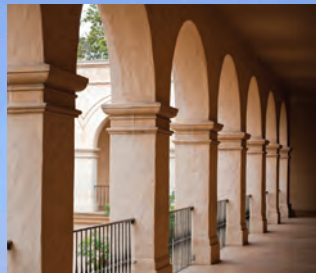


2015 ANNUAL REPORT



www.banksocal.com

WE DON'T JUST MEASURE OUR SUCCESS BY THE NUMBERS.

“ THE SERVICE IS EXTREMELY PROFESSIONAL,
KNOWLEDGEABLE, AND RESPONSIVE.
I am made to feel like I am an important personal banking client. ”

“ Everybody is so friendly - always willing to answer
my questions or will ask somebody else if they are not sure.
NO WRONG OR INCOMPLETE INFORMATION.
THEY MAKE YOU FEEL VALUED. ”

“ In time of great need I was provided service, effort and courtesy
UNPRECEDENTED IN MY EXPERIENCE
with some other financial institutions. ”

“ Bank of Southern California has provided
ALL OF THE SERVICES THAT WE WERE LOOKING FOR,
customer service is great and the staff is wonderful to work with. ”

“ STAFF IS ALWAYS PLEASANT, WARM AND FRIENDLY,
feels like walking into a place where your business is actually
welcomed, not interrupting the employees day! ”

“ I AM EXTREMELY IMPRESSED
with how quickly you processed our loans and how smoothly the
signing was handled. My family has been working together for 25 years,
and we have signed many loan documents over that span and I don't recall ever
having the loan signing go so well along with the level of service we received! ”



To Our Shareholders:

We are pleased to report Bank of Southern California's financial results for 2015, which was another year of significant growth in loans, deposits, and core earnings for the Bank. 2015 marked the fifth consecutive year of profitability for the Bank, and as evidenced by our growth, we continue to demonstrate our commitment to the businesses, professionals, and the personal banking needs of the Southern California communities we serve.

In addition to the financial results discussed below, we are pleased to report a number of other achievements during 2015. The Bank completed the integration of El Paseo Bank that we acquired in November 2014, which culminated in the conversion of our core operating system in June. We combined the resources of our existing Palm Desert office into the acquired location on El Paseo Drive. We completed a private placement offering of common stock in early 2015, raising approximately \$7.2 million. And, the Bank formed the Coachella Valley Advisory Board, which is comprised of a diverse group of prominent members of the business community to assist and advise the Bank as we continue to expand our presence in that market.

We continue to rely on our employees to execute our vision of providing an exceptional client experience, while never losing sight of profitably growing the Bank. During 2015, the Bank continued to focus on strengthening its team of experienced and seasoned banking professionals, including adding a dedicated SBA Department Manager and SBA Loan Underwriter, successfully recruiting a local Branch Manager for the Ramona Office with strong ties to the Ramona and surrounding communities, and increasing the number of seasoned business development officers on the sales team.

Lastly, in December 2015 we changed our stock symbol to "BCAL" which aligns the bank's stock symbol more closely to our name. The common stock continues to trade on OTC Markets – Pink.

2015 Financial Highlights

- Total assets grew \$27 million, or over 8%, to \$344 million
- Total loans grew \$58 million, or 25%, to \$288 million
- Total deposits grew \$16 million, or almost 6%, to \$298 million
- Core earnings, defined as income before income taxes, bargain purchase gain, and provision for loan loss (benefit) expense, improved from \$1.2 million in 2014 to \$3.2 million in 2015
- The Bank remained well-capitalized with a Tier 1 Leverage ratio of 10.4% at yearend 2015.

Looking forward

At Bank of Southern California, our plan is to continue to grow in our markets and enhance our operating performance, just as we did in 2015, in order to create value for our shareholders, our clients, and our communities. We are optimistic of the continuation of these trends through the remainder of 2016.

As always, we appreciate your loyal support and thank you for your continued confidence.

A handwritten signature in black ink, appearing to read "John Farkash".

John Farkash
Chairman of the Board

A handwritten signature in black ink, appearing to read "Nathan L. Rogge".

Nathan L. Rogge
President and Chief Executive Officer

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Independent Auditor's Report

Board of Directors and Shareholders of
Bank of Southern California, N.A.

Report on Financial Statements

We have audited the accompanying financial statements of Bank of Southern California N.A., which are comprised of the statements of financial condition as of December 31, 2015 and 2014, and the related statements of income, comprehensive income, changes in shareholders' 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 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Bank of Southern California N.A. as of December 31, 2015 and 2014, 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.

Laguna Hills, CA
March 23, 2016

BANK OF SOUTHERN CALIFORNIA, N. A.
STATEMENTS OF FINANCIAL CONDITION
December 31, 2015 and 2014

ASSETS

	2015	2014
Cash and Due from Banks	\$ 9,087,548	\$ 6,920,263
Excess Reserves at Federal Reserve Bank	26,765,000	56,102,000
TOTAL CASH AND CASH EQUIVALENTS	35,852,548	63,022,263
Investment Securities Available for Sale	6,752,317	7,688,568
Loans:		
Construction and Land Development	12,357,147	10,108,572
Real Estate - Other	226,063,711	178,302,056
Commercial and Industrial	46,193,941	40,052,095
Consumer	3,170,379	1,712,838
TOTAL LOANS	287,785,178	230,175,561
Allowance for Loan Losses	(2,426,829)	(2,390,514)
NET LOANS	285,358,349	227,785,047
Stock Investments, at Cost	2,487,100	4,553,450
Premises and Equipment	4,250,645	4,304,755
Goodwill and Other Intangibles	1,636,790	1,785,781
Other Real Estate Owned, net	98,239	-
Bank Owned Life Insurance	4,680,510	4,233,485
Accrued Interest and Other Assets	3,215,177	4,002,159
TOTAL ASSETS	\$ 344,331,675	\$ 317,375,508

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

BANK OF SOUTHERN CALIFORNIA, N. A.
STATEMENTS OF FINANCIAL CONDITION
December 31, 2015 and 2014

LIABILITIES AND SHAREHOLDERS' EQUITY

	2015	2014
Deposits:		
Noninterest-Bearing Demand	\$ 104,577,435	\$ 100,422,182
Interest-Bearing NOW Accounts	42,836,835	43,397,010
Money Market and Savings Accounts	105,907,683	89,879,268
Time Deposits Under \$250,000	32,028,029	39,293,695
Time Deposits \$250,000 and Over	12,900,892	9,399,454
TOTAL DEPOSITS	298,250,874	282,391,609
Federal Home Loan Bank Advances	7,500,000	-
Accrued Interest and Other Liabilities	1,068,226	1,380,999
TOTAL LIABILITIES	306,819,100	283,772,608
Commitments and Contingencies - Notes E and L	-	-
Shareholders' Equity:		
Preferred Stock - 10,000,000 Shares Authorized, No Par Value;		
Issued and Outstanding 3,050 Shares in 2015 and 2014	3,050,000	3,050,000
Common Stock - 10,000,000 Shares Authorized, \$5.00 Par Value;		
Issued and Outstanding 4,307,538 in 2015 and 4,020,108 in 2014	21,537,690	20,100,540
Additional Paid-in Capital	14,967,606	14,385,941
Accumulated Deficit	(2,033,517)	(3,945,753)
Accumulated Other Comprehensive Income (Loss) - Net of Taxes	(9,204)	12,172
TOTAL SHAREHOLDERS' EQUITY	37,512,575	33,602,900
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 344,331,675	\$ 317,375,508

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

BANK OF SOUTHERN CALIFORNIA, N.A.
STATEMENTS OF INCOME
For the Years Ended December 31, 2015 and 2014

	2015	2014
INTEREST INCOME		
Interest and Fees on Loans	\$ 13,244,318	\$ 9,393,350
Interest and Dividends on Investment Securities	276,108	192,991
Interest on Federal Funds Sold and Other Balances	106,596	58,703
TOTAL INTEREST INCOME	13,627,022	9,645,044
INTEREST EXPENSE		
Interest on Savings, NOW and Money Market Accounts	407,108	223,872
Interest on Time Deposits	336,530	280,128
Interest on Other Borrowings	55	1,895
TOTAL INTEREST EXPENSE	743,693	505,895
NET INTEREST INCOME	12,883,329	9,139,149
Provision for Loan Loss (Benefit) Expense	-	(300,000)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	12,883,329	9,439,149
NONINTEREST INCOME		
Service Charges, Fees and Other	1,062,029	731,737
Bargain Purchase Gain	-	1,376,427
Gain on Sale of Securities	-	104,440
Gain on Sale of Loans	670,984	360,846
Loss on Sale of Other Real Estate Owned	(28,859)	(5,167)
TOTAL NONINTEREST INCOME	1,704,154	2,568,283
NONINTEREST EXPENSE		
Salaries and Employee Benefits	6,374,053	5,149,858
Occupancy and Equipment Expenses	1,500,663	1,133,516
Other Expenses	3,488,531	2,793,991
TOTAL NONINTEREST EXPENSE	11,363,247	9,077,365
INCOME BEFORE INCOME TAXES	3,224,236	2,930,067
Income Tax Expense (Benefit)	1,312,000	(1,147,000)
NET INCOME	\$ 1,912,236	\$ 4,077,067
NET INCOME PER SHARE - BASIC	\$ 0.45	\$ 1.21
NET INCOME PER SHARE - DILUTED	\$ 0.45	\$ 1.21

