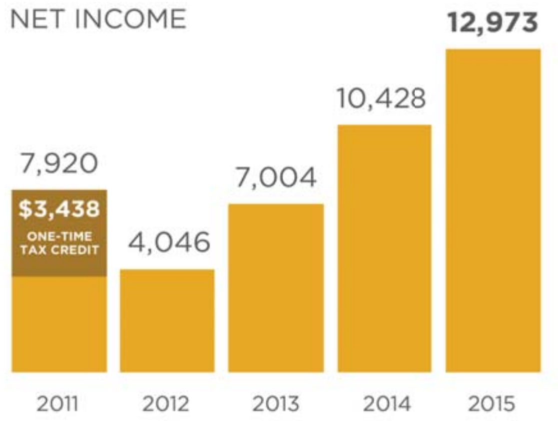
RBB BANCORP

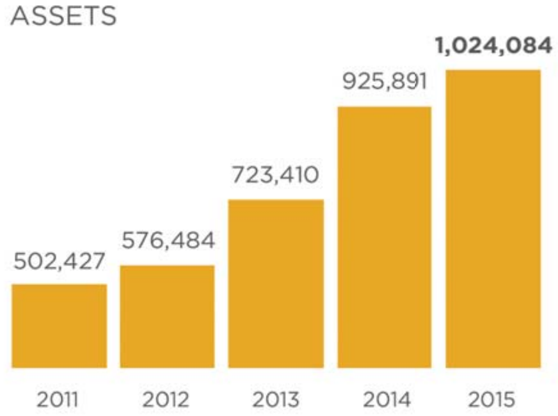
BUSINESS AT GLANCE

2015 (In Thousands)

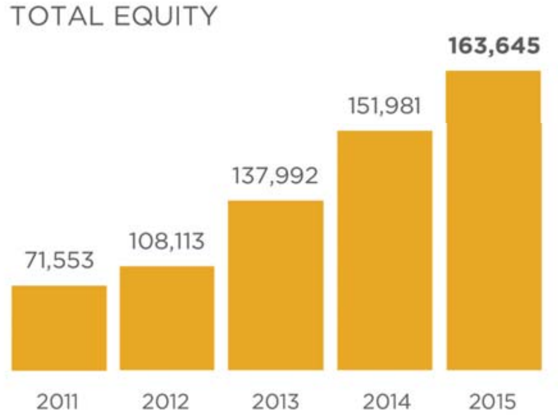
NET INCOME



ASSETS



TOTAL EQUITY



RBB BANCORP

ABOUT US

2015

RBB Bancorp is a bank holding company owning Royal Business Bank (Bank) and RBB Asset Management Company (RAM). The Bank was formed in 2008 to serve the banking needs of the Chinese-American community in the Los Angeles area.

With the acquisitions in 2011, 2013, and 2016, we increased our branch footprint from the Los Angeles market to include Las Vegas, Orange and Ventura Counties. We completed the acquisition of TFC Holding Company on February 19, 2016 and all TomatoBank branches are now RBB branches. The Bank has grown to $1.4 billion in assets with 13 branches and one loan production office. RAM was formed in 2013 to facilitate the management of purchased assets from our two early acquisitions in 2011 and has been very successful for us. The bank represents nearly 98% of the profit and total assets of the Bancorp.

SERVICES

- Personal and Business Banking
- Mobile Banking
- Mortgage Lending
- SBA Lending
- Commercial Lending
- Commercial Real Estate Lending
- Construction Lending
- International Trade Financing
- Business Cash Management
  - Internet Wire Transfer
  - Remote Deposit Capture

HIGHLIGHTS

2015

2008 - Opened the Bank with Over $70 Million in Capital

2009 - Opened Branch in San Gabriel, CA

2010 - Opened Branch in Torrance, CA

2010 - Made First Monthly Profit

2011 - Purchased First Asian Bank in Las Vegas

2011 - Purchased Ventura County Business Bank

2011 - Opened Branch in Rowland Heights, CA

2012 - Raised an additional $54 Million in Capital

2012 - Opened Loan Production Office in the City of Industry, CA

2013 - Purchased Los Angeles National Bank

2013 - Recipient of the Outstanding Oveseas Taiwanese SME Award

2014 - Paid First Stock Dividend

2014 - Started Mortgage Division

2014 - After Tax Profit of Over $10 Million

2015 - SNL Financial ranked the Bank as the 9th best performing community bank in the nation for 2014 with assets between $500 Million and $5 Billion

2015 - The Findley Reports awarded the Bank "Super Premier" status based upon our 2014 operating results.

2015 - Total Assets grew to over $1 Billion

2015 - Earnings Per Share greater than $1.00

2016 - Purchased TFC Holding Company / TomatoBank

2016 - Received Investment Grade Bond Rating from Kroll Bond Rating Agency

2016 - Became a Certified Community Development Financial Institution

親愛的股東，

2015年是一個穩定成長的一年。在董事會的領導下，以安全經營及穩定獲利的態度，整合銀行既定方向、統合領導能力及培訓精良人才，以積極態度達成既定目標。值得欣喜的是在2015年中，銀行總資產首度逾越10億的關卡。

截至2015年12月底為止，皇佳商業銀行總淨利為一仟三佰萬，與2014年同期相較成長24.4%，每股淨利為1.02元。總資產達十億二仟三佰萬, 成長10.5%。總存款為八億五仟三佰四拾萬, 成長11.2%。總放款為八億二仟三佰八拾萬, 成長11.8%。

皇佳商業銀行於2016年2月以現金完成宏基銀行及宏基金控的購併。宏基銀行有六間分行，以服務洛杉磯及橘郡亞美社區為主 。這是皇佳商業銀行自2008年11月成立以來第四家銀行購併， 此項購併使皇佳商業銀行總資產約達15億，更擴展我們的服務網至洛杉磯及橘郡，讓我們能夠在亞凱迪亞市，喜瑞都市，鑽石吧市和西洛杉磯市服務更多的新客戶。

2016年2月皇佳商業銀行經美國財政部認證為社區發展金融機構(CDFI)。藉此認證使本行有機會獲得政府資助以幫助我們的社區。

2016年3月皇佳金控和皇佳商業銀行宣布收到克羅爾債券評等。皇佳金控在優先支付無擔保債評等為BBB^+。在無擔保次級債獲BBB的評等，在短期債評等為K2。皇佳商業銀行在優先支付無擔保債評等為A^-。在存款也獲A^-評等，在短期債評等為K2。銀行展望為穩健。所有評等可做為投資考量。

身為皇佳金控董事長及總裁兼執行長，我們很榮幸的向您們提出上述報告。這六年多來，皇佳商業銀行在我們的領導下，雖說仍有許多目標需要完成，但最重要的是秉持 " 安全、穩定 " 的原則，經營銀行的成長。更謝謝您們大力支持，我們一定會使皇佳商業銀行成為A^+的銀行。

謝謝您們

張見齊 皇佳金控董事會主席

田詒鴻 皇佳金控總裁兼執行長

Dear Shareholder:

2015 marked a year of steady growth. Under the leadership of the Board of Directors, the Company operated in a safe and profitable manner. A combination of vision, leadership and well-trained talent led to the achievement of significant goals. The Company also surpassed a billion dollars in total assets, marking an industry milestone, in mid-2015.

During 2015, our net income increased 24.4% to $13.0 million, earnings per share increased to $1.02 per share, total assets increased 10.5% to $1.02 billion, total deposits increased 11.2% to $853.4 million and net loans increased 11.7% to $823.8 million.

In February of this year, the Company completed its acquisition of TFC Holding Company (TFC) and its subsidiary TomatoBank (TB) for cash. TB operates six full-service branches in Los Angeles Counties. The transaction increased total assets of RBB to approximately $1.4 billion and marks RBB's fourth acquisition since its formation in November 2008. The acquisition of TomatoBank gives us the opportunity to serve our market niche in Los Angeles and Orange Counties and to reach a new customer base in Arcadia, Cerritos, Diamond Bar and West Los Angeles.

