuance of capital trust pass-through securities. Chino Commercial Bancorp and the Bank are collectively referred to herein as the Company unless otherwise indicated.

Basis of Presentation and Consolidation: The consolidated financial statements include the accounts of Chino Commercial Bancorp and its subsidiary, Chino Commercial Bank. All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and financial reporting policies the Company follows conform, in all material respects, to accounting principles generally accepted in the United States of America and to general practices within the financial services industry. In consolidating, the Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity under accounting principles generally accepted in the United States. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. The Company consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, variable interest entities (VIEs) are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in an entity is present when an enterprise has a variable interest, or a combination of variable interests, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. The Company's wholly-owned subsidiary, Chino Statutory Trust I, is a VIE for which the Company is not the primary beneficiary. Accordingly, the accounts of this entity are not included in the Company's consolidated financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial condition 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.

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.

Interest-Bearing Deposits in Other Banks: Interest-bearing deposits in other banks mature in less than two years and are carried at cost.

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.

Purchase premiums and discounts are recognized in interest income using methods approximating the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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. In estimating other-than-temporary impairment losses, management considers (1) the length of time and extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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. There were no loans held for sale at December 31, 2014 and 2013.

Loans: The Company 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 Company'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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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, except that interest is not accrued on loans that are generally 90 days or more past due. Loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful. Interest income previously accrued on non-accrual loans is reversed against current period interest income. Interest income on non-accrual loans may be recognized only if the loan is deemed to be fully collectible, and only to the extent of interest payments received. Otherwise, any interest payments received are applied against the loan balance. Loans are returned to accrual status after the borrower's financial condition has improved, when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Interest recognition policies apply to all loans.

Loan origination fees and costs are deferred and amortized as an adjustment of the loan's yield over the life of the loan using the interest method.

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 collectability 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 collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are individually evaluated for impairment. For impaired loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers unimpaired loans and is based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that the Company 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Troubled Debt Restructuring: A troubled debt restructuring is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to a borrower that the Company would not otherwise consider. A loan restructuring may take the form of a reduction in the stated interest rate, an extension of the maturity at an interest rate below market, or a reduction in the face amount of the debt or accrued interest, among others. Loans that are renewed at below-market terms are considered to be troubled debt restructurings if the below-market terms represent a concession due to the borrower's troubled financial condition. Troubled debt restructurings are classified as impaired loans and are measured at the present value of estimated future cash flows using the loan's effective rate at inception of the loan. If the loan is considered to be collateral dependent, impairment is measured based on the fair value of the collateral.

Loan Portfolio Segments: Management segregates the loan portfolio into portfolio segments for purposes of developing and documenting a systematic method for determining its allowance for loan losses. The portfolio segments are segregated based on loan types and the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate.

The Company's loan portfolio is segregated into the following portfolio segments.

One-to-Four-Family Residential. This portfolio segment consists of the origination of first mortgage loans and home equity second mortgage loans secured by one-to-four-family owner occupied residential properties located in the Company's market area. The Company has experienced no foreclosures on its owner occupied loan portfolio during recent periods and believes this is due mainly to its conservative lending strategies including its non-participation in "interest only", "Option ARM," "sub-prime" or "Alt-A" loans.

Residential Income. This portfolio segment consists of the origination of first mortgage loans secured by non-owner occupied residential properties in its market area. Such lending involves additional risks arising from the use of the properties by non-owners.

Commercial Real Estate Loans. This portfolio segment includes loans secured by commercial real estate, including multi-family dwellings. Loans secured by commercial real estate generally have larger loan balances and more credit risk than one-to-four-family mortgage loans. The increased risk is the result of several factors, including the concentration of principal in a limited number of loans and borrowers, the impact of local and general economic conditions on the borrower's ability to repay the loan, and the increased difficulty of evaluating and monitoring these types of loans.

Commercial and Industrial Loans. This portfolio segment includes commercial business loans secured by assignments of corporate assets and personal guarantees of the business owners. Commercial business loans generally have higher interest rates and shorter terms than one-to-four-family residential loans, but they also may involve higher average balances, increased difficulty of loan monitoring and a higher risk of default since their repayment generally depends on the successful operation of the borrower's business.

Consumer Loans. This portfolio segment includes loans to individuals for overdraft protection and personal lines of credit.

Installment Loans. This portfolio segment includes loans to individuals for personal purposes, including but not limited to automobile loans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Credit Quality Indicators: The Company's policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or loss assets. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those assets characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable, based on currently existing facts, conditions and values. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their continuation as assets is not warranted. Assets that do not expose the Company to risk sufficient to warrant classification in one of the aforementioned categories, but which possess potential weaknesses that deserve close attention, are required to be designated as special mention.

When assets are classified as special mention, substandard or doubtful, the Company allocates a portion of the related general loss allowances to such assets as the Company deems prudent. Determinations as to the classification of assets and the amount of loss allowances are subject to review by regulatory agencies, which can require that we establish additional loss allowances. Management regularly reviews the asset portfolio to determine whether any assets require classification in accordance with applicable regulations.

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 Company, 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 Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Foreclosed Assets: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Company Premises and Equipment: Company 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. Building improvements are amortized over 39 years 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.

Bank-Owned Life Insurance: The Company has purchased life insurance policies on certain officers. Bank-owned life insurance is recorded at its cash surrender value (or the amount that can be realized).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income Taxes: Deferred tax assets and liabilities are recognized for estimated future tax effects attributable to temporary differences between the book bases and tax bases of various assets and liabilities. 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.

The Company uses a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions are recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Interest and penalties associated with uncertain tax positions are classified as income tax expense. At December 31, 2014 and 2013, the Company did not have a tax position that failed to meet the more-likely-than-not recognition threshold.

Comprehensive Income: Accounting principles generally accepted in the United States of America 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 statement of financial condition, such items, along with net income, are components of comprehensive income.

