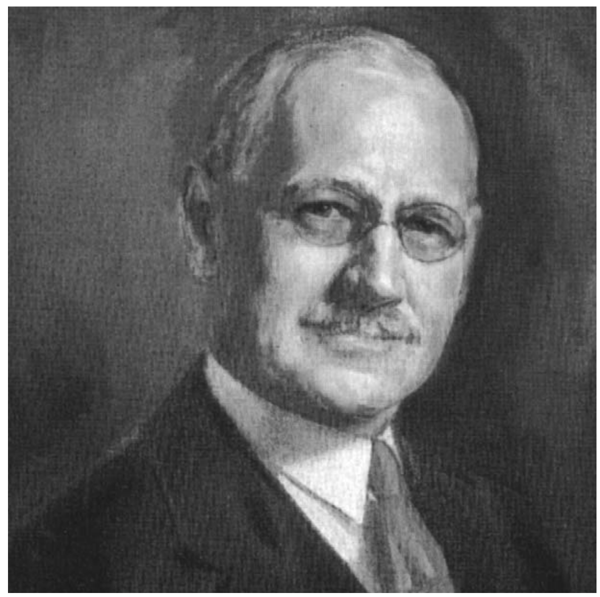
F&M BANK
Farmers & Merchants Bank®

2014 Annual Report

Our Commitment



► C.J. Walker, Founder

Farmers & Merchants Bank is one of the strongest banks in the country, as measured by a variety of industry standards, and continues to uphold the philosophy of our founder, C.J. Walker, who said:

"Safeguarding our clients' money is a sacred trust..."

...and giving back to the community is the wisest investment a business can make.

2010s

2012
The torch of leadership is passed to the 4th generation of Walkers as Daniel K. Walker is named CEO and W. Henry Walker becomes President of F&M Bank.

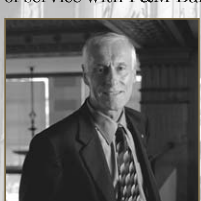

Daniel (l) & Henry Walker(r)

2013
F&M Bank expanded with two new offices: Downey & Corona del Mar.

Downey

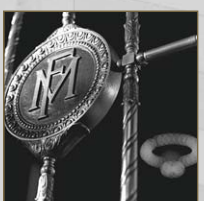
Corona del Mar

2014
CFO John W.H. Hinrichs celebrates his 50th year of service with F&M Bank.

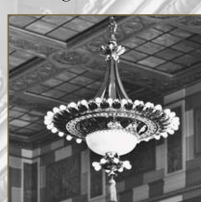


2000s

2007
Farmers & Merchants Bank celebrates 100 years of being California's Strongest.



2007
More than eight decades after its original construction, Main Office undergoes a thorough renovation.



1990s

1990
Forbes Magazine features Gus & Ken Walker in article on the financial strength of F&M Bank.

Gus (l) & Ken Walker (r)

1996
Dan Walker becomes Board Member of F&M Bank.

1980s

1980
F&M Bank expanded by opening three new offices: Memorial Hospital, Lake Forest & Orange.


Memorial


Lake Forest


Orange

1988
Main Office tower is named historical landmark.

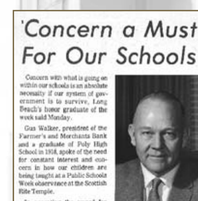
1970s

1973
Over 1,000 new accounts were opened at the newly opened Los Altos office on its first day of business.

1979
Ken Walker succeeded his father, Gus Walker, as President of F&M Bank.

1960s

1968
F&M Bank purchased the entire bond issue with which Elizabeth Husdon Elementary School in Long Beach was built.


'Concern a Must For Our Schools'

Concern with what is going on within our schools is an absolute necessity if our system of government is to survive, Long Beach's honor graduate of the week said Monday.

Gus Walker, president of the Farmer's and Merchants Bank and a graduate of Poly High School in 1918, spoke of the need for constant interest and concern in how our children are being taught at a Public Schools Week observance at the Scottish Rite Temple.

In accepting the award for

1950s

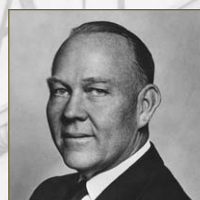
► 1955
Garden Grove office in Orange County opened as the first F&M office outside of Long Beach.

1940s

► 1941
F&M Bank opened its first drive-in branch in California.

1930s

► 1937
Gus Walker continued his father's (our founder C.J. Walker) legacy and was named President of F&M Bank.



1920s

► 1921
Second F&M Bank office opened in East Long Beach.

► 1923
On April 7th, the newly designed Main Office of F&M Bank opened.

1910s

► 1917
F&M Bank outgrew its original storefront operation and moved to a larger location at 3rd St. & Pine Ave.

1900s

► 1907
Farmers & Merchants Bank of Long Beach is founded on November 23rd by C.J. Walker.

Contents

F&M Bank's Declaration of Beliefs

Honesty

We are honest with our clients, employees, and shareholders, in all aspects of our business.

Gratitude

We are thankful for our clients, employees, shareholders, and for our families and friends.

Faith

We use our faith to center ourselves, to keep in mind that every day we can work is a blessing, to treat others with respect and to always remember what truly matters.

Humility

We remember that our clients are not dependent on us, we are dependent on them.

Loyalty

We are dedicated to developing the careers of our employees, both professionally and financially.

Dependability

We strive to be constantly reliable and to stay true to our commitments, allowing others to build confidence in us.

Integrity

We act with courage, consistency and we do what is ethical, honest, fair and trustworthy.

Compassion

We are determined to provide meaningful assistance to the people and communities we serve.

Dedication

We strongly support our clients, employees, and shareholders and are committed to excellence in providing competitive financial strategies, superior products and exemplary returns.

Service Above Self

We are committed to doing good and purposeful service for all our constituents; not for our own personal gain, but just because it is the right thing to do.


FARMERS & MERCHANTS
BANK
OFFICERS
DIRECTORS

Corporate Profile

Farmers & Merchants Bank is a full-service, California-state-chartered bank with $5.58 billion in total assets at December 31, 2014. Founded in Long Beach in 1907 by C.J. Walker, the Bank specializes in commercial and small business banking, along with business loan programs and consumer retail banking products, and has 24 offices located throughout Los Angeles and Orange Counties. F&M is one of California's strongest banks, as demonstrated by several characteristics, including financial performance, capital strength, heritage, culture, longevity, character, values and customer service.

Values in Common

The theme for this year's annual report, "Values in Common," is a testament to the common values we share with the communities we serve. Farmers & Merchants Bank's commitment to its founding values has been fundamental to more than 108 years of sustained strength. The client profiles in this year's annual report demonstrate the values that contribute to the culture at F&M.

Financial Information

Diluted Earnings Per Common Share	2014	2013	2012	2011	2010
(In Dollars)	$477	$475	$484	$452	$405

Dividends Declared Per Common Share	2014	2013	2012	2011	2010
(In Dollars)	$114	$114	$114	$109	$109

Net Interest Margin	2014	2013	2012	2011	2010
(In Percents)	3.50%	3.30%	3.65%	4.08%	4.23%

Overhead Efficiency Ratio	2014	2013	2012	2011	2010
(In Percents)	55.21%	51.72%	49.00%	41.59%	39.88%

Average Assets	2014	2013	2012	2011	2010
(Dollars in Millions)	$5,452	$5,136	$4,845	$4,445	$4,182

Total Risk-Based Capital	2014	2013	2012	2011	2010
(In Percents)	23.59%	26.16%	29.61%	27.94%	26.59%

Dear Fellow Shareholders:

Before discussing our 2014 financial performance, we would like to take a step back in time.

The year is 1984, and Farmers & Merchants Bank has an opportunity to expand its footprint in Southern California. Ken Walker, grandson of our founder, C.J. Walker, and president at the time, says, "Maintaining capital strength is a defining characteristic as we continue to grow (geographically)."

Ken's sentiment captures the essence of a philosophy that is a testament to F&M's strength, character and longevity. No matter what growth opportunities may arise, a strong, conservative and friendly approach to banking has always been, and always will be, a priority, and, as our founder C.J. Walker once said, "Safeguarding our clients' money is a sacred trust."

In 1984, our strong capital position was a significant distinguishing factor for the Bank. Fast forward to 2014, and although F&M has grown considerably, the Bank's total risk-based capital was *more than double* that of federal requirements.

The Bank's acumen for managing risk has been a cornerstone at F&M since it was founded more than 107 years ago. But solid capital ratios alone don't tell the full story of why the Bank continues to thrive.

There are several key defining characteristics that have contributed to the strength of Farmers & Merchants Bank, including our employee tenure, which averages more than eight years, and is nearly *double* the median employee tenure as reported by the U.S. Bureau of Labor Statistics. Additionally, F&M fosters a culture of giving back to the community, donating more than a $1 million each year to charities and non-profit organizations.

These attributes form the foundation of a Bank that has successfully navigated more than a century of shifting economic conditions, as well as a changing landscape in Southern California. With an unwavering track record dating back to when orange groves and horse-drawn carriages were plentiful, to our modern era when technology start-ups are abundant up and down the coast, F&M continues to attract clients seeking a banking partner with sound fundamentals that have stood the test of time.

Strong Growth in Net Loans

Strong relationships with our community and an expanded lending team ultimately drove the Bank's loan growth in 2014, which was up 23.1% when compared with 2013. At December 31, 2014, net loans totaled $2.96 billion, compared with $2.40 billion in 2013.

Interest income for 2014 rose to $184.9 million from $163.2 million in 2013. Interest expense for the year was $6.9 million, versus $6.2 million in 2013.

Farmers & Merchants' net interest income for 2014 was $178.0 million, versus $157.0 million in 2013. The Bank's net interest margin was 3.50% for the year ended December 31, 2014, compared with 3.30% in the previous year.

Farmers & Merchants did not have a provision for loan losses in 2014, nor in 2013, amid continued strength in its loan portfolio. The Bank's allowance for loan losses as a percentage of loans outstanding was 1.69% at December 31, 2014, compared with 2.09% at December 31, 2013, reflecting solid loan growth and strength in loan quality.

Non-interest income for the full 2014 year totaled $32.0 million, versus $37.8 million for 2013.

Non-interest expense for the year ended December 31, 2014 was $119.4 million, compared with $104.3 million last year.

The Bank's net income for 2014 was $62.4 million, or $476.67 per diluted share, compared with $62.2 million, or $474.80 per diluted share, for 2013.

Strong Balance Sheet

Farmers & Merchants continued to maintain a healthy balance sheet in 2014 under the guidance of Chief Financial Officer John Hinrichs, celebrating more than fifty years of service with F&M.

The Bank's deposits grew to $4.20 billion at the end of 2014, up from $3.83 billion at December 31, 2013. Non-interest bearing deposits represented 37.3% of total deposits at December 31, 2014, versus 38.5% of total deposits at December 31, 2013. Total assets increased to $5.58 billion at the close of 2014, up from $5.21 billion at December 31, 2013.

Farmers & Merchants remained "well-capitalized" under all regulatory categories at December 31, 2014, with a total risk-based capital ratio of 23.59%, a Tier 1 risk-based capital ratio of 22.34%, and a Tier 1 leverage ratio of 14.35%. The minimum ratios for capital adequacy for a well-capitalized bank are 10.00%, 6.00% and 5.00%, respectively.

Strong Values in Common

This upcoming November 23, 2015 will mark 108 years of serving a region and customers who have come to define who we are as a bank. We share common values with the businesses and individuals who choose to bank with us, and that is a reflection of F&M having the right people to connect with our core communities.

Culture and strategy are intertwined at F&M, helping the Bank sustain long-term strength. It is not a coincidence that the client profiles you will read on the pages of this Annual Report reflect the very same values and culture that we embrace at F&M.

Looking ahead, we intend to continue to strengthen our presence in the communities we serve, which includes new branch openings, new products , new technologies, providing loans to new and existing clients, and growing deposits. A stronger presence also means imparting values and working toward a common vision of improving the community by volunteering at local organizations, as well as providing financial advice to unemployed and low-income individuals.

As Ken Walker exemplified more than 30 years ago, the Bank's financial strength is not only important as we grow geographically, it is imperative for serving as a strong partner in business, a strong partner in personal banking, and a strong partner in the communities that we are privileged to serve.