Royal Business Bank was approved as a Certified Community Development Financial Institution (CDFI) from the United States Department of Treasury. With this designation, we are able to access numerous government grants which can be applied to our community.

The Company and the Bank received a bond rating report from Kroll Bond Rating Agency (KBRA) on March 4, 2016 which assigned the Company a senior unsecured debt rating of BBB+, subordinated debt rating of BBB, and K2 for short-term debt rating, indicating a stable long-term outlook. The Bank received an A- for senior unsecured debt, A- for deposits and K2 for short-term debt rating. All ratings are considered investment grade.

As Chairman of the Board, President and Chief Executive Officer of RBB Bancorp, we are privileged to give the above report to you. After leading the Bancorp for the past six years, there is still much to be accomplished. Among the priorities has always been maintaining a safe and stable bank. With your support, we can make the Bank an A+ Bank.
Thank you for your support!

Louis Chang, Chairman of the Bancorp Board

Alan Thian, President and CEO

BOARD OF DIRECTORS

Louis Chang 張見齊
Chairman of the Board

Alan Thian 田詒鴻
President & CEO

Peter Chang 張銘輝
Board Member

Wendell Chen 陳文杰
Board Member

Peggy Huang 蘇百瑾
Board Member

James Kao 高文環
Board Member

Ruey-Chyr Kao 高瑞治
Board Member

Christopher Koo 古志明
Board Member

Christopher Lin 林創一
Board Member

Ko-Yen Lin 林國彥
Board Member

Paul Lin 林伯彥
Board Member

Richard Lin 林 鋒
Board Member

Catherine Thian 田慧明
Board Member

RBB BANCORP

EXECUTIVES

Tsu Te Huang 黄祖德
Executive Vice President
Branch Administrator

Larsen Lee
Executive Vice President
Director of Mortgage Lending

Vincent Liu 劉憶明
Executive Vice President
Chief Operations Officer

David Morris
Executive Vice President
Chief Financial Officer

Jeffrey Yeh 葉士杰
Executive Vice President
Chief Credit Officer

Simon C Pang 馮振發
Executive Vice President
Chief Strategic Officer

Alan Thian 田詒鴻
President
Chief Exectutive Officer

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2015 AND 2014

This statement has not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation

CONTENTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

REPORT OF INDEPENDENT REGISTERED ACCOUNTING FIRM

Board of Directors and Shareholders of
RBB Bancorp and Subsidiaries

We have audited the accompanying consolidated financial statements of RBB Bancorp and Subsidiaries, which are comprised of the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of RBB Bancorp and Subsidiaries 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.

Vavrinek, Trine, Day + Co., LLP

Laguna Hills, California
February 11, 2016

25231 Paseo De Alicia, Suite 100 Laguna Hills, CA 92653 Tel: 949.768.0833 Fax: 949.768.8408 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO • RIVERSIDE

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In thousands, except for share amounts)

ASSETS

	2015	2014
Cash and Due from Banks	$ 80,391	$ 97,695
Federal Funds Sold and Other Cash Equivalents	33,500	9,000
TOTAL CASH AND CASH EQUIVALENTS	113,891	106,695
Interest-Bearing Deposits in Other Financial Institutions	7,462	200
Securities:		
Available for Sale	20,416	24,931
Held to Maturity (Fair Value 2015 - $7,144; 2014 - $7,244)	6,678	6,710
Mortgage Loans Held for Sale	41,496	45,604
Loans Held for Investment:		
Real Estate	525,433	526,797
Commercial	267,266	176,698
TOTAL LOANS	792,699	703,495
Unaccreted Discount on Acquired Loans	(1,712)	(2,922)
Deferred Loan Costs (Fees), Net	1,375	(137)
	792,362	700,436
Allowance for Loan Losses	(10,023)	(8,848)
NET LOANS	782,339	691,588
Premises and Equipment	6,860	7,014
Federal Home Loan Bank ("FHLB") Stock	4,149	3,432
Net Deferred Tax Assets	7,449	8,712
Other Real Estate Owned ("OREO")	293	1,161
Cash Surrender Value of Life Insurance	21,398	20,819
Goodwill	4,001	4,001
Servicing Assets	2,105	720
Core Deposit Intangible	466	582
Accrued Interest and Other Assets	4,081	3,722
	$ 1,023,084	$ 925,891

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

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In thousands, except for share amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY

	2015	2014
Deposits:		
Noninterest-Bearing Demand	$ 114,647	$ 105,347
Savings, NOW and Money Market Accounts	243,585	187,292
Time Deposits Under $250,000	209,748	214,737
Time Deposits $250,000 and Over	285,437	259,989
TOTAL DEPOSITS	853,417	767,365
Reserve for Unfunded Commitments	320	408
Income Tax Payable	1,174	682
Accrued Interest and Other Liabilities	4,528	5,455
TOTAL LIABILITIES	859,439	773,910
Commitments and Contingencies - Notes 5 and 9	-	-
Shareholders' Equity:		
Preferred Stock - 100,000,000 Shares Authorized, No Par Value; None Outstanding	-	-
Common Stock - 100,000,000 Shares Authorized, No Par Value; 12,770,571 and 12,720,659 Shares Issued and Outstanding for 2015 and 2014, Respectively	141,873	136,212
Additional Paid-in Capital	7,706	6,373
Retained Earnings	14,259	9,448
Accumulated Other Comprehensive Income (Loss) - Net Unrealized Gain (Loss) on Securities Available for Sale, Net of Tax of $134 in 2015 and $35 in 2014	(193)	(52)
TOTAL SHAREHOLDERS' EQUITY	163,645	151,981
	$ 1,023,084	$ 925,891

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

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In thousands, except per share amounts)

	2015	2014
INTEREST INCOME		
Interest and Fees on Loans	$ 41,026	$ 36,614
Interest on Interest-Bearing Deposits	246	62
Interest on Investment Securities	553	969
Interest on Federal Funds Sold and Other	688	504
TOTAL INTEREST INCOME	42,513	38,149
INTEREST EXPENSE		
Interest on Savings Deposits, NOW and Money Market Accounts	1,343	1,104
Interest on Time Deposits	5,592	3,412
Interest on Other Borrowed Funds	1	6
TOTAL INTEREST EXPENSE	6,936	4,522
NET INTEREST INCOME	35,577	33,627
Provision for Loan Losses	1,386	1,446
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	34,191	32,181
NONINTEREST INCOME		
Service Charges, Fees and Other	1,568	1,415
Gain on Sale of Loans	4,316	2,496
Recoveries on Loans Acquired in Business Combinations	103	204
Increase in Cash Surrender of Life Insurance	579	608
Gain on Sale of Securities	78	268
Gain on Sale of OREO	1,218	493
Gain on Sale of Fixed Assets	-	12
	7,862	5,496
NONINTEREST EXPENSE		
Salaries and Employee Benefits	11,122	10,426
Occupancy and Equipment Expenses	2,359	2,356
Data Processing	1,532	1,446
Legal and Professional	954	2,417
Office Expenses	353	312
Marketing and Business Promotion	475	317
Insurance and Regulatory Assessments	761	591
OREO Expenses	(18)	112
Other Expenses	2,546	2,135
	20,084	20,112
INCOME BEFORE INCOME TAXES	21,969	17,565
Income Tax Expense	8,996	7,137
NET INCOME	$ 12,973	$ 10,428
NET INCOME PER SHARE - BASIC	$ 1.02	$ 0.82
NET INCOME PER SHARE - DILUTED	$ 0.96	$ 0.79

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

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In thousands)