Recently Issued Accounting Pronouncements: In November 2014, the FASB issued ASU 2014-17, *Business Combinations (Topic 805): Pushdown Accounting,* which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. If an acquired entity elects the option to apply pushdown accounting in its separate financial statements, it should disclose information that users need to evaluate the effects of pushdown accounting on its financial statements. This ASU was effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. However, if the financial statements for the period in which the most recent change-in-control event occurred already have been issued or made available for issuance, the application of this guidance would be a change in accounting principle. The adoption of ASU 2014-17 is not expected to have a material effect on the Company's consolidated financial statements or disclosures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The Company is currently evaluating the effect that the updated standard will have on the consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material effect on the Company's consolidated financial statements or disclosures.

In January 2014, the FASB issued ASU 2014-04, *Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. ASU 2014-04 clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either *(a)* the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or *(b)* the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the standard requires interim and annual disclosure of both *(a)* the amount of foreclosed residential real estate property held by the creditor and *(b)* the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU 2014-04 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The standard can be adopted utilizing either a modified retrospective transition method or a prospective transition method. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

Subsequent Events: Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not reflect subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued or are available to be issued.

The Bank has evaluated subsequent events through February 25, 2015, which is the date the financial statements were issued or the date the financial statements were available to be issued.

NOTE 2 RESTRICTIONS ON CASH AND AMOUNTS DUE FROM BANKS

The Company is required to maintain average cash balances on hand or balances with the Federal Reserve Bank for balances in transaction accounts. The Company was able to maintain sufficient average cash balances to avoid the requirement for a reserve balance with the Federal Reserve Bank at December 31, 2014 and 2013.

The Company maintains cash that may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Company does not expect to incur losses in its cash accounts.

NOTE 3 INVESTMENT SECURITIES

The amortized cost and fair value of investment securities at December 31 are as follows:

	2014			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Municipal bonds	$ 744,453	$ 24,071	$ —	$ 768,524
Mortgage-backed	832,664	36,391	—	869,055
	$ 1,577,117	$ 60,462	$ —	$ 1,637,579
Securities held to maturity:				
Municipal bonds	$ 330,000	$ 1,073	$ —	$ 331,073
U.S. agency	946,660	11,702	—	958,362
Mortgage-backed	10,094,155	117,200	(7,343)	10,204,012
	$ 11,370,815	$ 129,975	$ (7,343)	$ 11,493,447

	2013			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Municipal bonds	$ 743,628	$ 33,677	$ —	$ 777,305
Mortgage-backed	1,057,933	52,013	—	1,109,946
	$ 1,801,561	$ 85,690	$ —	$ 1,887,251
Securities held to maturity:				
Municipal bonds	$ 330,000	$ 581	$ —	$ 330,581
Mortgage-backed	2,765,803	98,273	—	2,864,076
	$ 3,095,803	$ 98,854	$ —	$ 3,194,657

NOTE 3 INVESTMENT SECURITIES *(CONTINUED)*

Unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are summarized as follows as of December 31, 2014:

	Less than 12 Months	
	Fair Value	Gross Unrealized Losses
Securities held to maturity:		
Mortgage-backed	$ 1,802,477	$ (7,343)

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

The unrealized losses at December 31, 2014 are attributable to changes in interest rates and not credit quality. The Bank has the ability to hold these investments until a recovery of fair value, which may be maturity. Thus, the Bank does not consider these investments to be other-than-temporarily impaired as of December 31, 2014.

The amortized cost and fair value of investment securities as of December 31, 2014 by contractual maturity are shown below:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ —	$ —	$ —	$ —
After 1 year through 5 years	—	—	—	—
After 5 years through 10 years	744,453	768,524	1,276,660	1,289,435
After 10 years through 17 years	—	—	—	—
Mortgage-backed securities	832,664	869,055	10,094,155	10,204,012
	$ 1,577,117	$ 1,637,579	$ 11,370,815	$ 11,493,447

NOTE 4 STOCK INVESTMENTS, RESTRICTED

Restricted stock investments include the following at December 31 and are recorded at cost:

	2014	2013
Federal Reserve Bank stock	$ 165,400	$ 165,400
Federal Home Loan Bank (FHLB) stock	501,300	390,000
Pacific Coast Bankers' Bank stock	50,000	50,000
	$ 716,700	$ 605,400

As a member of the FHLB system, the Bank is required to maintain an investment in FHLB stock in an amount equal to the greater of 1% of its outstanding mortgage loans or 5% of advances from the FHLB (See Note 11). No ready market exists for FHLB stock, and it has no quoted market value.

All restricted stock is evaluated for impairment based on an estimate of the ultimate recoverability of par value.

NOTE 5 LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the Company's loans held for investment at December 31 is as follows:

	2014	2013
Real estate loans, commercial	$ 63,675,782	$ 47,403,787
Real estate loans, consumer	2,008,168	1,966,635
Commercial loans	17,437,492	14,675,131
Installment loans	339,519	313,144
Total gross loans	83,460,961	64,358,697
Allowance for loan losses	(1,536,241)	(1,496,995)
Unearned income and deferred loan fees, net	(211,142)	(98,360)
Loans held for investment, net	$ 81,713,578	$ 62,763,342

NOTE 5 LOANS AND ALLOWANCE FOR LOAN LOSSES *(CONTINUED)*

Changes in the allowance for loan losses by loan portfolio segment for the year ended December 31, 2014 are summarized as follows:

	One-to-Four Residential	Residential Income	Commercial Real Estate	Commercial and Industrial	Consumer	Installment	Other	Total
Beginning balance January 1, 2014	$ 21,397	$ 163,747	$ 1,181,855	$ 121,260	$ 623	$ 7,747	$ 366	$ 1,496,995
Provision (credit) for loan losses	(2,836)	17,539	23,922	(162,764)	45	(288)	(110)	(124,492)
Loans charged off	—	—	—	—	—	—	—	—
Recoveries	—	—	12,283	151,455	—	—	—	163,738
Ending Balance December 31, 2014	$ 18,561	$ 181,286	$ 1,218,060	$ 109,951	$ 668	$ 7,459	$ 256	$ 1,536,241