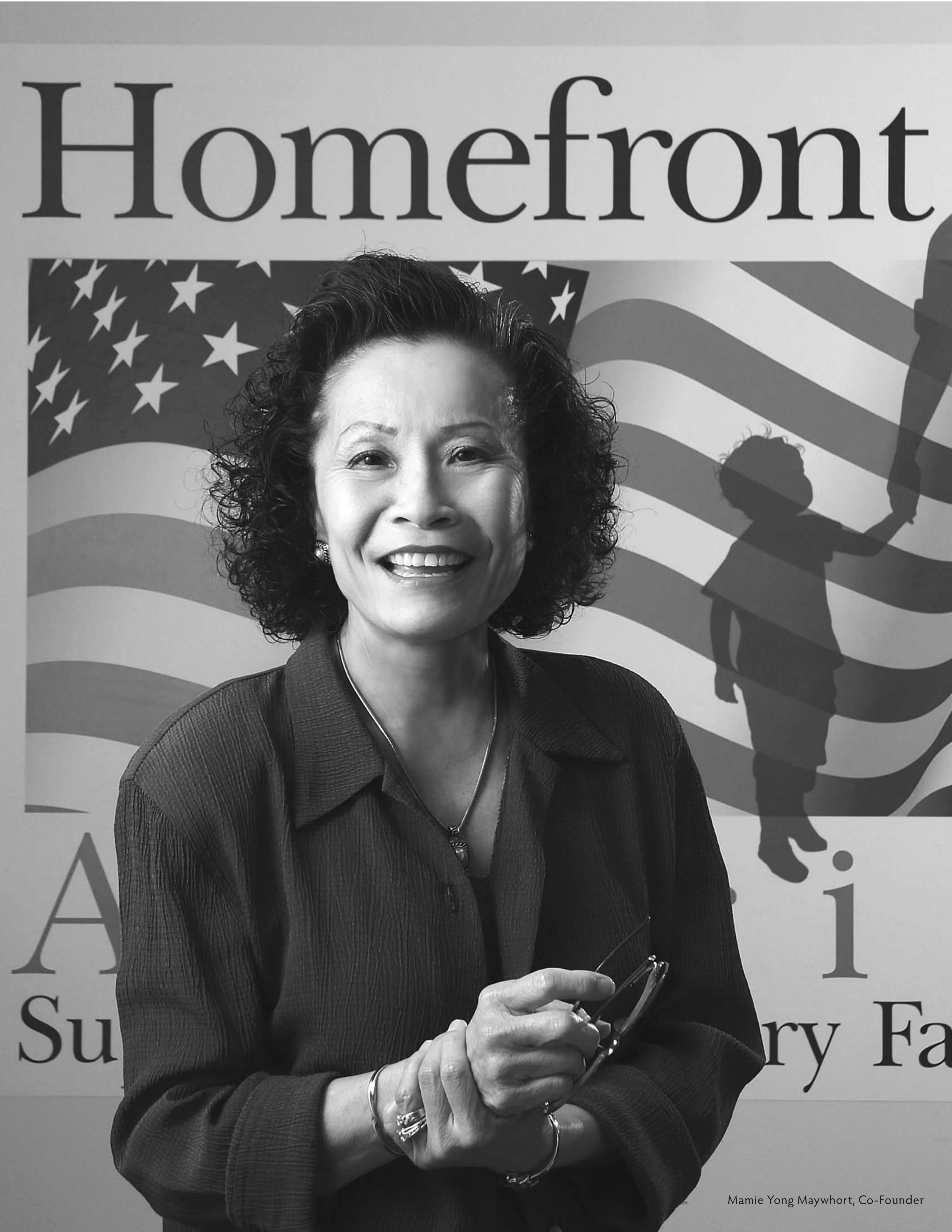
On behalf of our Board of Directors and management team, we thank our employees for the countless hours they have devoted to strengthening F&M Bank's presence in virtually every industry in Southern California. We also thank our clients and shareholders for their continued support in making Farmers & Merchants one of the strongest banks in California. And we look forward to continuing to provide unparalleled service, and to perpetuating the core values that have been integral to our success since our great-grandfather C.J. shook the hand of the very first F&M customer in 1907.

Daniel K. Walker

Daniel K. Walker
Chairman of the Board & CEO

W. Henry Walker

W. Henry Walker
President



Mamie Yong Maywhort, Co-Founder

Homefront America | SAN JUAN CAPISTRANO, CA

Mamie Yong Maywhort, Co-Founder

► F&M Bank Client Since 2007

"F&M is like having a family member around who helps out."

Mamie Yong Maywhort remembers the wrinkled table cloths as she was preparing for her foundation's annual "Heroes' Nite Out" event several years ago.

"I had several tables to set and didn't know what to do, and that's when someone from F&M stepped in to help steam and iron the table cloths," said Maywhort, co-founder of Homefront America, a non-profit organization that supports military families. "F&M is like having a family member around who helps out."

For Maywhort, having a banking partner that acts like a family member has proven helpful more than once, especially when running a non-profit with a grassroots budget. Maywhort recalls a Homefront chili cook-off event where a member of the F&M staff served as a cashier.

"That's the kind of relationship we have with F&M," she said. "Banking with F&M is like walking into 'Cheers' (the TV sitcom), where everyone knows your name."

Homefront organizes several events a year, supporting families that face the rigors of military life. Maywhort acknowledges the myriad of banking choices available to her, but she values F&M's commitment to supporting Homefront's cause.

"It's never just another transaction at F&M. The Walkers make you feel like your family, and I love them for that," she said.

Jeff Frieden, CEO & Co-Founder (left)
Robert Friedman, Chairman & Co-Founder (right)

Auction.com | ORANGE COUNTY, CA

Jeff Frieden, CEO & Co-Founder

► F&M Banking Client Since 1990

"It feels good to pass along the tradition of banking with F&M to my children."

Jeff Frieden will never forget the day when Ken Walker, then F&M President, gave him his first line of credit for $1 million in 1990.

"I had explored working with other banks, and I remember meeting with Ken who understood my business within 15 minutes," said Frieden, whose business at the time, landauction.com, served as a precursor to Auction.com, now the nation's leading online real estate marketplace, where Jeff is currently CEO. "Even when market conditions were tough, F&M continued to work with us."

Like business partner Robert Friedman, Frieden's relationship with F&M now extends far beyond his initial line of credit. His father was an F&M customer in the 1960s, and his 93-year-old mother is still a customer to this day.

"Everyone knows my mom when she walks into the bank, and that means a lot to me, and to her," he said.

Frieden also values F&M's conservative approach to banking, which resonates with him as a shareholder of F&M and father of 7- and 8-year-old children whom have opened up Youth Savings accounts at the Bank.

"The personalized service, transparency and overall philosophy make F&M an ideal fit for me, and it feels good to pass along the tradition of banking with F&M to my children," Frieden said.

Robert Friedman, Chairman & Co-Founder

► F&M Banking Client Since 2001

"We have a good, honest relationship with F&M."

Robert Friedman recalls when he and his business partner, Jeff Frieden, were young entrepreneurs in search of a banking partner.

"We were 25 years old, and F&M was there for us as a foundational partner for all of our businesses," said Friedman, who today is chairman and co-founder of Auction.com, which has sold more than $30 billion in residential and commercial assets since 2007. "We have a good, honest relationship with F&M, and those are the types of relationships that make it easier to scale a business."

The relationship between F&M and Friedman extends beyond just business. Friedman, a longtime board member of Big Brothers Big Sisters of Orange County, encouraged F&M President Henry Walker to get involved with the organization more than a decade ago.

"Henry has been a significant contributor to the organization ever since, which is a testament to how our core values truly align with each other," said Friedman, noting that Walker received the organization's "Man of the Year" award in 2009. "There is a lot of mutual respect between us, and that stems from the desire to help members of our community to become good citizens."

Jeff Cova, Founder & President

Winspire, Inc. | LAGUNA HILLS, CA

Jeff Cova, Founder & President

► F&M Bank Client Since 2008

"F&M was 'all in' as a partner back then, and they still are today."

Winspire was founded in 2008 to help non-profits maximize their event fundraising revenue, but as a struggling start-up at the time, the company was in need of its own help.

"We were a podunk company with no revenue, and F&M was willing to set up a merchant accounting system for us. Not only that, F&M would volunteer and help us behind the scenes at our fundraising events," said Jeff Cova, founder, president and CEO of Winspire. "F&M was 'all in' as a partner back then, and they still are today."

Since Winspire's inception in 2008, they have helped non-profits generate almost $50 million, and last year alone they assisted non-profits raise nearly $7 million. Whether supplying tickets to some of the hottest awards shows, a vacation to an exotic destination or a baseball experience at Wrigley Field, Winspire's forte is identifying items and experiences that resonate with audiences at fundraising events.

That requires Cova to have an instinct for what incentivizes people to connect with a particular charity. Such an instinct also translates in the business world by aligning with like-minded partners.

"We live and serve the philanthropic community, and F&M is supporting causes that align with what we are trying to achieve," Cova said.

Richard Rodriguez, Founder & CEO

RMI International Security Services | PARAMOUNT, CA

Richard Rodriguez, Founder & CEO

► F&M Bank Client Since 2014

"F&M is a family-operated business just like us, and we see eye-to-eye on values."

More than half of RMI International Security Services' employees are returning veterans whose commitment to protecting others from harm is a defining characteristic that resonates with founder and CEO Richard Rodriguez.

"The dedication and loyalty that veterans bring to their jobs are fundamental to the success of RMI, and it is these very attributes that make F&M such a great banking partner," said Rodriguez, who started his business 16 years ago by sketching it out on a napkin with his wife, Lupe. "F&M is a family-operated business just like us, and we see eye-to-eye on values, including the most important in my life: faith."

F&M recently helped RMI refinance its mortgage on a veteran training center where the company provides hands-on simulations to prepare security officers for real-world scenarios. RMI also uses the center to help non-profits host programs for those in need.

"The refinancing gives us more breathing room to let organizations use the space for free, whether it's for bible study or therapy for families of fallen soldiers," Rodriguez said. "Working with F&M has truly been a win-win scenario for us."

Scott & Leslie Seigel, Co-Owners

California Closets Orange County | HUNTINGTON BEACH, CA

Leslie and Scott Seigel, Co-Owners

► F&M Bank Client Since 1992

“There is a certain flavor of humanity that F&M brings to banking."

Leslie and Scott Seigel recall working out of a small storage space in Hawaiian Gardens before their business of organizing closets began to gain traction more than three decades ago.

“F&M was there for us when times were really tough,” Scott said. “The Bank believed in what we were doing, and that made all the difference for a couple of young entrepreneurs.”

The husband and wife team eventually grew California Closets into what is today a $16 million business, and F&M continues to understand the Seigel’s needs. The Bank calls California Closets every week to ensure the company is aware of account activity.

“Never in my life have I seen a bank pay so much attention and give so much care to their customers,” Leslie said. “It means a lot to us to know that we can pick up the phone and immediately talk to a manager.”

The values that the Seigels observe at F&M have been integral to the success of their business. “There is a certain flavor of humanity that F&M brings to banking. The Walkers don’t just talk the talk, they walk the walk,” Scott said.

Board of Directors

Daniel K. Walker

Chairman of the Board since 2003. Mr. Walker is CEO of Farmers & Merchants Bank, where he has served in various positions since 1975.

Timothy W. Jackert

Board member since 2008. Mr. Jackert served as chief financial officer at Memorial Medical Center Foundation in Long Beach for 38 years.

Richard W. Darling

Board member since 2008. Mr. Darling, who also served as a board member between 1994 and 2007, is the retired president of Bremco Construction, a general contractor specializing in projects for major industrial and commercial corporations.

Lawrence J. McLaughlin

Board member since 1990. Mr. McLaughlin, who formerly was a principal and managing partner of a Los Angeles-based law firm for more than three decades, is now a principal at Megandrew Mineral Co., a Girard, Texas-based petroleum development company.

Walter M. Florie

Board member since 2007. Mr. Florie, who formerly held executive positions at Union Bank for almost three decades, is now president and CEO of the Earl B. and Loraine H. Miller Foundation, an organization focused on children and their healthcare needs in the greater Long Beach community.

Timothy M. Wilson

Board member since 2005. Mr. Wilson is president of Mitchell Land & Improvement Co., a Southern California-based real estate development company where he previously served as executive vice president and chief operating officer.