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

BANK OF SOUTHERN CALIFORNIA, N.A.
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Net Income	\$ 1,912,236	\$ 4,077,067
 OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized Gains (Losses) on Securities Available for Sale:		
Change in Net Unrealized Gain (Loss)	(36,232)	137,782
Reclassification of Gain Recognized in Net Income	<u>-</u>	<u>(104,440)</u>
	(36,232)	33,342
Income Taxes (Benefit):		
Change in Net Unrealized Gain (Loss)	(14,856)	56,491
Reclassification of Gain Recognized in Net Income	<u>-</u>	<u>(42,820)</u>
	<u>(14,856)</u>	<u>13,671</u>
TOTAL OTHER COMPREHENSIVE		
INCOME (LOSS)	<u>(21,376)</u>	<u>19,671</u>
TOTAL COMPREHENSIVE INCOME	<u><u>\$ 1,890,860</u></u>	<u><u>\$ 4,096,738</u></u>

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

BANK OF SOUTHERN CALIFORNIA, N.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2015 and 2014

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Shareholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2013	3,050	\$ 3,042,682	3,268,393	\$ 16,341,965	\$ 13,085,558	\$ (8,015,502)	\$ (7,499)	\$ 24,447,204
Accretion of Redemption Value		7,318				(7,318)		-
Vested Restricted Share Award			2,430	12,150	(12,150)			-
Stock-Based Compensation					84,963			84,963
Issuance of Common Stock, net			749,285	3,746,425	1,227,570			4,973,995
Net Income						4,077,067		4,077,067
Other Comprehensive Income							19,671	19,671
Balance at December 31, 2014	3,050	3,050,000	4,020,108	20,100,540	14,385,941	(3,945,753)	12,172	33,602,900
Vested Restricted Share Award			2,430	12,150	(12,150)			-
Stock-Based Compensation					125,249			125,249
Issuance of Common Stock, net			285,000	1,425,000	468,566			1,893,566
Net Income						1,912,236		1,912,236
Other Comprehensive Loss							(21,376)	(21,376)
Balance at December 31, 2015	3,050	\$ 3,050,000	4,307,538	\$ 21,537,690	\$ 14,967,606	\$ (2,033,517)	\$ (9,204)	\$ 37,512,575

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

BANK OF SOUTHERN CALIFORNIA, N.A.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING ACTIVITIES		
Net Income	\$ 1,912,236	\$ 4,077,067
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	483,817	371,384
Gain on Sale of Loans	(670,984)	(360,846)
Bargain Purchase Gain	-	(1,376,427)
Provision for Loan Losses	-	(300,000)
Deferred Tax Benefits	1,218,000	(1,167,000)
Loss on Sale of Other Real Estate Owned	28,859	4,767
Stock-Based Compensation	125,249	84,963
Increase in Cash Surrender Value of Bank Owned Life Insurance	(122,025)	(106,580)
Gain on Sale of Available for Sale Securities	-	(104,440)
Accretion of Acquired Loans, Net	(484,091)	(112,072)
Net Changes in Other Assets and Liabilities	(728,826)	519,360
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,762,235	1,530,176
INVESTING ACTIVITIES		
Purchase of Available-for-Sale Securities	(1,011,540)	-
Proceeds from Sale of Available-for-Sale Securities	-	5,419,691
Proceeds from Maturities of Available-for-Sale Securities	1,911,560	951,359
Net Redemption (Purchase) of Stock Investments	2,066,350	(610,992)
Purchase of Bank Owned Life Insurance	(325,000)	(325,000)
Cash Acquired and Received in Branch Acquisitions	-	26,535,331
Net (Funding) Repayment of Loans	(65,257,038)	(18,050,420)
Proceeds from Sale of Loans	8,220,203	4,858,310
Proceeds from Sale of Other Real Estate Owned	491,509	339,834
Purchases of Premises and Equipment, net of Sales Proceeds	(280,825)	(97,869)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(54,184,781)	19,020,244
FINANCING ACTIVITIES		
Net Increase in Deposits	15,859,265	25,275,652
Advances from (Repayments to) Federal Home Loan Bank	7,500,000	(15,159,220)
Proceeds from Common Stock Offering, net of Expenses	1,893,566	4,973,995
NET CASH PROVIDED BY FINANCING ACTIVITIES	25,252,831	15,090,427
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,169,715)	35,640,847
Cash and Cash Equivalents at Beginning of Year	63,022,263	27,381,416
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 35,852,548	\$ 63,022,263
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	\$ 736,962	\$ 499,341
Taxes Paid	\$ 70,000	\$ 33,000
Loans Transferred to Other Real Estate Owned	\$ 612,770	\$ -

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

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Bank of Southern California, N.A. (the “Bank”) began business operations in December 2001 under the name Ramona National Bank. The name was changed to First Business Bank, N.A. in 2006 and to Bank of Southern California, N.A. in 2010. The Bank operates under a federal charter and its primary regulator is the Office of the Comptroller of the Currency (“OCC”). The Bank is organized as a single operating segment that operates seven full-service offices, including four offices in San Diego and three in the Coachella Valley of Riverside County. Since December 2010 the Bank acquired a total of five branches in the Coachella Valley in three separate transactions; two of these offices have since been consolidated. The Bank's primary source of revenue is interest earned on loans to clients, who are predominately small and middle-market businesses and individuals. Client deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to the maximum legal limit and the Bank is a member of the Federal Reserve Bank (“FRB”).

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Bank has evaluated subsequent events for recognition and disclosure through March 23, 2016, the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. The reclassifications have no material effect on shareholders' equity, or net income, as previously reported.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, excess reserves at the Federal Reserve Bank, and federal funds sold. Excess reserves at the Federal Reserve Bank earn interest, vary in amount every day, and are considered an alternative to federal funds sold. Generally, federal funds are sold for one-day periods.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Due From Banks

Banking regulations require that banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. The Bank's reserve requirement at December 31, 2015 was \$3,734,000 which was met by the Bank.

The Bank maintains amounts due from banks, which may exceed federally insured limits. The Bank has not experienced any losses in such accounts.

Investment Securities

Investment securities are classified as held-to-maturity when the Bank has the positive intent and ability to hold the securities to maturity. Investments classified as held-to-maturity securities are carried at amortized cost.

Investments not classified as trading securities nor as held-to-maturity securities are classified as available-for-sale securities and recorded at fair value. Unrealized gains or losses on available-for-sale securities are excluded from net income and reported as an amount net of taxes as a separate component of other comprehensive income included in shareholders' equity. Premiums or discounts on held-to-maturity and available-for-sale securities are amortized or accreted into income using the interest method. Realized gains or losses on sales of held-to-maturity or available-for-sale securities are recorded using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: OTTI related to credit loss, which must be recognized in the income statement and OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings. The related write-downs are included in earnings as realized losses. In estimating OTTI losses, management considers: the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Stock Investments

Stock investments primarily consist of Federal Reserve Bank stock and Federal Home Loan Bank stock and are carried at cost. Under certain conditions, these stocks may be sold back to the issuing institution at par value or book value. All stock investments are evaluated for impairment based on an estimate of the ultimate recoverability of cost.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is generally discontinued when principal or interest is past due 90 days based on the contractual terms of the loan or earlier when, in the opinion of management, there is reasonable doubt as to collectability. On a case by case basis, loans past due 90 days may remain on accrual, if the loan is well collateralized, actively in process of collection and, in the opinion of management, likely to be paid current within the next payment cycle. When loans are placed on nonaccrual status, all interest previously accrued but not collected is generally reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectable as to all principal and interest.

The Bank recognizes interest income on impaired loans based on its existing methods of recognizing interest income on nonaccrual loans.

Purchased Credit Impaired Loans

The Bank purchases groups of loans, some of which have shown evidence of credit deterioration since origination. These purchase credit impaired loans are recorded at the amount paid, such that there is no carryover of the seller's allowance for loan losses. After acquisition, losses are recognized by an increase in the allowance for loan losses.

Such purchased credit impaired loans are accounted for individually or aggregated into pools of loans based on common risk characteristics such as credit score, loan type, and date of origination. The Bank estimates the amount and timing of expected cash flows for each loan or pool, and the expected cash flows in excess of amount paid are recorded as interest income over the remaining life of the loan or pool (accretable yield). The excess of the loan's or pool's contractual principal and interest over expected cash flows is not recorded (nonaccretable difference).

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Purchased Credit Impaired Loans - Continued

Over the life of the loan or pool, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded as a provision for loan losses. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Amounts are charged-off when available information confirms that specific loans or portions thereof, are uncollectible. This methodology for determining charge-offs is consistently applied to each segment.

The Bank determines a separate allowance for each portfolio segment. The allowance consists of specific and general reserves. Specific reserves relate to loans that are individually classified as impaired. The Bank considers a loan to be impaired when it is probable that the Bank will be unable to collect all amounts due, principal and interest, according to the contractual terms of the loan agreement. Factors considered in determining impairment include payment status, collateral value and the probability of collecting all amounts when due. Measurement of impairment is based on the expected future cash flows of an impaired loan, which are to be discounted at the loan's effective interest rate, or measured by reference to an observable market value, if one exists, or the fair value of the collateral for a collateral-dependent loan. The Bank selects the measurement method on a loan-by-loan basis except that collateral-dependent loans for which foreclosure is probable are measured at the net realizable value of the collateral. Loans, for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired with measurement of impairment as described above.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

General reserves cover non-impaired loans and are based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allowance for Loan Losses - Continued

The Bank reviews the historical loss rates for each portfolio segment and utilizes peer loss rates when the Bank does not have sufficient historical experience or otherwise feels historical experience is not indicative of the current loan portfolio. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; the existence and effect of any concentrations of credit; the effect of other external factors such as competition and legal and regulatory requirements; the quality and effectiveness of the risk rating system; and the quality of regulatory and other external credit reviews.

