Communities First Financial Corporation

2015

ANNUAL REPORT

COMMUNITIES FIRST FINANCIAL CORPORATION

"We strive to be the best company our employees ever work for, the best bank our customers ever do business with, and the best investment our shareholders ever make!"

-CFST Employee/Owner

COMMUNITIES FIRST FINANCIAL CORPORATION

Message from the Chairman of the Board and President & CEO

To Our Shareholders:

Fresno First Bank had an outstanding year in 2015 and we will continue to build upon the momentum in 2016. We anticipate seeing continued growth and great results in the years to come. This past year our Bank has been recognized on many levels. We received the honor of being named by Forbes as one of the Best 25 Small Businesses in America, we also received the All-Star Performer Award from the Great Game of Business and we have been named the Top Community Bank SBA Lender in the Central Valley for the third consecutive year.

Our unique style of banking has been serving the greater Fresno community for 10 years now. We continue to look for ways to expand our services and remain on the cutting edge of banking. Our entire team is focused on increasing our assets and loans through the high touch service we bring to each and every client.

Relationships are a very important part of our culture. Our passion and commitment to execute is the foundation of our business as we strive to build long lasting relationships with our clients. We are grateful to our loyal shareholders and wish to thank you for placing your confidence in our team. We look forward to many exciting developments in the future, with long-term shareholder value as our number one goal.

Sincerely,

David Price
Chairman of the Board

Steve Miller
President & CEO

Communities First Financial Corporation

Mission Statement

The mission of Fresno First Bank is to become the Bank of choice for business owners, professionals, entrepreneurs and individuals that value a high touch approach, or "relationship" approach to their banking needs. We will accomplish this by:

- Developing an ownership culture that fosters a working environment which encourages professional and financial growth and entrepreneurial freedom.
- Committing to exceed customer service expectations for quality, responsiveness and professional excellence.
- Generating a superior return for our shareholders while investing in the communities we serve.

Values Statement

Fresno First Bank will be the Bank of choice for successful businesses and individuals who value superior service and a relationship approach to their banking and financing needs. Our group of experienced professional bankers will help clients navigate through complex financial choices which will ultimately assist in stimulating economic growth in our community. Our commitment to an ownership culture will foster an exceptional work environment that generates a fair return for our shareholders.

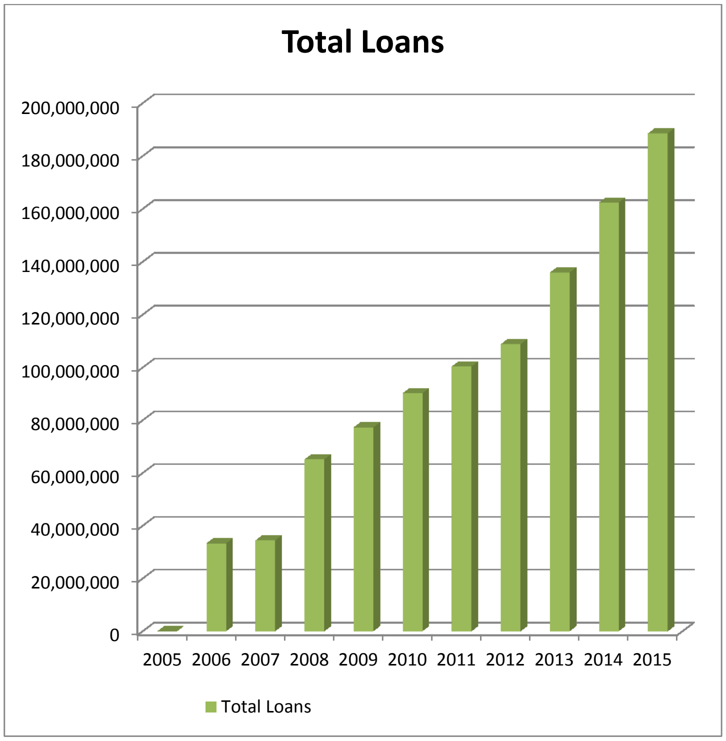
Core Values

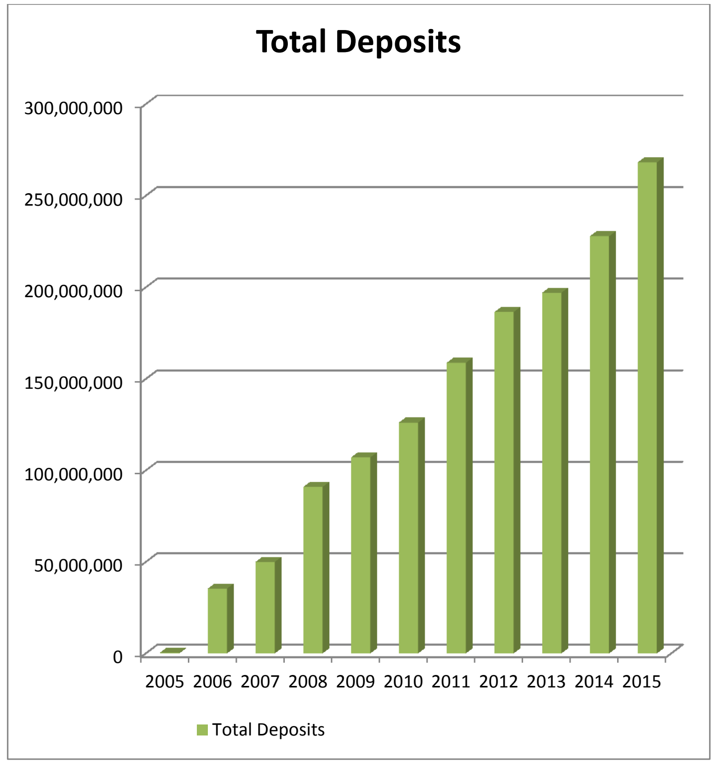
We Value:

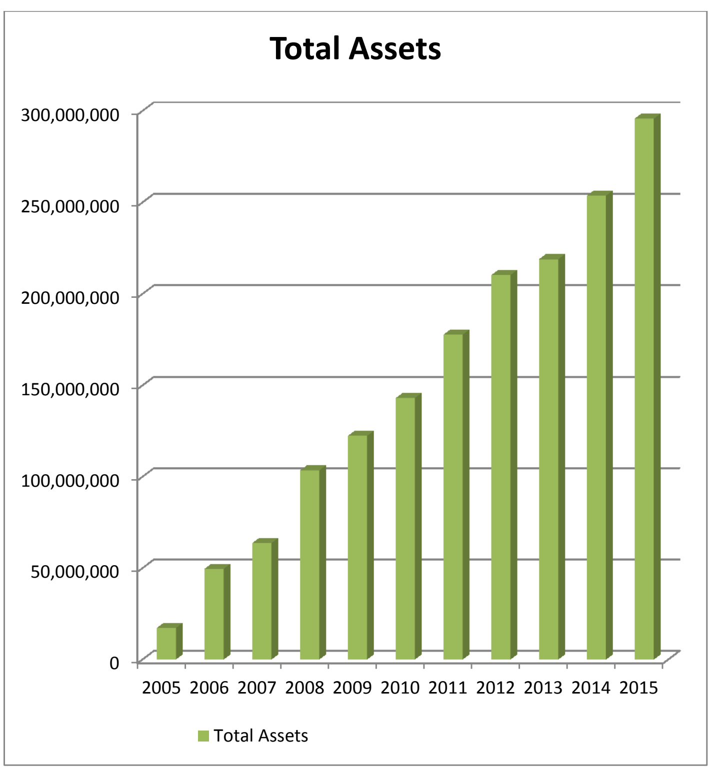
- The highest standard of ethical behavior and professional integrity.
- An owner-orientated working environment dedicated to teamwork that encourages respect and dignity, while recognizing and rewarding innovation and exceptional performance.
- Proactive, solutions-orientated recommendations that consistently exceed client expectations.
- The loyalty of our client relationships gained by knowing, understanding and placing their needs first.