William G. Hayter

Board member since 1988. Mr. Hayter, who previously served as president of the Pacific Hospital Foundation, director of the Long Beach YMCA, and counsel for the Boy Scouts of America, is a practicing attorney specializing in business, estate planning and trust administration.

2014 Financial Report

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Directors
Farmers & Merchants Bank of Long Beach

Report on the Financial Statements

We have audited the accompanying financial statements of Farmers & Merchants Bank of Long Beach (the Bank), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income, changes in stockholders' equity, comprehensive income and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Farmers & Merchants Bank of Long Beach as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Report on Other Legal and Regulatory Requirements

We also have examined in accordance with attestation standards established by the American Institute of Certified Public Accountants, the Bank's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated April 28, 2015 expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

KPMG LLP

Irvine, California
April 28, 2015

	December 31, 2014	December 31, 2013
	(In thousands, except share and per share data)	
Assets		
Cash and due from banks:		
Non-interest-bearing balances	$ 55,322	$ 65,261
Interest-bearing balances	137,826	20,755
Total cash and due from banks	193,148	86,016
Securities available-for-sale, at fair value	215,223	427,942
Securities held-to-maturity, at amortized cost	2,008,064	2,145,289
Loans held for sale	1,751	465
Gross loans	3,010,018	2,454,337
Allowance for loan losses	(50,804)	(51,251)
Unamortized deferred loan fees, net	(3,064)	(1,739)
Loans, net	2,956,150	2,401,347
Other real estate owned, net	3,406	14,502
Investments in FHLB and FRB stock, at cost	28,440	440
Public welfare investments	45,457	27,722
Premises and equipment, net	85,002	66,212
Deferred tax assets, net	23,829	23,512
Other assets	20,769	21,139
Total assets	**$ 5,581,239**	**$ 5,214,586**
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Non-interest-bearing deposits	$ 1,567,046	$ 1,475,888
Interest-bearing deposits	2,633,227	2,355,554
Total deposits	4,200,273	3,831,442
Securities sold under repurchase agreements	546,758	595,991
Other liabilities	27,647	27,986
Total liabilities	4,774,678	4,455,419
Stockholders' equity:		
Common stock, par value $20; authorized 250,000 shares; issued and outstanding 130,928 shares	2,619	2,619
Additional paid-in capital	112,044	12,044
Retained earnings	689,892	742,408
Accumulated other comprehensive income	2,006	2,096
Total stockholders' equity	806,561	759,167
Total liabilities and stockholders' equity	**$ 5,581,239**	**$ 5,214,586**

See accompanying notes to financial statements.

	Years Ended December 31, 2014	2013
	(In thousands, except per share data)	
Interest and dividend income:		
Loans	$ 128,254	$ 105,163
Investment securities	55,012	57,508
Investments in FHLB and FRB stock	1,290	26
Interest-bearing deposits in financial institutions	313	488
Total interest and dividend income	184,869	163,185
Interest expense:		
Deposits	5,744	5,049
Securities sold under repurchase agreements	1,140	1,113
Other borrowings	34	3
Total interest expense	6,918	6,165
Net interest income	177,951	157,020
Provision for loan losses	-	-
Net interest income after provision for loan losses	177,951	157,020
Non-interest income:		
Service charges on deposit accounts	4,570	4,554
Gain on sale of securities available-for-sale	1,114	1,308
Other real estate owned income	1,583	3,757
Merchant bankcard income	9,365	9,358
Gain on sale of bank premises and equipment	70	3,638
Other income	15,315	15,173
Total non-interest income	32,017	37,788
Non-interest expense:		
Salaries and employee benefits	64,492	55,986
FDIC and other insurance expense	3,087	4,825
Occupancy expense	8,043	6,987
Software and equipment expense	7,057	6,026
Other real estate owned expense	3,207	528
Amortization of public welfare investments	8,468	8,082
Merchant bankcard expense	7,386	7,493
Professional and legal services	3,709	3,604
Marketing expense	6,333	3,706
Other expense	7,644	7,025
Total non-interest expense	119,426	104,262
Income before income tax expense	90,542	90,546
Income tax expense	28,133	28,382
Net income	**$ 62,409**	**$ 62,164**
Basic and diluted earnings per common share	$ 476.67	$ 474.80

See accompanying notes to financial statements.

	Years Ended December 31, 2014	Years Ended December 31, 2013
	(In thousands)	
Net income	$ 62,409	$ 62,164
Other comprehensive loss, net of tax:		
Unrealized gain (losses) on securities available-for-sale:		
Unrealized holding gain (losses) arising during the period	276	(4,319)
Reclassification adjustment for net gains included in net income	(366)	(1,012)
Other comprehensive loss	(90)	(5,331)
Comprehensive income	**$ 62,319**	**$ 56,833**

See accompanying notes to financial statements.

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, December 31, 2012	**$ 2,619**	**$ 12,044**	**$ 695,169**	**$ 7,427**	**$ 717,259**
Net income	-	-	62,164	-	62,164
Cash dividends	-	-	(14,925)	-	(14,925)
Other comprehensive loss, net of tax	-	-	-	(5,331)	(5,331)
Balance, December 31, 2013	**$ 2,619**	**$ 12,044**	**$ 742,408**	**$ 2,096**	**$ 759,167**
Transfer from retained earnings to additional paid-in capital	-	100,000	(100,000)	-	-
Net income	-	-	62,409	-	62,409
Cash dividends	-	-	(14,925)	-	(14,925)
Other comprehensive loss, net of tax	-	-	-	(90)	(90)
Balance, December 31, 2014	**$ 2,619**	**$ 112,044**	**$ 689,892**	**$ 2,006**	**$ 806,561**

See accompanying notes to financial statements.

	Years Ended December 31, 2014	2013
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 62,409	$ 62,164
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization on securities	23,776	32,794
Provision for loan losses	-	-
Originations of loans held for sale	(31,800)	(39,616)
Proceeds from sale of loans held for sale	30,922	42,231
Gain on sale of loans held for sale	(408)	(716)
Gain on sale of securities available-for-sale	(1,114)	(1,308)
Gain on sale of other real estate owned	(1,025)	(2,788)
Addition (Reduction) of reserve for other real estate owned	2,285	(951)
Amortization of public welfare investments	10,071	8,082
Depreciation and amortization	5,744	4,800
Addition of reserve for losses on unfunded loan commitments	548	-
(Increase) Decrease in deferred income tax expense	(4)	6,415
Decrease in other assets	370	8,095
(Decrease) Increase in other liabilities	(792)	4,276
Total adjustments	38,573	61,314
Net cash provided by operating activities	100,982	123,478
Cash flows from investing activities:		
Securities available-for-sale:		
Proceeds from maturities and paydowns	132,921	245,043
Proceeds from sales	84,235	55,294
Purchases	(15,250)	(103,659)
Securities held-to-maturity:		
Proceeds from maturities and paydowns	312,315	428,559
Purchases	(187,094)	(667,011)
Net increase in loans	(554,803)	(471,347)
Proceeds from sale of other real estate owned	9,836	7,650
Purchases of FHLB and FRB stock	(28,000)	-
Increase in public welfare investments	(28,149)	(10,833)
Purchases of bank premises and equipment	(24,534)	(10,508)
Net cash used in investing activities	(298,523)	(526,812)
Cash flows from financing activities:		
Net increase in deposits	368,831	145,576
Net (decrease) increase in securities sold under repurchase agreements	(49,233)	44,698
Cash dividends paid	(14,925)	(14,925)
Net cash provided by financing activities	304,673	175,349
Net increase (decrease) in cash and due from banks	107,132	(227,985)
Cash and cash equivalents at beginning of year	86,016	314,001
Cash and cash equivalents at end of year	**$ 193,148**	**$ 86,016**

	Years Ended December 31,	
	2014	2013
	(In thousands)	
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	$ 6,907	$ 6,177
Income taxes	27,035	15,869
Non-cash investing and financing activities:		
Transfers of loans to other real estate owned	$ -	$ 717
Transfer from retained earnings to additional paid-in capital	$ 100,000	$ -

See accompanying notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Farmers & Merchants Bank of Long Beach (the "Bank" or "FMB") was founded in 1907 as a California state-chartered community bank that offers a broad range of banking products and services to individuals, professionals and small to medium-sized businesses. The Bank operates 23 branches and one loan production office in California's Los Angeles County and Orange County as of December 31, 2014. As a full-service commercial bank, FMB offers a broad range of banking products and services including: accepting demand, money market, savings, and time deposits; originating loans, including commercial real estate loans and commercial business loans; and providing other business-oriented banking products and services. The Bank also provides financing for residential loans including single-family and multifamily loans. To a lesser extent, the Bank also makes real estate construction and consumer loans.

The Bank's operations, like those of other financial institutions operating in Southern California, are significantly influenced by economic conditions in Southern California, including local economies, the strength of the real estate market, and the fiscal and regulatory policies of the federal and state government and the regulatory authorities that govern financial institutions.

Basis of Financial Statement Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and conform to general practices within the banking industry. The policies that materially affect the determination of financial position, results of operations and cash flow are summarized below.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and income statement for the year. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, the fair value of securities available-for-sale, the reserve for other real estate owned, realization of deferred tax assets, and the fair value of financial instruments. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation. These reclassifications did not affect previously reported net income.

Cash and Due from Banks

For purposes of the statements of cash flows, cash and cash equivalents consist of cash and due from banks, which comprise non-interest-bearing balances and interest-bearing balances. Interest-bearing balances represent cash held at the Federal Reserve Bank of San Francisco ("FRBSF"), the majority of which is immediately available.

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Securities Available-for-Sale and Securities Held-to-Maturity

At the time of purchase, the Bank classifies its securities into one of two categories: available-for-sale and held-to-maturity. If the Bank has the ability and positive intent at the time of purchase to hold securities until maturity, they are classified as held-to-maturity. All securities not identified as held-to-maturity are classified as available-for-sale. Securities held-to-maturity are recorded at cost, adjusted for the amortization of premiums and accretion of discounts on a level-yield basis. Securities available-for-sale are carried at estimated fair value with unrealized holding gains and losses, net of the related tax effect, excluded from income and reported as a separate component of stockholders' equity identified as accumulated other comprehensive income until realized.

Transfers of securities between categories, if any, are recorded at fair value at the date of the transfer. Unrealized holding gains or losses included in the separate component of equity for securities transferred from available-for-sale to held-to-maturity would be maintained and amortized into income over the remaining life of the security as an adjustment to the yield in a manner consistent with the amortization of premium or accretion of discount on the associated security.

If a decline in market value of any security held-to-maturity or available-for-sale below cost is deemed other-than-temporary, the security is written down to its fair value which becomes the new cost basis and an impairment loss is recognized. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent of which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Any impairment on securities the Bank intends, or is more likely than not required to sell, is recognized in earnings as the entire difference between the amortized cost and its fair value. Any impairment on securities the Bank does not intend, or it is not more likely than not required to sell before recovery, is separated into an amount representing the credit loss, which is recognized in earnings and the amount related to all other factors, which is recognized in other comprehensive income. The new cost basis is not changed for subsequent recoveries in fair value.

Premiums and discounts are amortized and accreted over the life of the related security as an adjustment to yield using the interest method. Unamortized premiums and unaccreted discounts are recognized as a component of gain or loss on sale upon disposition of the related security. Interest income is recognized when earned. Realized gains and losses on the sale of securities available-for-sale are included in non-interest income as gain (loss) on sale of securities using the specific-identification method.

The Bank's security portfolio is managed to meet our liquidity needs through proceeds from scheduled maturities and is also utilized for pledging requirements for deposits of state and local subdivisions, securities sold under repurchase agreements, Federal Home Loan Bank ("FHLB") Advances, and Federal Reserve Bank ("FRB") Discount Window borrowings.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or fair value. Origination fees on loans held for sale, net

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Loans Held for Sale, continued

of certain costs of processing and closing the loans, are deferred until the time of sale and are included in the computation of the gain or loss from the sale of the related loans. Gain and losses are recorded in non-interest income based on the difference between sales proceeds, net of sales commissions, and carrying value.

The Bank will occasionally transfer loans from held for investment to held for sale. Upon transfer, any associated allowance for loan losses is charged off and the carrying value of the loan is adjusted to the lower of cost or estimated fair value. Gains or losses on the sale of these loans are recorded in non-interest income.

