CHINO COMMERCIAL BANCORP

Advanced Banking Innovations
We've got you covered

ANNUAL REPORT 2023

CORPORATE PROFILE

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

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

At Chino Commercial Bank our goal is to provide customer service that sets us apart from other banks. The Bank has established standards that focus on an unsurpassed level of customer service, which help to achieve financial performance objectives that enhance shareholder value. In the future, the Bank will continue to implement new technologies, and increase collective knowledge, and thereby be able to maintain and expand a distinct competitive advantage.

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

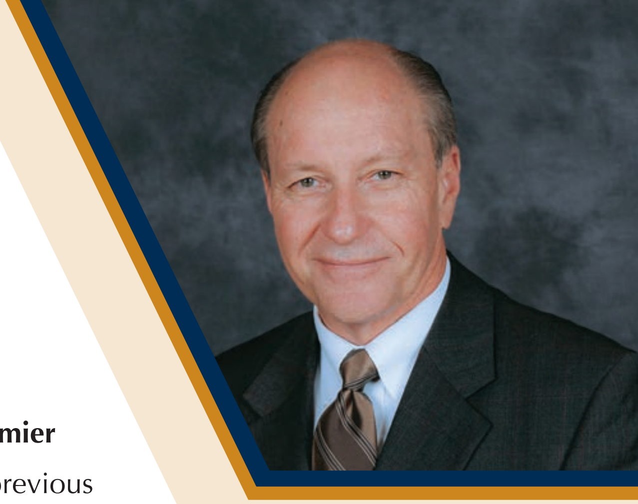
TABLE OF CONTENTS

We prioritize people over technology, employing it as a tool to empower your business with the latest advancements. Through comprehensive training and a deep understanding of effective utilization, we strive to help you capture every revenue opportunity and enhance banking efficiency. Our aim is to streamline this aspect of your business, allowing you to focus on what truly matters – your business.

FINANCIAL HIGHLIGHTS

	As of and For the Years Ended December 31,		
	2023	2022	2021
	(Dollars in Thousands, except per share data)		
SELECTED BALANCE SHEET DATA:			
Total assets	$ 446,414	$ 399,836	$ 378,514
Loans receivable	174,352	176,556	170,876
Deposits	319,801	337,453	318,879
Non-interest bearing deposits	167,131	204,189	195,274
Subordinated notes payable to subsidiary trust	3,093	3,093	3,093
Subordinated debt	10,000	10,000	-
Shareholders' equity	37,488	32,350	29,594
SELECTED OPERATING DATA:			
Interest income	$ 18,782	$ 13,862	$ 10,044
Net income	4,937	4,713	3,131
Basic earnings per share	1.54	1.47	1.17
Diluted income per share	1.54	1.47	1.17
PERFORMANCE RATIOS			
Return on average assets	1.11%	1.17%	0.89%
Return on average equity	14.26%	15.55%	10.98%
Equity to total assets at the end of the period	8.40%	8.09%	7.82%
Core efficiency ratio	41.12%	50.57%	59.90%
Non-interest expense to average assets	1.98%	2.01%	2.07%
REGULATORY RATIOS			
Average equity to average assets	7.79%	7.49%	8.07%
Leverage capital	9.26%	9.27%	8.84%

TO OUR SHAREHOLDERS



We are very pleased to present you with Chino Commercial Bancorp's annual report, for the year 2023.

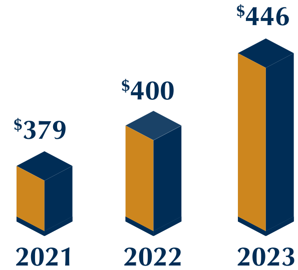
During 2023 the Bank was again recognized by the Findley Reports on Financial Institutions by receiving Findley's highest rating of "**Super Premier Performing Bank**" based upon the financial results of the Bank for the previous year. The Bank also received the highest rating of "**Five Star**" from Bauer Financial, an independent Bank and Credit Union rating service.

Operationally, 2023 was a very good year for the Bank, with total assets increasing by $42 million or 16%, to its highest level of $402 million. Revenue increased by $5.2 million, or 32%; however, the Bank's cost of funds also increased by $4.5 million, or 568%. Loan quality remained very strong with the Bank having no credit losses during the year and ending the year with only one delinquent loan and no foreclosed properties. The Company's net earnings set a new record at $4.9 million for the year, or an increase of 4.75% and earnings per share similarly increased by 4.75% to $1.54 per common share.