	2015	2014
Net Income	$ 12,973	$ 10,428
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized Gains (Losses) on Securities Available for Sale:		
Change in Unrealized Gains (Losses)	(161)	672
Reclassification of Gains Recognized in Net Income	(78)	(268)
	(239)	404
Related Income Tax Effect:		
Change in Unrealized Gains (Losses)	66	(276)
Reclassification of Gains Recognized in Net Income	32	110
	98	(166)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(141)	238
TOTAL COMPREHENSIVE INCOME	$ 12,832	$ 10,666

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

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In thousands, except share amounts)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Income (Loss)	Total
Balance at January 1, 2013	11,658,259	$ 125,707	$ 5,201	$ 7,375	$ (290)	$ 137,993
Net Income				10,428		10,428
Exercise of Stock Options, Including Tax Benefits of $67	164,600	2,150	(438)			1,712
Stock-Based Compensation			1,610			1,610
5% Stock Dividend	587,540	8,355		(8,355)		-
Other Comprehensive Income, Net of Taxes					238	238
Balance at December 31, 2014	12,410,399	136,212	6,373	9,448	(52)	151,981
Net Income				12,973		12,973
Exercise of Stock Options, Including Tax Benefits of $21	48,729	613	(122)			491
Stock-Based Compensation			1,455			1,455
2.5% Stock Dividend	311,443	5,048		(5,048)		-
Cash Dividend				(3,114)		(3,114)
Other Comprehensive Loss, Net of Taxes					(141)	(141)
Balance at December 31, 2015	12,770,571	$ 141,873	$ 7,706	$ 14,259	$ (193)	$ 163,645

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

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In thousands)

OPERATING ACTIVITIES	2015	2014
Net Income	$ 12,973	$ 10,428
Adjustments to Reconcile Net Income to Net Cash From		
Operating Activities:		
Depreciation and Amortization of Premises, Equipment and Intangibles	1,020	919
Net Amortization (Accretion) of Securities, Loans and Deposits	(1,012)	(2,204)
Provision for Loan Losses	1,386	1,446
Stock-Based Compensation	1,455	1,610
Deferred Tax Expense (Benefit)	1,361	(218)
Gain on Sale of Securities	(78)	(268)
Gain on Sale of Loans	(4,316)	(2,496)
Gain on Sale of Other Real Estate Owned	(1,218)	(493)
Increase in Cash Surrender Value of Life Insurance	(579)	(608)
Loans Originated and Purchased for Sale	(157,409)	(95,143)
Proceeds from Loans Sold	176,744	52,442
Other Items	(1,232)	2,533
NET CASH FROM OPERATING ACTIVITIES	29,095	(32,052)
INVESTING ACTIVITIES		
Increase in Interest-Bearing Deposits	(7,262)	(100)
Securities Available for Sale:		
Purchases	(5,471)	-
Maturities, Prepayments and Calls	4,115	11,272
Sales	5,514	25,606
(Purchase) Redemption of FHLB Stock and Other Equity Securities, net	(766)	164
Net Increase in Loans	(103,128)	(122,445)
Proceeds from Sales of Other Real Estate Owned	2,086	843
Purchases of Premises and Equipment	(468)	(417)
NET CASH FROM INVESTING ACTIVITIES	(105,380)	(85,077)
FINANCING ACTIVITIES		
Net Increase in Demand Deposits and Savings Accounts	65,761	12,724
Net Increase in Time Deposits	20,343	180,614
Net Change in FHLB Advances	-	(7,000)
Cash Dividends Paid	(3,114)	-
Issuance of Common Stock	491	1,712
NET CASH FROM FINANCING ACTIVITIES	83,481	188,050
INCREASE IN CASH AND CASH EQUIVALENTS	7,196	70,921
Cash and Cash Equivalents at Beginning of Period	106,695	35,774
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 113,891	$ 106,695
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	$ 6,872	$ 4,487
Taxes Paid	$ 7,120	$ 5,810
Transfer of Loans to Held for Sale	$ 53,127	$ 89,359

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Nature of Operations

The accompanying consolidated financial statements include the accounts of RBB Bancorp and its wholly-owned subsidiaries Royal Business Bank ("Bank") and RBB Asset Management Company ("RAM"), collectively referred to herein as "the Company". All significant intercompany transactions have been eliminated.

RBB Bancorp was formed in January 2011 as a bank holding company. RAM was formed in 2012 to hold and manage problem assets acquired in business combinations.

RBB Bancorp has no significant business activity other than its investments in Royal Business Bank and RAM. Parent only condensed financial information on RBB Bancorp is provided in Note 18.

The Company operates full-service banking offices in Los Angeles, San Gabriel, Torrance, Rowland Heights, Westlake Village, Oxnard, Buena Park, Monterey Park, and Silverlake, California and Las Vegas, Nevada and a loan production office in the City of Industry, California. The Company's primary source of revenue is providing loans to customers, who are predominately small and middle-market businesses and individuals.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through February 11, 2016, which is the date the financial statements were available to be issued.

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, term federal funds sold and interest-bearing deposits in other financial institutions with original maturities of less than 90 days. Net cash flows are reported for customer loan and deposit transactions and interest-bearing deposits in other financial institutions.

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 reserves required to be held as of December 31, 2015 and 2014 were $4,560,000 and $3,981,000, respectively. The Company maintains amounts in due from bank accounts, which may exceed federally insured limits. The Company has not experienced any losses in such accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interest-Bearing Deposits in Other Financial Institutions

Interest-bearing deposits in other financial institutions not included in cash and cash equivalents are carried at cost.

Investment Securities

Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities not classified as held to maturity are classified as available for sale. Equity securities with readily determinable fair values are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premiums or discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a semi-annual 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.

Loans Held For Sale

Mortgage loans originated or acquired and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Loans held for sale consist primarily of first trust deed mortgages on single-family residential properties located in California.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right, when applicable. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loans sold.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 or specific valuation accounts 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 deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Premiums and discounts on loans purchased are grouped by type and certain common risk characteristics and amortized or accreted as an adjustment of yield over the weighted-average remaining contractual lives of each group of loans, adjusted for prepayments when applicable, using methodologies which approximate the interest method.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days or when, in the opinion of management, there is reasonable doubt as to collectability based on contractual terms of the loan. When loans are placed on nonaccrual status, all interest previously accrued but not collected is 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 collectible as to all principal and interest.

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 uncollectability 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 Company 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. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due 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 Company selects the measurement method on a loan-by-loan basis except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Allowance for Loan Losses - Continued

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

General reserves cover non-impaired loans and are based on historical loss rates of peer institutions 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. 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; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

Portfolio segments identified by the Company include real estate and commercial loans. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios, and financial performance.

Certain Acquired Loans

As part of business acquisitions, the Company acquires certain loans that have shown evidence of credit deterioration since origination. These acquired loans are recorded at the allocated fair value, such that there is no carryover of the seller's allowance for loan losses. Such acquired loans are accounted for individually. The Company estimates the amount and timing of expected cash flows for each purchased loan, and the expected cash flows in excess of the allocated fair value is recorded as interest income over the remaining life of the loan (accretable yield). The excess of the loan's contractual principal and interest over expected cash flows is not recorded (non-accretable difference). Over the life of the loan, 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 through the allowance 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Servicing Rights

When mortgage and Small Business Administration ("SBA") loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of 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 rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company 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 to income.

Servicing fee income, which is reported on the income statement as Service Charges, Fees and Other, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, 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 the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Gains on sales of mortgage and SBA loans totaled $4.3 million and $2.5 million in 2015 and 2014, respectively. Gains on sale of mortgage loans totaled $1.6 million and $182,000 and gains on sale of SBA loans totaled $2.7 million and $2.3 million in 2015 and 2014, respectively.

Premises and Equipment

Land is carried at cost. Premises, leasehold improvements 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 is thirty years for premises and ranges from three to ten years for leasehold improvements and equipment. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Other Real Estate Owned

Real estate acquired by foreclosure or deed in lieu of foreclosure is recorded at fair value at the date of foreclosure, 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 Company'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 and related income of such properties and gains and losses on their disposition are included in other operating income and expenses.