Loans

Loans that the Bank has the intent and ability to hold for the foreseeable future, or until maturity, are reported at the principal amounts outstanding, net of the allowance for loan losses and unamortized deferred net loan fees or costs. Nonrefundable fees and direct costs associated with the origination or purchase of loans are deferred and netted against outstanding loan balances. The deferred net loan fees and costs are recognized in interest income on an effective yield basis over the contractual loan term. Interest income on loans is recorded on an accrual basis in accordance with the terms of the respective loan.

Nonaccrual Loans

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when interest or principal payments are past due 90 days or when, in the opinion of management, there is a reasonable doubt as to collectability in the normal course of business. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income, and all interest received on nonaccrual loans will be applied to principal. Loans are restored to accrual status when principal and interest are brought fully current and when, in the opinion of management, such loans are deemed fully collectible as to both principal and interest. The accrual of interest on loans that are more than 90 days past due may continue if the loans are well secured, in the process of collection, and management deems it appropriate.

Troubled Debt Restructured Loans

A loan is classified as a troubled debt restructured loan ("TDR") when a borrower is experiencing financial difficulties that lead to a restructuring of the loan, and the Bank grants concessions to the borrower in the restructuring that are not insignificant, or that it would not otherwise consider for market participants with similar risk characteristics. These concessions may include interest rate reductions, principal forgiveness, extension of maturity date and other actions intended to minimize potential losses. TDR loans may be excluded from restructured loan disclosures in years subsequent to the restructuring if the loans are in compliance with their modified terms and the modification was made at market rates for a

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Troubled Debt Restructured Loans, continued

borrower with similar risk characteristics. Generally, a nonaccrual loan that is restructured remains on nonaccrual for a period of six months to demonstrate that the borrower can meet the restructured terms. However, the borrower's performance prior to restructuring, or other significant events at the time of restructuring may be considered in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status after a shorter performance period. If the borrower's performance under the new terms is not reasonably assured, the loan remains classified as a nonaccrual loan.

Impaired Loans

Loans are considered impaired when it is probable that the Bank will be unable to collect all amounts due according to the contractual terms. Impaired loans include loans on nonaccrual status and restructured loans. If the loan is collateral-dependent, the amount of impairment is measured against the estimated fair value of the loan's underlying collateral, less estimated selling costs, including senior obligations such as delinquent property taxes. If the loan is not collateral-dependent, the Bank measures impairment based on the present value of expected future cash flows discounted at the loan's original effective interest rate. The impairment amount on a collateral-dependent loan is charged-off to the allowance and the impairment amount of a loan that is not collateral-dependent is set up as a specific allowance. Cash receipts on impaired loans are applied to reduce the principal amount of such loans until the principal has been recovered and are recognized as income thereafter.

Allowance for Loan Losses

The allowance for loan losses ("ALL") is maintained at a level deemed appropriate by the Bank to adequately provide for known and inherent risks in the loan portfolio at the balance sheet date. The allowance is based upon a continuing review of the portfolio, past loan loss experience, current economic conditions and external conditions which may affect the borrowers' ability to pay, and the underlying collateral value of the loans. Loans which are deemed to be uncollectible are charged off and deducted from the allowance. The provision for loan losses and recoveries on loans previously charged off are added to the allowance.

The allowance for loan losses consists of two components: a general allowance for loans not considered impaired and a specific allowance for loans determined to be impaired.

The methodology the Bank use to estimate the general allowance component of our ALL is the classification migration methodology, which considers both objective and subjective criteria. The objective criteria uses the Bank's actual historical loan charge-off experience on pools of similar loans to establish loss rates that are applied to the Bank's current loan balances to estimate inherent credit losses. The estimation of the ALL at December 31, 2014 considered actual historical loan charge-off experience over a six-and-a-half-year period starting with the third quarter of 2008. The estimation of the ALL at December 31, 2013 considered actual historical loan charge-off experience over a four-year period starting with the first quarter of 2010. The increase in the historical look-back period from four years in December 31, 2013

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Allowance for Loan Losses, continued

to six-and-a-half-year at December 31, 2014 allows the second half of 2008 and all of 2009 and 2010 loan charge-off experience, or most of the recent economic cycle to continue to be considered in the estimation of the allowance for loan losses. The Bank recognizes that the estimation of the ALL is sensitive to the assigned credit risk ratings and loss rates at any given point in time. To ensure the accuracy of our credit risk ratings, an independent credit review function assesses the ratings assigned to loans on an on-going basis.

The subjective criteria considered when establishing the loss rates include, but is not limited to the following:

- current economic trends and forecasts;
- the loan portfolio composition and any loan concentrations;
- the Bank's current lending policies;
- the volume and nature of new loan originations;
- the loan portfolio's credit performance trends; and
- the results of the Bank's on-going independent credit review.

The credit risk ratings assigned to every loan are either "pass", "special mention", "substandard", or "doubtful" and defined as follows:

> *Pass:* Loans classified as pass are expected to be fully collected.
>
> *Special Mention:* Loans classified as special mention have a potential weakness that requires management's attention. If not addressed, these potential weaknesses may result in further deterioration in the borrower's ability to repay the loan.
>
> *Substandard:* Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the collection of the debt. They are characterized by the possibility that the Bank will sustain some loss if the weaknesses are not corrected.
>
> *Doubtful:* Loans classified as doubtful have all the weaknesses as those classified as substandard, with the additional trait that the weaknesses make collection or repayment in full highly questionable and improbable.

In addition, management may refer to the loans classified as "substandard" and "doubtful" together as "classified loans." For additional information on classified loans, see Note 4, *Loans and Allowance for Loan Losses.*

The methodology the Bank used to estimate the specific allowance for loans determined to be impaired complies with Accounting Standard Codification ("ASC") Section 310-10-35. If the loan is collateral-dependent, the amount of impairment is measured against the estimated fair value of the loan's underlying collateral, less estimated selling costs, including senior obligations such as delinquent property

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Allowance for Loan Losses, continued

taxes. If the loan is not collateral-dependent, the Bank measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate. The impairment amount on a collateral-dependent loan is charged-off to the allowance and the impairment amount of a loan that is not collateral-dependent is set up as a specific allowance. The Bank will have specific allowances for the full outstanding amounts for impaired loans with outstanding balances of less than $50,000 and that are unsecured, or the market price of the collateral is not easy or cost effective to obtain,

Other Real Estate Owned

Other real estate owned ("OREO") represents the collateral acquired through foreclosure in full or partial satisfaction of the related loan and is recorded at the fair value as established by a current appraisal, adjusted for estimated selling costs. The excess of the carrying amount of a loan over the fair value of real estate acquired less cost to sell is charged to the allowance for loan losses at the date of transfer. OREO values are reviewed on an ongoing basis and any decline in value is charged against OREO expense, along with operating expenses of such properties. Subsequent increases in the fair value of the asset less selling costs reduce the OREO valuation allowance, but not below zero, and are credited to noninterest expense. Income on OREO and gains and losses on their disposition are included in OREO income.

Investment in Federal Home Loan Bank Stock

As a member of the FHLB of San Francisco, the Bank is required to own common stock in the FHLB of San Francisco, which is based upon the Bank's membership asset value and/or borrowing levels. Investments in FHLB stock are carried at cost and are expected to be redeemed at par. Investment in FHLB stock is evaluated regularly for impairment. Cash dividends are accrued and reported as dividend income.

Investment in Federal Reserve Bank Stock

As a member of the FRB of San Francisco, the Bank is required to maintain stock in the FRB of San Francisco based on a specified ratio relative to our capital. FRB stock is carried at cost and may be sold back to the FRB at its carrying value. Investment in FRB stock is evaluated regularly for impairment. Cash dividends are accrued and reported as dividend income.

Public Welfare Investments

The Bank invests in limited liability companies and partnerships that make investments in commercial enterprises and affordable housing projects located in low income communities, which qualify for Federal or State income tax credits. The Bank's interests are accounted for utilizing the cost method or the proportional amortization method for certain qualified affordable housing investments. Investments accounted for using the cost method are being proportionately amortized over the life of the related tax credits as a component of noninterest expenses; meanwhile, those accounted for using the proportional

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Public Welfare Investment, continued

amortization method are being proportionately amortized over the expected total tax benefits as a component of current tax expenses. The investments are reviewed for impairment on an annual basis or on an interim basis if an event occurs that would trigger potential impairment.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Land is not depreciated. Depreciation is computed on a straight-line method based on the estimated useful lives of the assets:

Type	Estimated Useful Life
Buildings	20 to 30 years
Building improvements	20 to 30 years
Furniture, fixtures, and equipment	3 to 7 years
Leasehold improvements	Shorter of useful lives or the terms of the lease

Construction in process is carried at cost and includes land acquisition, architectural fees, general contractor fees, and other costs related directly to the construction of a property. Maintenance and repairs are charged to expense.

The Bank reviews its long-lived assets for impairment annually or when events or circumstances indicate that the carrying amount of these assets may not be recoverable. When impairment is indicated for an asset, the amount of impairment loss is the excess of the net book value over its fair value.

Securities Sold Under Repurchase Agreements

The Bank sells certain securities under agreements to repurchase. The agreements are treated as collateralized financing transactions and the obligations to repurchase securities sold are reflected as a liability in the accompanying balance sheets. The collateral securities underlying the agreements remain in the applicable asset accounts.

Other Borrowings

The Bank has established Federal funds lines with several correspondent banks, as well as with FHLB and FRB. These Federal funds lines generally mature within one business day. The Bank's available borrowing capacity from Federal funds line facilities amounted to $550.0 million and $465.0 million as of December 31, 2014 and 2013, respectively.

The Bank established membership with the FHLB in 2014 and the Bank's available collateral borrowing capacity for FHLB advances totaled $117.4 million at December 31, 2014. The Bank's available collateral borrowing capacity from FHLB advances is derived from its outstanding FHLB advances and from its securities that are pledged to the FHLB. There was no outstanding FHLB advance at December 31, 2014.

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Operating Leases

The Bank enters into a variety of lease contracts, as lessee, generally for premises and equipment. Lease contracts that do not transfer substantially all of the benefits and risks of ownership and do not meet the accounting requirements for capital lease classification are treated as operating leases. The Bank accounts for the payments of rent on these contracts on a straight-line basis over the lease term. At inception of the lease term, any periods for which no rents are paid and/or escalation clauses are stipulated in the lease contract are included in the determination of the rent expense and recognized ratably over the lease term.

The Bank also enters into a variety of lease contracts, as lessor, for Bank-owned properties or, as sub-lessee, for properties leased by the Bank. The Bank accounts for lease income on an accrual basis.

Reserve for Losses on Unfunded Loan Commitments

The Bank maintains a reserve for losses on unfunded loan commitments to absorb losses inherent in those commitments upon funding. The commitments include unfunded loan commitments, standby letters of credit and commercial lines of credit. The Bank's methodology for assessing the appropriateness of this allowance is the same as that used for the allowance for loan losses and incorporates an assumption based upon historical information of likely utilization. The reserve for losses on unfunded loan commitments is classified as other liabilities and the change in this reserve is recognized in noninterest expense.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, the deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets and liabilities in the same jurisdiction, are grouped together and reported net on the consolidated balance sheets.

On an ongoing basis, management evaluates the deferred tax assets to determine if the tax benefits are expected to be realized in future periods. To the extent that the benefit of a deferred tax asset is not more likely than not to be realized, a valuation allowance is established with a corresponding charge through the provision for income taxes. The Bank also evaluates existing valuation allowances periodically to determine if sufficient evidence exists to support an increase or reduction in the allowance. The Bank recognizes interest and penalties related to tax positions as part of its provision for income taxes.

Comprehensive Income

Other comprehensive income refers to revenues, expenses, and gains and losses that are included in

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Comprehensive Income, continued

comprehensive income but are excluded from net income because they have been recorded directly in equity. The Bank's comprehensive income consists of net income and net unrealized gains (losses) on securities available-for-sale, arising during the period and is presented in the statements of comprehensive income.

Earnings Per Share Data

Basic earnings per share ("EPS") is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period.