During the past year, the Bank's Merchant Services program was substantially enhanced with the Bank becoming a ***Sponsor*** with the Card Brand Association. As a Sponsor, the Bank settles Merchant transactions directly with the Card Brands, and no longer has to rely on a third party to process the transactions. This improvement in processing allows for enhanced efficiency, profitability and control. With roughly 100 Merchants in the program, the Bank's Merchant Services offering is both profitable, and an important part of new business development strategy.

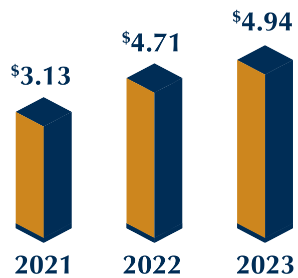
At this time, the most important issue facing our Bank, all banks, is rising interest rates. Rising rates affect a bank's cost of funds, as well as lending performance, and tends to have the effect of compressing, or narrowing, the Net Interest Margin (NIM). Though many banks are fundamentally "asset sensitive" meaning that as interest rates rise, the bank will eventually earn more, in the short-run deposits reprice faster than investments, which has the effect of compressing the NIM and reducing earnings. For our Bank, the NIM was reduced from 3.56% in 4Q'22, to 3.01% in 4Q'23, as the cost of funds increased from 0.27% to 1.44%. If the NIM compresses, an organization will have to either lower its costs of non-interest expenses, such as labor and premises, or expand its total assets in order to produce a similar gross revenue. For many large banks, the prospect of substantially increasing assets is not possible, so the alternative is to begin to reduce the number of employees and branches. We view this as an opportunity to expand the Bank's footprint and customer base as other banks close branches and reduce their size.

Beginning in early 2024, the Bank will complete the acquisition of our new Corona office. The Corona branch will be the fifth location for the Bank, and will mark an exciting expansion into a new active business community, which will offer opportunities not only in Corona, but also into Riverside and Orange County. The new Corona branch is expected to open for business in 4Q'24, and will offer deposit and loan services, as well as Merchant Services, Safe Deposit, and cash management.



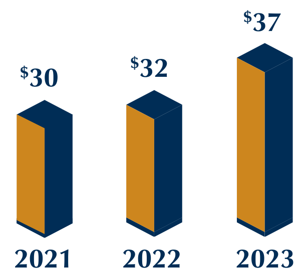
TOTAL ASSETS
(in millions)

Despite some challenges to the economy, we believe that the Bank's value proposition of providing excellent customer service, coupled with leading technology to small businesses and professionals, is even more compelling today than in the past. Many banks offer online banking and access through mobile devices; however, very few banks offer a direct telephone number and a person when you need help. It is this combination of warm and friendly personal service, coupled with leading technology that makes Chino Commercial Bank the right choice.



CONSOLIDATED NET PROFIT
(in millions)

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



SHAREHOLDERS' EQUITY
(in millions)

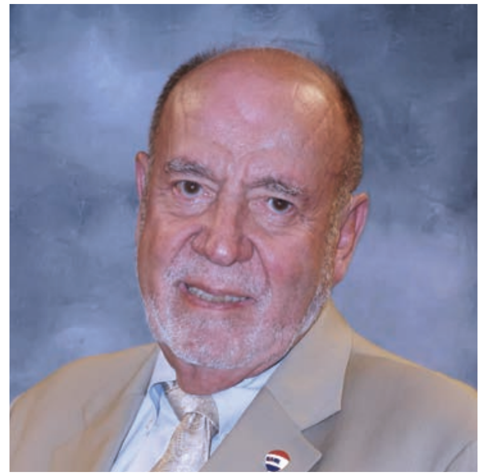
Sincerely,

Dann H. Bowman
President and Chief Executive Officer

BOARD OF DIRECTORS

Dann H. Bowman
President and Chief Executive Officer

Bernard Wolfswinkel
Chairman of the Board | Retired



Richard G. Malooly
Real Estate Professional | Retired

Linda M. Cooper
President, Inland Empire Escrow

Roger Caberto
Former Senior Vice President & Chief Credit Officer
Chino Commercial Bank | Retired