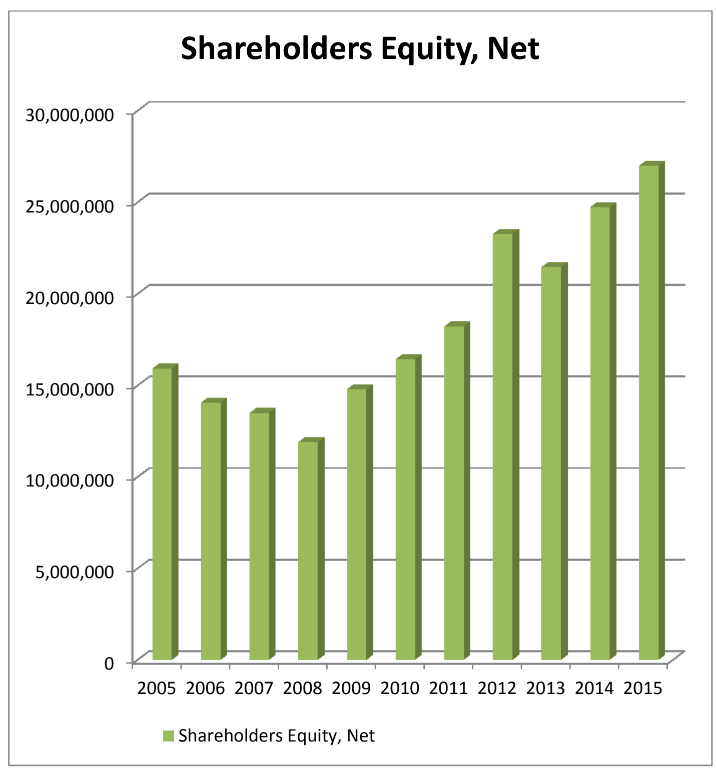
COMMUNITIES FIRST FINANCIAL CORPORATION

The following graphs represent the solid growth that Fresno First Bank has experienced over the last 10 years.









COMMUNITIES FIRST FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

COMMUNITIES FIRST FINANCIAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors
Communities First Financial Corporation
Fresno, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Communities First Financial Corporation which comprise the consolidated balance sheet as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities First Financial Corporation as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of Communities First Financial Corporation as of December 31, 2014, were audited by other auditors whose report dated March 20, 2015, expressed an unmodified opinion on those statements. The report included an emphasis-of-matter paragraph regarding the bank holding company reorganization which was effective November 7, 2014, as discussed in Note 1 to the consolidated financial statements, whereby Communities First Financial Corporation became the parent holding company of Fresno First Bank. Their opinion was not modified for this matter.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
March 28, 2016

COMMUNITIES FIRST FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
December 2015 and 2014

	2015	2014
ASSETS		
Cash and due from banks	$ 11,805,379	$ 6,800,028
Federal funds sold	14,099,481	6,525,000
Interest-bearing deposits in banks	6,000,000	5,250,000
Total cash and cash equivalents	31,904,860	18,575,028
Certificates of deposit	5,695,000	5,200,457
Securities available-for-sale	68,775,094	65,753,890
Loans, net	184,839,048	159,380,441
Correspondent bank stock, at cost	1,649,175	1,595,610
Premises and equipment	167,564	327,453
Interest receivable and other assets	3,007,170	2,492,251
Total assets	$ 296,037,911	$ 253,325,130
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$ 268,111,310	$ 227,844,086
Interest payable and other liabilities	948,761	754,412
Total liabilities	269,060,071	228,598,498
Commitments and contingencies (Notes 4 and 11)		
Shareholders' equity:		
Preferred stock – 5,000,000 shares authorized, $100 par value Series A shares, 0 and 60,593 issued and outstanding in 2015 and 2014, respectively	-	5,676,907
Common stock – 5,000,000 shares authorized, no par value; 2,698,417 and 1,967,502 shares issued and outstanding in 2015 and 2014, respectively	25,882,391	19,521,640
Additional paid-in capital	1,033,984	1,660,404
Accumulated deficit	(300,493)	(2,536,308)
Accumulated other comprehensive income	361,958	403,989
Total shareholders' equity	26,977,840	24,726,632
Total liabilities and shareholders' equity	$ 296,037,911	$ 253,325,130

See accompanying notes to the financial statements.

COMMUNITIES FIRST FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 2015 and 2014

	2015	2014
Interest income:		
Interest and fees on loans	$ 9,493,697	$ 8,367,242
Interest on investment securities	1,333,246	1,482,304
Interest on federal funds sold and other	213,759	120,609
Total interest income	11,040,702	9,970,155
Interest expense:		
Interest on savings deposits, NOW, and money market accounts	210,236	183,083
Interest on time deposits	211,399	239,240
Interest on other borrowings	389	317
Total interest expense	422,024	422,640
Net interest income	10,618,678	9,547,515
Provision for loan losses	270,000	380,000
Net interest income after provision for loan losses	10,348,678	9,167,515
Non-interest income:		
Service charges on deposits	706,192	607,843
Mortgage fee income	-	64,975
Gain (loss) on sale of investment securities	68,285	(105,380)
Gain on sale of loans held-for-sale	389,293	320,839
Gain on sale of other real estate owned	-	7,407
Other operating income	162,738	176,846
Total non-interest income	1,326,508	1,072,530
Non-interest expenses:		
Salaries and employee benefits	4,182,271	3,981,870
Occupancy and equipment expenses	595,494	643,803
Regulatory assessments	182,000	206,000
Data processing fees	532,661	453,232
Professional fees	428,462	359,960
Marketing and business promotion	386,762	290,298
Director fees and stock-based compensation	247,996	213,422
Other expenses	984,094	781,046
Total non-interest expenses	7,539,740	6,929,631
Income before income taxes	4,135,445	3,310,414
Provision for income taxes	1,596,282	1,192,000
Net income	$ 2,539,163	$ 2,118,414
Preferred stock dividends	$ 302,965	$ 303,983
Net income available to common shareholders	$ 2,236,948	$ 1,814,431
Net income per share – basic	$ 1.01	$ 0.92
Net income per share – diluted	$ .93	$ 0.79

See accompanying notes to the financial statements.

COMMUNITIES FIRST FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2015 and 2014

	2015	2014
Net income	$ 2,539,163	$ 2,118,414
Available-for-sale securities:		
Unrealized holding (losses) gains during the year	(2,954)	2,303,034
Reclassification adjustment for (gains) losses realized in net income	(68,285)	105,380
Net unrealized (losses) gains	(71,239)	2,408,414
Income tax benefit (expense)	29,208	(987,449)
Other comprehensive (loss) income	(42,031)	1,420,965
Total comprehensive income	$ 2,497,132	$ 3,539,379

See accompanying notes to the financial statements.

COMMUNITIES FIRST FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2015 and 2014

	Preferred Stock		Common Stock		Additional	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Income (Loss)	Total
Balances, January 1, 2014	61,000	$ 5,715,038	1,963,015	$ 19,483,509	$ 1,629,111	$ (4,350,739)	$ (1,016,976)	$ 21,459,943
Stock-based compensation	-	-	-	-	31,293	-	-	31,293
Conversion of preferred stock	(407)	(38,131)	4,487	38,131	-	-	-	-
Dividend paid on Series A preferred stocks	-	-	-	-	-	(303,983)	-	(303,983)
Net income	-	-	-	-	-	2,118,414	-	2,118,414
Other comprehensive income	-	-	-	-	-	-	1,420,965	1,420,965
Balances, December 31, 2014	60,593	$ 5,676,907	1,967,502	$ 19,521,640	$ 1,660,404	$ (2,536,308)	$ 403,989	$ 24,726,632
Stock-based compensation	-	-	-	-	40,549	-	-	40,549
Exercise of stock options	-	-	47,906	683,844	(666,969)	-	-	16,875
Issuance of restricted stock awards	-	-	15,000	-	-	-	-	-
Conversion of preferred stock	(60,593)	(5,676,907)	668,009	5,676,907	-	(383)	-	(383)
Dividend paid on Series A preferred stocks	-	-	-	-	-	(302,965)	-	(302,965)
Net income	-	-	-	-	-	2,539,163	-	2,539,163
Other comprehensive loss	-	-	-	-	-	-	(42,031)	(42,031)
Balances, December 31, 2015	0	$ 0	2,698,417	$ 25,882,391	$ 1,033,984	$ (300,493)	$ 361,958	$ 26,977,840

See accompanying notes to the financial statements.