Recent Accounting Standards

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This ASU requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss ("NOL") carryforward, a similar tax loss, or a tax credit carryforward, rather than as a liability when (1) the uncertain tax position would reduce the NOL or other carryforward under the tax law of the applicable jurisdiction and (2) the entity intends to use the deferred tax asset for that purpose. The ASU does not require new recurring disclosures. For nonpublic entities, the guidance is effective prospectively for interim and annual periods beginning after December 15, 2014. The adoption of this guidance did not have a material effect on the Bank's financial statements.

In January 2014, the FASB issued ASU 2014-01, *Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*. ASU 2014-01 allows investors in low-income housing tax credit ("LIHTC") entities that meet certain conditions to present the net tax benefits (net of the amortization of the cost of the investment) within income tax expense. The cost of the investments that meets the conditions will be amortized in proportion to (and over the same period as) the total expected tax benefits, including tax credits and other tax benefits, as they are realized on the tax return. ASU 2014-01 is effective for the Bank on January 1, 2015 and is to be applied retrospectively if investors elect the proportional amortization method. The Bank chose to early adopt this guidance in January 1, 2014, and the adoption of this guidance did not have a material effect on the Bank's financial statement.

In January 2014, the FASB issued ASU 2014-04, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. ASU 2014-04 clarifies when a creditor should reclassify mortgage loans collateralized by residential real estate from loans receivable to other real estate owned. ASU 2014-04 clarifies when an in-substance repossession or foreclosure has occurred and when a creditor is considered to have received physical possession of residential real estate collateralizing a mortgage loan. ASU 2014-04 is effective for the Bank on January 1, 2015 and can be applied either prospectively or using a modified retrospective transition method, and early adoption is permitted. The adoption of this guidance in January 2015 will not have a material impact on the Bank's financial statements.

NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies, continued

Recent Accounting Standards, continued

In June 2014, the FASB issued ASU 2014-11, *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. ASU 2014-11 expands secured borrowing accounting for certain repurchase agreements. It requires the repurchase agreement be separate from the initial transfer of the financial asset in a repurchase financing arrangement. An entity is required to disclose additional information about certain transactions accounted for as a sale in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets through an agreement with the same counterparty. An entity is also required to disclose information about repurchase agreements, securities lending transactions and repurchase-to-maturity transactions that are accounted for as secured borrowings. ASU 2014-11 becomes effective for interim and annual periods beginning on or after December 15, 2014. The adoption of this guidance will not have a material effect on the Bank's financial statements.

NOTE 2 – SECURITIES AVAILABLE-FOR-SALE

The following table presents an analysis of the securities available-for-sale portfolio:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
At December 31, 2014				
U.S. Government agency and U.S. Government sponsored enterprise debt securities	$ 751	$ -	$ -	$ 751
Mortgage-backed securities	43,092	1,503	(90)	44,505
State and municipal securities	167,195	2,102	(68)	169,229
Collateralized mortgage obligations	722	16	-	738
Total securities available-for-sale	$ 211,760	$ 3,621	$ (158)	$ 215,223
At December 31, 2013				
U.S. Government agency and U.S. Government sponsored enterprise debt securities	$ 37,461	$ 51	$ (14)	$ 37,498
Mortgage-backed securities	104,070	3,720	(1,587)	106,203
State and municipal securities	271,434	2,178	(785)	272,827
Collateralized mortgage obligations	9,199	105	(50)	9,254
Corporate debt securities	2,160	-	-	2,160
Total securities available-for-sale	$ 424,324	$ 6,054	$ (2,436)	$ 427,942

NOTE 2 – Securities Available-for-Sale, continued

The following table presents a summary of the estimated maturities of securities available-for-sale as of December 31, 2014 based on amortized cost and estimated fair value:

	Amortized Cost	Fair Value
	(In thousands)	
Due in 1 year or less	$ 59,894	$ 60,044
Due after 1 year through 5 years	85,114	86,319
Due after 5 years through 10 years	39,241	41,124
Due after 10 years	27,511	27,736
	$ 211,760	$ 215,223

During the year ended December 31, 2014, the Bank sold $83.1 million of securities for which the Bank recognized gain of $1.6 million and loss of $0.5 million, of which $0.4 million was reclassified out of accumulated other comprehensive income and into net income. During the year ended December 31, 2013, the Bank sold $54.0 million of securities for which the Bank recognized gain of $1.3 million, of which $1.0 million was reclassified out of accumulated other comprehensive income and into net income. These securities were sold as part of the Bank's investment portfolio risk management activities.

The following table shows the gross unrealized losses on securities available-for-sale and the related fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2014:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In thousands)			
Mortgage-backed securities	-	-	10,994	(90)	10,994	(90)
State and municipal securities	20,766	(16)	4,378	(52)	25,144	(68)
Total temporarily impaired securities	$ 20,766	$ (16)	$ 15,372	$ (142)	$ 36,138	$ (158)

The unrealized losses are primarily attributable to declining market prices caused by a rising interest rate environment. At December 31, 2014, there were 103 and 23 securities available-for-sale with unrealized losses less than 12 months and 12 months or longer, respectively. Whenever the cost of a security exceeds its fair value, management evaluates, among other factors, general market conditions, the duration and extent to which cost is more than fair value. Management believes that securities available-for-sale in an unrealized loss position at December 31, 2014 had a loss position that was temporary in nature, therefore no impairment losses were recognized in the income statement. Because the Bank has the ability and intent to hold these investments until a market price recovery or maturity, these securities available-for-sale are not considered other-than-temporarily impaired.

NOTE 2 – Securities Available-for-Sale, continued

The following represents the related tax effect allocated to each component of other comprehensive income at the dates indicated:

	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
		(In thousands)	
Year ended December 31, 2014			
Unrealized losses on securities:			
Unrealized holding gains arising during period	$ 477	$ (201)	$ 276
Reclassification adjustment for net gains included in net income	(632)	266	(366)
Other comprehensive loss	$ (155)	$ 65	$ (90)
Year ended December 31, 2013			
Unrealized losses on securities:			
Unrealized holding losses arising during period	$ (7,453)	$ 3,134	$ (4,319)
Reclassification adjustment for net losses included in net income	(1,745)	733	(1,012)
Other comprehensive loss	$ (9,198)	$ 3,867	$ (5,331)

NOTE 3 – SECURITIES HELD-TO-MATURITY

The following table presents an analysis of the securities held-to-maturity portfolio:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
At December 31, 2014				
U.S. Government agency and U.S. Government sponsored enterprise debt securities	$ 9,093	$ 2	$ (129)	$ 8,966
Mortgage-backed securities	1,557,180	32,004	(3,178)	1,586,006
State and municipal securities	404,493	15,624	(347)	419,770
Collateralized mortgage obligations	36,529	555	(169)	36,915
Corporate debt securities	769	11	-	780
Total securities held-to-maturity	$ 2,008,064	$ 48,196	$ (3,823)	$ 2,052,437
At December 31, 2013				
U.S. Government agency and U.S. Government sponsored enterprise debt securities	$ 15,759	$ 19	$ (506)	$ 15,272
Mortgage-backed securities	1,644,496	24,531	(30,736)	1,638,291
State and municipal securities	438,024	11,332	(5,109)	444,247
Collateralized mortgage obligations	46,226	376	(663)	45,939
Corporate debt securities	784	3	-	787
Total securities held-to-maturity	$ 2,145,289	$ 36,261	$ (37,014)	$ 2,144,536

NOTE 3 – Securities Held-to-Maturity, continued

The following table is a summary of the estimated maturities of securities held-to-maturity as of December 31, 2014 based on amortized cost and estimated fair value:

	Amortized Cost	Fair Value
	(In thousands)	
Due in 1 year or less	$ 26,565	$ 26,861
Due after 1 year through 5 years	144,987	151,037
Due after 5 years through 10 years	377,974	397,913
Due after 10 years	1,458,538	1,476,626
	$ 2,008,064	$ 2,052,437

There were no sales or transfers of securities held-to-maturity in 2014 or 2013.

The following table shows the gross unrealized losses on securities held-to-maturity and the related fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2014:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agency and U.S. Government sponsored enterprise debt securities	$ -	$ -	$ 8,615	$ (129)	$ 8,615	$ (129)
Mortgage-backed securities	32,976	(69)	362,084	(3,109)	395,060	(3,178)
State and municipal securities	14,492	(82)	22,937	(265)	37,429	(347)
Collateralized mortgage obligations	2,981	(22)	10,138	(147)	13,119	(169)
Total temporarily impaired securities	$ 50,449	$ (173)	$ 403,774	$ (3,650)	$ 454,223	$ (3,823)

The Bank's held-to-maturity portfolio is primarily composed of mortgage-backed securities issued or guaranteed by FNMA (Fannie Mae) or GNMA (Ginnie Mae). The unrealized losses are primarily attributable to declining market prices caused by accelerated prepayments on the mortgages resulting from a rising interest rate environment. At December 31, 2014, there were 64 and 169 securities held-to-maturity with unrealized losses less than 12 months and 12 months or longer, respectively. Management believes that securities held-to-maturity in an unrealized loss position as December 31, 2014 had a loss position that was temporary in nature, and therefore no impairment losses were recognized in the statement of income. Because the Bank has the ability and intent to hold these investments until maturity, these securities held-to-maturity are not considered other-than-temporarily impaired.

Total securities with a carrying value of approximately $1.25 billion and $1.12 billion at December 31, 2014 and December 31, 2013, respectively, were pledged to secure securities sold under repurchase agreements, public deposits, FRB's daylight overdraft, FHLB's advance line, and for other purposes required by law.

NOTE 3 – Securities Held-to-Maturity, continued

Interest income on tax-exempt securities was $11.8 million for the year ended December 31, 2014, and $12.6 million for the year ended December 31, 2013.

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES

The loan portfolio is composed mainly of credit extended to borrowers in Southern California with the majority of loans secured by real estate, even though a substantial amount of the Bank's loans are intended for business purposes. There is no concentration of loans to borrowers in a specific industry within the loan portfolio. Loans are generally expected to be paid off from the operating cash flow of the borrowers, refinancing by another lender, or through sale by the borrowers of the secured collateral.

The following is the presentation of the loan portfolio, separated into the same loan segments utilized in the estimation of the ALL:

	December 31,	
	2014	2013
	(In thousands)	
Commercial & industrial	$ 105,240	$ 106,119
Construction	155,153	71,340
Commercial real estate	1,976,691	1,612,810
Residential mortgage	634,477	537,566
Equity lines	113,850	108,529
Installment and other loans	24,607	17,973
Gross loans	3,010,018	2,454,337
Less: Allowance for loan losses	(50,804)	(51,251)
Unamortized deferred loan fees, net	(3,064)	(1,739)
Loans, net	$ 2,956,150	$ 2,401,347
Loans held for sale	1,751	465
Total loans receivable, net	$ 2,957,901	$ 2,401,812

NOTE 4 – Loans and Allowance for Loan Losses, continued

Nonaccrual and Past Due Loans

Loans are tracked by the numbers of days borrower payments are past due. The following tables present an aging analysis of nonaccrual and past due loans, segregated by loan segment:

	As of December 31, 2014					
	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days & Over Still Accruing	Nonaccrual	Current	Total
	(In thousands)					
Loan Segment						
Commercial & industrial	$ -	$ -	$ -	$ -	$ 105,240	$ 105,240
Construction	-	-	-	-	155,153	155,153
Commercial real estate	253	3,303	-	4,748	1,968,387	1,976,691
Residential mortgage	237	-	-	-	634,240	634,477
Equity lines	-	-	-	400	113,450	113,850
Installment and other loans	-	34	27	-	24,546	24,607
Gross loans	**$ 490**	**$ 3,337**	**$ 27**	**$ 5,148**	**$ 3,001,016**	**$ 3,010,018**

	As of December 31, 2013					
	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days & Over Still Accruing	Nonaccrual	Current	Total
	(In thousands)					
Loan Segment						
Commercial & industrial	$ -	$ -	$ -	$ 95	$ 106,024	$ 106,119
Construction	-	-	-	1,115	70,225	71,340
Commercial real estate	1,608	785	-	25,735	1,584,682	1,612,810
Residential mortgage	-	408	-	1,084	536,074	537,566
Equity lines	171	-	-	1,165	107,193	108,529
Installment and other loans	121	49	32	-	17,771	17,973
Gross loans	**$ 1,900**	**$ 1,242**	**$ 32**	**$ 29,194**	**$ 2,421,969**	**$ 2,454,337**

The following is a summary of select information related to the nonaccrual loans outstanding as of December 31, 2014 and 2013 and the related contractual interest income foregone for the years indicated:

	2014	2013
	(In thousands)	
Nonaccrual loans		
Outstanding balance	$ 5,148	$ 29,194
Average balance	19,576	38,577
Interest income recorded	4	308
Interest income foregone	443	1,708

Credit Quality

Loans are risk rated based on analysis of the current state of the borrower's credit quality. The analysis of credit quality includes review of all sources of repayment, the borrower's current payment performance/

NOTE 4 – Loans and Allowance for Loan Losses, continued

Credit Quality, continued

delinquency, the borrower's current financial and liquidity status, and all other relevant information. The following tables present the credit risk rating categories for each loan segment as of the dates indicated. Nonclassified loans are those with a credit risk rating of either pass or special mention, while classified loans are those with a credit risk rating of either substandard or doubtful.