Jeanette L. Young
Realtor, King Realty Group

Julio Cardenas
President, Century 21 King

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

Kenneth McElvany
Insurance Executive | Retired

CHINO COMMERCIAL BANCORP

FINANCIAL STATEMENTS

2023

INDEPENDENT AUDITOR'S REPORT

EideBailly
CPAs & BUSINESS ADVISORS

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

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Chino Commercial Bancorp and Subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2023 and 2022, and the related consolidated statements of net income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Chino Commercial Bancorp and Subsidiary as of December 31, 2023 and 2022, and the results of their operations and their cash flows for years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Chino Commercial Bancorp and Subsidiary, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle
As discussed in Note 1 to the consolidated financial statements, Chino Commercial Bancorp and Subsidiary adopted the provisions of FASB Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as of January 1, 2023,* using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this matter.

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chino Commercial Bancorp and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chino Commercial Bancorp and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chino Commercial Bancorp and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Eide Bailly LLP

Laguna Hills, California
February 27, 2024

What inspires you, inspires us. | eidebailly.com
25231 Paseo De Alicia, Ste. 100 | Laguna Hills, CA 92653-4615 | T 949.768.0833 | F 949.768.8408 | EOE

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2023 AND 2022

	2023	2022
Assets		
Cash and due from banks	$ 35,503,719	$ 36,436,018
Fed Funds Sold	25,218	-
Cash and cash equivalents	35,528,937	36,436,018
Debt securities available for sale, at fair value (amortized cost of $7,708,493 and $7,844,165, net of allowance for credit losses 2023 - $0) (note 2)	6,736,976	6,347,231
Debt securities held to maturity, net of allowance for credit losses 2023 - $0 (fair value 2023 -$194,849,053, 2022 - $143,608,251) (note 2)	208,506,305	160,668,959
Total debt securities	215,243,281	167,016,190
Loans held for investment, net of allowance for credit losses of $4,465,622 in 2023, and $4,100,516 in 2022, (note 4)	174,352,293	176,555,782
Stock investments, restricted, at cost (note 3)	3,126,100	2,045,200
Fixed assets, net (note 5)	5,466,358	5,626,850
Accrued interest receivable	1,439,178	1,153,613
Bank owned life insurance	8,247,174	8,054,491
Other assets	3,010,916	2,947,830
Total assets	$ 446,414,237	$ 399,835,974
Liabilities		
Deposits (note 7)		
Noninterest-bearing	$ 167,131,411	$ 204,189,323
Interest-bearing	152,669,374	133,263,940
Total deposits	319,800,785	337,453,263
Federal Home Loan Bank (FHLB) advances (note 8)	15,000,000	15,000,000
Federal Reserve Bank (FRB) borrowing (note 8)	57,000,000	-
Subordinated debt (note 8)	10,000,000	10,000,000
Subordinated notes payable to subsidiary trust (note 9)	3,093,000	3,093,000
Accrued interest payable	2,156,153	124,947
Other liabilities	1,876,474	1,815,061
Total liabilities	408,926,412	367,486,271
Commitments and Contingent Liabilities (notes 13 and 14)	-	-
Shareholders' Equity		
Common stock, no par value, 10,000,000 shares authorized and 3,211,970 shares issued and outstanding at December 31, 2023 and December 31, 2022	10,502,557	10,502,557
Retained earnings	28,920,732	24,269,527
Accumulated other comprehensive loss - unrecognized loss on available for sale, net of taxes of $758,293 in 2023 and $949,061 in 2022	(1,935,464)	(2,422,381)
Total shareholders' equity	37,487,825	32,349,703
Total liabilities and shareholders' equity	$ 446,414,237	$ 399,835,974