Goodwill and Other Intangible Assets

Goodwill is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill resulting from whole bank acquisitions is not amortized, but tested for impairment at least annually. The Company has selected December 31 as the date to perform the annual impairment test. Goodwill amounted to $4.0 million as of December 31, 2015 and 2014, and is the only intangible asset with an indefinite life on the balance sheet. No impairment was recognized on goodwill during 2015 and 2014.

Other intangible assets consist of core deposit intangible ("CDI") assets arising from whole bank acquisitions. CDI assets are amortized on an accelerated method over their estimated useful life of 8 years. CDI was recognized in the 2013 acquisition of Los Angeles National Bank. The unamortized balance as of December 31, 2015 was $466,000. CDI amortization expense was $117,000 in 2015.

Estimated CDI amortization expense for the next 5 years is as follows (dollars in thousands):

2016	$ 106
2017	96
2018	87
2019	79
2020	74

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Company Owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Federal Home Loan Bank ("FHLB") Stock

The Company is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Stock-Based Compensation

Compensation cost is recognized for stock options issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options. This cost is recognized over the period which an employee is required to provide services in exchange for the award, generally defined as the vesting period.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. Tax effects from an uncertain tax position are 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. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

Retirement Plans

The Company established a 401(k) plan in 2010. The Company contributed $125,000 and $46,000 in 2015 and 2014.

Comprehensive Income

The change in unrealized gains and losses on securities available for sale is the only component of accumulated other comprehensive income for the Company. The amount reclassified out of other accumulated comprehensive income relating to realized gains on securities available for sale was $78,000 and $268,000 for 2015 and 2014, with the related tax effect of $32,000 and $110,000, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit as described in Note 9. Such financial instruments are recorded in the financial statements when they are funded.

Earnings Per Share ("EPS")

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.

Fair Value Measurement

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (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. There are three levels of inputs that may be used to measure fair values:

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 the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

See Note 13 for more information and disclosures relating to the Company's fair value measurements.

Operating Segments

Management has determined that since generally all of the banking products and services offered by the Company are available in each branch of the Bank, all branches are located within the same economic environment and management does not allocate resources based on the performance of different lending or transaction activities, it is appropriate to aggregate the Bank branches and report them as a single operating segment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications

Certain reclassifications have been made in the 2014 financial statements to conform to the presentation used in 2015. These reclassifications had no impact of the Company's previously reported financial statements.

Recently Adopted Accounting Pronouncements

In January 2014, the FASB issued ASU No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The objective of this guidance is to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure 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. ASU No. 2014-04 is effective for interim and annual reporting periods beginning after December 15, 2014. The adoption of ASU No. 2014-04 did not have a material impact on the Company's Financial Statements.

In June 2014, the FASB issued ASU No. 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The Update improves the financial reporting of repurchase agreements and other similar transactions through a change in accounting for repurchase-to-maturity transactions and repurchase financings, and the introduction of two new disclosure requirements. New disclosures are required for (1) transfers accounted for as sales in transactions that are economically similar to repurchase agreements, in which the transferor retains substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction and (2) repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings about the nature of collateral pledged and the time to maturity of those transactions. ASU No. 2014-11 is effective for interim and annual reporting periods beginning after December 15, 2014. The adoption of ASU No. 2014-11 did not have a material impact on the Company's Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pending Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09 Revenue from Contracts with Customers. This update to the ASC is the culmination of efforts by the FASB and the International Accounting Standards Board (IASB) to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 supersedes Topic 605 – Revenue Recognition and most industry-specific guidance. The core principal of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 describes a 5-step process entities can apply to achieve the core principle of revenue recognition and requires disclosures sufficient to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers and the significant judgments used in determining that information.

This update was originally effective for annual reporting periods beginning on or after December 15, 2016 and interim periods therein and requires expanded disclosures. In July 2015 the FASB issued a deferral of ASU 2014-09 of one year making it effective for annual reporting periods beginning on or after December 15, 2017 while also providing for early adoption but not before the original effective date. The Company 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. 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. The Company is currently evaluating the effects of ASU 2016-01 on its financial statements and disclosures.

RBB BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 - INVESTMENT SECURITIES

The following table summarizes the amortized cost and fair value of securities available for sale and held to maturity at December 31, 2015 and 2014, and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income:

(dollars in thousands) **December 31, 2015**	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
Mortgage-Backed Securities- Government Sponsored Agencies	$ 15,292	$ -	$ (263)	$ 15,029
Corporate Debt Securities	5,451	-	(64)	5,387
	$ 20,743	$ -	$ (327)	$ 20,416
Held to Maturity				
Municipal Taxable Securities	$ 5,741	$ 440	$ -	$ 6,181
Municipal Securities	937	26	-	963
	$ 6,678	$ 466	$ -	$ 7,144
December 31, 2014				
Available for Sale				
Mortgage-Backed Securities- Government Sponsored Agencies	$ 25,018	$ 96	$ (183)	$ 24,931
Held to Maturity				
Municipal Taxable Securities	$ 5,751	$ 515	$ -	$ 6,266
Municipal Securities	959	19	-	978
	$ 6,710	$ 534	$ -	$ 7,244

During 2015 and 2014 the Company sold $5.5 million and $25.6 million of securities available for sale, recognizing gross gains of $78,000 and $268,000, respectively.

One security with a fair value of $1,220,000 was pledged to secure a local agency deposit at December 31, 2015.

NOTE 2 - INVESTMENT SECURITIES - Continued

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

	Available for Sale		Held to Maturity	
(dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within One Year	$ -	$ -	$ -	$ -
Due From One through Five Years	17,150	16,954	2,496	2,640
Due from Five to Ten Years	3,593	3,462	3,634	3,942
Due after Ten Years	-	-	548	562
	$ 20,743	$ 20,416	$ 6,678	$ 7,144

Unrealized losses of approximately $184,000 had been in a continuous loss position for less than 12 months as of December 31, 2015. Unrealized losses have not been recognized into income because the issuer bonds are of high credit quality, management does not intend to sell, it is not more likely than not that management would be required to sell the securities prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates. The fair value is expected to recover as the bonds approach maturity.

NOTE 3 - LOANS

The Company's loan portfolio consists primarily of loans to borrowers within Los Angeles and Orange County, California. Although the Company 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 Company's market area and, as a result, the Company's loan and collateral portfolios are, to some degree, concentrated in those industries.

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

(dollars in thousands)	2015	2014
Beginning Balance	$ 8,848	$ 7,549
Additions to the Allowance Charged to Expense	1,386	1,446
Recoveries on Loans Charged-Off	211	95
	10,445	9,090
Less Loans Charged-Off	(422)	(242)
Ending Balance	$ 10,023	$ 8,848

NOTE 3 - LOANS - Continued

The following table presents the recorded investment in loans and impairment method as of December 31, 2015 and 2014 and the activity in the allowance for loan losses for the years then ended, by portfolio segment:

(dollars in thousands)

December 31, 2015	Real Estate	Commercial	Total
Allowance for Loan Losses:			
Beginning of Year	$ 5,696	$ 3,152	$ 8,848
Provisions	(108)	1,494	1,386
Charge-offs	-	(422)	(422)
Recoveries	200	11	211
	$ 5,788	$ 4,235	$ 10,023
Reserves:			
Specific	$ -	$ -	$ -
General	5,788	4,235	10,023
Loans Acquired with Deteriorated Credit Quality	-	-	-
	$ 5,788	$ 4,235	$ 10,023
Loans Evaluated for Impairment:			
Individually	$ 1,482	$ 4,630	$ 6,112
Collectively	519,963	264,610	784,573
Loans Acquired with Deteriorated Credit Quality	1,677	-	1,677
	$ 523,122	$ 269,240	$ 792,362
December 31, 2014			
Allowance for Loan Losses:			
Beginning of Year	$ 5,108	$ 2,442	$ 7,550
Provisions	493	952	1,445
Charge-offs	-	(242)	(242)
Recoveries	95	-	95
	$ 5,696	$ 3,152	$ 8,848
Reserves:			
Specific	$ -	$ -	$ -
General	5,696	3,152	8,848
Loans Acquired with Deteriorated Credit Quality	-	-	-
	$ 5,696	$ 3,152	$ 8,848
Loans Evaluated for Impairment:			
Individually	$ 3,216	$ 593	$ 3,809
Collectively	517,873	176,821	694,694
Loans Acquired with Deteriorated Credit Quality	1,933	-	1,933
	$ 523,022	$ 177,414	$ 700,436

NOTE 3 - LOANS - Continued

The Company categorizes loans into risk categories 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. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Company 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 Company 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.