Changes in the allowance for loan losses by loan portfolio segment for the year ended December 31, 2013 are summarized as follows:

	One-to-Four Residential	Residential Income	Commercial Real Estate	Commercial and Industrial	Consumer	Installment	Other	Total
Beginning balance January 1, 2013	$ 25,394	$ 81,991	$ 1,146,534	$ 175,726	$ 357	$ 8,290	$ 505	$ 1,438,797
Provision (credit) for loan losses	(3,997)	81,756	10,184	(84,963)	266	(543)	(1,947)	756
Loans charged off	—	—	—	(79,503)	—	—	—	(79,503)
Recoveries	—	—	25,137	110,000	—	—	1,808	136,945
Ending Balance December 31, 2013	$ 21,397	$ 163,747	$ 1,181,855	$ 121,260	$ 623	$ 7,747	$ 366	$ 1,496,995

NOTE 5 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following tables present loans and the allowance for loan losses by segment as of December 31:

Loans and Allowance for Loan Losses (by loan segment) As of December 31, 2014

	One-to-Four Residential	Residential Income	Commercial Real Estate	Commercial and Industrial	Consumer	Installment	Other	Total
Loans:								
Collectively evaluated for impairment	$ 1,505,460	$ 10,668,218	$ 59,932,093	$ 6,752,983	$ 25,122	$ 314,397	$ 8,181	$ 79,206,454
Individually evaluated for impairment	502,708	—	3,743,689	8,110	—	—	—	4,254,507
Balance	$ 2,008,168	$ 10,668,218	$ 63,675,782	$ 6,761,093	$ 25,122	$ 314,397	$ 8,181	$ 83,460,961
Allowance for loan losses:								
Collectively evaluated for impairment	$ 15,344	$ 181,286	$ 1,082,088	$ 109,142	$ 668	$ 7,459	$ 256	$ 1,396,243
Individually evaluated for impairment	3,217	—	135,972	809	—	—	—	139,998
Balance	$ 18,561	$ 181,286	$ 1,218,060	$ 109,951	$ 668	$ 7,459	$ 256	$ 1,536,241

Loans and Allowance for Loan Losses (by loan segment) As of December 31, 2013

	One-to-Four Residential	Residential Income	Commercial Real Estate	Commercial and Industrial	Consumer	Installment	Other	Total
Loans:								
Collectively evaluated for impairment	$ 1,457,343	$ 8,759,428	$ 43,098,264	$ 5,439,733	$ 22,653	$ 290,491	$11,111	$ 59,079,023
Individually evaluated for impairment	509,292	207,942	4,305,523	256,917	—	—	—	5,279,674
Balance	$ 1,966,635	$ 8,967,370	$ 47,403,787	$ 5,696,650	$ 22,653	$ 290,491	$11,111	$ 64,358,697
Allowance for loan losses:								
Collectively evaluated for impairment	$ 17,119	$ 158,923	$ 988,154	$ 93,987	$ 623	$ 7,747	$ 366	$ 1,266,919
Individually evaluated for impairment	4,278	4,824	193,701	27,273	—	—	—	230,076
Balance	$ 21,397	$ 163,747	$ 1,181,855	$ 121,260	$ 623	$ 7,747	$ 366	$ 1,496,995

NOTE 5 LOANS AND ALLOWANCE FOR LOAN LOSSES *(CONTINUED)*

The following tables summarize the loan portfolio at December 31, 2014 and 2013 by credit risk profiles based on internally assigned grades. Information has been updated for each credit quality indicator as of December:

Credit Exposure
Credit Risk Profile by Internally Assigned Grade
December 31, 2014

	Grade				
	Pass	Mention	Substandard	Doubtful	Total
One-to-four residential:					
Closed-end	$ 2,008,168	$ —	$ —	$ —	$ 2,008,168
Residential income	10,668,218	—	—	—	10,668,218
Commercial real estate:					
Owner occupied	25,857,425	—	2,098,737	—	27,956,162
Non-owner occupied	35,459,625	—	259,995	—	35,719,620
Commercial and industrial:					
Secured	2,112,855	—	—	—	2,112,855
Unsecured	4,640,128	—	8,110	—	4,648,238
Consumer	25,122	—	—	—	25,122
Installment	314,397	—	—	—	314,397
Other	8,181	—	—	—	8,181
Total	$ 81,094,119	$ —	$ 2,366,842	$ —	$ 83,460,961

Credit Exposure
Credit Risk Profile by Internally Assigned Grade
December 31, 2013

	Grade				
	Pass	Mention	Substandard	Doubtful	Total
One-to-four residential:					
Closed-end	$ 1,966,635	$ —	$ —	$ —	$ 1,966,635
Residential income	8,759,428	—	207,942	—	8,967,370
Commercial real estate:					
Owner occupied	17,248,404	2,029,057	2,704,191	—	21,981,652
Non-owner occupied	23,820,803	—	1,601,332	—	25,422,135
Commercial and industrial:					
Secured	3,194,014	—	228,543	—	3,422,557
Unsecured	2,245,719	—	28,374	—	2,274,093
Consumer	22,653	—	—	—	22,653
Installment	290,491	—	—	—	290,491
Other	11,111	—	—	—	11,111
Total	$ 57,559,258	$ 2,029,057	$ 4,770,382	$ —	$ 64,358,697

NOTE 5 LOANS AND ALLOWANCE FOR LOAN LOSSES *(CONTINUED)*

The following tables set forth certain information with respect to the Company's portfolio delinquencies by loan class and amount at December 31:

Age Analysis of Past Due Loans (by Class)
As of December 31, 2014

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90-Days	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or More and Accruing
One-to-four residential:							
Closed-end	$ 502,708	$ —	$ —	$ 502,708	$ 1,505,460	$ 2,008,168	$ —
Residential income	—	—	—	—	10,668,218	10,668,218	—
Commercial real estate:							
Owner occupied	—	—	—	—	27,956,162	27,956,162	—
Non-owner occupied	—	—	—	—	35,719,620	35,719,620	—
Commercial and industrial:							
Secured	—	—	—	—	2,112,855	2,112,855	—
Unsecured	—	—	—	—	4,648,238	4,648,238	—
Consumer	—	—	—	—	25,122	25,122	—
Installment	—	—	—	—	314,397	314,397	—
Other	—	—	—	—	8,181	8,181	—
Total	$ 502,708	$ —	$ —	$ 502,708	$ 82,958,253	$ 83,460,961	$ —

Age Analysis of Past Due Loans (by Class)
As of December 31, 2013

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90-Days	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or More and Accruing
One-to-four residential:							
Closed-end	$ —	$ —	$ —	$ —	$ 1,966,635	$ 1,966,635	$ —
Residential income	—	—	—	—	8,967,370	8,967,370	—
Commercial real estate:							
Owner occupied	—	—	—	—	21,981,652	21,981,652	—
Non-owner occupied	—	—	—	—	25,422,135	25,422,135	—
Commercial and industrial:							
Secured	—	—	—	—	3,422,557	3,422,557	—
Unsecured	—	—	—	—	2,274,093	2,274,093	—
Consumer	—	—	—	—	22,653	22,653	—
Installment	—	—	—	—	290,491	290,491	—
Other	30	—	—	30	11,081	11,111	—
Total	$ 30	$ —	$ —	$ 30	$ 64,358,667	$ 64,358,697	$ —

NOTE 5 LOANS AND ALLOWANCE FOR LOAN LOSSES *(CONTINUED)*

The following tables are summaries of impaired loans by loan class at December 31:

Impaired Loans (by Class)
For the Year Ended December 31, 2014

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
One-to-four residential:					
Closed-end	$ 502,708	$ 502,708	$ 3,217	$ 506,128	$ 26,384
Residential income	—	—	—	—	—
Commercial real estate:					
Owner occupied	2,589,941	2,589,941	110,128	2,628,898	167,176
Non-owner occupied	1,136,096	1,136,096	25,844	1,146,087	87,008
Commercial and industrial:					
Secured	—	—	—	—	—
Unsecured	8,111	8,111	809	9,589	1,226
Total	$ 4,236,856	$ 4,236,856	$ 139,998	$ 4,290,702	$ 281,794
One-to-four residential	$ 502,708	$ 502,708	$ 3,217	$ 506,128	26,384
Residential income	—	—	—	—	—
Commercial real estate	3,726,037	3,726,037	135,972	3,774,985	$ 254,184
Commercial and industrial	8,111	8,111	809	9,589	1,226
Total	$ 4,236,856	$ 4,236,856	$ 139,998	$ 4,290,702	$ 281,794

Impaired Loans (by Class)
For the Year Ended December 31, 2013

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
One-to-four residential:					
Closed-end	$ 509,292	$ 509,292	$ 4,278	$ 513,692	$ 32,106
Residential income	207,942	207,942	4,824	226,184	—
Commercial real estate:					
Owner occupied	520,699	520,699	121,659	510,388	28,266
Non-owner occupied	884,861	884,861	72,042	905,557	65,513
Commercial and industrial:					
Secured	—	—	—	288,869	—
Unsecured	—	—	—	190,189	—
Total	$ 2,122,794	$ 2,122,794	$ 202,803	$ 2,634,879	$ 125,885
One-to-four residential	$ 509,292	$ 509,292	$ 4,278	$ 513,692	$ 32,106
Residential income	207,942	207,942	4,824	226,184	—
Commercial real estate	1,405,560	1,405,560	193,701	1,415,945	93,779
Commercial and industrial	—	—	—	479,058	—
Total	$ 2,122,794	$ 2,122,794	$ 202,803	$ 2,634,879	$ 125,885

NOTE 5 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

There were no non-accrual loans at December 31, 2014. A summary of nonaccrual loans by loan class at December 31, 2013 is as follows:

Loans on Nonaccrual Status (by Class)

	2013
One to four residential:	
Closed-end	$ —
Commercial real estate:	
Owner occupied	—
Non-owner occupied	—
Commercial and industrial:	
Secured	207,942
Total	$ 207,942

Troubled Debt Restructurings: The Company had one loan that was modified in troubled debt restructuring during the year ended December 31, 2013. This loan, whose balance was $19,229 at December 31, 2013, is classified as a troubled debt restructuring because the customer's loan was renewed at below market rates due to the borrower's financial difficulties at the time of renewal. The loan was collateral dependent with a specific reserve of $485 at December 31, 2013. The loan has not experienced payment defaults subsequent to renewal through December 31, 2014.

No loans were modified in troubled debt restructuring during the year ended December 31, 2014.

Loans serviced for others are portions of loans participated out to other banks. Loan balances are net of these participated balances. There were no loans serviced for others at December 31, 2014. The unpaid principal balance of loans serviced for others was $999,411 at December 31, 2013.

NOTE 6 FIXED ASSETS

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

	2014	2013
Land	$ 1,868,422	$ 1,868,422
Building	3,212,729	3,212,729
Furniture, fixtures and equipment	1,008,389	996,490
Building and Leasehold improvements	1,423,981	1,415,941
Automobile	39,544	39,544
	7,553,065	7,533,126
Less accumulated depreciation and amortization	1,581,741	1,392,168
	$ 5,971,324	$ 6,140,958

Depreciation and amortization expense for years ended December 31, 2014, and 2013 amounted to $207,013, and $211,201 respectively.

NOTE 7 DEPOSITS

At December 31, 2014, the scheduled maturities of time deposits were as follows:

Within 1 year	$ 10,906,047
After 1 year through 3 years	92,934
	$ 10,998,981

The aggregate amount of time deposits in denominations of $250,000 or greater at December 31, 2014 and 2013 was $3,893,218 and $4,884,056, respectively.