CHINO COMMERCIAL BANCORP

CONSOLIDATED STATEMENTS OF NET INCOME

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Interest Income		
Interest and fees on loans	$ 9,823,006	$ 9,569,690
Interest on investment securities	4,808,931	3,323,894
Other interest income	4,149,741	968,328
Total interest income	18,781,678	13,861,912
Interest Expense		
Interest on deposits	2,776,069	362,922
Interest on borrowings	2,990,249	874,664
Total interest expense	5,766,318	1,237,586
Net Interest Income	13,015,360	12,624,326
(Reversal of) Provision For Credit Losses (note 4)	(85,000)	143,102
Net Interest Income After Provision For Credit Losses	13,100,360	12,481,224
Noninterest Income		
Service charges and fees on deposit accounts	1,605,884	1,285,773
Interchange fees	413,421	475,099
Earnings from bank-owned life insurance	192,683	183,152
Other miscellaneous income	379,220	292,041
Total noninterest income	2,591,208	2,236,065
Noninterest Expense		
Salaries and employee benefits	5,478,872	5,100,354
Occupancy and equipment	604,614	637,147
Other expenses (note 11)	2,709,904	2,403,008
Total noninterest expense	8,793,390	8,140,509
Income before income tax expense	6,898,178	6,576,780
Provision for income taxes	1,961,483	1,864,125
Net Income	$ 4,936,695	$ 4,712,655
Basic earnings per share	$ 1.54	$ 1.47
Diluted earnings per share	$ 1.54	$ 1.47

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Net Income	$ 4,936,695	$ 4,712,655
Other comprehensive gain (loss), net of tax effects		
Net unrealized holding gain (loss) on securities available for sale during the period net of tax effects of $190,768 and $766,803 in 2023 and 2022, respectively	596,322	(2,077,868)
Reclassification adjustment for accretion of unrealized holding loss included in accumulated other comprehensive income from the transfer of securities from available-for-sale to held-to-maturity	(109,405)	120,680
Total other comprehensive income (loss)	486,917	(1,957,188)
Total comprehensive income	$ 5,423,612	$ 2,755,467

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2023 AND 2022

	Number of Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2021	2,676,799	$ 10,502,557	$ 19,556,872	$ (465,193)	$ 29,594,236
Net income	-	-	4,712,655	-	4,712,655
Change in unrealized loss on securities available for sale, net of tax	-	-	-	(1,957,188)	(1,957,188)
Balance at December 31, 2022	2,676,799	10,502,557	24,269,527	(2,422,381)	32,349,703
Cumulative change in accounting principle (note 1)	-	-	(282,897)	-	(282,897)
Net income	-	-	4,936,695	-	4,936,695
Change in unrealized gain on securities available for sale, net of tax	-	-	-	486,917	486,917
Stock Dividends (note 16)	535,171	-	-	-	-
Cash in lieu of fractional stock dividends (note 16)	-	-	(2,593)	-	(2,593)
Balance at December 31, 2023	3,211,970	$ 10,502,557	$ 28,920,732	$ (1,935,464)	$ 37,487,825

CHINO COMMERCIAL BANCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Operating Activities		
Net income	$ 4,936,695	$ 4,712,655
Adjustments to reconcile net income to net cash from operating activities		
(Reversal) Provision for credit losses	(85,000)	143,102
Depreciation and amortization	277,788	336,623
Loss on disposition of fixed assets	7,640	545
Net (accretion) of discount and amortization of premium on securities	(44,938)	131,031
Change in deferred loan fees, net	6,520	(927,026)
Earnings from bank-owned life insurance	(192,683)	(183,152)
Deferred income (benefit) tax	(94,521)	249,522
Other items, net	1,771,442	(67,270)
Net Cash from Operating Activities	6,582,943	4,396,030
Investing Activities		
Proceeds from principal payments received and maturities of securities available for sale	-	3,190,055
Purchase of securities available for sale	-	(16,602,857)
Purchase of securities held to maturity	(63,991,443)	(115,298,050)
Proceeds from principal payments received and maturities of securities held to maturity	16,486,975	11,545,469
Net decrease (increase) in loans	1,875,796	(4,895,476)
Purchases of stock investments, restricted	(1,080,900)	-
Purchase of fixed assets	(125,380)	(66,676)
Net Cash (used for) from Investing Activities	(46,834,952)	(122,127,535)
Financing Activities		
Net (decrease) increase in deposits	(17,652,478)	18,574,078
Proceeds from FRB Term Funding Program	57,000,000	-
Cash paid in lieu of fractional stock dividends	(2,594)	-
Net Cash from Financing Activities	39,344,928	18,574,078
Net Change in Cash and Cash Equivalents	(907,081)	(99,157,427)
Cash and Cash Equivalents at Beginning of Period	36,436,018	135,593,445
Cash and Cash Equivalents at End of Period	$ 35,528,937	$ 36,436,018
Supplemental Disclosure for Cash Flow Information		
Interest paid	$ 3,735,112	$ 1,242,966
Income taxes paid	$ 1,445,000	$ 1,222,014
Supplemental Disclosure of Noncash Investing		
Change in unrealized (gain) loss on securities available for sale	$ (677,685)	$ 2,723,991
Transfer of securities from available-for-sale to held-to-maturity	$ -	$ 44,293,926