	December 31, 2014			December 31, 2013		
	Nonclassified	Classified	Total	Nonclassified	Classified	Total
	(In thousands)					
Commercial & industrial	$ 104,876	$ 364	$ 105,240	$ 105,580	$ 539	$ 106,119
Construction	154,896	257	155,153	69,858	1,482	71,340
Commercial real estate	1,955,613	21,078	1,976,691	1,570,312	42,498	1,612,810
Residential mortgage	631,589	2,888	634,477	532,991	4,575	537,566
Equity lines	107,917	5,933	113,850	103,439	5,090	108,529
Installment and other loans	24,607	-	24,607	17,973	-	17,973
Total	**$ 2,979,498**	**$ 30,520**	**$ 3,010,018**	**$ 2,400,153**	**$ 54,184**	**$ 2,454,337**

Troubled Debt Restructured Loans

Included in the Bank's loan portfolio are TDRs, which are loans that have been modified due to deterioration in the financial condition of the borrower, and the Bank has granted concessions to the borrower that it would not otherwise consider. The total amount of TDRs was $12.7 million at December 31, 2014 and $32.6 million at December 31, 2013.

The following tables present TDRs as of each year end that were modified as TDRs during the year in each respective period.

	For The Year Ended December 31, 2014						
						TDRs that Subsequently Defaulted	
	No. of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment	Charge-offs During Modification	Allocated Reserve	No. of Contracts	Recorded Investment
	(In thousands)						
Loan Segment							
Commercial & industrial	1	$ 122	$ 122	$ -	$ 1	-	$ -
Construction	-	-	-	-	-	-	
Commercial real estate	3	1,589	1,589	-	-	-	
Residential mortgage	3	1,169	1,169	-	-	-	-
Equity lines	-	-	-	-	-	-	
Total	**7**	**$ 2,880**	**$ 2,880**	**$ -**	**$ 1**	**-**	**$ -**

NOTE 4 – Loans and Allowance for Loan Losses, continued

Troubled Debt Restructured Loans, continued

	For The Year Ended December 31, 2013						
	No. of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment	Charge-offs During Modification	Allocated Reserve	TDRs that Subsequently Defaulted: No. of Contracts	TDRs that Subsequently Defaulted: Recorded Investment
			(In thousands)				
Loan Segment							
Commercial & industrial	2	$ 183	$ 183	$ -	$ -	-	$ -
Construction	1	-	-	-	-	-	-
Commercial real estate	5	14,313	14,313	-	-	-	-
Residential mortgage	2	592	592	-	-	1	263
Equity lines	1	441	441	-	-	-	-
Total	**11**	**$ 15,529**	**$ 15,529**	**$ -**	**$ -**	**1**	**$ 263**

Accruing TDRs

A summary of accruing TDRs by concession type and by loan segment is shown below for each year end.

	As of December 31, 2014			
	Principal Deferral	Rate Reduction	Combination of such Concession	Total
		(In thousands)		
Loan Segment				
Commercial & industrial	$ 116	$ -	$ -	$ 116
Construction	-	-	-	-
Commercial real estate	3,489	816	2,286	6,591
Residential mortgage	1,287	-	-	1,287
Total loans	**$ 4,892**	**$ 816**	**$ 2,286**	**$ 7,994**

	As of December 31, 2013			
	Principal Deferral	Rate Reduction	Combination of such Concession	Total
		(In thousands)		
Loan Segment				
Commercial & industrial	$ 141	$ -	$ -	$ 141
Construction	-	-	-	-
Commercial real estate	263	-	3,420	3,683
Residential mortgage	218	-	292	510
Total loans	**$ 622**	**$ -**	**$ 3,712**	**$ 4,334**

NOTE 4 – Loans and Allowance for Loan Losses, continued

Nonaccrual TDRs

A summary of nonaccrual TDRs by concession type and by loan segment is shown below for each year end.

	As of December 31, 2014				
	Principal Deferral	Rate Reduction	Forgiveness of Principal	Combination of Such Concession	Total
			(In thousands)		
Loan Segment					
Commercial & industrial	$ -	$ -	$ -	$ -	$ -
Construction	-	-	-	-	-
Commercial real estate	3,991	-	-	757	4,748
Residential mortgage	-	-	-	-	-
Equity lines	-	-	-	-	-
Total loans	**$ 3,991**	**$ -**	**$ -**	**$ 757**	**$ 4,748**

	As of December 31, 2013				
	Principal Deferral	Rate Reduction	Forgiveness of Principal	Combination of Such Concession	Total
			(In thousands)		
Loan Segment					
Commercial & industrial	$ 95	$ -	$ -	$ -	$ 95
Construction	1,115	-	-	-	1,115
Commercial real estate	16,561	-	-	8,987	25,548
Residential mortgage	-	-	-	1,084	1,084
Equity lines	395	-	-	-	395
Total loans	**$ 18,166**	**$ -**	**$ -**	**$ 10,071**	**$ 28,237**

NOTE 4 – Loans and Allowance for Loan Losses, continued

Impaired Loans

Nonaccrual loans and performing restructured loans are considered impaired loans for reporting purposes. The following table segregates the major loan categories between those loans that were individually evaluated for impairment and those loans that were collectively evaluated for impairment.

	December 31, 2014			December 31, 2013		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
	(In thousands)					
Loan Segment						
Commercial & industrial	$ 116	$ 105,124	$ 105,240	$ 237	$ 105,882	$ 106,119
Construction	-	155,153	155,153	1,115	70,225	71,340
Commercial real estate	11,339	1,965,352	1,976,691	29,418	1,583,392	1,612,810
Residential mortgage	1,287	633,190	634,477	1,594	535,972	537,566
Equity lines	400	113,450	113,850	1,165	107,364	108,529
Installment and other loans	-	24,607	24,607	-	17,973	17,973
Total	**$ 13,142**	**$ 2,996,876**	**$ 3,010,018**	**$ 33,529**	**$ 2,420,808**	**$ 2,454,337**

For the indicated periods, the following tables contain an analysis of impaired loans by segment:

	As of December 31, 2014						
	Unpaid Principal Balance	Recorded Investment With No ALL	Recorded Investment With ALL	Related ALL	Total	Average Recorded Investment	Interest Income Recognized
	(In thousands)						
Loan Segment							
Commercial & industrial	$ 116	$ -	$ 116	$ 1	$ 115	$ 165	$ 6
Construction	-	-	-	-	-	353	-
Commercial real estate	15,120	11,339	-	-	11,339	21,891	237
Residential mortgage	1,357	1,287	-	-	1,287	1,717	34
Equity lines	487	400	-	-	400	858	4
Installment and other loans	-	-	-	-	-	-	-
Total	**$ 17,080**	**$ 13,026**	**$ 116**	**$ 1**	**$ 13,141**	**$ 24,984**	**$ 281**

NOTE 4 – Loans and Allowance for Loan Losses, continued

Impaired Loans, continued

	As of December 31, 2013						
	Unpaid Principal Balance	Recorded Investment With No ALL	Recorded Investment With ALL	Related ALL	Total	Average Recorded Investment	Interest Income Recognized
	(In thousands)						
Loan Segment							
Commercial & industrial	$ 440	$ 223	$ 14	$ 1	$ 236	$ 957	$ 8
Construction	1,380	1,115	-	-	1,115	5,644	-
Commercial real estate	34,550	29,400	18	17	29,401	34,024	458
Residential mortgage	2,139	1,594	-	-	1,594	5,503	21
Equity lines	1,383	1,165	-	-	1,165	1,513	52
Installment and other loans	-	-	-	-	-	-	-
Total	**$ 39,892**	**$ 33,497**	**$ 32**	**$ 18**	**$ 33,511**	**$ 47,641**	**$ 539**

Allowance for Loan Losses

The following table summarizes ALL activity by loan segment for each year ended:

	As of December 31, 2014						
	Commercial & Industrial	Construction	Commercial Real Estate	Residential Mortgage	Equity Lines	Installment and Other Loans	Total
	(In thousands)						
December 31, 2012	**$ 2,090**	**$ 1,425**	**$ 23,617**	**$ 17,248**	**$ 1,073**	**$ 5,541**	**$ 50,994**
Provision	(904)	4,649	(10,410)	6,790	(125)	-	-
Charge-Off	(399)	-	(644)	(249)	-	(564)	(1,856)
Recoveries	476	146	1,043	144	4	300	2,113
December 31, 2013	**$ 1,263**	**$ 6,220**	**$ 13,606**	**$ 23,933**	**$ 952**	**$ 5,277**	**$ 51,251**
Provision	(915)	1,471	10,250	(6,681)	(529)	(3,596)	-
Charge-Off	-	(119)	(1,338)	-	-	(322)	(1,779)
Recoveries	409	-	36	469	67	351	1,332
December 31, 2014	**$ 757**	**$ 7,572**	**$ 22,554**	**$ 17,721**	**$ 490**	**$ 1,710**	**$ 50,804**
The ending ALL balance is composed of amounts applicable to loans:							
Individually evaluated for impairment	$ 1	$ -	$ -	$ -	$ -	$ -	$ 1
Collectively evaluated for impairment	$ 756	$ 7,572	$ 22,554	$ 17,721	$ 490	$ 1,710	$ 50,803

NOTE 4 – Loans and Allowance for Loan Losses, continued

Reserve for Unfunded Loan Commitments

Activities in the reserve for unfunded loan commitments included in other liabilities in the accompanying balance sheets for the years ended December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
	(In thousands)	
Balance, beginning of year	$ 2,152	$ 2,152
Addition of reserve for unfunded loan commitments	548	-
Balance, end of year	$ 2,700	$ 2,152

NOTE 5 – OTHER REAL ESTATE OWNED

At December 31, 2014 and 2013, the carrying value of OREO was $3.4 million and $14.5 million, net of reserve for OREO of $2.8 million and $4.9 million, respectively. The following tables summarize the net carrying value of OREO by property type at the dates indicated:

	December 31, 2014	December 31, 2013
	(In thousands)	
Commercial real estate	$ -	$ 461
Construction and land development	2,341	11,991
Farmland	1,065	1,065
Single family residence	-	985
Total OREO, net	$ 3,406	$ 14,502

The components of OREO income and expense for the years indicated are as follows:

	2014	2013
	(In thousands)	
Rental income	$ 558	$ 969
Net gain on sale	1,025	2,788
Total OREO income	1,583	3,757
Operating and maintenance expense	922	1,479
Addition (reduction) of reserve for OREO	2,285	(951)
Total OREO expense	3,207	528
OREO (expense) income, net	$ (1,624)	$ 3,229

NOTE 6 – PUBLIC WELFARE INVESTMENTS

The Bank has invested in certain limited liability companies and partnerships that make investments in commercial enterprises and affordable housing projects located in low income communities for the purpose of utilizing the tax credits these investments generate. The Bank is not the primary beneficiary of these partnerships and, therefore, is not required to consolidate these entities on its financial statements.

The Bank's public welfare investments totaled $45.5 million and $27.7 million at December 31, 2014 and December 31, 2013, respectively. Unfunded commitments related to these public welfare investments totaled $11.9 million and $12.2 million at December 31, 2014 and December 31, 2013, respectively, and are included in other liabilities on the balance sheets.

The Bank's usage of federal tax credits totaled $7.7 million for 2014 and $8.9 million for 2013. The Bank's remaining tax credits to be utilized over a multiple-year period approximated $44.9 million as of December 31, 2014. Under the proportional amortization method, the amortization of the investment recognized as a component of income tax expenses totaled $1.6 million for 2014.