Portfolio segments identified by the Bank include construction and land development, real estate, commercial and industrial and consumer loans. Relevant risk characteristics for these portfolio segments generally include debt to income ratios or debt service coverage, credit scores, collateral type and loan-to-value ratios and financial performance.

Other Real Estate Owned

Real estate acquired through foreclosure or deed in lieu of foreclosure is recorded at fair value at the date legal title is transferred, establishing a new cost basis by a charge to the allowance for loan losses, if necessary. Other real estate owned is carried at the lower of the Bank's carrying value of the property or its fair value, less estimated carrying costs and costs of disposition. Fair value is based on current appraisals less estimated selling costs. Any subsequent write-downs are charged against operating expenses and recognized as a valuation allowance. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in other operating expenses.

Bank Owned Life Insurance

Bank owned life insurance is recorded at the amount that can be realized under insurance contracts at the date of the statement of financial condition, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Transfers of Financial Assets

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

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Loan Sales and Servicing of Financial Assets

The Bank originates SBA loans that may be sold in the secondary market. Servicing rights are recognized separately when they are acquired through sale of loans. Servicing rights are initially recorded at fair value with the income statement effect recorded in gain on sale of loans. Fair value is based on a valuation model that calculates the present value of estimated future cash flows from the servicing assets. The valuation model uses assumptions that market participants would use in estimating cash flows from servicing assets, such as the cost to service, discount rates and prepayment speeds. The Bank compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. Servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. For purposes of measuring impairment, the Bank has identified each servicing asset with the underlying loan being serviced. A valuation allowance is recorded where the fair value is below the carrying amount of the asset. If the Bank later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase in income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayments speeds and changes in the discount rates.

Servicing fee income, which is reported on the income statement with service charges, fees and other income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and recorded as income when earned. The amortization of servicing rights and changes in the valuation allowance are netted against loan servicing income.

Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives, which ranges from three to seven years for furniture and equipment and fifty-five years for premises. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the remaining lease term, whichever is shorter. Expenditures for betterments or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred.

Employee Benefit Plan

The Bank has a retirement savings 401(k) plan in which substantially all employees may participate. Pursuant to the Bank's safe harbor election, matching contributions up to 4.0% of salary are made to the plan. Total contribution expense for the plan was \$135,017 in 2015 and \$96,500 in 2014.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Advertising Costs

The Bank expenses the costs of advertising in the period incurred.

Income Taxes

Deferred income taxes are computed using the asset and liability method, which recognizes a liability or asset representing the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the consolidated financial statements. A valuation allowance is established to reduce the deferred tax asset to the level at which it is “more likely than not” that the tax asset or benefits will be realized. Realization of tax benefits of deductible temporary differences and operating loss carryforwards depend on having sufficient taxable income of an appropriate character within the carryforward periods.

The Bank has adopted guidance issued by the Financial Accounting Standards Board (“FASB”) that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

Preferred Stock

On April 10, 2009, the Bank received \$2,211,000 from the U.S. Treasury in exchange for the issuance 2,211 shares of the Bank’s Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A and 111 shares of the Bank’s Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series B. The original aggregate redemption price of Series A and Series B Preferred Stock was \$2,322,000. The difference between the aggregate redemption price and the issuance proceeds, net of issuance costs, of \$141,135 was accreted against retained earnings over the estimated five-year life of the Preferred Stock and reduced the reported income available for common shareholders. The non-cumulative dividend rate on the Preferred Stock, Series A was 5% per year for the first five years and 9% per year thereafter. The non-cumulative dividend rate on the Preferred Stock, Series B is 9% per year. The Series B Preferred Stock may be redeemed after all of the Series A Preferred Stock has been redeemed.

On December 11, 2009, the Bank received \$2,032,000 from the U.S. Treasury in exchange for the issuance of 2,032 shares of the Bank’s Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series C. The Series C redemption price is \$2,032,000. The issuance cost of \$18,832 was accreted against retained earnings over the estimated five-year life of the Preferred Stock and reduced the reported income available for common shareholders. The non-cumulative dividend rate on the Preferred Stock, Series C was 5% per year for the first five years and 9% per year thereafter. The Series C Preferred Stock may be redeemed at par independent of the redemption of the Series A and B Preferred Stock.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In December, 2012, pursuant to an auction by the U.S. Treasury, the Bank redeemed 553 shares of Series A, 51 shares of Series B, and 700 shares of Series C, for an aggregate redemption price of \$1,201,601, and all remaining Preferred Stock was sold by the U.S. Treasury to independent investors. All significant terms of the preferred shares remain the same. The current aggregate redemption price of all outstanding preferred stock is \$3,050,000.

Dividends

The Bank has not declared or paid the non-cumulative dividends on its preferred stock since the US Treasury sold the unredeemed preferred stock to private investors in December 2012. Through the quarterly dividend scheduled for February 15, 2016, the Bank has not declared or paid the non-cumulative dividends for the thirteen quarterly dividend periods. In the event that dividends payable on the preferred stock have not been paid for six or more quarters, whether or not consecutive, the Bank's authorized number of directors will be automatically increased by two and the holders of the preferred stock will have the right to elect two directors at the Bank's next annual meeting of shareholders or at a special meeting of shareholders called for that purpose. These directors will be elected annually and will serve until dividends on the preferred stock have been paid for at least four consecutive dividend periods.

In addition, the terms of our outstanding preferred stock prohibit the payment of dividends on our common stock or directly or indirectly purchasing, redeeming, or otherwise acquiring for consideration any of our outstanding common stock unless full dividends on all outstanding shares of preferred stock for the most recently completed dividend period have been or are contemporaneously declared and paid.

Comprehensive Income

Changes in unrealized gains and losses on available-for-sale securities is the only component of accumulated other comprehensive income for the Bank. The amount reclassified out of other accumulated comprehensive income related to gains on available-for-sale securities was \$0 and \$104,440 for 2015 and 2014, with the related tax effect of \$0 and \$42,820, respectively.

Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. The Bank is a contingent obligor under a letter of credit issued on its behalf to secure certain lease obligations. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Disclosure about Fair Value of Financial Instruments

The Bank's estimated fair value amounts have been determined using available market information and appropriate valuation methods. However, considerable judgment is required to develop the estimates of fair value. Accordingly, the estimates are not necessarily indicative of the amounts the Bank could have realized in a current market exchange. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Earnings Per Share (“EPS”)

Earnings per share present the net income or loss per common share, after consideration of the preferred shareholders interest in the net income or loss. Basic EPS excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Goodwill

Goodwill is the excess purchase price over the fair value of all identifiable assets and liabilities acquired. Current accounting standards require that goodwill be reviewed for impairment at least annually. The Bank has performed a qualitative assessment for potential impairment as of December 31, 2015, and as a result of that assessment has determined that there has been no impairment to the goodwill that was recorded as a result of business combinations in 2010 and 2014.

Intangible Asset

As a result of three acquisitions completed in 2010 and 2014, each of which included branch offices in the Coachella Valley, the Bank has recorded core deposit intangibles totaling \$1,126,902. The core deposit intangibles are being amortized over periods of seven to nine years. Amortization expense for the periods ending December 31, 2015 and 2014 was \$148,991 and \$93,484, respectively. Accumulated amortization as of December 31, 2015 and 2014 was \$489,931 and \$340,940. Future estimated amortization expense for each of the next five years is as follows:

2016	\$ 148,991
2017	88,799
2018	68,735
2019	68,735
2020	68,735

Stock-Based Compensation

The Bank recognizes the cost of employee services received in exchange for awards of stock options and restricted stock grants, or other equity instruments, based on the grant-date fair value of those awards. This cost is recognized over the period which an employee is required to provide services in exchange for the award, generally the vesting period.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurement

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Current accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a Bank's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

See Note Q for more information and disclosures relating to the Bank's fair value measurements.

Adoption of New Accounting Standards

In January 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-04, *Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*, a consensus of the FASB Emerging Issues Task Force. This Update provides clarification as to when an in-substance repossession or foreclosure has occurred, i.e., the creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan and, therefore, the loan receivable should be derecognized and the real estate property should be recognized. Under ASU No. 2014-04, a creditor has received physical possession of residential real estate property collateralizing a consumer mortgage loan upon either (1) the creditor obtaining legal title to the property upon completion of a foreclosure or (2) the borrower conveying all interest in the property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or a similar legal agreement. The Update also will require disclosure in annual and interim financial statements of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) 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. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2014. Adoption of this ASU did not have a material impact on the Bank's financial position, results of operations, or cash flows.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Adoption of New Accounting Standards, continued

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This Update requires an entity to recognize revenue as performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services. The following steps are applied in the updated guidance: (1) identify the customer contract(s); (2) identify the contract performance obligations; (3) determine the transaction price; (4) allocate the transaction price to the contract performance obligations; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. These amendments are effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. The Bank is currently evaluating the effects of ASU 2014-09 on its financial statements and disclosures, if any.

On January 5, 2016, the FASB issued Accounting Standards Update 2016-01, *Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. Changes made to the current measurement model primarily affect the accounting for equity securities with readily determinable fair values, where changes in fair value will impact earnings instead of other comprehensive income. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. The Update also changes the presentation and disclosure requirements for financial instruments including a requirement that public business entities use exit price when measuring the fair value of financial instruments measured at amortized cost for disclosure purposes. This Update is generally effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. All other entities will have an additional year, but may early adopt coincident with the public business entity effective date. The Bank is currently evaluating the effects of ASU 2016-01 on its financial statements and disclosures.