NOTE 1 | Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Chino Commercial Bancorp and its wholly owned subsidiary, Chino Commercial Bank, N.A. (the "Bank"), collectively referred to herein as the "Company". All significant intercompany balances and transactions have been eliminated. Chino Commercial Bancorp is a California corporation registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and is headquartered in Chino, California. Chino Commercial Bank, N.A. is a nationally chartered bank, was incorporated on December 8, 1999, and began operations on September 1, 2000. Chino Commercial Bancorp has no significant business activity other than its investment in the Bank. Accordingly, no separate financial information on Chino Commercial Bancorp is provided.

Nature of Operations

The Company has been organized as a single operating segment and operates four full-service offices in Chino, Ontario, Rancho Cucamonga and Upland, California. The Company provides a variety of commercial banking services to individuals and small businesses primarily in the Inland Empire region of Southern California. Its primary lending products are real estate and commercial loans. Its primary deposit products are non-interest-bearing deposits and money market accounts.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through February 27, 2024, which is the date the consolidated financial statements were available to be issued.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses and the valuation of the deferred tax asset.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash, due from banks, interest bearing demand deposits, and federal funds sold. Generally, federal funds are sold for one-day periods.

Cash and Due from Banks

Banking regulations require that banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. As of December 31, 2023 and 2022, the required reserve percentage is zero. The Company was in compliance with its reserve requirements as of December 31, 2023 and 2022.

The Company maintains amounts due from banks, which may exceed federally insured limits. Management regularly evaluates the credit risk associated with the due from banks accounts and believes that the Company is not exposed to any significant credit risks on cash and cash equivalents. The Company has not experienced any losses in such accounts.

Debt Securities

The Company classifies its debt securities as available-for-sale or held-to-maturity. Securities classified as available-for-sale are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in comprehensive income. Securities, which the Company has the positive intent and ability to hold to maturity, are classified as held-to-maturity and are carried at amortized cost.

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

Allowance for Credit Losses – Available-for-Sale Securities

The Company measures the allowance for credit losses on available-for-sale debt securities by first assessing whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost. If it is determined that the Company intends or will be required to sell the security, it is written down to its fair value through income. For securities issued by government agencies that do not meet the aforementioned criteria, there are no expected credit losses as they are guaranteed by the U.S. government are highly rated by major rating agencies, and have a long history of no credit losses. For other debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses on available-for-sale investments is recorded and is limited to the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded though an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as provision for or (reversal of) credit losses. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale debt security is confirmed or when the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaling $100,147 at December 31, 2023 and 2022 is included in interest receivable on the consolidated statements of financial condition and is excluded from the estimate of credit losses.

Allowance for Credit Losses (ACL) – Held-to-Maturity Securities

The Company measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. For agency mortgage-backed securities there are no expected credit losses as they are guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. For non-agency and states and municipality securities, the estimate of expected credit losses considered historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Changes in the ACL on held-to-maturity debt securities are recorded as a component of provision for credit losses in the consolidated statements of net income. Losses are charged against the ACL when the Company believes the uncollectibility of a held-to-maturity debt security is confirmed.

Accrued interest receivable on held-to-maturity debt securities totaled $626,963 at December 31, 2023 and $433,054 at December 31, 2022 and included in interest receivable on the consolidated statements of financial condition and excluded from the estimate of credit losses.

Equity Securities

Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment.

Loans Held for Investment

The Company grants real estate, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans in the Inland Empire area. The ability of the Company's debtors to honor their contracts is dependent upon the general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances.

Loans are reported at their outstanding unpaid principal balance adjusted for the allowance for credit losses and any deferred fees and costs on originated loans.