COMMUNITIES FIRST FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net income	$ 2,539,163	$ 2,118,414
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization of premises and equipment	210,268	253,599
Amortization and accretion of premiums and discounts on securities available-for-sale, net	620,635	448,703
Provision for loan losses	270,000	380,000
(Gain) loss on sale of investment securities	(68,285)	105,380
Gain on sale of loans held-for-sale	(389,293)	(320,839)
Gain on sale of other real estate owned	0	(7,407)
Proceeds from sale of loans held-for-sale	7,543,070	6,587,725
Originations of loans held-for-sale	(7,153,777)	(5,206,999)
Stock-based compensation	40,549	31,293
(Increase) decrease in deferred taxes	(38,000)	362,000
Increase in interest payable and other liabilities	194,349	307,983
(Increase) decrease in interest receivable and other assets	(476,919)	246,226
Net cash from operating activities	3,291,760	5,306,078
Cash flow from investing activities		
Purchase of certificates of deposit	(1,739,000)	(4,206,000)
Proceeds from maturities of certificates of deposit	1,244,457	499,543
Purchase of available-for-sale securities	(24,120,133)	(13,270,146)
Proceeds from maturities of available-for-sale securities	18,139,949	7,727,463
Proceeds from sale of available-for-sale securities	2,364,599	7,981,648
Net increase in loans	(25,728,607)	(27,269,393)
Purchase of correspondent bank stock	(53,565)	(467,890)
Proceeds from sale of other real estate owned	-	2,030,900
Purchases of premises and equipment	(50,379)	(65,268)
Net cash from investing activities	(29,942,679)	(27,039,143)

(Continued)

	2015	2014
Cash flows from financing activities		
Net increase in demand deposits and savings accounts	$ 36,336,947	$ 33,734,521
Net increase (decrease) in time deposits	3,930,277	(2,917,299)
Cash paid in lieu of fractional shares	(383)	-
Payment of dividends on Series A preferred stocks	(302,965)	(303,983)
Proceeds of issuance of common stock	16,875	-
Net cash from financing activities	39,980,751	30,513,239
Net increase in cash and cash equivalents	13,329,832	8,780,174
Cash and cash equivalents, beginning of year	18,575,028	9,794,854
Cash and cash equivalents, end of year	$ 31,904,860	$ 18,575,028
Supplemental disclosures of cash flow information:		
Interest paid	$ 422,013	$ 425,035
Taxes paid	$ 1,930,000	$ 539,500
Non-cash financing activities:		
Conversion of preferred stock	$ 5,676,907	$ 38,131

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Communities First Financial Corporation (the Company) conform to accounting principles generally accepted in the United States of America and general practices within the banking industry. A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

Nature of Operations: On November 7, 2014 (the Effective Date), a bank holding company reorganization was completed whereby Communities First Financial Corporation became the parent holding company of Fresno First Bank (the Bank). On the Effective Date, each of the Bank's outstanding shares of common stock converted into an equal number of shares of common stock of Communities First Financial Corporation, and the Bank became its wholly-owned subsidiary. The Company's administrative headquarters is based in Fresno, California.

The Bank is incorporated in the state of California and organized as a single operating segment that operates one full-service office in Fresno, California. The Bank's primary source of revenue is providing loans to customers, who are predominately small and middle-market businesses and individuals.

Consolidation: The consolidated financial statements include the accounts of Communities First Financial Corporation and its wholly owned subsidiary, Fresno First Bank. Intercompany accounts and transactions have been eliminated in consolidation.

Estimates: In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reported year. Actual results could differ from those estimates.

Concentrations of Credit Risk: Assets and liabilities that subject the Company to concentrations of credit risk consist of cash balances at other banks, loans, and deposits. Most of the Company's customers are located within Fresno County and the surrounding areas. The Company's primary lending products are discussed in Note 3 to the consolidated financial statements. The Company did not have any significant concentrations in its business with any one customer or industry. The Company obtains what it believes to be sufficient collateral to secure potential losses on loans. The extent and value of collateral varies based on the details underlying each loan agreement.

As of December 31, 2015 and 2014, the Company has cash deposits at other financial institutions in excess of FDIC insured limits. However, as the Company places these deposits with major financial institutions and monitors the financial condition of these institutions, management believes the risk of loss to be minimal. Banking regulations require that banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. The Company complied with the reserve requirements as of December 31, 2015 and 2014.

Cash and Cash Equivalents: For purposes of reporting cash flows, cash equivalents include cash, due from banks, interest-bearing deposits in financial institutions with maturities of 90 days or less, and federal funds sold. Generally, federal funds are sold for one-day periods and interest-bearing deposits are for periods of 90 days or less.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities Available-For-Sale: Available-for-sale securities consist of U.S. Treasury securities, U.S. agency securities, obligations of states and political subdivisions, obligations of U.S. corporations, mortgage-backed securities, and other securities not classified as trading securities or held-to-maturity securities. These securities are carried at estimated fair value with unrealized holding gains and losses, net of tax, reported as a separate component of accumulated other comprehensive income, until realized. Gains and losses on the sale of available-for-sale securities are determined using the specific identification method. The amortization of premiums and accretion of discounts are recognized as adjustments to interest income using the interest method over the period to call or maturity.

Investments with fair values that are less than amortized cost are considered impaired. Impairment may result from either a decline in the financial condition of the issuing entity or, in the case of fixed interest rate investments, from rising interest rates. At each financial statement date, management assesses each investment to determine if impaired investments are temporarily impaired or if the impairment is other than temporary. This assessment includes a determination of whether the Company intends to sell the security, or if it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis less any current-period credit losses. For debt securities that are considered other than temporarily impaired and that the Company does not intend to sell and will not be required to sell prior to recovery of the amortized cost basis, the amount of impairment is separated into the amount that is credit related (credit loss component) and the amount due to all other factors.

The credit loss component is recognized in earnings and is calculated as the difference between the security's amortized cost basis and the present value of its expected future cash flows. The remaining difference between the security's fair value and the present value of the future expected cash flows is deemed to be due to factors that are not credit related and is recognized in other comprehensive income.

Loans: Loans are reported at the principal amount outstanding, net of deferred loan fees and costs and the allowance for loan losses. Unearned discounts on installment loans are recognized as income over the terms of the loans. Interest on other loans is calculated by using the simple interest method on the daily balance of the principal amount outstanding.

Loan fees, net of certain direct costs of origination, are deferred and amortized over the contractual term of the loan as an adjustment to the interest yield. During the years ended December 31, 2015 and 2014, salaries and employee benefits expense totaling $75,215 and $99,356, respectively, were deferred as loan origination costs.

Loans on which the accrual of interest has been discontinued are designated as non-accrual loans. Accrual of interest on loans is discontinued either when reasonable doubt exists as to the full and timely collection of interest or principal or when a loan becomes contractually past due by 90 days or more with respect to interest or principal. When a loan is placed on non-accrual status, all interest previously accrued, but not collected, is reversed against current period interest income. Income on such loans is then recognized only to the extent that cash is received and where the future collection of principal is probable. Interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for loan losses: The allowance for loan losses is established through a provision for loan losses charged to operations. Loan losses are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. Subsequent recoveries of previously charged off amounts, if any, are credited to the allowance.

Management employs a systematic methodology for determining the allowance for loan losses. On a regular basis, management reviews the credit quality of the loan portfolio and considers problem and delinquent loans, existing general economic conditions affecting the key lending areas of the Company, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio, specific industry conditions, recent loss experience, duration of the current business cycle, bank regulatory examination results, and findings of the Company's internal credit examiners. The allowance for loan losses at December 31, 2015 and 2014 reflects management's estimate of probable incurred losses in the portfolio. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as impaired. Impaired loans, as defined, are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. The general component relates to non-impaired loans and is based on historical loss experience and loss history experienced by the Company's peers when the Company did not have losses in a particular loan class, adjusted for qualitative factors impacting the loan portfolio. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

The Company considers a loan impaired when it is probable that all amounts of principal and interest due will not be collected according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, borrower's ability to repay, credit worthiness, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, current credit worthiness, and the amount of the shortfall in relation to the principal and interest owed.

Troubled Debt Restructuring: In situations where, for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider, the related loan is classified as a troubled debt restructuring. The Company measures any loss on the troubled debt restructuring in accordance with the guidance concerning impaired loans set forth above. Additionally, loans modified in troubled debt restructurings are generally placed on non-accrual status at the time of restructuring. These loans are returned to accrual status after the borrower demonstrates performance with the modified terms for a sustained period of time (generally six months) and has the capacity to continue to perform in accordance with the modified terms of the restructured debt.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Correspondent Bank Stock: The Company is a member of the Federal Home Loan Bank (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. The Bank held stock in the FHLB totaling $1,024,400 and $977,000 at December 31, 2015 and 2014, respectively. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income. FHLB stock was not considered impaired as of December 31, 2015 and 2014. The remaining balance in the correspondent bank stock account on the consolidated balance sheet includes The Independent Bankers Bank (TIB) stock of $224,775 and $218,610 and Pacific Coast Bankers' Bank (PCBB) stock of $400,000 and $400,000 at December 31, 2015 and 2014, respectively. TIB and PCBB stock are carried at cost and were not considered impaired as of December 31, 2015 and 2014.