The risk category of loans by class of loans was as follows as of December 31, 2015 and 2014:

(dollars in thousands) **December 31, 2015**	Pass	Special Mention	Substandard	Impaired	Total
Real Estate:					
Construction and Land Development	$ 67,278	$ -	$ -	$ 315	$ 67,593
Residential Real Estate	231,771	-	-	-	231,771
Commercial Real Estate	218,843	-	3,747	1,168	223,758
Commercial:					
Other	157,394	999	2,086	-	160,479
SBA	103,846	-	285	4,630	108,761
	$ 779,132	$ 999	$ 6,118	$ 6,113	$ 792,362
December 31, 2014					
Real Estate:					
Construction and Land Development	$ 92,328	$ -	$ -	$ 697	$ 93,025
Residential Real Estate	206,178	-	-	-	206,178
Commercial Real Estate	217,136	816	3,348	2,519	223,819
Commercial:					-
Other	141,427	3,148	2,124	-	146,699
SBA	24,926	-	5,196	593	30,715
	$ 681,995	$ 3,964	$ 10,668	$ 3,809	$ 700,436

NOTE 3 - LOANS - Continued

Past due and nonaccrual loans presented by loan class were as follows as of December 31, 2015 and 2014:

(dollars in thousands)	Still Accruing 30-89 Days Past Due	Still Accruing Over 90 Days Past Due	Nonaccrual
December 31, 2015			
Commercial:			
Other	$ 271	$ -	$ -
SBA	-	-	4,365
	$ 271	$ -	$ 4,365
December 31, 2014			
Commercial:			
Other	$ -	$ 250	$ -
SBA	4,481	-	497
	$ 4,481	$ 250	$ 497

Information relating to individually impaired loans presented by class of loans was as follows as of December 31, 2015 and 2014:

(dollars in thousands)	With no Allowance Recorded			
December 31, 2015	Unpaid Principal Balance	Recorded Investment	Average Balance	Interest Income
Construction and Land Development	$ 315	$ 315	$ 320	$ 4
Commercial Real Estate	1,168	1,168	1,145	195
Commercial - SBA	4,630	4,630	4,545	14
	$ 6,113	$ 6,113	$ 6,010	$ 213
December 31, 2014				
Construction and Land Development	$ 702	$ 697	$ 1,382	$ 216
Commercial Real Estate	2,519	2,519	2,507	327
Commercial - SBA	593	593	588	9
	$ 3,814	$ 3,809	$ 4,477	$ 552

There were no allowances recorded on individually impaired loans as of December 31, 2015 and 2014 and no interest income was recognized on a cash basis in the years then ended.

NOTE 3 - LOANS - Continued

The Company had seven and six loans identified as troubled debt restructurings ("TDR's") at December 31, 2015 and 2014, respectively, and no specific reserves have been allocated thereon. There are no commitments to lend additional amounts as of December 31, 2015 and 2014, respectively, to customers with outstanding loans that are classified as TDR's.

During the year ended December 31, 2015, the terms of certain loans were modified as TDR's. The modification of the terms generally included loans where a moratorium on loan payments was granted. Such moratoriums ranged from three months to six months on the loans restructured in 2015.

The following table presents loans by class modified as TDR's that occurred during the year ended December 31, 2015:

(dollars in thousands) **December 31, 2015**	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Commercial - SBA	3	$ 4,606	$ 4,606

There were no loans modified as TDR's during the year ended December 31, 2014.

Two loans to the same customer which were modified in 2015 later defaulted. Default for this purpose is defined as the loan being 90 days or more past due under the modified terms. The total carrying value of those two loans as of December 31, 2015 was approximately $4,365,000, of which approximately $4,163,000 was supported by SBA guarantees.

There were no defaults of TDR's in 2014 where the loan was modified within the prior twelve months.

The Company has purchased loans as part of its whole bank acquisitions, for which there was at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected.

The outstanding balance and carrying amount of purchased credit-impaired loans as of December 31 were as follows:

(dollars in thousands)	2015	2014
Outstanding Balance	$ 2,444	$ 2,827
Carrying Amount	$ 1,677	$ 1,933

For these purchased credit-impaired loans, the Company did not increase the allowance for loan losses during 2015 or 2014 as there were no significant reductions in the expected cash flows.

NOTE 3 - LOANS - Continued

Below is a summary of activity in the accretable yield on purchased credit-impaired loans for 2015 and 2014:

(dollars in thousands)	2015	2014
Balance, Beginning of Year	$ 574	$ 771
Disposals	(99)	-
Accretion of Income	(126)	(197)
Balance, End of Year	$ 349	$ 574

NOTE 4 - LOAN SERVICING

Mortgage and SBA loans serviced for others are not reported as assets. The principal balances as of December 31 are as follows:

(dollars in thousands)	2015	2014
Loans Serviced for Others:		
Mortgage Loans	$ 106,866	$ -
SBA Loans	$ 74,371	$ 35,955

Activity for servicing assets follows:

	2015		2014	
(dollars in thousands)	Mortgage Loans	SBA Loans	Mortgage Loans	SBA Loans
Servicing Assets:				
Beginning of year	$ -	$ 720	$ -	$ 128
Additions	329	1,268	-	724
Amortized to expense	(31)	(181)	-	(132)
End of year	$ 298	$ 1,807	$ -	$ 720

The fair value of servicing assets approximated the carrying value as of December 31, 2015 and 2014.

Servicing fees net of servicing asset amortization totaled $272,000 and $54,000 for the years ended December 31, 2015 and 2014, respectively.

NOTE 5 - PREMISES AND EQUIPMENT

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

(dollars in thousands)	2015	2014
Land and Buildings	$ 5,424	$ 5,457
Leasehold Improvements	2,728	2,728
Furniture, Fixtures, and Equipment	2,675	2,172
	10,827	10,357
Less Accumulated Depreciation and Amortization	(3,967)	(3,343)
	$ 6,860	$ 7,014

Depreciation and amortization expense was $625,000 and $591,000 for 2015 and 2014, respectively.

The Company leases several of its operating facilities under various noncancellable operating leases expiring at various dates through 2021. The Company is also responsible for common area maintenance, taxes and insurance at the various branch locations.

Future minimum rent payments on the Company's leases were as follows as of December 31, 2015:

(dollars in thousands)	
2016	$ 1,269
2017	1,098
2018	786
2019	384
2020	154
Thereafter	72
	$ 3,763

The minimum rent payments shown above are given for the existing lease obligation and are not a forecast of future rental expense. Total rental expense, recognized on a straight-line basis, was $1.2 million for both 2015 and 2014.

NOTE 6 - DEPOSITS

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

(dollars in thousands)	
One year	$ 485,416
Two to three years	9,769
	$ 495,185

NOTE 7 - BORROWING ARRANGEMENTS

The Company has established secured and unsecured lines of credit. The Company may borrow funds from time to time on a term or overnight basis from the Federal Home Loan Bank of San Francisco ("FHLB"), the Federal Reserve Bank of San Francisco ("FRB") and other financial institutions as indicated below.