Interest income is accrued on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. Past due status is based on contractual terms of the loan. Loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Allowance for Credit Losses - Loans

The ACL for loans is a valuation allowance for the current expected credit losses in the Company's loan portfolio that is deducted from the loan's amortized cost basis to present the net amount expected to be collected. Loans are charged-off against the allowance when management believes the collectability of the loan balance is unlikely. Subsequent recoveries, if any, are credited to the ACL. Prior to January 1, 2023, the valuation allowance (allowance for loan losses) was established for probable and inherent credit losses.

Management estimates the allowance over the loan's entire contractual term, adjusted for expected prepayments when appropriate. The allowance estimate considers relevant, available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for qualitative or environmental factors that cause the estimate for expected losses as of the evaluation date to differ from historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in concentrations of credit; new model implementation, the effect of other unforeseen factors such as geopolitical issues and COVID 19.

The ACL is measured on a collective (pool) basis when similar risk characteristics exist and on an individual basis when management determines that the loan does not share similar risk characteristics with other loans. The Company has identified the following loan pools: real estate-commercial, real estate- consumer, construction, commercial and other. Relevant risk characteristics for portfolio segments include product type, collateral type, assigned grade, and years to maturity. The Company uses the Probability of Default/Loss Given Default method to measure the ACL for all loan pools to calculate a loss rate that combines the pool's risk characteristics, historical loss experience, and reasonable and supportable economic forecasts to project lifetime losses.

Loans that do not share similar risk characteristics to their loan pool are evaluated on an individual basis and are excluded from the collective measurement. Loans can be identified for individual evaluation for various reasons including delinquency, nonaccrual status, risk rating and loan modifications. A loan is considered to be collateral dependent when repayment is expected to be provided substantially through the operation or sale of the collateral. The ACL on collateral dependent loans is measured using the amortized cost basis of the financial asset less the fair value of the underlying collateral, adjusted for costs to sell, when applicable. If the value of the underlying collateral is determined to be less than the recorded amount of the loan, a specific reserve for that loan is recorded. If the Company determines that the loss represented by the specific reserve is uncollectible it records a charge-off for the uncollectible portion.

Accrued interest receivable on loans totaled $692,079 and $609,691 at December 31, 2023 and 2022, respectively, and included in interest receivable on the consolidated statements of financial condition and excluded from the estimate of credit losses.

Loan Modifications

Prior to the adoption of ASU 2022-02 on January 1, 2023, a loan was classified as a troubled debt restructuring (TDR) when the Company granted a concession to a borrower experiencing financial difficulties that it otherwise would not consider under its normal lending policies under ASC Subtopic 310-40, *Troubled Debt Restructurings by Creditors*. Upon the adoption of ASU 2022-02, the Company applied the general loan modification guidance provided in ASC 310-20 to all loan modifications, including modifications made for borrowers experiencing financial difficulty. The Company considers some of the indicators that a borrower is experiencing financial difficulty to be: currently in payment default on any of their debt, declaring bankruptcy, going concern, insufficient cash flow to service all debt service requirements, inability to obtain funds from other sources at a market rate for similar debt to non-troubled borrowers, and currently classified as substandard loans that are categorized as having well-defined weaknesses.

ASU 2022-02 requires that certain types of modifications be reported, which consist of (1) principal forgiveness; (2) interest rate reduction; (3) other-than-insignificant payment delay; (4) term extension; and any combination of the above. Since adoption of ASU 2022-02 on January 1, 2023, the Company did not have any loan modifications under ASU 2022-02.

Loan Portfolio Segments

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

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

Real Estate, Commercial

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

Real Estate, Consumer

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

Construction

This portfolio segment includes construction projects on commercial real estate, 1-4 units residential, and multi-family dwelling (5+ units). At Chino Commercial Bank, construction loans are generally written for 2 years or less.

Construction loans involved higher risk that commercial and industrial loans, CRE loans and residential mortgages. Risk association with construction includes borrower's ability to successfully complete a proposed project on time and within budget; changing market conditions; regulatory changes that may negatively impact the proposed real estate project's value; interest rate risk; and environmental risk.