Premises and Equipment: 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 range from three to seven years for computer equipment, equipment, furniture, and fixtures. 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.

Advertising Costs: The Company expenses the costs of advertising in the year incurred. Advertising expense was $278,562 and $192,118 for the years ended December 31, 2015 and 2014, respectively.

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. 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.

Loans Held For Sale: Loans held for sale include mortgage loans and are reported at the lower of cost or market value. Cost generally approximates market value, given the short duration of these assets. Gains or losses on the sale of loans that are held for sale are recognized at the time of the sale, subject to the expiration of any warranty or recourse provisions, and determined by the difference between net sale proceeds and the net book value of the loans, plus the estimated fair value of any retained mortgage servicing rights, less the estimated discount associated with the unguaranteed portion of the sold loan that is retained.

Income Taxes: The Company uses the asset and liability method to account for income taxes. Under such method, deferred tax assets and liabilities are recognized for the future tax consequences of differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis (temporary differences). Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes in the period of enactment.

A valuation allowance against net deferred tax assets is established to the extent that it is more likely than not that the benefits associated with the deferred tax assets will not be fully realized.

In accordance with accounting standards, the Company has assessed its tax positions and has concluded there are no unrecognized tax benefits at December 31, 2015 and 2014.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2015 and 2014, the Company recognized no interest and penalties.

The Company files a consolidated tax return in the U.S. federal jurisdiction and with the state of California and has a tax sharing agreement with the Bank. The Company is subject to U.S. federal and state income tax examinations by tax authorities for years beginning 2011.

Comprehensive Income: Changes in unrealized gains and losses on available-for-sale securities are the only component of accumulated other comprehensive income for the Company.

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

See Note 14 and Note 15 for more information and disclosures relating to the Company's fair value measurements.

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 11. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Earnings Per Share (EPS): Basic EPS excludes dilution and is computed by dividing income available to common stockholders 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, such as stock options, were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The treasury stock method is applied to determine the dilutive effect of stock options when computing diluted earnings per share. The dilutive effect of convertible preferred stock is calculated using the "if-converted method." Under the if-converted method, securities are assumed to be converted at the beginning of the period, and the resulting common shares are included in the denominator of the diluted EPS calculation for the entire period being presented. Dividends on convertible securities are added back to the numerator for purposes of the if-converted calculation.

Stock-Based Compensation: The Company recognizes the cost of employee services received in exchange for awards of stock options, or other equity instruments, based on the grant-date fair value of those awards. This cost is recognized over the period that an employee is required to provide services in exchange for the award, generally the vesting period. See Note 12 for additional information on the Company's stock option plan.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Servicing Rights: The Company sells or transfers loans, including the guaranteed portion of various government agencies' loans (with servicing retained) for cash proceeds equal to the principal amount of loans, as adjusted to yield interest to the investor based upon the current market rates. The Company records an asset representing the right to service a loan for others when it sells a loan and retains the servicing rights. The carrying value of the loan is allocated between the loan and the servicing rights, based on their relative fair values. The fair value of servicing rights is estimated by discounting estimated future cash flows from servicing using discount rates that approximate current market rates and estimated prepayment rates.

The servicing rights are initially measured at fair value and amortized in proportion to and over the period of the estimated net servicing income assuming prepayments. Additionally, management assesses the servicing rights for impairment as of each financial reporting date. For purposes of evaluating and measuring impairment, servicing rights are based on a discounted cash flow methodology, current prepayment speeds, and market discount rates. Any impairment is measured as the amount by which the carrying value of servicing rights for a stratum exceeds its fair value. The carrying value of servicing rights at December 31, 2015 and 2014 were $209,615 and $95,472, respectively. No impairment charges were recorded for the years ended December 31, 2015 or 2014 related to servicing assets.

Reclassifications: Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the classifications used in 2015.

(Continued)

NOTE 2 – INVESTMENT SECURITIES

The amortized cost and estimated fair values of securities available-for-sale are as follows:

	2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:				
U.S. government and agency securities	$ 31,047,522	$ 353,945	$ (70,535)	$ 31,330,932
Mortgage-backed securities	23,751,827	127,853	(77,180)	23,802,500
State and municipal agencies	13,362,258	286,933	(7,529)	13,641,663
	$ 68,161,607	$ 768,731	$ (155,244)	$ 68,775,094

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:				
U.S. government and agency securities	$ 28,033,151	$ 458,999	$ (55,895)	$ 28,436,255
Mortgage-backed securities	22,736,848	176,953	(119,008)	22,794,793
State and municipal agencies	14,299,165	253,746	(30,069)	14,522,842
	$ 65,069,164	$ 889,698	$ (204,972)	$ 65,753,890

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.

	Amortized	Estimated Fair Value
Within one year	$ 266,801	$ 266,801
One to five years	12,399,373	12,461,726
Five to ten years	18,267,859	18,328,330
Beyond ten years	37,227,574	37,718,237
	$ 68,161,607	$ 68,775,094

(Continued)

NOTE 2 – 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 are as follows:

	Less than 12 months		12 months or more		Total	
2015	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government and agency securities	$ 6,519,084	$ (50,457)	$ 2,441,973	$ (20,078)	$ 8,961,057	$ (70,535)
Mortgage-backed securities	6,355,428	(44,812)	961,182	(32,368)	7,316,610	(77,180)
State and municipal agencies	1,389,235	(7,529	0	0	1,389,235	(7,529)
	$ 14,263,747	$ (102,798)	$ 3,403,155	$ (52,446)	$ 17,666,902	$ (155,244)

	Less than 12 months		12 months or more		Total	
2014	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government and agency securities	$ 2,868,285	$ (3,098)	$ 6,205,346	$ (52,797)	$ 9,073,631	$ (55,895)
Mortgage-backed securities	5,504,306	(21,221)	6,481,077	(97,787)	1,985,383	(119,008)
State and municipal agencies	860,678	(2,044)	2,734,463	(28,025)	3,595,141	(30,069)
	$ 9,233,269	$ (26,363)	$ 15,420,886	$ (178,609)	$ 24,654,155	$ (204,972)

Certain investment securities shown in the previous table currently have fair values less than amortized cost and therefore contain unrealized losses. The Bank considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than the amortized cost, (b) the financial condition and near-term prospects of the issuer, (c) the intent and ability of the Bank to retain its investment for a period of time sufficient to allow for an anticipated recovery in value, (d) whether the debtor is current on interest and principal payments, and (e) general market conditions and the industry-or sector-specific outlook. Management has evaluated all securities at December 31, 2015 and 2014 and has determined that no securities are other than temporarily impaired.

The Bank does not have the intent to sell the investments that are impaired, and it is more likely than not that the Bank will not be required to sell those investments before recovery of the amortized cost basis. The Bank has evaluated these securities and has determined that the decline in value is temporary and is related to the change in market interest rates since purchase. The decline in value is not related to any issuer or industry-specific event. These temporary unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. At December 31, 2015, there were 31 investment securities with unrealized losses. The Bank anticipates full recovery of amortized cost with respect to these securities at maturity or sooner in the event of a more favorable market interest rate environment.

(Continued)

NOTE 2 – INVESTMENT SECURITIES (Continued)

Proceeds from the sales of investment securities totaled $2,364,599 and $7,981,648 during the years ended December 31, 2015 and 2014, respectively. Gross realized gains totaled $78,808 and $103,562 during 2015 and 2014, respectively. Gross realized losses totaled $10,523 and $208,942 during 2015 and 2014, respectively.

Investment securities carried at approximately $16,632,000 and $2,516,000 at December 31, 2015 and 2014, respectively, were pledged to secure public deposits or other purposes as permitted or required by law.

NOTE 3 – LOANS

Major classifications of loans are as follows:

	2015	2014
Commercial and industrial	$ 74,910,256	$ 60,931,287
Commercial real estate	63,534,864	56,378,310
Land and construction	11,823,378	7,717,903
Residential real estate	15,069,169	14,628,999
Agriculture	23,232,211	22,704,848
Consumer	37,613	44,796
	188,607,489	162,406,143
Allowance for loan losses	(3,556,390)	(3,042,862)
Deferred loan fees and costs, net	(212,051)	17,160
	$ 184,839,048	$ 159,380,441

The Bank’s loan portfolio consists primarily of loans to borrowers within Fresno County, California.