NOTE 8 SUBORDINATED NOTES PAYABLE TO SUBSIDIARY TRUST

On October 25, 2006, Chino Statutory Trust I (the Trust), a newly formed Connecticut statutory business trust and a wholly-owned subsidiary of the Company, issued an aggregate of $3.0 million of principal amount of Capital Securities (the Trust Preferred Securities) and $93,000 in Common Securities. The securities issued by the Trust are fully guaranteed by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. The entire proceeds to the Trust from the sale of the Trust Preferred Securities were used by the Trust to purchase $3,000,000 in principal amount of the Junior Subordinated Deferrable Interest Debentures due December 15, 2036 issued by the Company (the Subordinated Debt Securities). The Company issued an additional $93,000 in principal amount of the Junior Subordinated Deferrable Interest Debentures due December 15, 2036, in exchange for its investment in the Trust's Common Securities. During 2006 and 2007 the Company used approximately $522,000 and $2,478,000, respectively, from the proceeds of $3.0 million to repurchase and retire Company stock. There was no cost to the Trust associated with the issuance.

The Subordinated Debt Securities bear interest equal to LIBOR (adjusted quarterly) plus 1.68%. At December 15, 2013, LIBOR rate was 0.24285% resulting in an interest rate of 1.92285% from December 16, 2013 to March 16, 2014. At December 31, 2014, LIBOR rate was 0.24060%, resulting in an interest rate of 1.92060%.

As of December 31, 2014 and 2013, accrued interest payable to the Trust amounted to $2,712 and $2,564, respectively. Interest expense for Trust Preferred Securities amounted to $58,243 and $59,493, for the years ended December 31, 2014 and 2013, respectively.

NOTE 9 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has granted loans to certain officers, directors and companies with which it is associated. All such loans and commitments to lend were made under terms that are consistent with the Bank's normal lending policies.

NOTE 9 RELATED PARTY TRANSACTIONS *(CONTINUED)*

Aggregate related party loan transactions were as follows as of and for the years ended December 31:

	2014	2013
Balance January 1	$ 902,103	$ 975,860
Advances	155,889	39,843
Repayments, net of borrowings	(135,284)	(113,600)
Balance as of December 31	$ 922,708	$ 902,103

Deposits from related parties held by the Bank at December 31, 2014 and 2013 amounted to $9,183,870 and $7,192,850, respectively.

NOTE 10 FEDERAL HOME LOAN BANK BORROWINGS

As a member of the FHLB, the Bank may borrow funds collateralized by securities or qualified loans up to 25% of its asset base. The Bank has a line of credit of $37,601,148 and $27,888,500 at December 31, 2014 and December 31, 2013, respectively. There were no advances outstanding at December 31, 2014 or December 31, 2013.

On December 21, 2005, the Bank entered into a standby letter of credit with the FHLB for $800,000. This stand-by letter of credit remained in place as collateral for local agency deposits at the Bank. The letter of credit expired January 8, 2014 and was renewed January 8, 2014.

NOTE 11 FEDERAL FUNDS LINES OF CREDIT

The Bank had a total of $5.5 million in Federal funds lines of credit with various banks at December 31, 2014 and 2013. There were no borrowings outstanding at December 31, 2014 and 2013.

NOTE 12 INCOME TAXES

The following is a summary of the provision for income taxes for the years ended December 31:

	2014	2013
Current tax provision:		
Federal	$ 469,303	$ 390,491
State	162,655	147,790
	631,958	538,281
Deferred tax provision:		
Federal	28,547	20,819
State	34,254	7,445
	62,801	28,264
	$ 694,759	$ 566,545

NOTE 12 INCOME TAXES (CONTINUED)

The reasons for the differences between the statutory federal income tax rate and the effective tax rate are summarized as follows for the years ended December 31:

	2014	2013
Statutory federal tax rate	34.0%	34.0%
Increase (decrease) resulting from:		
State taxes, net of federal tax benefit	7.2	7.2
Tax-exempt earnings on life insurance policies	(2.2)	(2.0)
Tax-exempt interest from municipal bonds	(0.8)	(1.0)
Other, net	(0.3)	(0.6)
Effective tax rate	37.9%	37.6%

The components of the net deferred tax asset, included in other assets on the statements of financial condition, were as follows at December 31:

	2014	2013
Deferred tax assets:		
Allowance for loan losses	$ 419,412	$ 467,704
Start-up expenses	4,851	5,597
State tax	58,416	45,218
Deferred compensation and benefits	187,984	189,640
Non-accrual interest	—	21,686
	670,663	729,845
Deferred tax liabilities:		
FHLB stock dividends	(31,963)	(31,963)
Depreciation and amortization	(122,958)	(119,339)
Unrealized gain on securities available for sale	(24,883)	(35,262)
	(179,804)	(186,564)
Net deferred tax asset	$ 490,859	$ 543,281

Tax years ended December 31, 2011 through December 31, 2013 remain subject to examination by the Internal Revenue Service. Tax years ended December 31, 2010 through December 31, 2013 remain subject to examination by the California Franchise Tax Board.

NOTE 13 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, 2014 and 2013, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2014	2013
Undisbursed loans	$ 7,214,136	$ 4,123,739
Letters of credit	$ —	$ —

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. Included in undisbursed commitments at December 31, 2014 were $2,997,547 of commitments at fixed rates. 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.

NOTE 14 OTHER COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments: The Company has no non-cancellable lease agreements on its premises, as all promises are owned.

Employment Agreement: The Company entered into a three-year employment agreement with a key officer expiring in July 2015. 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.

NOTE 15 CONCENTRATION 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. Real estate and construction loans held for investment represented 91% of total loans held for investment at December 31, 2014 and 2013. The Bank has no concentration of loans with any one customer or industry.