The short-term nature of the construction projects that the Bank is willing to approve help mitigate the risk associated with changing market conditions, interest rate risk as well as proposed regulatory changes. To ensure that the project can be completed successful, both the borrower and the general contractor has to be approved by the Bank. Detailed itemized construction cost is reviewed by a 3rd party. During the construction period, periodic site visits are made. Construction funds are disbursed by the Bank and/or 3rd party funds control.

Environmental risk is mitigated by the Bank obtaining an environment report as part of the approval process.

Commercial

This portfolio segment includes commercial business loans secured by assignments of corporate assets and personal guarantees of the business owners, and includes origination of first mortgage loans secured by non-owner occupied residential properties in its market area. Commercial business loans generally have higher interest rates and shorter terms than one-to-four-family residential loans, but they also may involve higher average balances, increased difficulty of loan monitoring and a higher risk of default since their repayment generally depends on the successful operation of the borrower's business. First mortgage loans lending involves additional risks arising from the use of the properties by non-owners.

Other

This portfolio segment includes loans to individuals for personal purposes, including but not limited to automobile loans. This portfolio segment also includes loans to individuals for overdraft protection and personal lines of credit.

Allowance for Credit Losses - Off-Balance Sheet Credit Exposures

The Company establishes a liability for estimated expected credit losses on unfunded commitments to originate or fund loans and standby letters of credit, excluding commitments that are unconditionally cancellable. The estimate is included in "other liabilities" on the consolidated statements of financial condition. Expected credit losses are estimated over the contractual period in which the Company is exposed to credit risk through the commitment adjusted for anticipated prepayments when appropriate. The estimate of the liability also considers the likelihood that funding will occur. The ACL on unfunded commitments is adjusted through provision for credit losses on the consolidated statements of net income. The underwriting process and risks associated with unfunded commitments and standby letters of credit are essentially the same as loans and therefore the Company uses the same ACL process as loans to estimate the liability.

FHLB Stock and Other Investments

The Company is a member of the Federal Home Loan Bank ("FHLB") system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. In addition, the Company is a member of its regional Federal Reserve Bank ("FRB"). FHLB and FRB stock are carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

The Company elected the measurement alternative for measuring equity securities without readily determinable fair values at cost less impairment, plus or minus observable price changes in orderly transactions. The carrying amount of equity securities without readily determinable fair values is $144,000 as of December 31, 2023 and 2022, and includes investment in Pacific Coast Bankers' Bank ("PCBB"). Adjustments to the carrying value of bankers bank stock is based on observable activity in the stock.

Company Owned Life Insurance

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

Premises and Equipment

Company premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Building improvements are amortized over 39 years or the service lives of the improvements, whichever is shorter. Leasehold improvements are amortized over the lesser of the respective lease term (including renewal periods that are reasonably assured) or their useful lives. The straight-line method of depreciation is followed for financial reporting purposes, while both accelerated and straight-line methods are followed for income tax purposes.

Leases

The Company determines if an arrangement contains a lease at contract inception and recognize right-of-use ("ROU") assets and operating lease liabilities based on the present value of lease payments over the lease term. While operating leases may include options to extend the term, the Company does not take into account the options in calculating the ROU asset and lease liability unless it is reasonably certain such options will be reasonably exercised. The present value of lease payments is determined based on the Company's incremental borrowing rate and other information available at lease commencement. Leases with an initial term of 12 months or less are not recorded in the consolidated balance sheets. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected to account for lease agreements with lease and non-lease components as a single lease component.

Foreclosed Assets

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

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonable estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Revenue Recognition – Noninterest Income

In accordance with Topic 606, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services that are promised within each contract and identifies those that contain performance obligation, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The following is a discussion of key revenues within the scope of Topic 606 revenue guidance.

- Service Charges and Fees on Deposit Accounts
  The Company earns fees from its deposit customers for account maintenance, transaction-based and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied, and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposits accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

- Interchange Fees
  Interchange fees represents fees earned when a debit card issued by the Company is used. The Company earns interchange fees from debit cardholder transactions through a payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the card. Certain expenses directly associated with the debit card are recorded on a net basis with the fee income.

Advertising and Marketing Costs

Advertising costs are expensed as incurred. Such costs were $141,572 and $152,685, respectively, for the years ended December 31, 2023 and 2022.