All of the Bank’s loans are underwritten by evaluating the borrower’s character, cash flow, collateral, and credit worthiness and, for commercial and business loans, managerial and operational experience. Underwriting standards are designed to promote relationship banking rather than transactional banking.

Commercial and industrial loans are primarily made to commercial and business entities for working capital, equipment purchases, growth and expansion, and any other permissible purposes. The Bank’s management examines current and projected cash flows to determine the ability of the borrower to repay its obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as equipment, accounts receivable, or inventory and may incorporate personal guarantees or personal assets as collateral; however, some loans may be made on an unsecured basis.

(Continued)

NOTE 3 – LOANS (Continued)

Commercial real estate loans are primarily made to owner-users of the property or investors with current tenants in the property. Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Bank's commercial real estate portfolio are diverse in terms of type and industries operating within the properties. This diversity helps reduce the Bank's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral type, geography, industry, and risk grade criteria.

Land and construction loans are primarily made to borrowers who are using the property for their own purposes. Land loans are made with amortizing repayment terms to borrowers with proven, historic cash flow sufficient to repay the loan. Collateral values are based on the current "as is" market value of the property. Construction loans are made based on the borrower's historic and projected cash flow. Risk arises from the necessity to complete projects within specified cost and time limits. Trends in the construction industry may also impact the credit quality of these loans, as demand drives construction activity. In addition, trends in real estate values significantly impact the credit quality of these loans, as property values determine the economic viability of future construction projects.

Residential real estate loans are made to individuals for the purchase or refinance of residential 1-to-4 family properties for investment purposes. Residential real estate loans are underwritten similar to commercial and industrial and commercial real loans. Residential real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy.

Agricultural loans are primarily made to producers of agricultural products. Agricultural loans are subject to underwriting standards and processes similar to commercial loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate and/or agricultural commodities. Agricultural real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Agricultural crop loans may be more adversely affected by conditions in the weather or in the general economy. The properties securing the Bank's agricultural portfolio are diverse in terms of type of crop. This diversity helps reduce the Bank's exposure to adverse economic events that affect any single commodity. Management monitors and evaluates agricultural real estate loans based on collateral, crop type, geography, and risk grade criteria.

The Bank utilizes an independent third party loan review consultant to review and validate the credit risk program on a periodic basis. Results of these reviews are presented to management and the Bank's Board of Directors. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Bank's policies and procedures

(Continued)

NOTE 3 – LOANS (Continued)

Information related to impaired loans as of December 31, 2015 and for the year ended consisted of the following:

	Commercial and Industrial	Commercial Real Estate	Land and Construction	Residential Real Estate	Agriculture	Consumer	Total
Recorded investment in impaired loans:							
With no specific allowance recorded	$ 1,081,923	$	$	$	$	$	$ 1,081,923
With a specific allowance recorded	1,278,630						1,278,630
Total recorded investment in impaired loans	$ 2,360,553	$	$	$	$	$	$ 2,360,553
Unpaid principal balance of impaired loans:							
With no specific allowance recorded	$ 1,081,923	$	$	$	$	$	$ 1,081,923
With a specific allowance recorded	1,278,630						1,278,630
Total unpaid principal balance of impaired loans	$ 2,360,553	$	$	$	$	$	$ 2,360,553
Specific allowance	$ 1,278,630	$	$	$	$	$	$ 1,278,630
Average recorded investment in impaired loans during the year	$ 1,794,910	$ 392,112	$	$	$	$	$ 2,187,022
Interest income recognized on impaired loans during the year	$	$ 14,626	$	$ 1	$	$	$ 14,627

Information related to impaired loans as of December 31, 2014 and for the year ended consisted of the following:

	Commercial and Industrial	Commercial Real Estate	Land and Construction	Residential Real Estate	Agriculture	Consumer	Total
Recorded investment in impaired loans:							
With no specific allowance recorded	$ -	$ -	$ -	$ 49,054	$ -	$ -	$ 49,054
With a specific allowance recorded	-	820,653	-	-	-	-	820,653
Total recorded investment in impaired loans	$ -	$ 820,653	$ -	$ 49,054	$ -	$ -	$ 869,707
Unpaid principal balance of impaired loans:							
With no specific allowance recorded	$ -	$ -	$ -	$ 49,054	$ -	$ -	$ 49,054
With a specific allowance recorded	-	820,653	-	-	-	-	820,653
Total unpaid principal balance of impaired loans	$ -	$ 820,653	$ -	$ 49,054	$ -	$ -	$ 869,707
Specific allowance	$ -	$ 38,449	$ -	$ -	$ -	$ -	$ 38,449
Average recorded investment in impaired loans during the year	$ -	$ 829,861	$ -	$ 101,427	$ -	$ -	$ 931,288
Interest income recognized on impaired loans during the year	$ -	$ 19,027	$ -	$ 4,993	$ -	$ -	$ 24,020

(Continued)

NOTE 3 – LOANS (Continued)

The Bank has established a loan risk rating system to measure and monitor the quality of the loan portfolio. All loans are assigned a risk rating from the inception of the loan until the loan is paid off. The primary loan grades are as follows:

Loans rated Pass **–** These are loans to borrowers with satisfactory financial support, repayment capacity, and credit strength. Borrowers in this category demonstrate fundamentally sound financial positions, repayment capacity, credit history, and management expertise. Loans in this category must have an identifiable and stable source of repayment and meet the Bank's policy regarding debt service coverage ratios. These borrowers are capable of sustaining normal economic, market, or operational setbacks without significant financial impacts. Financial ratios and trends are acceptable. Negative external industry factors are generally not present. The loan may be secured, unsecured, or supported by non-real estate collateral for which the value is more difficult to determine and/or marketability is more uncertain. These loans carry a normal degree of risk. The borrowers have the capacity to perform according to terms; any deviation from historic performance is limited and temporary.

Loans rated Special Mention **–** These are loans that have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. Special Mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification. These loans exhibit a more weakened condition than Pass loans, but not to the degree where they would be considered substandard. These loans show definite signs of deterioration or weakness, and the likelihood of correction is somewhat questionable. Weaknesses might include significant earnings decline, collection of accounts receivable is slowing, delayed accounts payable, greater dependency on line usage, and covenants not being met and/or waived for short periods.

Loans rated Substandard **–** These are loans that are inadequately protected by the current sound worth and paying capacity of the borrower or by the collateral pledged, if any. These loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the loan. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Loans rated Doubtful **–** These are loans that have all the weaknesses inherent in a loan classified as Substandard with the added characteristic that the weaknesses make the collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable, and improbable. These loans have a high probability of loss due to significant deterioration in financial condition of the borrower and collateral value pledged, if any. The borrower is unable to demonstrate the ability to strengthen their financial condition within a reasonable time; therefore, close supervision is required and the loan is placed on non-accrual. The risk of loss is measured by an impairment analysis; any loss exposure determined through this analysis is to be charged off.