On February 25, 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, which is generally defined as a lease term of less than 12 months. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under current lease accounting guidance. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2018 for public business entities and one year later for all other entities. The Bank is currently evaluating the effects of ASU 2016-02 on its financial statements and disclosures.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE B - INVESTMENT SECURITIES

Investment securities have been classified in the statements of financial condition according to management's intent. The carrying amount of investment securities available for sale and their approximate fair values at December 31 were as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
December 31, 2015				
U.S. Government and Agency				
Mortgage-Backed Securities	\$ 2,841,458	\$ 5,621	\$(17,167)	\$ 2,829,913
Collateralized Mortgage Obligations	2,916,919	4,592	(4,096)	2,917,415
Taxable Municipals	<u>1,009,541</u>	<u>-</u>	<u>(4,551)</u>	<u>1,004,990</u>
	<u>\$ 6,767,918</u>	<u>\$ 10,213</u>	<u>\$(25,814)</u>	<u>\$ 6,752,317</u>
December 31, 2014				
U.S. Government and Agency				
Mortgage-Backed Securities	\$ 3,629,356	\$ 23,296	\$(782)	\$ 3,651,870
Collateralized Mortgage Obligations	<u>4,038,581</u>	<u>1,112</u>	<u>(2,995)</u>	<u>4,036,698</u>
	<u>\$ 7,667,937</u>	<u>\$ 24,408</u>	<u>\$(3,777)</u>	<u>\$ 7,688,568</u>

The amortized cost and estimated fair value of all investment securities as of December 31, 2015 by contractual maturities are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Available-for-Sale</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in One Year or Less	\$ 1,407,014	\$ 1,404,247
Due from One Year to Five Years	3,814,474	3,804,175
Due from Five to Ten Years	1,049,646	1,047,265
Due after Ten Years	<u>496,784</u>	<u>496,630</u>
	<u>\$ 6,767,918</u>	<u>\$ 6,752,317</u>

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE B - INVESTMENT SECURITIES - Continued

The gross unrealized loss and related estimated fair value of investment securities that have been in a continuous loss position for less than twelve months and over twelve months at December 31, 2015 and 2014 are as follows:

	<u>Less than Twelve Months</u>		<u>Over Twelve Months</u>		<u>Total</u>	
	Unrealized		Unrealized		Unrealized	
	<u>Losses</u>	<u>Fair Value</u>	<u>Losses</u>	<u>Fair Value</u>	<u>Losses</u>	<u>Fair Value</u>
December 31, 2015:						
Mortgage-Backed Securities	\$(17,166)	\$ 2,340,635	\$ -	\$ -	\$(17,166)	\$ 2,340,635
Collateralized Mortgage Obligations	(2,728)	1,743,325	(1,369)	193,707	(4,097)	1,937,032
Taxable Municipals	(4,551)	1,004,990	-	-	(4,551)	1,004,990
	<u>\$(24,445)</u>	<u>\$ 5,088,950</u>	<u>\$(1,369)</u>	<u>\$ 193,707</u>	<u>\$(25,814)</u>	<u>\$ 5,282,657</u>
December 31, 2014:						
Mortgage-Backed Securities	\$(782)	\$ 1,855,678	\$ -	\$ -	\$(782)	\$ 1,855,678
Collateralized Mortgage Obligations	(2,995)	1,906,202	-	-	(2,995)	1,906,202
	<u>\$(3,777)</u>	<u>\$ 3,761,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(3,777)</u>	<u>\$ 3,761,880</u>

As of December 31, 2015, there was one investment security that had been in a continual loss position for over twelve months. At December 31, 2014, there were no investment securities that had been in a continuous loss position for over twelve months. Management evaluates investment securities for other-than-temporary impairment taking into consideration the extent and length of time the fair value has been less than cost, the financial condition of the issuer and whether the Bank has the intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. As of December 31, 2015, no unrealized losses are deemed to be other-than-temporary.

There were no sales of investment securities during 2015. The Bank had gross gains on sales of investment securities of \$129,414 and losses of \$24,974 for the year ended December 31, 2014.

The Bank may pledge investment securities to collateralize credit lines, secure public deposits, and for other purposes as permitted or required by law. Investment securities carried at \$5,747,250 and \$7,688,568 at December 31, 2015 and 2014, respectively, were pledged to secure credit facilities at the Federal Home Loan Bank of San Francisco ("FHLB").

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE C - STOCK INVESTMENTS, at COST

As a member of the FRB System, the Bank must hold FRB stock in an amount equal to 3% of the Bank's common stock and additional paid-in capital, less accumulated deficit. An investment in the equity stock of the FHLB of San Francisco is required for membership; the required investment is a function of the Bank's outstanding mortgage assets and outstanding advances from the FHLB.

The table below summarizes the Bank's stock investments at December 31:

	<u>2015</u>	<u>2014</u>
Federal Reserve Bank	\$ 1,102,300	\$ 780,850
Federal Home Loan Bank	1,324,800	3,087,600
Other Stock Investments	<u>60,000</u>	<u>685,000</u>
	<u>\$ 2,487,100</u>	<u>\$ 4,553,450</u>

NOTE D - LOANS

The Bank's loan portfolio consists primarily of loans to borrowers within its markets of San Diego County, California and the Coachella Valley of California. Although the Bank seeks to avoid concentrations of loans to a single industry or based upon a single class of collateral, real estate and real estate associated businesses are among the principal industries in the Bank's market area. The Bank's loan portfolio concentration in real estate secured credit at December 31, 2015 was 83%.

The Bank has originated loans that it services for others, including loans partially-guaranteed by the SBA, some of which have been sold in the secondary market, as well as commercial real estate loans for investors and other participating financial institutions. The portfolio of loans serviced for other parties was approximately \$21,373,000 at December 31, 2015 and \$14,914,000 at December 31, 2014.

The Bank has pledged loans with a carrying value of \$73,312,000 to collateralize credit facilities at the FHLB of San Francisco and the FRB as of December 31, 2015.

A summary of the changes in the allowance for loan losses as of December 31 follows:

	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 2,390,514	\$ 2,346,202
Provision for Loan Loss (Benefit) Expense	-	(300,000)
Recoveries on Loans Charged Off	<u>156,608</u>	<u>403,646</u>
	2,547,122	2,449,848
Less Loans Charged Off	<u>(120,293)</u>	<u>(59,334)</u>
Ending Balance	<u>\$ 2,426,829</u>	<u>\$ 2,390,514</u>

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE D - LOANS - CONTINUED

A summary of allowance of loan losses and loan balance disclosed by portfolio segment and also by loans individually evaluated and loans collectively evaluated for impairment as of December 31, 2015 and 2014 and for the years then ended follows:

	Construction and Land Development	Real Estate - Other	Commercial & Industrial	Consumer	Total
December 31, 2015					
Allowance for Loan Losses:					
Beginning of Year	\$ 187,909	\$ 1,436,860	\$ 747,933	\$ 17,812	\$ 2,390,514
Provisions	(49,014)	350,805	(295,121)	(6,670)	-
Charge-offs	-	(103,194)	(15,051)	(2,048)	(120,293)
Recoveries	1,020	27,665	116,623	11,300	156,608
End of Year	<u>\$ 139,915</u>	<u>\$ 1,712,136</u>	<u>\$ 554,384</u>	<u>\$ 20,394</u>	<u>\$ 2,426,829</u>
Specific Reserves	\$ -	\$ -	\$ 24,136	\$ -	\$ 24,136
General Reserves	139,915	1,712,136	530,248	20,394	2,402,693
	<u>\$ 139,915</u>	<u>\$ 1,712,136</u>	<u>\$ 554,384</u>	<u>\$ 20,394</u>	<u>\$ 2,426,829</u>
Loans Evaluated for Impairment:					
Individually	\$ -	\$ 4,561,959	\$ 325,825	\$ 572,321	\$ 5,460,105
Collectively	12,357,147	221,501,752	45,868,116	2,598,058	282,325,073
	<u>\$ 12,357,147</u>	<u>\$ 226,063,711</u>	<u>\$ 46,193,941</u>	<u>\$ 3,170,379</u>	<u>\$ 287,785,178</u>
December 31, 2014					
Allowance for Loan Losses:					
Beginning of Year	\$ 136,100	\$ 1,344,409	\$ 786,855	\$ 78,838	\$ 2,346,202
Provisions	44,188	(216,540)	(52,622)	(75,026)	(300,000)
Charge-offs	-	-	(59,334)	-	(59,334)
Recoveries	7,621	308,991	73,034	14,000	403,646
End of Year	<u>\$ 187,909</u>	<u>\$ 1,436,860</u>	<u>\$ 747,933</u>	<u>\$ 17,812</u>	<u>\$ 2,390,514</u>
Specific Reserves	\$ -	\$ 35,111	\$ -	\$ 3,956	\$ 39,067
General Reserves	187,909	1,401,749	747,933	13,856	2,351,447
	<u>\$ 187,909</u>	<u>\$ 1,436,860</u>	<u>\$ 747,933</u>	<u>\$ 17,812</u>	<u>\$ 2,390,514</u>
Loans Evaluated for Impairment:					
Individually	\$ 336,792	\$ 4,742,751	\$ 160,676	\$ 592,645	\$ 5,832,864
Collectively	9,771,780	173,559,305	39,891,419	1,120,193	224,342,697
	<u>\$ 10,108,572</u>	<u>\$ 178,302,056</u>	<u>\$ 40,052,095</u>	<u>\$ 1,712,838</u>	<u>\$ 230,175,561</u>

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE D - LOANS - CONTINUED

The Bank's methodology for estimating the allowance for loan losses results in a range of potential reserves, including an estimate primarily based on the Bank's historical loss factors for collective impairment and also a high and low range based on analysis of peer data for collective impairment factors.