*Federal Funds Arrangements with Commercial Bank*s. As of December 31, 2015 the Company may borrow on an unsecured basis, up to $20 million, $10 million, $12 million and $5 million overnight from Zions Bank, Wells Fargo Bank, First Tennessee National Bank, and Pacific Coast Bankers' Bank, respectively.

Letter of Credit Arrangements. As of December 31, 2015 the Company had an unsecured commercial letter of credit line with Wells Fargo Bank for $2 million.

FRB Secured Line of Credit. The secured borrowing capacity of $13.2 million at December 31, 2015 is collateralized by loans pledged with a carrying value of $26.0 million.

FHLB Secured Line of Credit. The secured borrowing capacity of $178.8 million at December 31, 2015 is collateralized by loans pledged with a carrying value of $201.0 million.

There were no amounts outstanding under any of the arrangements above as of December 31, 2015 and 2014.

NOTE 8 - INCOME TAXES

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Income tax expense consists of the following:

(dollars in thousands)	2015	2014
Current:		
Federal	$ 5,662	$ 5,580
State	1,973	1,775
	7,635	7,355
Deferred	1,361	(218)
	$ 8,996	$ 7,137

NOTE 8 - INCOME TAXES – Continued

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

(dollars in thousands)	2015 Amount	2015 Rate	2014 Amount	2014 Rate
Statutory Federal Tax	$ 7,469	34.0%	$ 5,972	34.0%
State Franchise Tax, Net of Federal Benefit	1,550	7.1%	1,224	7.0%
Tax-Exempt Income	(203)	(0.9%)	(213)	(1.2%)
Other Items, Net	180	0.8%	154	0.9%
Actual Tax Expense	$ 8,996	41.0%	$ 7,137	40.6%

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 balance sheets at December 31:

(dollars in thousands)	2015	2014
Deferred Tax Assets:		
Pre-Opening Expenses	$ 321	$ 361
Allowance For Loan Losses	4,076	3,150
Stock-Based Compensation	2,345	1,865
Off Balance Sheet Reserve	132	168
Operating Loss Carryforwards	796	1,145
Other Real Estate Owned	13	1,102
Acquisition Accounting Fair Value Adjustments	457	819
Unrealized Loss on AFS Securities	134	36
Other	1,905	2,078
	10,179	10,724
Deferred Tax Liabilities:		
Depreciation	(1,024)	(1,055)
Other	(1,706)	(957)
	(2,730)	(2,012)
Net Deferred Tax Assets	$ 7,449	$ 8,712

NOTE 8 - INCOME TAXES – Continued

The Company has net operating loss carryforwards of approximately $1.5 million for federal income and approximately $3.8 million for California franchise tax purposes. Net operating loss carry forwards, to the extent not used will begin to expire in 2027. Net operating loss carryforwards available from acquisitions are substantially limited by Section 382 of the Internal Revenue Code and benefits not expected to be realized due to the limitation have been excluded from the deferred tax asset and net operating loss carryforward amounts noted above. The Company is subject to federal income tax and franchise tax of the state of California. Income tax returns for the years ended after December 31, 2011 are open to audit by the federal authorities and for the years ended after December 31, 2010 are open to audit by California state authorities.

NOTE 9 - COMMITMENTS

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

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

As of December 31, 2015 and 2014, the Company had the following financial commitments whose contractual amount represents credit risk:

	2015		2014	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
(dollars in thousands)				
Commitments to Make Loans	$ 10,613	$ 31,597	$ 1,712	$ 55,290
Unused Lines of Credit	37,723	48,351	1,369	90,324
Commercial and Similar Letters of Credit	-	10,424	-	11,617
Standby Letters of Credit	205	780	205	1,685
	$ 48,541	$ 91,152	$ 3,286	$ 158,916

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. The Company evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company is based on management's credit evaluation of the customer.

The Company is involved in various matters of litigation which have arisen in the ordinary course of business and accruals for estimates of potential losses have been provided when necessary and appropriate under generally accepted accounting principles. In the opinion of management, the disposition of such pending litigation will not have a material effect on the Company's financial statements.

NOTE 10 - RELATED PARTY TRANSACTIONS

Loans to principal officers, directors, and their affiliates during 2015 were as follows:

(dollars in thousands)	2015
Balance, Beginning of Year	$ 9,283
New Loans and Advances	11,888
Repayments	(17,200)
Balance, End of Year	$ 3,971

Loan commitments outstanding to executive officers, directors and their related interests with which they are associated totaled approximately $2.1 million and $5.8 million as of December 31, 2015 and 2014, respectively.

Deposits from principal officers, directors, and their affiliates at year-end 2015 and 2014 were $42.1 million and $39.5 million.

NOTE 11- STOCK OPTION PLAN

Under the terms of the Company's 2010 Stock Option Plan, officers and key employees may be granted both nonqualified and incentive stock options and directors and organizers, who are not also an officer or employee, may only be granted nonqualified stock options. The Plan provides for options to purchase up to 30 percent of the outstanding common stock at a price not less than 100 percent of the fair market value of the stock on the date of the grant. Stock options expire no later than ten years from the date of the grant and generally vest over three years. The Company recognized stock-based compensation expense of $1.5 million and $1.6 million in 2015 and 2014 and recognized income tax benefits on that expense of $482,000 and $454,000, respectively.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions presented below:

	2015	2014
Expected Volatility	35.0%	35.0%
Expected Term	6.0 Years	6.0 Years
Expected Dividends	None	None
Risk Free Rate	1.84%	1.97%
Grant Date Fair Value	$ 6.29	$ 5.08

Since the Company has a limited amount of historical stock activity the expected volatility is based on the historical volatility of similar banks that have a longer trading history. The expected term represents the estimated average period of time that the options remain outstanding. Since the Company 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 interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

NOTE 11 - STOCK OPTION PLAN - Continued

A summary of the status of the Company's stock option plan as of December 31, 2015 and changes during the year then ended is presented below:

(dollars in thousands, except for share amounts)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at Beginning of Year	2,334,883	$ 10.25		
Granted	130,000	$ 17.08		
Exercised	(49,867)	$ 9.43		
Forfeited or Expired	(40,359)	$ 9.71		
Outstanding at End of Year	2,374,657	$ 10.68	5.4 Years	$ 15,210
Options Exercisable	1,891,390	$ 10.02	4.7 Years	$ 13,350

As of December 31, 2015 there was approximately $1,102,000 of total unrecognized compensation cost related to outstanding stock options that will be recognized over a weighted-average period of 1.5 years. The intrinsic value of options exercised was $231,000 and $609,000 in 2015 and 2014, respectively.

NOTE 12 - REGULATORY MATTERS

Holding companies (with assets over $1 billion at the beginning of the year) and banks are 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 Company's financial statements.

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. Under the rules, minimum requirements increased for both the quantity and quality of capital held by the Bank. 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 minimum Tier 1 capital to risk-weighted assets ratio was raised from 4.0% to 6.0% under the capital adequacy framework and from 6.0% to 8.0% to be well-capitalized under the prompt corrective action framework. In addition, the rules introduced the concept of a "conservation buffer" of 2.5% applicable to the three capital adequacy risk-weighted asset ratios (CET1, Tier 1 and Total). The conservation buffer will be phased-in on a pro rata basis over a four year period beginning in 2016. If the capital adequacy minimum ratios plus the phased-in conservation buffer amount exceed actual risk-weighted capital ratios, then dividends, share buybacks and discretionary bonuses to executives could be limited in amount. Based on the level of actual risk-weighted capital ratios at December 31, 2015 and projections of the impact of the business combination discussed in Note 17, the Bank does not expect to be limited by the provisions of the conservation buffer when it becomes effective in 2016.

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. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the 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 and 2014, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2015, the most recent notification from the FDIC categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action (there are no conditions or events since that notification that management believes have changed the Bank's category). To be categorized as well-capitalized, the Bank must maintain minimum ratios as set forth in the table below.