Deposits from escrow companies represented 12% and 11% of total deposits on December 31, 2014 and 2013, respectively. Four escrow companies accounted for 10% and 9% of total deposits for the years ended December 31, 2014 and 2013, respectively.

NOTE 16 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 100% 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 years ended December 31, 2014, and 2013, the Bank matching contributions attributable to the Plan amounted to $57,214 and $56,342, respectively.

NOTE 17 SALARY CONTINUATION AGREEMENTS

The Company has entered into salary continuation agreements, which provide for payments to certain officers at the age of retirement. Included in other liabilities at December 31, 2014 and 2013, respectively, is $350,933 and $349,131 of deferred compensation related to these agreements. The plans are funded through life insurance policies that generate a cash surrender value to fund the future benefits.

NOTE 18 STOCK-BASED COMPENSATION

The Company's stock option plan expired on July 13, 2010. The plan allowed the Board to grant incentive stock options and non-qualified stock options to its directors, officers and employees. The Plan provided that the exercise price of these options should not be less than the market price of the common stock on the date granted. Incentive options began vesting after one year from date of grant at a rate of 33% per year. Non-qualified options vested as follows: 25% on the date of the grant, and 25% per year thereafter. All options expire 10 years after the date of grant and become fully vested after four years. All options expired in 2013.

There were no options granted in 2014 or 2013. The most recent grant of options occurred in 2003. No options were outstanding at December 31, 2014. There was no stock option activity during the year ended December 31, 2014.

A summary of the status of the Company's stock option plan as of December 31, 2013 and changes during the year then ended are as follows:

	2013	
	Shares	Weighted-Average Exercise Price
Options outstanding at beginning of year	12,402	$ 10.58
Options granted	—	$ —
Options exercised	3,678	$ 8.67
Options forfeited	8,724	$ 11.39
Outstanding at year-end	—	$ —
Options exercisable at year-end	—	$ —

NOTE 19 REGULATORY MATTERS

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 Bank has also agreed to the OCC establishing higher than normal capital ratios for the Bank (see below). The capital amounts and classifications 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. The Bank's actual capital amounts and ratios as of December 31, 2014 and 2013 are also presented in the table. Management believes, as of December 31, 2014 and 2013, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2014, the most recent notification from the OCC 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.

	2014					
	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:						
Consolidated	$14,984	16.72%	$ 7,171	8.00%	$8,963	10.00%
Bank	$14,732	16.46%	$ 7,159	8.00%	$8,949	10.00%
Tier 1 capital to risk-weighted assets:						
Consolidated	$14,353	16.01%	$ 3,585	4.00%	$5,378	6.00%
Bank	$13,608	15.21%	$ 3,580	4.00%	$5,369	6.00%
Tier 1 capital to average assets:						
Consolidated	$14,353	11.18%	$ 5,134	4.00%	$6,417	5.00%
Bank	$13,608	10.61%	$ 5,128	4.00%	$6,411	5.00%

NOTE 19 REGULATORY MATTERS (CONTINUED)

	2013					
	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:						
Consolidated	$13,666	18.18%	$ 6,013	8.00%	$7,516	10.00%
Bank	$13,284	17.70%	$ 6,005	8.00%	$7,505	10.00%
Tier 1 capital to risk-weighted assets:						
Consolidated	$12,835	17.08%	$ 3,006	4.00%	$4,510	6.00%
Bank	$12,339	16.44%	$ 3,002	4.00%	$4,503	6.00%
Tier 1 capital to average assets:						
Consolidated	$12,835	10.69%	$ 4,801	4.00%	$6,001	5.00%
Bank	$12,339	10.29%	$ 4,797	4.00%	$5,996	5.00%

A formal agreement between the Bank and the OCC, which was entered into on April 12, 2011, was terminated by the OCC on October 10, 2013.

In July 2013, U.S. banking regulators issued new regulatory capital rules that implement the Basel III capital framework issued by the Basel Committee. The new regulatory capital rules will become effective for the Bank on January 1, 2015. Among other things, the new rules include a new common equity tier 1 capital requirement, and establish criteria that instruments must meet in order to be considered regulatory capital. More specifically, the new rules include a minimum common equity tier 1 capital ratio of 4.5% of risk-weighted assets, and a tier 1 capital ratio of 6% of risk-weighted assets (an increase from 4%). The minimum ratio of tier 1 capital to average total assets (leverage ratio) remains at 4%, and the minimum ratio of total capital to risk-weighted assets remains at 8%. Also, Basel III introduces a capital conservation buffer that places limits on a bank's ability to make distributions and make discretionary bonus payments.

NOTE 20 EARNINGS PER SHARE

Basic earnings per share represent income available to common shareholders 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 Company relate solely to outstanding stock options, and are determined using the treasury stock method.

NOTE 20 EARNINGS PER SHARE (CONTINUED)

As more fully described in Note 21, the number of common shares outstanding increased as a result of a stock dividend issued during the year ended December 31, 2014. Additionally, as more fully described in Note 24, the Board of Directors declared another stock dividend on February 19, 2015. Therefore, the computation of basic and diluted earnings per share has been adjusted retroactively for both years presented to reflect both stock dividends.

The computation of basic and diluted earnings per share is as follows for years ended December 31:

	2014		
	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share, before retroactive adjustment for stock dividends	$ 1,139,773	875,257	$ 1.30
Effect of retroactive adjustment for 2014 stock dividend	—	41,293	(0.06)
Effect of retroactive adjustment for 2015 stock dividend	—	109,986	(0.13)
Basic earnings per share, after retroactive adjustment for stock dividends	1,139,773	1,026,536	1.11
Effect of dilutive securities: Options	—	—	—
Diluted earnings per share	$ 1,139,773	1,026,536	$ 1.11

	2013		
	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share, before retroactive adjustment for stock dividend	$ 940,728	832,786	$ 1.13
Effect of retroactive adjustment for 2014 stock dividend	—	83,764	(0.10)
Effect of retroactive adjustment for 2015 stock dividend	—	109,986	(0.11)
Basic earnings per share, after retroactive adjustment for stock dividends	940,728	1,026,536	0.92
Effect of dilutive securities: Options	—	—	—
Diluted earnings per share	$ 940,728	1,026,536	$ 0.92

NOTE 21 DIVIDENDS

The Board of Directors declared and the Company issued a 10% stock dividend to shareholders of record on May 22, 2014. As a matter of accommodation, cash dividends were issued to holders of fractional shares. The stock dividend consisted of 83,270 shares of stock issued on July 1, 2014, at which time the trading price was $13.40 per share.