The Bank categorizes loans using risk ratings based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. Larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans are analyzed individually for risk rating assessment. This analysis is performed on an ongoing basis as new information is obtained. The Bank uses the following definitions for risk ratings:

Pass – Loans classified as pass include loans not meeting the risk ratings defined below.

Special Mention - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard - Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Impaired – A loan is considered impaired, when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Additionally, all loans classified as troubled debt restructurings are considered impaired.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE D - LOANS - CONTINUED

Based on the most recent analysis performed, the risk category of loans by class of loans as of December 31, 2015 and 2014 follows:

	Pass	Special Mention	Substandard	Impaired	Total
December 31, 2015					
Construction and Land Development	\$ 12,334,310	\$ -	\$ 22,837	\$ -	\$ 12,357,147
Real Estate -Other:					
1-4 Family Residential	73,937,236	197,131	1,305,386	1,422,295	76,862,048
Multifamily Residential	8,088,038	-	-	-	8,088,038
Commercial Real Estate and Other	133,462,958	3,093,717	1,417,286	3,139,664	141,113,625
Commercial and Industrial	44,824,130	99,994	943,992	325,825	46,193,941
Consumer	2,598,058	-	-	572,321	3,170,379
	<u>\$ 275,244,730</u>	<u>\$ 3,390,842</u>	<u>\$ 3,689,501</u>	<u>\$ 5,460,105</u>	<u>\$ 287,785,178</u>
	Pass	Special Mention	Substandard	Impaired	Total
December 31, 2014					
Construction and Land Development	\$ 9,458,445	\$ 284,901	\$ 28,434	\$ 336,792	\$ 10,108,572
Real Estate -Other:					
1-4 Family Residential	65,133,796	-	2,352,709	1,588,857	69,075,362
Multifamily Residential	9,953,182	700,436	189,331	-	10,842,949
Commercial Real Estate and Other	90,889,648	3,179,654	1,160,549	3,153,894	98,383,745
Commercial and Industrial	38,866,575	99,994	924,850	160,676	40,052,095
Consumer	1,120,193	-	-	592,645	1,712,838
	<u>\$ 215,421,839</u>	<u>\$ 4,264,985</u>	<u>\$ 4,655,873</u>	<u>\$ 5,832,864</u>	<u>\$ 230,175,561</u>

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE D – LOANS - CONTINUED

A summary of past due loans, loans still accruing over 90 days and nonaccrual loans as of December 31, 2015 and 2014 follows:

	<u>Still Accruing</u>		<u>Nonaccrual</u>
	<u>30-89 Days Past Due</u>	<u>Over 90 Days Past Due</u>	
December 31, 2015			
Construction and Land Development	\$ -	\$ -	\$ -
Real Estate:			
1-4 Family Residential	375,057	-	1,422,295
Multifamily Residential	-	-	-
Commercial Real Estate and Other	1,407,764	-	361,517
Commercial and Industrial	-	-	325,825
Consumer	-	-	-
	<u>\$ 1,782,821</u>	<u>\$ -</u>	<u>\$ 2,109,637</u>
December 31, 2014			
Construction and Land Development	\$ -	\$ -	\$ 336,792
Real Estate:			
1-4 Family Residential	70,184	-	1,588,856
Multifamily Residential	-	-	-
Commercial Real Estate and Other	1,167,321	2,433,397	371,835
Commercial and Industrial	317,874	-	160,682
Consumer	-	-	-
	<u>\$ 1,555,379</u>	<u>\$ 2,433,397</u>	<u>\$ 2,458,165</u>

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE D - LOANS - CONTINUED

Below is a summary of the Bank's recorded investment in impaired loans disclosed by loan type outstanding at December 31, 2015:

December 31, 2015	<u>Unpaid Principal Balance</u>	<u>Recorded Investment</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
With no Related Allowance Recorded					
Construction and Land Development	\$ -	\$ -	\$ -	\$ -	\$ -
Real Estate:					
1-4 Family Residential	1,457,642	1,422,295	-	1,328,636	68,216
Multifamily Residential	-	-	-	-	-
Commercial Real Estate and Other	3,175,005	3,139,664	-	3,145,769	45,772
Commercial and Industrial	359,447	149,993	-	152,338	-
Consumer	601,238	572,321	-	583,035	30,068
With an Allowance Recorded					
Construction and Land Development	-	-	-	-	-
Real Estate:					
1-4 Family Residential	-	-	-	-	-
Multifamily Residential	-	-	-	-	-
Commercial Real Estate and Other	-	-	-	-	-
Commercial and Industrial	178,333	175,832	24,136	43,958	-
Consumer	-	-	-	-	-
	<u>\$ 5,771,665</u>	<u>\$ 5,460,105</u>	<u>\$ 24,136</u>	<u>\$ 5,253,736</u>	<u>\$ 144,056</u>

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE D - LOANS - CONTINUED

Below is a summary of the Bank's recorded investment in impaired loans disclosed by loan type outstanding at December 31, 2014:

December 31, 2014	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no Related Allowance Recorded					
Construction and Land Development	\$ 476,092	\$ 336,792	\$ -	\$ 70,436	\$ -
Real Estate:					
1-4 Family Residential	1,723,498	1,588,857	-	198,607	4,053
Multifamily Residential	-	-	-	-	-
Commercial Real Estate and Other	371,835	371,835	-	46,479	1,339
Commercial and Industrial	789,292	160,676	-	196,610	4,335
Consumer	-	-	-	-	-
With an Allowance Recorded					
Construction and Land Development	-	-	-	-	-
Real Estate:					
1-4 Family Residential	-	-	-	-	-
Multifamily Residential	-	-	-	-	-
Commercial Real Estate and Other	2,959,424	2,782,059	35,111	2,782,059	8,344
Commercial and Industrial	-	-	-	-	-
Consumer	648,013	592,645	3,956	596,443	29,731
	<u>\$ 6,968,154</u>	<u>\$ 5,832,864</u>	<u>\$ 39,067</u>	<u>\$ 3,890,635</u>	<u>\$ 47,802</u>

No additional funds are committed to be advanced on impaired loans. The Bank received income recognized on a cash basis of \$94,205 on impaired loans in 2015 and \$47,802 in 2014. Interest foregone on impaired loans was \$43,462 in 2015 and \$22,636 in 2014. The principal balance of impaired loans that was guaranteed by the SBA was \$232,065 and \$160,676 at December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, the Bank had approximately \$3,350,000 and \$3,375,000 in recorded investment in loans identified as troubled debt restructurings, respectively, and had allocated approximately \$0 and \$39,000 as specific reserves for these loans, respectively.

During 2015 and 2014, no loans were modified as troubled debt restructurings. Through December 31, 2015, all loans identified as troubled debt restructurings were performing in accordance with the modified terms.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE D - LOANS - CONTINUED

There were no troubled debt restructurings for which there was a payment default within twelve months following the modification during the years ended December 31, 2015 and 2014. A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms.

The balance of unamortized loan origination costs and premiums, net of unamortized fees, included in total loans was \$668,961 and (\$425) at December 31, 2015 and 2014, respectively. The unamortized purchase discount (premium) on loans acquired at fair value and included in total loans was \$1,731,230 and \$2,685,268 as of December 31, 2015 and 2014, respectively.

NOTE E - PREMISES AND EQUIPMENT

A summary of premises and equipment as of December 31 follows:

	2015	2014
Land & Building	\$ 3,451,679	\$ 3,451,679
Leasehold Improvements	1,497,290	1,513,990
Furniture, Fixtures, and Equipment	1,339,199	1,278,956
Computer Equipment	617,933	553,518
	6,906,101	6,798,143
Less Accumulated Depreciation and Amortization	(2,655,456)	(2,493,388)
	\$ 4,250,645	\$ 4,304,755

The Bank leases its Ramona banking premises from its principal shareholder, under an operating lease expiring on April 30, 2017, with two five-year renewal options. The Bank believes the terms of the lease are no less favorable to the Bank than could have been obtained from unaffiliated third parties. The Bank pays fixed monthly lease payments, which are increased annually by 3%, and its prorata share of common area operating expenses for the property.

The Bank has a ten-year lease for its main banking office and corporate headquarters in Del Mar Heights, California, with an independent landlord. The Bank is responsible for common area maintenance, taxes and insurance to the extent they exceed the 2008 base year amounts. The lease was set to expire on December 31, 2017, with one renewal option for a period of five years; however, due to growth, the Bank signed a new lease in August of 2015 which includes an expansion space. Under the terms of the new contract, the lease for the original space will expire on December 31, 2021 while the expansion space lease will expire February 28, 2017. Another tenant has an option on the expansion space and is required to make a decision by April 30, 2016. If the tenant exercises the option, the expansion space lease will expire February 28, 2017; if they decline the option, the Bank will retain the expansion space lease which would then expire concurrently with the original space lease on December 21, 2021. Monthly lease payments are subject to a fixed 3.5% increase on an annual basis. A third party correspondent bank has issued a performance letter of credit with a balance of \$225,000 to the landlord on behalf of the Bank to support the Bank's obligations under the lease.