NOTE 12 - REGULATORY MATTERS - Continued

The following table sets forth RBB Bancorp's consolidated and the Bank's actual capital amounts and ratios and related regulatory requirements for the Bank as of December 31, 2015 and 2014:

			Amount of Capital Required			
	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Provisions	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015:						
Total Capital (to Risk-Weighted Assets)						
Consolidated	$ 168,851	21.5%	NA	NA	NA	NA
Bank	$ 154,468	19.7%	$ 62,625	8.0%	$ 78,281	10.0%
Tier 1 Capital (to Risk-Weighted Assets)						
Consolidated	$ 159,020	20.2%	NA	NA	NA	NA
Bank	$ 144,675	18.5%	$ 46,969	6.0%	$ 62,625	8.0%
CET1 Capital (to Risk-Weighted Assets)						
Consolidated	$ 159,020	20.2%	NA	NA	NA	NA
Bank	$ 144,675	18.5%	$ 35,227	4.5%	$ 50,883	6.5%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 159,020	15.3%	NA	NA	NA	NA
Bank	$ 144,675	13.9%	$ 41,514	4.0%	$ 51,893	5.0%
As of December 31, 2014:						
Total Capital (to Risk-Weighted Assets)						
Consolidated	$ 156,458	21.7%	NA	NA	NA	NA
Bank	$ 140,076	19.6%	$ 57,275	8.0%	$ 71,594	10.0%
Tier 1 Capital (to Risk-Weighted Assets)						
Consolidated	$ 147,449	20.5%	NA	NA	NA	NA
Bank	$ 131,123	18.3%	$ 28,637	4.0%	$ 42,956	6.0%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 147,449	16.8%	NA	NA	NA	NA
Bank	$ 131,123	15.0%	$ 34,900	4.0%	$ 43,625	5.0%

The California Financial Code generally acts to prohibit banks from making a cash distribution to its shareholders in excess of the lesser of the bank's undivided profits or the bank's net income for its last three fiscal years less the amount of any distribution made by the bank's shareholders during the same period.

NOTE 12 - REGULATORY MATTERS – Continued

The California general corporation law generally acts to prohibit companies from paying dividends on common stock unless its retained earnings, immediately prior to the dividend payment, equals or exceeds the amount of the dividend. If a company fails this test, then it may still pay dividends if after giving effect to the dividend the company's assets are at least 125% of its liabilities.

Additionally, the Federal Reserve Bank has issued guidance which requires that they be consulted before payment of a dividend if a bank holding company does not have earnings over the prior four quarters of at least equal to the dividend to be paid, plus other holding company obligations.

NOTE 13 - FAIR VALUE MEASUREMENTS

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).

Other Real Estate Owned: Nonrecurring adjustments to certain commercial and residential real estate properties classified as other real estate owned are measured at the lower of carrying amount or fair value, less costs to sell. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. Fair values are generally based on third party appraisals of the property which are commonly adjusted by management to reflect an expectation of the amount to be ultimately collected and selling costs (Level 3).

Appraisals for other real estate owned are performed by state licensed appraisers (for commercial properties) or state certified appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. When a Notice of Default is recorded, an appraisal report is ordered. Once received, a member of the credit administration department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison to independent data sources such as recent market data or industry wide-statistics for residential appraisals. Commercial appraisals are sent to an independent third party to review. The Company also compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustments, if any, should be made to the appraisal values on any remaining other real estate owned to arrive at fair value. If the existing appraisal is older than twelve months a new appraisal report is ordered. No significant adjustments to appraised values have been made as a result of this comparison process as of December 31, 2015.

NOTE 13 - FAIR VALUE MEASUREMENTS - Continued

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value at December 31, 2015 and 2014:

(dollars in thousands)	Fair Value Measurements Using:			
December 31, 2015	Level 1	Level 2	Level 3	Total
Assets Measured at Fair Value:				
On a Recurring Basis:				
Securities Available for Sale	$ -	$ 20,416	$ -	$ 20,416
On a Non-Recurring Basis:				
Other Real Estate Owned	$ -	$ -	$ 293	$ 293
December 31, 2014				
Assets Measured at Fair Value:				
On a Recurring Basis:				
Securities Available for Sale	$ -	$ 24,931	$ -	$ 24,931
On a Non-Recurring Basis:				
Other Real Estate Owned	$ -	$ -	$ 1,161	$ 1,161

No write-downs to OREO were recorded in 2015 or 2014.

Quantitative information about the Company's non-recurring Level 3 fair value measurements as of December 31, 2015 and 2014 is as follows:

(dollars in thousands) **December 31, 2015**	Fair Value Amount	Valuation Technique	Unobservable Input	Adjustment Range	Weighted-Average Adjustment
Other Real Estate Owned	$ 293	Third Party Appraisals	Management Adjustments to Reflect Current Conditions and Selling Costs	13%	13%
December 31, 2014					
Other Real Estate Owned	$ 1,161	Third Party Appraisals	Management Adjustments to Reflect Current Conditions and Selling Costs	0 -100 %	42%

NOTE 14 - 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 not previously presented:

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values.

Time Deposits in Other Banks

Fair values for time deposits with other banks are estimated using discounted cash flow analyses, using interest rates currently being offered with similar terms.

Loans

For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for all other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Deposits

The fair values disclosed for demand deposits, including interest and non-interest demand accounts, savings, and certain types of money market accounts are, by definition based on carrying value. Fair value for fixed-rate certificates of deposit is estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregate expected monthly maturities on time deposits. Early withdrawal of fixed-rate certificates of deposit is not expected to be significant

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 fair value hierarchy level and estimated fair value of significant financial instruments at December 31, 2015 and 2014 are summarized as follows:

		2015		2014	
(dollars in thousands)	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:					
Cash and Due From Banks	Level 1	$ 80,391	$ 80,391	$ 97,695	$ 97,695
Federal Funds Sold and Other Cash Equivalents	Level 1	33,500	33,500	9,000	9,000
Interest-Bearing Deposits in Other Financial Institutions	Level 1	7,462	7,462	200	200
Investment Securities - AFS	Level 2	20,416	20,416	24,931	24,931
Investment Securities - HTM	Level 2	6,678	7,144	6,710	7,244
Mortgage Loans Held for Sale	Level 1	41,496	42,096	45,604	46,002
Loans, Net	Level 3	782,339	807,290	691,588	686,330
Financial Liabilities:					
Deposits	Level 2	853,417	848,639	767,365	769,818

NOTE 15 - 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:

	2015		2014	
(dollars in thousands)	Income	Shares	Income	Shares
Net Income as Reported	$ 12,973		$ 10,428	
Shares Outstanding at Year End		12,770,571		12,720,659
Impact of Weighting Shares Purchased During the Year		(8,739)		(78,599)
Used in Basic EPS	12,973	12,761,832	10,428	12,642,060
Dilutive Effect of Outstanding Stock Options		790,850		528,625
Used in Dilutive EPS	$ 12,973	13,552,682	$ 10,428	13,170,685

Stock options for 139,225 and 159,400 shares of common stock were not considered in computing diluted earnings per common share for 2015 and 2014 because they were anti-dilutive.

NOTE 16 - STOCK DIVIDENDS

The Company issued a 2.5% and a 5% stock dividend in 2015 and 2014, respectively. The per share data in the statements of income and the footnotes have been adjusted to give retroactive effect to these dividends.

NOTE 17 - PLAN OF MERGER

On November 10, 2015, the Bank and the Bancorp entered into an Agreement and Plan of Merger ("Merger Agreement") with TFC Holding Company ("TFC") and its wholly-owned subsidiary TomatoBank to acquire 100 percent of the outstanding common stock TFC in exchange for cash.