The Company's ability to declare dividends depends primarily upon dividends it receives from the Bank, as a bank holding company that currently has no significant assets other than its equity interest in the Bank. The Bank's dividend practices in turn depend upon legal restrictions, the Bank's earnings, financial position, current and anticipated capital requirements, and other factors deemed relevant by the Bank's Board of Directors at that time.

NOTE 22 OTHER OPERATING EXPENSES

The following sets forth the breakdown of other operating expenses for the years ended December 31:

	2014	2013
Data processing fees	$ 375,790	$ 408,109
Deposit products and services	80,723	83,016
Professional fees	216,542	215,411
Regulatory assessments	108,325	218,269
Advertising and marketing	100,168	69,554
Directors' fees and expenses	109,925	112,117
Other operating expense	324,828	332,210
	$ 1,316,301	$ 1,438,686

NOTE 23 FAIR VALUE MEASUREMENTS

Fair Value Measurements Using Fair Value Hierarchy: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The tables below present information about the Company's assets measured at fair value on a recurring and non-recurring basis as of December 31, 2014 and 2013, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. No liabilities were measured at fair value at December 31, 2014 and 2013.

The fair value hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs - Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

NOTE 23 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The following section describes the valuation methodologies used for assets measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Financial assets measured at fair value on a recurring basis include the following:

Securities Available for Sale. The securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

The table below presents the balance of investment securities available for sale at December 31 the fair value of which is measured on a recurring basis:

	Fair Value Measurements Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Securities Available for Sale				
At December 31, 2014				
Municipal bonds	$ —	$ 768,524	$ —	$ 768,524
Mortgage-backed securities	—	869,055	—	869,055
Total	$ —	$ 1,637,579	$ —	$ 1,637,579
At December 31, 2013				
Municipal bonds	$ —	$ 777,305	$ —	$ 777,305
Mortgage-backed securities	—	1,109,946	—	1,109,946
Total	$ —	$ 1,887,251	$ —	$ 1,887,251

Certain assets are measured at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents such assets carried on the balance sheet as of December 31, 2013 by caption and by level within the valuation hierarchy. There were no assets measured at fair value on a non-recurring basis as of December 31, 2014.

NOTE 23 FAIR VALUE MEASUREMENTS *(CONTINUED)*

	Fair Value Measurements Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
At December 31, 2013				
Collateral-dependent impaired loans	$ —	$ 1,848,725	$ —	$ 1,848,725
Total	$ —	$ 1,848,725	$ —	$ 1,848,725

Impaired Loans: Collateral-dependent impaired loans are carried at the fair value of the collateral less estimated costs to sell. The fair value of collateral is determined based on appraisals. In some cases, adjustments are made to the appraised values for various factors including age of the appraisal, age of comparables included in the appraisal, and known changes in the market and in the collateral. When significant adjustments were based on unobservable inputs, the resulting fair value measurement has been categorized as a Level 3 measurement. Otherwise, collateral-dependent impaired loans are categorized under Level 2.

At December 31, 2013, collateral-dependent impaired loans had a carrying amount of $1,926,800, with a valuation allowance of $78,075.

There were no collateral dependent impaired loans at December 31, 2014.

Impaired loans that are not collateral-dependent are carried at the present value of expected future cash flows discounted at the loan's effective interest rate. Troubled debt restructurings are also carried at the present value of expected future cash flows. However, expected cash flows for troubled debt restructurings are discounted using the loan's original effective interest rate rather than the modified interest rate. Since cash flows are not discounted to present value using a market interest rate, the measurement of impairment for these loans is not a fair value measurement.

Foreclosed Assets: Assets acquired through foreclosure or other proceedings are initially recorded at fair value at the date of foreclosure less estimated costs of disposal, which establishes a new cost. After foreclosure, valuations are periodically performed, and foreclosed assets held for sale are carried at the lower of cost or fair value, less estimated costs of disposal. The fair values of real properties initially are determined based on appraisals. In some cases, adjustments were made to the appraised values for various factors including age of the appraisal, age of comparables included in the appraisal, and known changes in the market or in the collateral. Subsequent valuations of the real properties are based on management estimates or on updated appraisals. Foreclosed assets are categorized under Level 3 when significant adjustments are made by management to appraised values based on unobservable inputs. Otherwise, foreclosed assets are categorized under Level 2 if their values are based solely on current appraisals.

At December 31, 2014 and 2013, the Company has no foreclosed assets.

NOTE 23 FAIR VALUE MEASUREMENTS *(CONTINUED)*

Fair Value of Financial Instruments: The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Discount rates on loans can vary significantly depending on the risk profile of the loan and the borrower's deposit relationship with the Company. Accordingly, the fair value estimates may not be realized in the immediate settlement of the instrument. Accounting Standards Codification (ASC) 825, Financial Instruments, excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents - The carrying amounts reported in the balance sheet for cash and short-term instruments approximate their fair values.

Interest-Bearing Deposits in Other Banks - The fair value of interest-bearing deposits in other banks is estimated by discounting future cash flows using current offering rates for deposits with similar characteristics.

Investment Securities - Fair values for investment securities are based on quoted market prices.

Stock Investments - The carrying values of stock investments approximate fair value based on the redemption provisions of the stock.