NOTE 7 – PREMISES AND EQUIPMENT

The following is a summary of premises and equipment as of the dates indicated:

	December 31, 2014	December 31, 2013
	(In thousands)	
Land	$ 35,625	$ 25,580
Buildings and building improvements	62,600	49,807
Furniture, fixtures and equipment	26,874	25,818
Leasehold improvements	4,071	4,232
Construction in progress	1,086	1,727
	$ 130,256	$ 107,164
Less accumulated depreciation and amortization	(45,254)	(40,952)
	$ 85,002	$ 66,212

Depreciation and amortization expense was $5.7 million in 2014 and $4.8 million in 2013.

The Bank is committed under a number of operating leases for premises and equipment. Most of the leases require that the Bank pay property taxes, insurance and other operating expenses applicable to the leased premises in addition to the monthly lease payment. Lease expense for the years ended December 31, 2014 and 2013 was $1.5 million and $1.5 million, respectively.

NOTE 7 – Premises and Equipment, continued

The following table presents future annual minimum lease commitments as of December 31, 2014:

Year Ending December 31,	Commitments
	(In thousands)
2015	$ 1,273
2016	995
2017	508
2018	240
2019	156
Thereafter	$ 692

Total lease income for the years ended December 31, 2014 and 2013 was $1.9 million and $1.1 million respectively. The following table presents future annual lease income payments to be received under operating leases with terms in excess of one year as of December 31, 2014:

Year Ending December 31,	Commitments
	(In thousands)
2015	$ 1,558
2016	1,162
2017	897
Thereafter	$ 515

Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases.

NOTE 8 – DEPOSITS

The following table presents the components of deposits as of the dates indicated:

	December 31, 2014	December 31, 2013
	(In thousands)	
Non-interest-bearing checking	$ 1,567,046	$ 1,475,888
Interest-bearing checking	552,432	413,291
Money market accounts	645,019	531,196
Savings deposits	583,565	549,578
Total core deposits	$ 3,348,062	$ 2,969,953
Time deposits:		
Less than $100,000	$ 188,780	$ 205,866
$100,000 or greater	663,431	655,623
Total time deposits	852,211	861,489
Total deposits	$ 4,200,273	$ 3,831,442

Interest expense on time deposits of $100,000 and over totaled $3.3 million and $3.0 million for the years ended December 31, 2014, and 2013, respectively.

NOTE 8 – Deposits, continued

At December 31, 2014, the maturity distribution of the Bank's time deposits was as follows:

Year of Maturity	Less Than $100,000	$100,000 or Greater	Total
	(In thousands)		
2015	$ 160,470	$ 497,621	$ 658,091
2016	16,966	90,367	107,333
2017	6,595	30,861	37,456
2018	2,573	31,410	33,983
2019	2,176	13,172	15,348
	$ 188,780	$ 663,431	$ 852,211

NOTE 9 – SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Substantially all repurchase agreements have open-ended maturities, where either the customer or the Bank may terminate a repurchase agreement at any time upon written notice. All outstanding balances and pledged securities are rebalanced and interest rates reset daily to reflect market movement.

The following table summarizes information about securities sold under repurchase agreements outstanding as of the periods indicated:

	December 31, 2014	December 31, 2013
	(In thousands)	
Securities sold under repurchase agreements	$ 546,758	$ 595,991
Weighted average interest rate	0.20%	0.19%
Securities underlying repurchase agreements	$ 643,035	$ 666,267
Fair value of securities underlying repurchase agreements	$ 656,603	$ 670,508

The securities underlying these agreements are held by a custodian bank until the maturity of the agreement. The identical securities will be repurchased by the Bank. The following table summarizes securities sold under repurchase agreements' activity during the periods 2014 and 2013, respectively:

	2014	2013
	(In thousands)	
Average outstanding	$ 579,200	$ 578,651
Weighted average interest rate	0.20%	0.19%
Maximum amounts outstanding	$ 691,518	$ 664,329

NOTE 10 – INCOME TAXES

The provision for income taxes for the years ended December 31, 2014 and 2013 is comprised of the following:

	2014	2013
	(In thousands)	
Current income taxes:		
Federal	$ 17,931	$ 13,887
State	10,206	8,080
Total current income tax expense	28,137	21,967
Deferred income taxes:		
Federal	98	4,457
State	(102)	1,958
Total deferred income tax (benefit) expense	(4)	6,415
Total income tax expense	$ 28,133	$ 28,382

Significant temporary differences that give rise to the deferred tax assets and liabilities as of December 31, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In thousands)	
Deferred tax assets		
Allowance for loan losses	$ 24,526	$ 24,480
Allowance for OREO	1,277	2,242
Public welfare investments – state tax basis difference	3,069	2,151
State income taxes	1,379	864
Other, net	1,672	813
Gross deferred tax assets	$ 31,923	$ 30,550
Valuation allowance	(3,069)	(2,151)
Deferred tax assets, net of valuation allowance	$ 28,854	$ 28,399
Deferred tax liabilities		
Unrealized gain on securities available-for-sale	1,456	1,522
Premises and equipment depreciation and amortization	188	1,191
Public welfare investments - federal tax basis difference	3,346	2,139
Other	35	35
Gross deferred tax liabilities	$ 5,025	$ 4,887
Net deferred tax assets	$ 23,829	$ 23,512

NOTE 10 – Income Taxes, continued

The Federal tax rate was 35% for 2014 and 2013. A reconciliation of income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes follows:

	2014	2013
Federal income tax rate	35.0%	35.0%
State income taxes, net of federal benefit	6.8%	6.3%
Tax-exempt interest income	(4.4%)	(4.7%)
Tax credits	(8.5%)	(6.4%)
Other	2.2%	1.1%
	31.1%	31.3%

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon our taxpaying history and estimates of taxable income over the years in which the items giving rise to the deferred tax assets are deductible, management believes it is more likely than not that the Bank will realize the benefits of these deductible differences (except to the extent of the recorded valuation allowance). A valuation allowance has been provided for expected capital losses in California since management believes it is probable that these losses may not be utilized.

ASC 740-10, *Accounting for Uncertainty in Income Taxes* requires that all tax positions be assessed and to the extent the position is more likely than not to be sustained on its technical merits, a benefit be recognized based on the greatest amount that is more likely than not to be sustained. Management's evaluation of tax positions was performed for those tax years which remain open to audit. As of December 31, 2014, all tax years subsequent to 2010 and 2008 for federal and state purposes respectively remain open to examination. The Bank may, from time to time, be assessed interest or penalties by taxing authorities, although any such assessments historically have been minimal and immaterial to our financial results. The Bank has concluded that there are no material uncertain tax positions as of December 31, 2014.

NOTE 11 – EARNINGS PER SHARE

As of December 31, 2014 and 2013, there were no securities or other contracts to issue common stock. The table below is a reconciliation of the numerators and denominators used in the calculation of basic and diluted EPS for the years ended December 31, 2014 and 2013.

	2014	2013
	(In thousands, except share and per share data)	
Basic and diluted earnings per share:		
Net income available to common stockholders	$ 62,409	$ 62,164
Weighted average number of common shares outstanding	130,928	130,928
Weighted basic and diluted earnings per common share	$ 476.67	$ 474.80

NOTE 12 – STOCKHOLDERS' EQUITY

On March 31, 2014, the Bank transferred $100.0 million from retained earnings to additional paid-in capital with the approval of the Department of Business Oversight and the Board of Directors, and the concurrence of the Federal Reserve Bank. The transfer was completed for the purpose of complying with the limitation on investments in bank premises pursuant to the Federal Reserve Bank's Section 208.21(a) of Regulation H; it did not have an impact on total equity, capital ratios or net income.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Commitments to Extend Credit

In the normal course of business, the Bank has various outstanding commitments to extend credit that are not reflected in the accompanying financial statements. While the Bank does not anticipate material losses as a result of these transactions, commitments to extend credit are included in determining the appropriate level of the reserve for unfunded loan commitments. Commitments to extend credit are agreements to lend to a customer, provided there is no violation of any condition established in the agreement. Substantially all of the Bank's commitments to extend credit are on a variable rate basis. Standby letters of credit are conditional commitments issued by the Bank to make payment on behalf of customers when certain specified future events occur. The customer is obligated to reimburse the Bank for any such payment. Most letters of credit expire within one year.

The Bank uses the same credit policies in making commitments to extend credit and in issuing standby letters of credit. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the customer.

NOTE 13 – Commitments and Contingencies, continued

Commitments to Extend Credit, continued

The following table presents a summary of the Bank's commitments to extend credit as of the dates indicated:

	December 31, 2014	December 31, 2013
	(In thousands)	
Commitments to extend credit	$ 883,198	$ 686,089
Financial standby letters of credit	12,722	10,845
Performance standby letters of credit	6,725	7,389
	$ 902,645	$ 704,323

Legal Matters

From time to time, the Bank is a defendant or plaintiff in various legal proceedings, including litigation arising in the ordinary course of our business. The outcome of such legal proceedings and the timing of ultimate resolution are inherently difficult to predict. In the opinion of management, based upon information currently available to us, the ultimate disposition of these matters will not have a material effect on the Bank's financial position or results of operations.

NOTE 14 – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value including a three-level valuation hierarchy, and expands disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date reflecting assumptions that a market participant would use when pricing an asset or liability. The three-level inputs to measure the fair value of assets and liabilities are as follows:

Level 1 - Quoted prices for identical instruments that are highly liquid, observable and actively traded in over-the-counter markets. Level 1 financial instruments typically include U.S. Treasury securities.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable and can be corroborated by market data. Level 2 financial instruments typically include U.S. Government debt and agency mortgage-backed securities, municipal securities, corporate debt securities, impaired loans and OREO.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models,

NOTE 14 – Fair Value Measurements, continued

discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category typically includes impaired loans and OREO.

The Bank uses the following methodologies to measure the fair value of its financial assets on a recurring and non-recurring basis:

Securities available-for-sale – Other than U.S. Treasury securities, which is a Level 1 measurement, the Bank measures all other securities by using quoted market prices for similar securities or dealer quotes, a Level 2 measurement.

Impaired loans - The Bank does not record loans at fair value on a recurring basis. However, from time to time, nonrecurring fair value adjustments to collateral-dependent impaired loans are recorded based on either current appraised value of the collateral, a Level 2 measurement, or management's judgment and estimation of value reported on appraisals which are adjusted based on recent market trends, a Level 3 measurement. The impaired loans categorized as Level 3 also include loans whose fair values are based on unobservable inputs such as cash flows discounted at the effective loan rate, management's judgment or in the event when current appraised value was higher than the Bank's book balance.

Other real estate owned - The fair value of OREO is generally based on third-party appraisals, which are reviewed and approved by the Bank's Credit Administration Department. OREO measured at fair value based on third-party appraisals or accepted written offers is classified in Level 2 in the fair value hierarchy. In certain circumstances, fair value may be determined using a combination of inputs including appraised values, broker price opinions and recent market activity. The weighing of each input in the calculation of fair value is based on management's assumptions regarding market conditions. These assumptions cannot be observed in the market. OREO measured at fair value using non-observable inputs is classified in Level 3 of the fair value hierarchy.

The following table presents the Bank's hierarchy for its assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities are reported on the balance sheets at their fair values as of December 31, 2014 and December 31, 2013, respectively:

	As of December 31, 2014			
	Fair Value Measurements Using			Total at
	Level 1	Level 2	Level 3	Fair Value
	(In thousands)			
Assets				
On a recurring basis:				
Securities available-for-sale	$ -	$ 215,223	$ -	$ 215,223
On a non-recurring basis:				
Impaired loans	-	-	115	115
Other real estate owned	-	1,694	-	1,694
Total assets	$ -	$ 216,917	$ 115	$ 217,032

NOTE 14 – Fair Value Measurements, continued

	As of December 31, 2013			
	Fair Value Measurements Using			Total at
	Level 1	Level 2	Level 3	Fair Value
	(In thousands)			
Assets				
On a recurring basis:				
Securities available-for-sale	$ -	$ 427,942	$ -	$ 427,942
On a non-recurring basis:				
Impaired loans	-	5,497	-	5,497
Other real estate owned	-	5,106	-	5,106
Total assets	$ -	$ 438,545	$ -	$ 438,545

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are defined under FASB ASC 825-50, *Financial Instruments-Disclosures,* as cash, evidence of an ownership in an entity, or a contract that conveys or imposes on an entity the contractual right or obligation to either receive or deliver cash or another financial instrument. A significant portion of the Bank's assets and liabilities are financial instruments as defined under FASB ASC 825-50.