NOTE E - PREMISES AND EQUIPMENT - CONTINUED

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

The Bank opened a deposit production office in Carlsbad, California in September 2008 which was expanded to a full service branch in February 2009. In addition to rent, the Bank is responsible for common area operating expenses. The original lease term for this branch was six months; since that time, the parties have agreed to a number of short term extensions, with the current expiration in September 2016.

The Bank opened a full service branch in Downtown San Diego in June of 2013 with a two-year lease. The lease was renewed for another two years in May of 2015 and will expire in 2017.

In January 2014, the Bank assumed the lease of a branch office in Palm Desert acquired from another bank and simultaneously vacated its leased branch office in Palm Springs. The Palm Desert branch was closed May 15, 2015.

In November 2014, the Bank acquired two additional branches in the Coachella Valley through an FDIC Purchase and Assumption Agreement for Frontier Bank FSB, dba El Paseo. As part of this transaction, the Bank purchased the branch building located in Rancho Mirage and assumed the lease for the branch building located on El Paseo Drive, which was renewed for five years in December 2015 and will expire on December 31, 2020.

At December 31, 2015, the future lease rentals payable under non-cancellable operating lease commitments to related parties and others are as follows:

Years Ending December 31,	<u>Related Party</u>	<u>Others</u>
2016	34,548	702,371
2017	11,629	567,895
2018	-	535,458
2019	-	550,012
Thereafter	-	704,072
Total	<u>\$ 46,177</u>	<u>\$ 3,059,808</u>

The minimum rental payments shown above are given for the existing lease obligations and are not a forecast of future rental expense. Total rental expense was \$669,512 and \$506,963 for the years ended December 31, 2015 and 2014, respectively.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE F - DEPOSITS

At December 31, 2015, the scheduled maturities of time deposits are as follows:

Due in One Year or Less	\$ 34,471,796
Due from One to Three Years	9,321,523
Due over Three Years	<u>1,135,602</u>
Total Time Deposits	<u>\$ 44,928,921</u>

NOTE G - BORROWING ARRANGEMENTS

The Bank has a credit facility with the Federal Home Loan Bank of San Francisco (“FHLB”), under which the Bank may enter borrowing agreements under various terms and conditions, subject to pledging qualifying collateral, such as investment securities and loans. The Bank had investment securities with a carrying value of \$5,747,250 and loans with a carrying value of \$70,288,264 pledged with the FHLB at December 31, 2015. The Bank had \$7,500,000 in outstanding borrowings from the FHLB at December 31, 2015 at an interest rate of .27%, with a maturity date of January 4, 2016. The Bank had no outstanding borrowings at December 31, 2014. Available remaining borrowing capacity from the FHLB at December 31, 2015, based upon collateral pledged was \$30,164,891.

The Bank has a \$5,000,000 overnight credit line on an unsecured basis from a correspondent bank. The line is subject to annual review. The Bank had no overnight borrowings under this correspondent line at December 31, 2015 or 2014.

The Bank has credit availability at the Federal Reserve discount window to the extent of collateral pledged. The Bank had pledged loan collateral at December 31, 2015 with a book value of \$3,023,631. The Bank had no discount window borrowings at December 31, 2015 or 2014.

NOTE H - INCOME TAXES

The Bank is subject to Federal and California franchise tax. Income tax returns for the years ending after December 31, 2012 are open to audit by the Federal authorities and income tax returns for the years ending after December 31, 2011 are open to audit by California authorities.

The income tax (benefit) expense for the years ended December 31, is comprised of the following:

	2015	2014
Current Taxes:		
Federal	\$ 70,581	\$ 15,816
State	23,419	4,184
	94,000	20,000
Deferred	1,218,000	(1,167,000)
Total (Benefit) Expense	\$ 1,312,000	\$(1,147,000)

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE H - INCOME TAXES – CONTINUED

A comparison of the federal statutory income tax rates to the Bank's effective income tax rates at December 31 follows:

	2015		2014	
	Amount	Rate	Amount	Rate
Federal Taxes	\$ 1,096,000	34.0%	\$ 996,000	34.0%
State Taxes	229,000	7.1%	207,000	7.1%
Valuation Allowance	-	0.0%	(2,441,000)	(83.3%)
Increase in Cash Surrender Value	(41,000)	(1.3%)	(36,000)	(1.2%)
Other	28,000	0.9%	127,000	4.3%
	<u>\$ 1,312,000</u>	<u>40.7%</u>	<u>\$ (1,147,000)</u>	<u>(39.1%)</u>

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition. The following is a summary of the components of the net deferred tax asset accounts recognized in the accompanying statements of financial condition at December 31:

	2015	2014
Deferred Tax Assets:		
Operating Loss Carryforwards	\$ 1,047,000	\$ 2,457,000
Allowance for Loan Losses	507,000	464,000
Stock-Based Compensation	26,000	21,000
Depreciation Differences	64,000	68,000
Other	657,000	393,000
	<u>2,301,000</u>	<u>3,403,000</u>
Valuation Allowance	-	-
Deferred Tax Liabilities:		
Deferred Loan Costs	(254,000)	(110,000)
Acquisition Basis Differences	(699,000)	(695,000)
Other	(39,000)	(85,000)
	<u>(992,000)</u>	<u>(890,000)</u>
Net Deferred Tax Assets	<u>\$ 1,309,000</u>	<u>\$ 2,513,000</u>

The valuation allowance for deferred tax assets was established after considering many factors, including the size of the deferred tax assets, especially the operating loss carryforwards, and the Bank's history of taxable income, in order to reduce the deferred tax asset to a level deemed "more likely than not" to be realized. In 2014, after considering the Bank's performance and future prospects, among other things, management determined a valuation allowance was no longer necessary. At December 31, 2015, the Bank has net operating loss carryforwards of approximately \$2,500,000 for Federal income and \$3,000,000 for California franchise tax purposes. Federal and California net operating loss carryforwards, to the extent not used, will expire in 2030.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE I - OTHER EXPENSES

Other expenses for the years ended December 31 are comprised of the following:

	<u>2015</u>	<u>2014</u>
Data Processing	\$ 980,050	\$ 619,315
Legal, Audit and Professional	242,199	253,600
Merger Related Expenses	232,868	222,612
Marketing, Advertising and Public Relations	268,745	208,024
Telephone, Training and Office	462,500	287,750
Regulatory Assessments	313,969	209,156
Deposit Administration and Online Banking	307,182	408,855
Loan Administration	60,239	62,626
Loan Collections and OREO Expense	259,373	207,487
Insurance and Correspondent Charges	94,946	136,923
Other Expenses	266,460	177,643
	<u>\$ 3,488,531</u>	<u>\$ 2,793,991</u>

NOTE J - EARNINGS PER SHARE (“EPS”)

The following is a reconciliation of net income and shares outstanding to the income and number of shares used to compute EPS:

	<u>2015</u>		<u>2014</u>	
	<u>Income</u>	<u>Shares</u>	<u>Income</u>	<u>Shares</u>
Net Income as Reported	\$ 1,912,236		\$ 4,077,067	
Accretion of Preferred Stock	-		(7,318)	
Weighted-Average Shares Outstanding		<u>4,269,585</u>		<u>3,359,255</u>
Used in Basic EPS	<u>1,912,236</u>	<u>4,269,585</u>	<u>4,069,749</u>	<u>3,359,255</u>
Dilutive Effect of Outstanding:				
Stock Options	-	-	-	-
Restricted Stock Grants	-	3,554	-	3,681
Used in Dilutive EPS	<u>\$ 1,912,236</u>	<u>4,273,139</u>	<u>\$ 4,069,749</u>	<u>3,362,936</u>

At December 31, 2015 and 2014 there were 393,777 and 365,277 stock options, respectively, that could potentially dilute earnings per share that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE K - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has granted loans to certain directors and their related interests with which they are associated. In the Bank's opinion, all loans and loan commitments to such parties are made on substantially the same terms including interest rates, and collateral, as those prevailing at the time for comparable transactions with unrelated clients.

The balance of these loans outstanding and activity in related party loans for the periods ended December 31, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Balance at Beginning of Year	\$ 3,452,226	\$ 3,538,152
Credit Granted, Including Renewals	-	-
Repayments	<u>(147,758)</u>	<u>(85,926)</u>
	<u>\$ 3,304,468</u>	<u>\$ 3,452,226</u>

Deposits held by the Bank from directors and their related interests at December 31, 2015 and 2014, amounted to \$7,027,963 and \$7,576,480, respectively.

NOTE L - COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Bank enters into financial commitments to meet the financing needs of its customers. These financial commitments include commitments to extend credit and standby letters of credit. Those instruments involve to varying degrees, elements of credit and interest rate risk not recognized in the Bank's financial statements.

Commitments to extend credit are agreements to lend to a client as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. The Bank evaluates each client's credit worthiness on a case-by-case basis. Collateral may or may not be required based on management's credit evaluation of the customer. The majority of the Bank's commitments to extend credit and standby letters of credit are secured by real estate.

The Bank's exposure to loan loss in the event of nonperformance on commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments as it does for loans reflected in the financial statements.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE L - COMMITMENTS AND CONTINGENCIES - CONTINUED

As of December 31, 2015 and 2014, the Bank had the following outstanding financial commitments whose contractual amount represents potential credit risk to the Bank, and potential financial obligations of the Bank:

	2015	2014
Commitments to Extend Credit	\$ 71,969,722	\$ 58,113,212
Letters of Credit Issued to Customers	432,500	282,500
	\$ 72,402,222	\$ 58,395,712

The Bank carries a reserve for off-balance sheet credit risk in other liabilities for potential losses on commitments to extend credit and potential recourse on sold loans. The balance of the reserve was \$50,000 at December 31, 2015 and December 31, 2014.