(Continued)

NOTE 3 – LOANS (Continued)

The following table summarizes the loan portfolio by credit quality and product and/or collateral type as of December 31, 2015:

	Pass	Special Mention	Substandard	Doubtful	Total
Grade:					
Commercial and industrial	$ 72,207,229	$ -	$ 342,474	$ 2,360,553	$ 74,910,256
Commercial real estate	63,534,864	-	-	-	63,534,864
Land and construction	11,823,378	-	-	-	11,823,378
Residential real estate	14,775,364	-	293,804	-	15,069,169
Agriculture	23,232,211	-	-	-	23,232,211
Consumer	37,613	-	-	-	37,613
Total	$ 185,610,658	$ -	$ 636,279	$ 2,360,553	$ 188,607,489

The following table summarizes the loan portfolio by credit quality and product and/or collateral type as of December 31, 2014:

	Pass	Special Mention	Substandard	Doubtful	Total
Grade:					
Commercial and industrial	$ 56,871,911	$ 825,529	$ 3,233,847	$ -	$ 60,931,287
Commercial real estate	52,601,572	-	3,776,738	-	56,378,310
Land and construction	7,717,903	-	-	-	7,717,903
Residential real estate	14,286,001	-	342,998	-	14,628,999
Agriculture	22,704,848	-	-	-	22,704,848
Consumer	44,796	-	-	-	44,796
Total	$ 154,227,031	$ 825,529	$ 7,353,583	$ -	$ 162,406,143

(Continued)

NOTE 3 – LOANS (Continued)

The following table is an aging analysis of loans, segregated by class of loans, as of December 31, 2015:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment> 90 Days and Accruing
Commercial and industrial	$ -	$ -	$ 2,360,553	$ 2,360,553	$ 72,549,703	$ 74,910,256	$ -
Commercial real estate		-	-	-	-	63,534,864	63,534,864
-							
Land and construction	-	-	-	-	11,823,378	11,823,378	-
Residential real estate	-	-	-	-	15,069,169	15,069,169	-
Agriculture	-	-	-	-	23,232,211	23,232,211	-
Consumer	-	-	-	-	37,613	37,613	-
Total	$ -	$ -	$ 2,360,553	$ 2,360,553	$ 188,607,489	$ 188,607,489	$ -

The following table is an aging analysis of loans, segregated by class of loans, as of December 31, 2014:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment> 90 Days and Accruing
Commercial and industrial	$ -	$ -	$ -	$ -	$ 60,931,287	$ 60,931,287	$ -
Commercial real estate		-	3,269,247	-	3,269,247	53,109,063	56,378,310
-							
Land and construction	-	-	-	-	7,717,903	7,717,903	-
Residential real estate	-	-	-	-	14,628,999	14,628,999	-
Agriculture	-	-	-	-	22,704,848	22,704,848	-
Consumer	-	-	-	-	44,796	44,796	-
Total	$ -	$ 3,269,247	$ -	$ 3,269,247	$ 159,136,896	$ 162,406,143	$ -

The following table shows the loans, segregated by class that were modified and considered troubled debt restructurings during 2015:

	2015		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial and industrial	1	$ 1,208,355	$ 1,208,355
Commercial real estate	-	-	-
Land and construction	-	-	-
Residential real estate	-	-	-
Agriculture	-	-	-
Consumer	-	-	-
Total	1	$ 1,208,355	$ 1,208,355

The troubled debt restructuring described above increased the allowance for loan losses by approximately $1,190,000. During 2014, there were no loans that were modified and considered troubled debt restructurings. During 2015 there were no troubled debt restructurings for which there was a payment default within twelve months following the modification date.

The Bank has not committed to lend any additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

(Continued)

NOTE 3 – LOANS (Continued)

Year end non-accrual loans, segregated by class, are as follows:

	2015	2014
Commercial and industrial	$ 2,360,553	$ -
Commercial real estate	-	-
Land and construction	-	-
Residential real estate	-	48,750
Agriculture	-	-
Consumer	-	-
	$ 2,360,553	$ 48,750

(Continued)

NOTE 3 – LOANS (Continued)

The following table summarizes the Bank's allowance for loan losses for the year ended December 31, 2015 by loan product and collateral type:

	Commercial and Industrial	Commercial Real Estate	Land and Construction	Residential Real Estate	Agriculture	Consumer	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 1,534,337	$ 784,357	$ 93,730	$ 133,240	$ 168,870	$ 244	$ 328,084	$ 3,042,862
Charge-offs	(66,156)	-	-	-	-	-	-	(66,156)
Recoveries	242,158	-	-	67,526	-	-	-	309,684
Provision	708,976	(445,707)	145,367	(111,484)	(19,543)	78	(7,687)	270,000
Ending balance	$ 2,419,316	$ 338,650	$ 239,097	$ 89,282	$ 149,327	$ 322	$ 320,397	$ 3,556,390
Period-end amount allocated to:								
Loans individually evaluated for impairment	$ 1,278,630	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,278,630
Loans collectively evaluated for impairment	1,140,685	338,650	239,097	89,282	149,327	322	320,397	2,277,760
Ending balance	$ 2,419,315	$ 338,650	$ 239,097	$ 89,282	$ 149,327	$ 322	$ 320,397	$ 3,556,390
Loans:								
Individually evaluated for impairment	$ 2,360,553	$ -	$ -	$ -	$ -	$ -		$ 2,360,553
Collectively evaluated for impairment	72,549,703	63,534,864	11,823,378	15,069,169	23,232,211	37,613		186,246,936
Ending balance	$ 74,910,256	$ 63,534,864	$ 11,823,378	$ 15,069,169	$ 23,232,211	$ 37,613		$188,607,489

(Continued)

NOTE 3 – LOANS (Continued)

The following table summarizes the Bank's allowance for loan losses for the year ended December 31, 2014 by loan product and collateral type:

	Commercial and Industrial	Commercial Real Estate	Land and Construction	Residential Real Estate	Agriculture	Consumer	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 621,055	$ 1,010,534	$ 141,395	$ 218,796	$ 206,558	$ 519	$ 324,480	$ 2,523,337
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	139,509	-	-	-	-	16	-	139,525
Provision	773,773	(226,177)	(47,665)	(85,556)	(37,688)	(291)	3,604	380,000
Ending balance	$ 1,534,337	$ 784,357	$ 93,730	$ 133,240	$ 168,870	$ 244	$ 328,084	$ 3,042,862
Period-end amount allocated to:								
Loans individually evaluated for impairment	$ -	$ 38,449	$ -	$ -	$ -	$ -	$ -	$ 38,449
Loans collectively evaluated for impairment	1,534,337	745,908	93,730	133,240	168,870	244	328,084	3,004,413
Ending balance	$ 1,534,337	$ 784,357	$ 93,730	$ 133,240	$ 168,870	$ 244	$ 328,084	$ 3,042,862
Loans:								
Individually evaluated for impairment	$ -	$ 820,653	$ -	$ 49,054	$ -	$ -		$ 869,707
Collectively evaluated for impairment	60,931,287	55,557,657	7,717,903	14,579,945	22,704,848	44,796		161,536,436
Ending balance	$ 60,931,287	$ 56,378,310	$ 7,717,903	$ 14,628,999	$ 22,704,848	$ 44,796		$162,406,143

(Continued)

NOTE 4 – PREMISES AND EQUIPMENT

A summary of premises and equipment is as follows:

	2015	2014
Leasehold improvements	$ 1,217,831	$ 1,217,831
Furniture, fixtures, and equipment	585,392	563,740
Computer equipment	780,861	752,135
	2,584,085	2,533,706
Less accumulated depreciation and amortization	(2,416,521)	(2,206,253)
	$ 167,564	$ 327,453

The Bank has entered into a ten-year lease for its main banking and administrative offices. The Bank is responsible for common area maintenance, taxes, and insurance to the extent they exceed the base year amounts. The original lease was due to expire on January 31, 2016. During 2015 the Bank exercised the first of two optional extensions to remain in its present location. The extended lease expires on January 31, 2021.

At December 31, 2015, the future lease rental payable under non-cancellable operating lease commitments for the Bank's main and administrative offices were as follows:

2016	$ 322,170
2017	322,170
2018	322,170
2019	331,836
2020	340,961
Thereafter	28,483
	$ 1,667,790

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 approximately $308,248 and 290,345 for the years ended December 31, 2015 and 2014 respectively.

(Continued)

NOTE 5 – DEPOSITS

Customer deposits were as follows:

	2015	2014
Non-interest-bearing demand	$ 120,303,379	$ 90,228,529
Savings, NOW, and money market accounts	108,488,276	102,226,179
Time deposits under $250,000	23,721,883	23,559,219
Time deposits $250,000 and over	15,597,772	11,830,159
	$ 268,111,310	$ 227,844,086

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

2016	$ 33,782,137
2017	2,924,169
2018	1,649,849
2019	486,452
2020	477,048
Thereafter	0
	$ 39,319,655

NOTE 6 – BORROWING ARRANGEMENTS

The Bank may borrow up to $19,000,000 overnight on an unsecured basis from three correspondent banks. The Bank may also borrow up to approximately $73,000,000 from the Federal Home Loan Bank of San Francisco, subject to providing collateral and fulfilling other conditions of the credit facility. The Bank has pledged investment securities of approximately $16,632,000 for the credit facility at Federal Home Loan Bank of San Francisco. The Bank may also borrow from the Federal Reserve Bank of San Francisco, subject to fulfilling other conditions of the credit facility and providing collateral. As of December 2015 and 2014, no amounts were outstanding under these arrangements.