The following presents a description of the Bank's financial instruments and the methodologies and assumptions used to estimate their fair value. Much of the information used to determine fair value is highly subjective. When applicable, readily available market information has been utilized. However, for a significant portion of the Bank's financial instruments, active markets may not exist. Therefore, considerable judgments are required in estimating fair value of certain items. The subjective factors include, among other things, the estimated timing and amount of cash flows, risk characteristics, credit quality and interest rates, all of which are subject to change. Since the fair value is estimated as of December 31, 2014 and 2013, the amounts that will actually be realized could be significantly different.

Cash and Due from Banks

The carrying value of cash and due from banks approximates the fair value because of the short maturity of such assets.

Securities Available-for-Sale and Securities Held-to-Maturity

The Bank used market quotes for similar or identical securities in an actively traded market or management's judgment and estimation to determine the fair values of securities available-for-sale and securities held-to-maturity as disclosed in Notes 2 and 3, respectively.

Loans Held for Sale

Loans held for sale are carried at the lower of aggregate cost or fair value, and are short-term in nature.

NOTE 15 – Fair Value of Financial Instruments, continued

Loans

Fair values were estimated for portfolios of loans with similar financial characteristics. Each loan category was further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories. The fair value of performing loans was calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. The entire allowance for loan losses was deducted from the loan portfolio. Accordingly, they are considered to be carried at fair value as the allowance for loan losses represents the estimated discount for credit risk for the applicable loans.

Investments in FHLB and FRB Stock

Investments in FHLB and FRB stock are carried at cost. Ownership of stock is restricted to member banks and the securities do not have a readily determinable market value. Purchases and sales of these securities are at par value with the issuer, hence, the fair value is equal to the carrying value.

Deposits

The fair value of demand deposits, savings and money market saving accounts represents the amount payable on demand at the reporting date. For fixed maturity time deposits, the fair value was estimated by discounting expected cash flows by the current offering rates of term deposits with similar maturities; however, since the bank's current interest rate is approximately at market, fixed maturity time deposits were determined to approximate the carrying value.

Securities Sold Under Repurchase Agreements

The fair value of securities sold under agreements to repurchase approximates carrying value due to the terms and nature of the obligations. Interest rates will reset daily according to the market movement.

Off-Balance Sheet Financial Instruments

As the standby letters of credit and commitments to lend have terms that are consistent with current market terms, the Bank estimates that the fair value of the fees charged to enter into such agreements to be nominal.

NOTE 15 – Fair Value of Financial Instruments, continued

Off-Balance Sheet Financial Instruments, continued

The following table presents estimated fair value information for the Bank's financial instruments at December 31:

	2014		2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)			
Financial Assets:				
Cash and due from banks	$ 193,148	$ 193,148	$ 86,016	$ 86,016
Securities available-for-sale	215,223	215,223	427,942	427,942
Securities held-to-maturity	2,008,064	2,052,437	2,145,289	2,144,536
Loans held for sale	1,751	1,751	465	465
Loans, net of allowance for loan losses	2,956,150	3,140,045	2,401,347	2,456,278
Investments in FHLB and FRB stock	28,440	28,440	440	440
Financial Liabilities:				
Deposits:				
Non-interest-bearing deposits	$ 1,567,046	$ 1,567,046	$ 1,475,888	$ 1,475,888
Interest-bearing deposits	552,432	552,432	413,291	413,291
Savings and money market deposits	1,228,584	1,228,584	1,080,774	1,080,774
Time deposits	852,211	852,211	861,489	861,489
Securities sold under repurchase agreements	546,758	546,758	595,991	595,991

NOTE 16 – RELATED PARTY TRANSACTIONS

The Bank and Queen City Investments, Inc. ("Queen City"), which is the parent company of the Farmers & Merchants Trust Company of Long Beach (the "Trust Company."), are considered affiliated parties as significant percentages of the outstanding shares of the Bank and Queen City are held by common shareholders, including by certain executive officers and/or directors of the Bank. In addition, certain executive and other officers of the Bank served as officers and/or directors of Queen City Investments and/or its subsidiaries, including the Trust Company.

The Bank and the Trust Company have entered into an Employee Leasing Agreement whereby the Bank provides the Trust Company with the services of various Bank employees and in return the Trust Company pays fees to the Bank for such employee services. In 2014 and 2013, the Trust Company paid the Bank $337,000 and $302,000, respectively, under this arrangement. In addition, the Bank and the Trust Company have entered into an Exchange of Services Agreement for the exchange of various other services, which agreement provides for the periodic settlement between the parties of the differences in the values of respective services provided by one party to the other. Under this arrangement, the Bank provides administrative, accounting and data processing services as well as office space to the Trust Company and the Trust Company provides trustee and financial management services to the Bank and

NOTE 16 – Related Party Transactions, continued

maintains deposits with the Bank. In 2014, the Bank paid the Trust Company $90,000 for the difference between the value of services exchanged between the parties in 2013, and in 2013 the Bank paid the Trust Company $30,000 for the difference between the value of services exchanged between the parties in 2012.

In 2014, the Bank purchased a property located in Redondo Beach from Queen City for $4.3 million and the purchase price was supported by a third-party appraisal. The Bank has also leased the Torrance branch location from Queen City, which is subject to an ongoing lease agreement. The Bank paid $292,000 and $291,000, respectively, in lease expense for each of the years ended December 31, 2014 and 2013.

At December 31, 2014 and December 31, 2013, no loans were outstanding with any related party.

NOTE 17 – PROFIT-SHARING PLAN

The Bank has a noncontributory profit-sharing plan in which employees are eligible to participate at year-end if they have been employed for at least 1,000 hours during the year. The Bank contributed $5.1 million and $4.3 million to the profit-sharing plan in 2014 and 2013, respectively. At December 31, 2014 and December 31, 2013, no shares of the Bank's stock are held by the trust created by the plan.

NOTE 18 – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the Federal and State banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly, additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

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 and Tier 1 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, 2014, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2014, the most recent notification from the Federal Reserve Bank categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the institution's category.

NOTE 18 – Regulatory Matters, continued

The Bank's actual regulatory capital amounts and ratios are also presented in the table.

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Rate	Amount	Rate	Amount	Rate
			(Dollars in thousands)			
As of December 31, 2014:						
Total Capital (to Risk-Weighted Assets)	$ 849,680	23.59%	≥ $ 288,135	≥ 8.0%	≥ $ 360,168	≥ 10.0%
Tier 1 Capital (to Risk-Weighted Assets)	$ 804,554	22.34%	≥ $ 144,067	≥ 4.0%	≥ $ 216,101	≥ 6.0%
Tier 1 Capital (to Average Assets)	$ 804,554	14.35%	≥ $ 224,288	≥ 4.0%	≥ $ 280,359	≥ 5.0%

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Rate	Amount	Rate	Amount	Rate
			(Dollars in thousands)			
As of December 31, 2013:						
Total Capital (to Risk-Weighted Assets)	$ 795,263	26.16%	≥ $ 243,219	≥ 8.0%	≥ $ 304,024	≥ 10.0%
Tier 1 Capital (to Risk-Weighted Assets)	$ 757,070	24.90%	≥ $ 121,609	≥ 4.0%	≥ $ 182,414	≥ 6.0%
Tier 1 Capital (to Average Assets)	$ 757,070	14.48%	≥ $ 209,122	≥ 4.0%	≥ $ 261,402	≥ 5.0%

NOTE 19 – SUBSEQUENT EVENTS

The Bank has evaluated events that have occurred subsequent to December 31, 2014, and through April 28, 2015, the date that these financial statements were issued. There have been no subsequent events that have occurred during the period that would require recognition in the financial statements or its disclosure in 2014.

Corporate Information

Board of Directors

Daniel K. Walker, Chairman of the Board
Richard W. Darling
Walter M. Florie
William G. Hayter
Timothy W. Jackert
Lawrence J. McLaughlin
Timothy M. Wilson

Principal Officers

Daniel K. Walker, Chairman of the Board & CEO
W. Henry Walker, President
Kenneth G. Walker, President, Main Office
John W.H. Hinrichs, Chief Financial Officer
Phillip J. Bond, Chief Credit Officer
Melissa Lanfre, Chief Operating Officer

Auditor

KPMG LLP
600 Anton Boulevard, Suite 700
Costa Mesa, CA 92626

Legal Counsel

Paul, Hastings, Janofsky & Walker LLP
695 Town Center Drive, 17th Floor
Costa Mesa, CA 92626

Investor Relations

PondelWilkinson Inc.
1880 Century Park East, Suite 350
Los Angeles, CA 90067

Transfer Agent

American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219

Securities Listing

Farmers & Merchants Bank's common stock is traded on the OTC Markets system (OTCQB) under the symbol FMBL

Corporate Headquarters

302 Pine Avenue
Long Beach, CA 90802

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Certain statements in this annual report may be forward-looking statements. Readers of this annual report should understand that all such forward-looking statements are inherently subject to risk and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by or underlying such forward-looking statements and the Bank's actual results or outcomes could differ materially from those anticipated.

Main – Long Beach
302 Pine Ave.
Long Beach, CA 90802
(562) 437-0011
Since 1907

Belmont Shore
4827 E. 2nd St.
Long Beach, CA 90803
(562) 621-1430
Since 1971

Bixby Knolls
4545 California Ave.
Long Beach, CA 90807
(562) 984-3600
Since 1970

Corona del Mar
2421 E. Coast Hwy.
Corona del Mar, CA 92625
(949) 723-1804
Since 2013

Downey
9001 Firestone Blvd.
Downey, CA 90241
(562) 334-1836
Since 2013

East Long Beach
3140 E. Anaheim St.
Long Beach, CA 90804
(562) 621-1400
Since 1921

Fullerton
315 N. Harbor Blvd.
Fullerton, CA 92832
(714) 578-1945
Since 1985

Garden Grove
10422 Garden Grove Blvd.
Garden Grove, CA 92843
(714) 590-3880
Since 1955

Huntington Beach
7125 Yorktown Ave.
Huntington Beach, CA 92648
(714) 465-3131
Since 2004

Laguna Hills
24300 Paseo de Valencia
Laguna Hills, CA 92653
(949) 340-3150
Since 2004

Lake Forest
23772 Rockfield Blvd.
Lake Forest, CA 92630
(949) 460-7900
Since 1981

Lakewood
5101 Lakewood Blvd.
Lakewood, CA 90712
(562) 602-8378
Since 1966

Los Altos
2302 Bellflower Blvd.
Long Beach, CA 90815
(562) 799-7271
Since 1973

Memorial Hospital
2801 Atlantic Ave.
Long Beach, CA 90806
(562) 989-7862
Since 1981

Newport Beach
4695 MacArthur Ct., Ste. 130
Newport Beach, CA 92660
(949) 241-8280
Since 2006

Orange
1220 E. Katella Ave.
Orange, CA 92867
(714) 288-8450
Since 1981

Redondo Beach
1304 S. Pacific Coast Hwy.
Redondo Beach, CA 90277
(310) 802-7560
Since 2015

Rolling Hills Estates
27525 Indian Peak Rd.
Rolling Hills Estates, CA 90274
(310) 491-1711
Since 2001

Rossmoor
12535 Seal Beach Blvd.
Seal Beach, CA 90740
(562) 799-2002
Since 1985

San Clemente
621 N. El Camino Real
San Clemente, CA 92672
(949) 373-2470
Since 2006

San Juan Capistrano
31873 Del Obispo St.
San Juan Capistrano, CA 92675
(949) 488-8550
Since 1985

Santa Ana
1750 E. 17th St.
Santa Ana, CA 92705
(714) 564-1750
Since 1985

Torrance
22400 Hawthorne Blvd.
Torrance, CA 90505
(310) 265-3200
Since 2003

Tustin
2691 Park Ave.
Tustin, CA 92782
(714) 824-3070
Since 2007

Farmers & Merchants Bank

Corporate Headquarters

302 Pine Avenue, Long Beach, CA 90802

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