The Bank evaluates the loss exposure for unfunded commitments to extend credit following the same principles used for the allowance for loan losses, with consideration for experienced utilization rates on client credit lines and the inherently lower risk of unfunded commitments relative to disbursed commitments.

NOTE M - STOCK-BASED COMPENSATION PLAN

Under the Bank’s 2001 Stock Option Plan (the “2001 Plan”), as amended, stock options were granted to eligible employees and directors. The 2001 Plan terminated November 8, 2011, in accordance with its term; however stock options previously granted under the Plan remain valid in accordance with their terms. Under the terms of the 2001 Plan, officers and key employees were granted either nonqualified or incentive stock options and directors, who were not also an officer or employee, were granted nonqualified stock options. Under the 2001 Plan, stock options were granted at prices not less than 100% of the fair market value of the stock on the date of grant; options granted expired no later than ten years from the date of the grant; and option grants generally vest over five years. The Plan provides for accelerated vesting if there is a change of control, as defined in the Plan.

In November 2011, the board of directors adopted the Omnibus Equity Incentive Plan (the “Omnibus Plan”). The Omnibus Plan provides for the grant of stock options, including incentive stock options, and restricted share awards. The Omnibus Plan provides that any director, employee or consultant of the Bank shall be eligible to be designated a participant in the Omnibus Plan for purposes of receiving awards. The Board has the power to determine the terms of the awards, including the exercise price, the number of shares subject to each award, the vesting and exercisability of the awards and the form of consideration payable upon exercise. Stock options expire no later than ten years from the date of the grant. Subject to adjustment in certain circumstances, the aggregate number of shares of the Bank’s common stock that may be issued pursuant to awards granted under the Omnibus Plan is 544,907. The Plan provides for accelerated vesting if there is a change of control, as defined in the Plan.

The Bank recognized stock-based compensation cost of \$125,249 and \$84,963 in 2015 and 2014, respectively.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE M - STOCK-BASED COMPENSATION - CONTINUED

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The following table provides the weighted-average assumptions used in the pricing model, and the weighted-average grant date fair value, for option grants made in 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Expected Volatility	31.28%	37.24%
Expected Term (Years)	6.5	6.5
Expected Dividends	None	None
Risk Free Rate	1.53%	1.63%
Weighted-Average Grant Date Fair Value	\$ 2.52	\$ 2.61

Since the Bank's shares have a very limited volume of historical trades, the expected volatility is based on an index of the historical volatility of similar banks that have a longer trading history at higher volumes. The expected term represents the estimated average period of time that the options remain outstanding. Since the Bank does not have sufficient historical data on the exercise of stock options, the expected term is based on the "simplified" method that measures the expected term as the average of the vesting period and the contractual term. The risk free rate of return reflects the grant date yield on U.S. Treasury bonds with maturities comparable to the expected term of the options.

A summary of changes in outstanding stock options during 2015 and options exercisable at December 31, 2015 is presented below:

	<u>Shares</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at Beginning of Year	365,277	\$ 7.84		
Granted	28,500	\$ 7.33		
Exercised	-	\$ -		
Forfeited or Expired	-	\$ -		
Outstanding at End of Year	<u>393,777</u>	<u>\$ 7.80</u>	<u>5.4 Years</u>	<u>None</u>
Options Exercisable	<u>238,777</u>	<u>\$ 8.61</u>	<u>3.3 Years</u>	<u>None</u>

Additionally, during December 2011, the Bank granted 17,009 shares of restricted stock valued at \$5.35 per share, of which 4,859 shares vested in 2013; 2,430 shares vested in 2014; and 2,430 shares vested in 2015. The remaining unvested shares vest evenly over the next three years through 2018 and will result in annual stock-based compensation expense of \$13,000 per year through 2018. The intrinsic value of the vested shares was \$18,176 at December 31, 2015 and \$17,003 at December 31, 2014.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE M - STOCK-BASED COMPENSATION - CONTINUED

As of December 31, 2015, there was \$388,784 of total unrecognized compensation cost related to the outstanding stock options and restricted stock that will be recognized over a weighted-average period of approximately 2.4 years as shown below:

2016	\$ 121,999
2017	101,403
2018	97,564
2019	58,441
2020	9,377
	<u>\$ 388,784</u>

Future levels of compensation cost recognized related to stock-based compensation awards may be impacted by new awards and/or modifications, repurchases and cancellations of existing awards. Under the terms of the Plan, vested options generally expire ninety days after the director or employee terminates the service affiliation with the Bank.

NOTE N - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines 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's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

In July, 2013, the federal bank regulatory agencies approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. The new rules became effective on January 1, 2015, with certain of the requirements phased-in over a multi-year schedule, and fully phased in by January 1, 2019. The rules include a new common equity Tier 1 ("CET1") capital to risk-weighted assets ratio with minimums for capital adequacy and prompt corrective action purposes of 4.5% and 6.5%, respectively. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Capital amounts and ratios for December 31, 2014 are calculated using Basel I rules.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 and CET1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2015, that the Bank meets all capital adequacy requirements.

As of December 31, 2015, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as "well-capitalized" under the regulatory framework for prompt corrective action.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE N - REGULATORY MATTERS - CONTINUED

As of December 31, 2015, the Bank's capital level and ratios indicate that it is "well-capitalized" under the regulatory framework for prompt corrective action ("PCA").

To be categorized as well-capitalized, the Bank must maintain minimum ratios as set forth in the table below. Management believes, as of December 31, 2015, that the Bank meets all capital adequacy requirements to which it is subject. The following table also sets forth the Bank's actual capital amounts and ratios (dollar amounts in thousands):

	Actual		To be Adequately Capitalized		To be Well-Capitalized under PCA Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015:						
Total Capital (to Risk-Weighted Assets)	\$ 38,330	13.8%	\$ 22,170	8.0%	\$ 27,713	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	35,853	12.9%	16,628	6.0%	22,170	8.0%
CET1 Capital (to Risk-Weighted Assets)	33,227	12.0%	12,471	4.5%	18,013	6.5%
Tier 1 Capital (to Average Assets)	35,853	10.4%	13,743	4.0%	17,178	5.0%
As of December 31, 2014:						
Total Capital (to Risk-Weighted Assets)	\$ 33,018	15.3%	\$ 17,252	8.0%	\$ 21,565	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	30,578	14.2%	8,626	4.0%	12,939	6.0%
Tier 1 Capital (to Average Assets)	30,578	10.9%	11,254	4.0%	14,068	5.0%

Under federal law, a national bank generally may not pay cash dividends in excess of the bank's net profits, if it would impair the bank's capital, if the bank is in default on the payment of any assessment due to the FDIC, or if the bank has not paid all cumulative dividends on outstanding preferred stock. In addition, unless and until a bank's additional paid in capital account is equal to its common stock account, no dividend can be declared until the bank has carried to its additional paid-in capital account not less than one-tenth of its net profits for the preceding two consecutive half-years (in the case of annual dividends). The Bank cannot legally pay dividends on common stock at this time and the Bank intends to follow a policy of retaining earnings, if any, for the purpose of increasing its net worth and reserves. Accordingly, the Bank does not anticipate that cash dividends will be declared on common shares for the foreseeable future.

In 2009 the Bank issued three series of preferred stock to the U. S. Treasury for a combined par value of \$4,354,000. In 2012, the Bank redeemed an aggregate par value of \$1,304,000 of the preferred stock. All three series of preferred stock feature non-cumulative dividends as described in Note A. The Bank has no legal capacity to pay dividends and therefore, if the Bank declares a quarterly dividend, the Bank must make application to the Office of the Comptroller of the Currency for permission to pay any dividends declared. Although the Bank has not declared dividends since the quarterly dividend due November 15, 2012, the OCC has granted the Bank permission to pay dividends as a reduction of capital surplus each time the Bank has made an application to pay such dividends. Dividends declared and paid have been charged against additional paid-in capital. The dividends are considered a distribution of permanent capital and do not reduce earnings available to the common shares.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE O - ACQUISITIONS

Effective January 17, 2014, the Bank acquired the Palm Desert branch office of AmericanWest Bank (“AmWest”). Concurrent with the closing of this acquisition, the Bank closed its branch office in Palm Springs and consolidated its customers and staff into the new Palm Desert branch office. As a result of the acquisition, the Bank assumed \$18.9 million in deposit liabilities and received \$10.2 million in pass-grade loans, \$8.3 million in cash and \$57 thousand of other net assets in the form of furniture, fixtures and accrued interest.

The acquisition was accounted for using the purchase method of accounting. The fair value of the assets and liabilities acquired from AmWest is summarized below:

Cash and Cash Equivalents	\$ 8,258,730
Loans	10,217,234
Fixed Assets, Accrued Interest and Other Assets	57,159
Core Deposit Intangible	<u>80,996</u>
Fair Value of Assets Acquired	<u>18,614,119</u>
Deposits	18,914,023
Accrued Interest Payable	<u>659</u>
Fair Value of Liabilities Assumed	<u>18,914,682</u>
Goodwill	<u>\$ 300,563</u>

Goodwill recorded in this transaction is deductible for income tax purposes. The core deposit intangible is being amortized over the expected account retention period, which was originally estimated at approximately 9 years or 108 months. The core deposit intangible will be evaluated periodically to determine the reasonableness of the projected amortization period by comparing actual deposit retention to projected retention. The Bank’s core deposit intangible amortization expense related to this acquisition is estimated at \$9,000 for each of the next five years.