NOTE 7 – EMPLOYEE BENEFITS

The Company sponsors an employee stock ownership plan (ESOP) for eligible employees. Eligibility begins after an employee has attained the age of 21 and completed one year of service, as defined in the ESOP documents. Under the ESOP, the Company contributes a discretionary amount to the ESOP for the purchase of the Company's stock, to be held in trust for each participant to be distributed later in accordance with the ESOP. For the years ended December 31, 2015 and 2014, contributions to the ESOP were $185,560 and $181,782, respectively. The ESOP held 111,413 and 68,393 shares of common stock as of December 31, 2015 and 2014, respectively and there were no unearned shares of common stock held by the ESOP at December 31, 2015 and 2014.

The Company sponsors a 401(k) plan for the benefit of its employees. The Company can match employee contributions and make additional contributions annually as determined by the Board of Directors. The Company made no contributions for the years ended December 31, 2015 and 2014.

(Continued)

NOTE 8 – INCOME TAXES

The provision for income taxes for the years ended December 31 consists of the following:

	2015	2014
Current		
Federal	$ 1,380,000	$ 775,000
State	320,000	55,000
	1,700,000	830,000
Deferred		
Federal	(187,000)	68,000
State	149,000	294,000
	(38,000)	362,000
Reversal of valuation allowance	(66,000)	-
	$ 1,596,000	$ 1,192,000

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 included in interest receivable and other assets in the accompanying consolidated balance sheets at December 31:

	2015	2014
Deferred tax assets:		
Pre-operating expenses	$ 86,000	$ 103,000
Depreciation differences	319,000	225,000
Allowance for loan losses due to tax limitations	771,000	659,000
Stock-based compensation	42,000	274,000
Operating loss carryforwards	-	98,000
State tax deferral	109,000	-
Non-accrual loan interest	45,000	-
Other	133,000	110,000
	1,505,000	1,469,000
Deferred tax liabilities:		
Unrealized gains on available-for-sale securities	(252,000)	(280,000)
Other	(116,000)	(118,000)
	(368,000)	(398,000)
Valuation allowance	-	(66,000)
Net deferred income tax asset	$ 1,137,000	$ 1,005,000

(Continued)

NOTE 8 – INCOME TAXES (Continued)

As of December 31, 2014, a valuation allowance of $66,000 was recorded for certain non-qualified stock options the Company determined were more likely than not unable to be realized before option expiration. In 2015 the valuation allowance was reduced to zero as a result of the expiration and forfeiture of the stock options related to the valuation allowance. The related deferred tax asset was written off in conjunction with the valuation allowance. During 2015, the bank utilized all remaining California net operating loss carry-forwards that existed at December 31, 2014. There is no further net operating loss carry-forward at December 31, 2015.

The Company is subject to federal income tax and franchise tax of the state of California. Income tax returns for the years ended December 31, 2014, 2013, and 2012 are open to audit by the federal authorities and income tax returns for the years ended December 31, 2014, 2013, 2012, and 2011, are open to audit by state authorities. Unrecognized tax benefits are not expected to significantly increase or decrease within the next 12 months.

NOTE 9 – 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. The balance of these loans outstanding was approximately $492,000 and $488,000 at December 31, 2015 and 2014, respectively.

Deposits from certain directors, officers, and their related interests with which they are associated, held by the Bank at December 31, 2015 and 2014, amounted to approximately $3,621,000 and $3,511,000, respectively.

(Continued)

NOTE 10 – EARNINGS PER SHARE (EPS)

Earnings per share for the years ended December 31 were computed as follows:

	2015	2014
Basic earnings per share:		
Net income	$ 2,539,163	$ 2,118,414
Dividends paid on Series A preferred stock	(302,965)	(303,983)
Net income available to common shareholders	$ 2,236,198	$ 1,814,431
Weighted average common shares outstanding	2,205,571	1,966,715
Basic earnings per share	$ 1.01	$ 0.92
Diluted earnings per share:		
Net income available to common shareholders	$ 2,236,198	$ 1,814,431
Preferred stock dividends on convertible Series A preferred stock	302,965	303,983
Net income available to common shareholders, diluted	$ 2,539,163	$ 2,118,414
Weighted average common shares outstanding	2,205,571	1,966,715
Effect of dilutive stock options and restricted stock	73,399	33,893
Dilutive effect of Series A convertible preferred stock	445,359	668,038
Adjusted weighted average common shares outstanding, diluted	2,724,329	2,668,646
Diluted earnings per share	$ 0.93	$ 0.79

At December 31, 2015 and 2014, there were 217,314 and 495,306 stock options and restricted stock grants, respectively that could potentially dilute earnings per share in the future that were not included in the computation of diluted earnings per share.

NOTE 11– COMMITMENTS

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 Company's consolidated financial statements.

The Bank's exposure to loan loss in the event of non-performance 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 consolidated financial statements.

(Continued)

NOTE 11 – COMMITMENTS (Continued)

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

	2015	2014
Commitments to extend credit	$ 50,160,000	$ 46,107,000
Letters of credit	1,240,000	-
	$ 51,400,000	$ 46,107,000

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 Bank evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank, is 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.

NOTE 12 – STOCK OPTION PLAN

The Company's 2005 Equity Based Compensation Plan (the Plan) was approved by its shareholders in February 2006. Under the terms of the Plan, officers and key employees may be granted both non-qualified, incentive stock options and restricted stock awards, and directors, who are not also an officer or employee, may only be granted non-qualified stock options and restricted stock awards. The Plan provides for a maximum number of shares that may be awarded to eligible employees and directors not to exceed 495,000 shares. In July 2012, the shareholders approved an additional 183,000 shares to be added to the Plan increasing the total to 678,000 shares. In July 2015 the Shareholders approved the 2015 Equity Based Compensation Plan to replace the 2005 plan which was due to expire at the end of 10 years. Upon approval, the remaining unallocated shares in the 2005 Plan were transferred into the 2015 Plan for future grants. No new shares were added to the 2015 Plan beyond those already approved under the 2005 plan. There are 774,782 shares authorized under the Plan. The total number of shares authorized has been retroactively adjusted for the effect of stock dividends. Stock options are granted at a price not less than 100% of the fair market value of the stock on the date of grant. Stock options expire no later than ten years from the date of the grant and all equity-based awards generally vest over three years. The Plan provides for accelerated vesting if there is a change of control, as defined in the Plan. The Company recognized stock based compensation cost of $40,549 and $31,293 in 2015 and 2014, respectively. The Company did not recognize tax expense related to stock-based compensation for either year ended December 31, 2015 and 2014.

The following table shows weighted average assumptions used in valuing stock options granted for the years ended December 31:

	2015	2014
Expected volatility	18.10%	18.99%
Expected term	6.5 years	6.5 years
Expected dividends	None	None
Risk free rate	1.64%	1.83%
Grant date fair value	$ 1.62	$ 2.23

(Continued)

NOTE 12 – STOCK OPTION PLAN (Continued)

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 U.S. Treasury bonds over the expected term of the options.

A summary of the status of stock options that have been granted by the Company as of December 31, 2015, and changes during the year ending thereon, is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	529,199	$ 9.27		
Granted	4,500	$ 10.37		
Exercised	47,906	$ 8.62		
Forfeited, expired, or returned to Plan through cashless exercise	210,080	$ 8.65		
Outstanding at end of year	275,713	$ 9.89	3.6 years	$ 256,583
Options exercisable	192,136	$ 8.82	3.0 years	$ 256,583

Included in the stock options exercised during 2015, there were 45,012 that represent cashless stock option exercises and 2,894 which represent exercises where cash of $16,875 was received upon exercise.

As of December 31, 2015, there was approximately $19,801 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted average period of 1.3 years.

Share Award Plan: The Equity Compensation Plan provides for the issuance of restricted shares to directors and officers. Compensation expense is recognized over the vesting period of the awards based on the fair value of the stock at the issue date. The fair value of the stock was determined based on the closing price listed for the Company's stock on the date of grant.

(Continued)

NOTE 12 – STOCK OPTION PLAN (Continued)

A summary of changes in the Company's nonvested restricted share grants for the year follows:

Nonvested Shares	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2015	0	$ 0
Granted	15,000	10.25
Vested	0	
Forfeited	0	
Nonvested at December 31, 2015	15,000	$ 10.25

As of December 31, 2015, there was approximately $145,208 of total unrecognized compensation cost related to the outstanding restricted stock grants that will be recognized over a weighted average period of 2.8 years.