Cash consideration under the Merger Agreement is subject to a detailed pricing arrangement based on tangible book value of TFC at the closing date and which generally provides for a 1.6 multiple applied to tier 1 capital up to a level of 10% and one times the remainder, less certain deductions. The Bank plans a large one-time dividend to the Company in the approximate amount of $86.6 million to fund the cash purchase of TFC. As this amount exceeds the amount of allowable dividends under California Financial Code, pre-approval by the California Department of Business Oversight will be required. Company projections indicate that post-transaction regulatory capital levels exceed the various minimums in Note 12 for both the Company and the Bank.

The transaction is subject to regulatory approval and approval of TFC's shareholders and is expected to close mid February 2016.

As of December 31, 2015, TFC reported total assets and tangible capital of approximately $473.2 million and $61.2 million, respectively. TFC's main office is located in Alhambra, California and has five branch locations.

NOTE 18 - PARENT ONLY CONDENSED FINANCIAL INFORMATION

CONDENSED BALANCE SHEETS
December 31, 2015 and 2014

(dollars in thousands)	2015	2014
ASSETS		
Cash and Cash Equivalents	$ 8,852	$ 6,659
Investment in Bank Subsidiary	149,300	135,655
Investment in Royal Asset Management ("RAM")	5,851	10,047
Other Assets	106	162
Total Assets	$ 164,109	$ 152,523
LIABILITIES AND SHAREHOLDERS' EQUITY		
Other Liabilities	(30)	16
Shareholders' Equity:		
Common Stock	141,873	136,212
Additional Paid-in Capital	7,706	6,373
Retained Earnings	14,753	9,974
Accumulated Other Comprehensive Income (Loss)	(193)	(52)
Total Shareholders' Equity	164,139	152,507
Total Liabilities and Shareholders' Equity	$ 164,109	$ 152,523

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Years ended December 31, 2015 and 2014

(dollars in thousands)	2015	2014
Income	$ -	$ -
Noninterest Expense	298	117
Income (Loss) before Equity in Undistributed Income of Subsidiaries	(298)	(117)
Equity in Undistributed Income of:		
Royal Business Bank	12,310	10,037
Royal Asset Management	804	450
Income before Income Taxes	12,816	10,370
Income Tax Benefit	125	48
Net Income	$ 12,941	$ 10,418
Other Comprehensive Income (Loss)	(141)	238
Total Comprehensive Income	$ 12,800	$ 10,656

NOTE 18 - PARENT ONLY CONDENSED FINANCIAL INFORMATION - Continued

CONDENSED STATEMENTS OF CASH FLOW
Years ended December 31, 2015 and 2014

(dollars in thousands)	2015	2014
Cash Flows from Operating Activities:		
Net Income	$ 12,941	$ 10,418
Provision for deferred income taxes	(125)	(49)
Undistributed Income of Subsidiaries	(13,114)	(10,487)
Change in Other Assets and Liabilities	135	(9)
	(163)	(127)
Cash Flows from Investment Activities:		
Investment in Subsidiaries	5,000	(10,000)
Cash Flows from Financing Activities:		
Dividends Paid	(3,114)	-
Issuance of Common Stock	470	1,645
	(2,644)	1,645.00
Increase (Decrease) in Cash and Cash Equivalents	2,193	(8,482)
Cash and Cash Equivalents Beginning of Year	6,659	15,141
Cash and Cash Equivalents End of Year	$ 8,852	$ 6,659

CORPORATE INFO

Administrative Office

Alan Thian
President
Chief Executive Officer
(626) 307-7588; (213) 533-7928

Vincent Liu
Executive Vice President
Chief Operations Officer
(213) 533-7917

Simon Pang
Executive Vice President
Chief Strategic Officer
Regional Offices Coordinator
(626) 307-7555

Credit Administration

Jeffrey Yeh
Executive Vice President
Chief Credit Officer
(626) 307-7556

Keith Thomas
Senior Vice President
Regional Administrator
(702) 405-2525

Vivian Huang
First Vice President
Loan Review Officer
(626) 923-6622

Finance Department

David Morris
Executive Vice President
Chief Financial Officer
(714) 670-2488

Karen Comer, CPA
Senior Vice President
Controller
(714) 670-2427

Risk Management Department

Sophy Chu
Senior Vice President
Compliance Officer
(213) 533-7906

Jun No
Senior Vice President
BSA Officer
(213) 533-7911

Central Operations

Jay (Justo) Gonzalez
Vice President
Central Operations Manager
(714) 676-0276

Branch Administration

Tsu-Te Huang
Executive Vice President
Branch Administrator
(626) 307-7508

Legal Counsel

Alberto G. Alvarado
Senior Advisor and Counsel
(626) 307-7562

Information Tech Department

William Sanchez
First Vice President
Chief Information Officer
(714) 228-5860

Commercial Lending Division

Doris Yung
First Vice President
Loan Portfolio Manager
(626) 307-7565

Residential Mortgage Loan Division

Larsen Lee
Executive Vice President
Director of Mortgage Lending
(213) 533-7919

International Trade Operations

Catherine Wang
First Vice President
International Banking Manager
(626) 307-7551

SBA Lending Division

Mike Kim
Senior Vice President
SBA Manager
(626) 923-6629

BRANCHES

San Gabriel Branch

Ashley Chang
Vice President
Branch Manager
123 East Valley Boulevard, Suite 101
San Gabriel, CA 91776

(626) 307-7503

Rowland Heights Branch

Fanny Fan
Vice President
Branch Manager
1015 South Nogales Street,
Unit 121 & 122A
Rowland Heights, CA 91748

(626) 322-1208

L.A. Silver Lake Branch

Josephine Nhan
Assistant Vice President
Service Manager
1912 Sunset Boulevard
Los Angeles, CA 90026

(213) 989-1007

Spring Mountain Branch

Nikki Guo
Vice President
Branch Manager
3919 Spring Mountain Road
Las Vegas, NV 89102

(702) 405-2519

Torrance Branch

Grace Lin
Vice President
Branch Manager
23740 Hawthorne Boulevard, Suite 103
Torrance, CA 90505

(310) 602-4519

Monterey Park Branch

Tiffany Tsai
Service Manager
700 West Garvey Avenue
Monterey Park, CA 91754

(626) 570-4810

Buena Park Branch *

7025 Orangethorpe Avenue
Buena Park, CA 90621

(714) 670-2400

Oxnard Branch

Thushara Liyanage
Vice President
Branch Manager
366 West Esplanade Drive
Oxnard, CA 93036

(805) 288-4140

Westlake Village Branch

Thushara Liyanage
Vice President
Branch Manager
600 Hampshire Road, Suite 100
Westlake Village, CA 91361

(805) 288-4140

Alhambra Branch *

1420 E. Valley Blvd
Alhambra, CA 91801

(626) 759-9200

Arcadia Branch

901 S. Baldwin Ave
Arcadia, CA 91007

(626) 802-6222

Cerritos Branch

11304 1/2 South Street
Cerritos, CA 90703

(562) 865-9898

City of Industry Branch *

Joyce Lin
Vice President
Branch Manager
18605 E. Gale # 100
City of Industry, CA 91748

(626) 581-9800

Diamond Bar Branch

Annie Liu
Service Manager
1241 S. Grand Ave. Ste. K
Diamond Bar, CA 91765

(909) 348-5189

West LA Branch

Peter Eason
Vice President
Branch Manager
2105 Sawtelle Blvd
Los Angeles, CA 90025

(310) 806-9669

OFFICE ADDRESSES

Corporate Headquarters

660 South Figueroa Street, Suite 1888
Los Angeles, CA 90017
(213) 627-9888

San Gabriel Administrative Offices

123 East Valley Boulevard, Suite 201
San Gabriel, CA 91776
(626) 307-7500

SBA Department Office

18605 East Gale Avenue, Suite 238
City of Industry, CA 91748
(626) 322-1220

Central Operations Center

7025 Orangethorpe Ave
Buena Park, CA 90621
(714) 670-2400

**Branch will be closed in Mid-2016.*