On November 7, 2014, the Bank assumed all deposits and acquired the majority of assets of Frontier Bank FSB, dba El Paseo Bank (“Frontier”) through an FDIC assisted Purchase and Assumption Agreement. As part of the transaction, the Bank gained two branches, one in Palm Desert, which is leased, and one in Rancho Mirage which is owned by the Bank. As a result of the acquisition, the Bank assumed \$74.2 million in deposit liabilities and \$2.7 million in FHLB Advances, and received \$43.1 million of Pass grade loans, \$1.9 million of Purchased Credit Impaired Loans, \$9.9 million in bonds and \$2.3 million of FHLB equity stock; \$18.3 million in cash and cash equivalents, and \$2.1 million in other net assets in the form of furniture, fixtures, accrued interest and prepaid items. The acquisition resulted in a bargain purchase gain of \$1.4 million recognized in 2014 and is included as a component of noninterest income in the statements of income.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE O - ACQUISITIONS - CONTINUED

As part of this transaction, the Bank purchased loans which, at acquisition, showed evidence of deterioration of credit quality since origination and it was probable, at acquisition, that not all contractually required payments would be collected. The carrying amount of these loans is as follows:

Construction and Land Development	\$ 336,792
Real Estate -Other:	
1-4 Family Residential	1,257,507
Multifamily Residential	161,228
Commercial Real Estate and Other	<u>123,977</u>
Outstanding Balance	<u><u>\$ 1,879,504</u></u>

Income is not recognized on purchased credit impaired loans if the Bank cannot reasonably estimate cash flows expected to be collected. For the loans acquired from Frontier, the expected cash flows to be collected and the fair value as of November 7, 2014, were as follows:

Expected Cash Flows, net	\$ 55,810,180
Interest Component of Expected Cash Flows	<u>(10,823,108)</u>
Fair Value of Acquired Loans	<u><u>\$ 44,987,072</u></u>

The following table represents the fair value of the assets and liabilities acquired from Frontier:

Cash and Cash Equivalents	\$ 18,276,601
FHLB Stock	2,337,908
Investment Securities	9,940,374
Loans	44,987,072
Premises and Equipment	1,804,330
Accrued Interest and Other Assets	324,100
Core Deposit Intangible	<u>537,619</u>
Fair Value of Assets Acquired	<u><u>78,208,004</u></u>
Deposits	74,160,861
FHLB Advances	2,659,220
Accrued Interest Payable	<u>11,496</u>
Fair Value of Liabilities Assumed	<u><u>76,831,577</u></u>
Bargain Purchase Gain	<u><u>\$ 1,376,427</u></u>

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE P - FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument. Because no market value exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on financial instruments both on and off the balance sheet without attempting to estimate the value of anticipated future business, and the value of assets and liabilities that are not considered financial instruments. Additionally, tax consequences related to the realization of the unrealized gains and losses can have a potential effect on fair value estimates and have not been considered in many of the estimates.

The following methods and assumptions were used to estimate the fair value of significant financial instruments:

Financial Assets

The carrying amounts of cash, deposits due from banks, and interest bearing deposits with banks, including excess reserves at the Federal Reserve Bank, are considered to approximate fair value. The fair values of investment securities are based on quoted market prices for similar securities. The fair value of loans are estimated by discounting estimated future cash flows at an appropriate market rate given the term of the related loans.

Financial Liabilities

The carrying amounts of deposit liabilities payable on demand are considered to approximate fair value. For fixed maturity deposits, fair value is estimated by discounting estimated future cash flows using currently offered rates for deposits of similar remaining maturities. The fair value of long-term debt is based on rates currently available to the Bank for debt with similar terms and remaining maturities.

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE P - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

Off-Balance Sheet Financial Instruments

The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. The fair value of these financial instruments is not material.

The estimated fair value of financial instruments at December 31 is summarized as follows:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and Due From Banks	\$ 9,087,548	\$ 9,087,548	\$ 6,920,263	\$ 6,920,263
Excess Reserves at the				
Federal Reserve Bank	26,765,000	26,765,000	56,102,000	56,102,000
Investment Securities Available for Sale	6,752,317	6,752,317	7,688,568	7,688,568
Loans, net	285,358,349	285,597,000	227,785,047	227,110,000
FHLB, FRB and Banker's Bank Stock	2,487,100	2,487,100	4,553,450	4,553,450
Accrued Interest Receivable	861,443	861,443	769,727	769,727
Financial Liabilities:				
Deposits	298,250,874	298,258,000	282,391,609	282,020,000
FHLB Advances	7,500,000	7,500,000	-	-
Accrued Interest Payable	26,245	26,245	28,222	28,222

NOTE Q - FAIR VALUE MEASUREMENT

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Securities: The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2).

Collateral-Dependent Impaired Loans: The Bank does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect partial write-downs, through charge-offs or specific reserve allowances, that are based on the current appraised or market-quoted value of the underlying collateral. The fair value estimates for collateral-dependent impaired loans are generally based on recent real estate appraisals or broker opinions, obtained from

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE Q - FAIR VALUE MEASUREMENT - CONTINUED

independent third parties, which are frequently adjusted by management to reflect current conditions and estimated selling costs (Level 3).

Other Real Estate Owned: Nonrecurring adjustments to certain commercial and residential real estate properties classified as other real estate owned (OREO) are measured at the lower of the carrying amount or fair value, less costs to sell. The fair value of OREO is generally based on recent real estate appraisals or broker opinions, obtained from independent third parties, which are frequently adjusted by management to reflect current conditions and estimated selling costs (Level 3).

Appraisals for other real estate owned and collateral dependent loans are performed by certified general appraisers whose qualifications and licenses have been reviewed and verified by the Bank. Once received, a member of the loan department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value. The Bank also determines what additional adjustments, if any, should be made to the appraisal values on any remaining other real estate owned to arrive at fair value. No significant adjustments to appraised values have been made as a result of this review process at December 31, 2015 or 2014.

The Bank has no liabilities measured and recorded at fair value as of December 31, 2015. The Bank had no assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2015.

The following table provides the hierarchy and fair value for each major category of asset measured at fair value at December 31, 2015:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value on a recurring basis				
Securities Available for Sale	\$ -	\$ 6,752,317	\$ -	\$ 6,752,317
 Assets measured at fair value on a non-recurring basis				
Collateral-Dependent Impaired				
Loans, Net of Specific Reserves	\$ -	\$ -	\$ -	\$ -
Other Real Estate Owned	\$ -	\$ -	\$ 98,239	\$ 98,239

BANK OF SOUTHERN CALIFORNIA, N.A.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE Q - FAIR VALUE MEASUREMENT - CONTINUED

The following table provides the hierarchy and fair value for each major category of asset measured at fair value at December 31, 2014:

	<u>Fair Value Measurements Using</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets measured at fair value on recurring basis				
Securities Available for Sale	\$ -	\$ 7,688,568	\$ -	\$ 7,688,568

Qualitative information about the Bank's non-recurring Level 3 fair value measurements at December 31, 2015 is as follows:

	<u>Fair Value Amount</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Weighted Average Adjustment</u>
Other Real Estate Owned	\$98,239	3rd Party Appraisals	Selling Costs and Management Adjustments	20%

The Bank had no non-recurring Level 3 Fair Value Measurements at December 31, 2014.

Board of Directors

John Farkash | Chairman of the Board

Thomas H. Blair, Jr. | Media Consultant

Irwin L. Golds | CEO and Co-founder of Capitis Real Estate

Lester Machado, MD, DDS, FRCS (Ed) | Oral and Maxillofacial Surgeon

Joseph E. Matranga, C.P.A. | President and Founder of Matranga & Company, CPA's

Nathan L. Rogge | President and CEO, Bank of Southern California

Executive Management

Nathan L. Rogge | President and Chief Executive Officer

James H. Burgess | Executive Vice President and Chief Financial Officer

Robert A. Marshall | Executive Vice President and Chief Credit Officer

Pamela C. Isaacson | Executive Vice President and Chief Administrative Officer

Anthony J. DiVita | Executive Vice President and Director of Sales

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Fax: (760) 771-9548

Manager: Angela Henderson

Professional Consultants

Vavrinek Trine Day & Co., LLP | Independent Auditor

Horgan, Rosen, Beckham & Coren, L.L.P. | Legal Counsel

Common Stock Information

Stock Exchange Listing | The common stock trades on the OTC Marketplace (OTC Pink) under the symbol BCAL

Computershare Investor Services | Transfer Agent



WE MEASURE OUR SUCCESS BY WHAT OUR CUSTOMERS SAY ABOUT US.

“ I really appreciate the personal service and accommodating attitude of its employees, who are,
POLITE AND PROFESSIONAL WITHOUT EXCEPTION. ”

“ The employees are exceptional in every way - they make you feel good about having a relationship with a banker. All things are handled professionally and efficiently.
THEIR CUSTOMER SERVICE EXCEEDS ANYTHING I HAVE EVERY EXPERIENCED IN MY 40 YEAR WORK CAREER. ”

“ **THE STAFF GOES OUT OF THEIR WAY TO MAKE MY BANKING EASY!** ”

“ All my issues and concerns are always taken care of and I feel
THEY CARE ABOUT US AS A CUSTOMER. ”

“ **STAFF IS ALWAYS PLEASANT, WARM AND FRIENDLY,**
feels like walking into a place where your business is actually welcomed, not interrupting the employees day! ”

“ **YOU ARE DOING A GREAT JOB**
of total relationship banking both business & personal. ”