NOTE 13 – REGULATORY MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. 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. Management believes as of December 31, 2015, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2015 and 2014, the most recent regulatory notifications 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 institution's category.

NOTE 13 – REGULATORY MATTERS (Continued)

Actual and required capital amounts and ratios are presented below (dollar amounts in thousands):

	Actual		For Capital Adequacy Purposes		To be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2015:						
Common Equity Tier I Capital (to Risk-Weighted Assets)	$ 26,353	15.4%	$ 7,706	>4.5%	$ 11,130	>6.5%
Total Capital (to Risk-Weighted Assets)	$ 28,511	16.7%	$ 13,699	>8.0%	$ 17,124	>10.0%
Tier I Capital (to Risk-Weighted Assets)	$ 26,353	15.4%	$ 10,274	>6.0%	$ 13,699	>8.0%
Tier I Capital (to Average Assets)	$ 26,353	8.8%	$ 12,006	>4.0%	$ 15,007	>5.0%
December 31, 2014:						
Total Capital (to Risk-Weighted Assets)	$ 25,529	18.3%	$ 11,170	> 8.0%	$ 13,962	> 10.0%
Tier I Capital (to Risk-Weighted Assets)	$ 23,768	17.0%	$ 5,585	> 4.0%	$ 8,377	> 6.0%
Tier I Capital (to Average Assets)	$ 23,768	9.1%	$ 10,493	> 4.0%	$ 13,116	> 5.0%

The California Financial Code provides that a bank may not make a cash distribution to its shareholders in excess of the lessor of the bank's undivided profits or the bank's net income for its last three fiscal years less any distributions made to shareholders during the same period without the approval in advance of the Commissioner of the California Department of Business Oversight.

NOTE 14 – 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 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 securities (Level 2).

Loans Held For Sale – The Bank does not record loans held for sale at fair value on a recurring basis. Loans held for sale are carried at the lower of cost or fair value. The fair value of loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics (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: (1) 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, or (2) the full charge off of the loan carrying value. In some cases, the properties for which market quotes or appraisal values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent impaired loans are obtained from real estate brokers or other third-party consultants. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. There were no collateral-dependent impaired loans measured at fair value at December 31, 2015. There were no collateral-dependent impaired loans measured at fair value at December 31, 2014.

(Continued)

NOTE 14 – FAIR VALUE MEASUREMENT

The following table summarizes the Company's assets that were measured at fair value on a recurring and non-recurring basis at December 31, 2015:

Description of Assets	December 31, 2015	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs
Securities available-for-sale (recurring)				
U.S. government and agency securities	$ 31,330,932	$ -	$ 31,330,932	$ -
Mortgage-backed securities	23,802,500	-	23,802,500	-
State and municipal agencies	13,641,663	-	13,641,663	-
Total	$ 68,775,094	$ -	$ 68,775,094	$ -

The following table summarizes the Company's assets that were measured at fair value on a recurring and non-recurring basis at December 31, 2014:

Description of Assets	December 31, 2014	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs
Securities available-for-sale (recurring)				
U.S. government and agency securities	$ 28,436,255	$ -	$ 28,436,255	$ -
Mortgage-backed securities	22,794,793	-	22,794,793	-
State and municipal agencies	14,522,842	-	14,522,842	-
Total	$ 65,753,890	$ -	$ 65,753,890	$ -

(Continued)

NOTE 15 – 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 by the Company in estimating fair values of financial instruments:

Financial Assets – The carrying amounts of cash, short-term investments due from customers on acceptances, and bank acceptances outstanding are considered to approximate fair value. Short-term investments include federal funds sold, securities purchased under agreements to resell, and interest bearing deposits with banks. The fair values of securities available for sale are generally based on matric 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 securities. The fair value of variable loans that reprice frequently and that have experienced no significant change in credit risk is based on carrying values. The fair values for all other loans are estimated using discounted cash flow analyses and interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. Loans are generally expected to be held to maturity and any unrealized gains or losses are not expected to be realized. Fair value for correspondent bank stock is not practical to determine due to restrictions on transferability. Fair value for interest receivable approximates its carrying value.

Financial Liabilities – The carrying amounts of deposit liabilities payable on demand, commercial paper, and other borrowed funds 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 interest payable approximates its carrying amount.

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, taking into account the remaining terms of the agreements and the credit standing of the counterparties. The fair value of the commitments is not material.

(Continued)

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The estimated fair value of financial instruments at December 31 is summarized as follows (in thousands):

	2015			2014		
	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy
Financial assets:						
Cash and cash equivalents	$ 31,905	$ 31,905	Level 1	$ 18,575	$ 18,575	Level 1
Certificates of deposit	5,695	5,695	Level 1	5,200	5,200	Level 1
Securities available-for-sale	68,775	68,775	Level 2	65,754	65,754	Level 2
Loans, net	184,839	183,988	Level 3	159,380	161,503	Level 3
Loans held for sale	-	-		-	-	
Correspondent bank stock	1,649	N/A	N/A	1,137	N/A	N/A
Interest receivable	1,168	1,168	Level 2	1,049	1,049	Level 2
Financial liabilities:						
Deposits	268,111	255,356	Level 2	227,844	228,148	Level 2
Interest payable	41	41	Level 2	30	30	Level 2

NOTE 16 – SUBSEQUENT EVENTS

The Company has evaluated the effects of subsequent events that have occurred after the period ending December 31, 2015 and through March 28, 2016 which is the date the consolidated financial statements were available to be issued.

COMMUNITIES FIRST FINANCIAL CORPORATION

Board of Directors

Employee Owners

Brandon Anaya, Customer Service Rep.
Jarod Ashton, VP/Commercial Loan Officer
Lisa Bassill, AVP/ Personal Banker
Tobi Burnes, Loan Documentation Clerk
Debbie Cameron, VP/Executive Secretary
Seven Campos, Merchant Services Officer
Steve Canfield, EVP/Chief Financial Officer
Lanny Chan, VP/Personal Banker
Craig DeShields, SVP/Senior Loan Officer
Ken Dodderer, SVP/Agri-Business Manager
Laura Drake, Customer Service Rep.
Pat Durkin, VP/SBA Loan Officer
Mary Edsberg, Loan Assistant
Regina Elisarraraz, Customer Service Rep.
Michael Fanucchi, SVP/SBA Dept. Manager
Catherine Fitzgerald, VP/Merchant Services
Melissa Gamez, Accounting Assistant
Evangelina Gonzalez, SVP/Operations
Julie Henvit, AVP/Operations Officer
David Kraechan, SVP/Commercial Loan Officer
Ryan McAbee, VP, Compliance Officer
Steve Miller , President & CEO
Michael Ossanna, VP/Commercial Loan Officer
Teresa Palsgaard, VP/Relationship Manager
Elizabeth Parsons, SBA Processor
Jennifer Peterson, VP, Customer Service Manager
Lee Reed, EVP/Chief Credit Officer
Margaret Rodriguez, Loan Assistant
Ruth Setencich, Business Banking Officer
Alice Shevenell, VP/Loan Services Manager
Noel Terriquez, Commercial Loan Analyst
Bradley Wakefield, Documentation Specialist
Nick Ward, Senior Loan Underwriter
Melanie Welch, SBA Loan Processor

COMMUNITIES FIRST FINANCIAL CORPORATION

Annual Meeting of Shareholders
Thursday, May 19, 2016 at 5:30 pm
Fort Washington Country Club
10272 N. Millbrook
Fresno, CA 93730

Corporate Office:
Communities First Financial Corp.
7690 N. Palm Avenue, Suite 101
Fresno, CA 93711
559.439.0200

Transfer Agent:
Continental Stock Transfer & Trust Co.
17 Battery Place
New York, NY 10004
212.509.4000

Independent Auditors:
Crowe Horwath, LLP
400 Capitol Mall, Suite 1400
Sacramento, CA 95814
916.441.1000

Legal Counsel:
Stuart & Moore
641 Higuera Street, Suite 302
San Luis Obispo, CA 93401
805.545.8590

Stock Facilitators:

Michael Natzic - Crowell, Weedon & Co
800.288.2811

Joey Warmerhoven – Wedbush Securities
866.662.0351

Tom Weil – Stifel
559.437.4060

Robert Cook - Fig Partners, LLC
866.344.2657

COMMUNITIES FIRST FINANCIAL CORPORATION

7690 N. Palm Avenue, Fresno, California 93711

559.439.0200

WWW.FRESNOFIRSTBANK.COM