Loans - The fair value of performing fixed rate loans is estimated by discounting future cash flows using the Company's current offering rate for loans with similar characteristics. The fair value of performing adjustable rate loans is considered to be the same as book value. The fair value of non-performing loans is estimated at the fair value of the related collateral or, when, in management's opinion, foreclosure upon the collateral is unlikely, by discounting future cash flows using rates that take into account management's estimate of excess credit risk.

Commitments to Extend Credit and Standby Letters of Credit - The Company does not generally enter into long-term fixed rate commitments or letters of credit. These commitments are generally at prices that are at currently prevailing rates. These rates are generally variable and, therefore, there is no interest rate risk exposure. Accordingly, the fair market value of these instruments is equal to the carrying amount of their net deferred fees. The net deferred fees associated with these instruments are not material. The Company has no unusual credit risk associated with these instruments.

NOTE 23 FAIR VALUE MEASUREMENTS *(CONTINUED)*

Deposits - The fair value of deposits is determined as follows: (i) for saving accounts, money market accounts and other deposits with no defined maturity, fair value is the amount payable on demand; (ii) for variable-rate term deposits, fair value is considered to be the same as book value; and (iii) for fixed-rate term deposits, fair value is estimated by discounting future cash flows using current offering rates for deposits with similar characteristics.

Accrued Interest - The carrying amounts of accrued interest approximate fair value.

The estimated fair values and related carrying amounts of the Company's financial instruments at December 31 are as follows:

		Fair Value Measurements at December 31, 2014			
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets:					
Cash and cash equivalents	$ 5,529,963	$ 5,529,963	$ —	$ —	$ 5,529,963
Interest-bearing deposits with other banks	19,048,000	—	19,048,000	—	19,048,400
Investment securities:					
Available for sale	1,637,579	—	1,637,579	—	1,637,579
Held to maturity	11,370,815	—	11,493,447	—	11,493,447
Stock investments	716,700	—	—	716,700	716,700
Loans, net	81,713,578	—	—	82,087,000	82,087,000
Accrued interest receivable	312,508	—	312,508	—	312,508
Bank owned life insurance	3,080,794	—	3,080,794	—	3,080,794
Trups common securities	93,000	—	93,000	—	93,000
Financial liabilities:					
Deposits					
Non-interest bearing demand	$ 64,657,125	$ 64,657,125	$ —	$ —	$ 64,657,125
Interest-bearing	50,783,809	—	48,912,000	—	48,912,000
Accrued interest payable	26,066	—	26,066	—	26,066
Subordinated debentures	3,093,000	—	3,093,000	—	3,093,000

NOTE 23 FAIR VALUE MEASUREMENTS *(CONTINUED)*

		Fair Value Measurements at December 31, 2013			
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets:					
Cash and cash equivalents	$ 25,589,772	$ 25,589,772	$ —	$ —	$ 25,589,772
Interest-bearing deposits with other banks	18,990,000	—	18,894,099	—	18,984,099
Investment securities:					
Available for sale	1,887,251	—	1,887,251	—	1,887,251
Held to maturity	3,095,803	—	3,194,657	—	3,194,657
Stock investments	605,400	—	—	605,400	605,400
Loans, net	62,763,342	—	1,848,725	61,167,899	63,016,624
Accrued interest receivable	270,106	—	270,106	—	270,106
Bank owned life insurance	2,976,477	—	2,976,477	—	2,976,477
Trups common securities	93,000	—	93,000	—	93,000
Financial liabilities:					
Deposits					
Non-interest bearing demand	$ 56,565,703	$ 56,565,703	$ —	$ —	$ 56,565,703
Interest-bearing	53,038,158	—	53,041,116	—	53,041,116
Accrued interest payable	28,367	—	28,367	—	28,367
Subordinated debentures	3,093,000	—	3,093,000	—	3,093,000

NOTE 24 SUBSEQUENT EVENT

On February 19, 2015, the Board of Directors declared a 12% stock dividend to shareholders of record as of March 6, 2015. As a matter of accommodation, cash dividends will be issued to holders of fractional shares. The stock dividend will consist of approximately 109,986 shares of stock, issuable on or about March 27, 2015.

MARKET MAKERS

CROWELL WEEDON & CO.
42605 Moonridge Road • P.O. Box 1688
Big Bear Lake, California 92315 • (800) 288-2811

ROBERT W. BAIRD & CO.
1211 SW 5th Avenue, Suite 1400
Portland, Oregon 97204 • (877) 792-9132

STOCK SYMBOL: "CCBC"
Common Stock (OTC Markets)

www.ChinoCommercialBank.com

BRANCH LOCATIONS

CHINO OFFICE
MAIN & CORPORATE OFFICES
14245 Pipeline Avenue
Chino, CA 91710

Phone: (909) 393-8880
Fax: (909) 465-1279

ONTARIO OFFICE
1551 S. Grove Avenue
Ontario, CA 91761

Phone: (909) 230-7600
Fax: (909) 230-5595

RANCHO CUCAMONGA OFFICE
8229 Rochester Avenue
Rancho Cucamonga, CA 91730

Phone: (909) 204-7300
Fax: (909) 204-7319

WORKING FOR YOUR BUSINESS

CHINO COMMERCIAL BANCORP

Chino Commercial Bank N.A.

CHINO OFFICE • MAIN & CORPORATE OFFICES
14245 Pipeline Avenue • Chino, CA 91710
Phone: (909) 393-8880 • Fax: (909) 465-1279

ONTARIO OFFICE
1551 S. Grove Avenue • Ontario, CA 91761
Phone: (909) 230-7600 • Fax: (909) 230-5595

RANCHO CUCAMONGA OFFICE
8229 Rochester Avenue • Rancho Cucamonga, CA 91730
Phone: (909) 204-7300 • Fax: (909) 204-7319

www.ChinoCommercialBank.com

EQUAL HOUSING LENDER

MEMBER FDIC