Income Taxes

Deferred tax assets and liabilities are recognized for estimated future tax effects attributable to temporary differences between the book bases and tax bases of various assets and liabilities. Valuation allowances are established when necessary to reduce the deferred tax asset to the amount expected to be realized. The current and deferred taxes are based on the provisions of currently enacted tax laws and rates. As changes in tax laws are enacted, deferred tax assets and liabilities are adjusted accordingly through the provision for income taxes.

The Company uses a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions are recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Interest and penalties associated with uncertain tax positions are classified as income tax expense. At December 31, 2023 and 2022, the Company did not have a tax position that failed to meet the more-likely-than-not recognition threshold.

Earnings per Share (“EPS”)

Basic earnings per share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options, and are determined using the treasury stock method. There were no common stock equivalents that are dilutive at December 31, 2023 and 2022. The Company declared a stock split during 2023, which is effected in the form of a dividend. As a result, the shares outstanding have been adjusted retroactively for all periods presented in the consolidated financial statements. The weighted-average number of shares for basic and diluted earnings was 3,211,970 in 2023 and in 2022.

Comprehensive Income

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated statements of financial condition, such items, along with net income, are components of comprehensive income.

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit as described in Note 14. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Fair Value Measurement

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

The guidance describes three levels of inputs that may be used to measure fair value:

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

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

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

See Notes 18 and 19 for more information and disclosures relating to the Company's fair value measurements.

Adoption of Accounting Standards Codification Topic 326

On January 1, 2023, the Company adopted Accounting Standard Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended,* which replaces the incurred loss methodology with an expected loss methodology referred to as current expected credit losses ("CECL"). The measurement of expected losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loans, held-to-maturity debt securities and off-balance sheet credit exposures. In addition, Topic 326 made changes to the accounting for available-for-sale debt securities including the requirement to present credit losses as an allowance rather than a write-down on available-for-sale debt securities that management does not intend to sell or believes it is more likely than not they will be required to sell. The Company elected to account for accrued interest receivable separately from the amortized cost of loans and debt securities.

The Company adopted Topic 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of $282,897 as of January 1, 2023 for the cumulative effect of adopting Topic 326. The transition adjustment impact includes a $401,613 impact due to the increase in ACL related to loans and a $118,716 impact on deferred taxes. No other adjustments were made.

Concurrent with the adoption of ASU 2016-13, the Company adopted ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures*. This ASU addresses and amends areas identified by the FASB as part of its post-implementation review of the accounting standard that introduced the current expected credit losses model. The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the current expected credit losses model and enhance the disclosure requirements for loan refinancings and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require disclosure of current-period gross write-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. The Company adopted ASU 2022-02 in conjunction with ASU 2016-13 on January 1, 2023 using the prospective approach.

NOTE 2 | Debt Securities

Debt securities have been classified in the consolidated statements of financial condition according to management's intent. The amortized cost and fair values of securities with gross unrealized gains and losses at December 31, 2023 are as follows:

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
Municipal bonds	$ 7,708,493	$ -	$ (971,517)	$ 6,736,976
Securities held to maturity				
Federal agency	$ 25,229,492	$ 39,622	$ (1,664,448)	$ 23,604,666
Mortgage-backed securities	183,276,813	831,838	(12,864,264)	171,244,387
	$ 208,506,305	$ 871,460	$ (14,528,712)	$ 194,849,053

The amortized cost and fair values of securities with gross unrealized gains and losses at December 31, 2022 are as follows:

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
Municipal bonds	$ 7,844,165	$ -	$ (1,496,934)	$ 6,347,231
Securities held to maturity				
Federal agency	$ 14,140,895	$ -	$ (1,873,428)	$ 12,267,467
Mortgage-backed securities	146,528,064	17,401	(15,204,681)	131,340,784
	$ 160,668,959	$ 17,401	$ (17,078,109)	$ 143,608,251

The Company reassessed classification of certain investments and effective March 1, 2022, the Company transferred various available-for-sale securities with amortized cost of $46,336,397 and fair value of $44,293,926 to held-to-maturity securities. The transfer occurred at fair value. The related tax affected unrealized loss of $1,467,515 included in other comprehensive income remained in other comprehensive income with an offsetting entry to interest income as a yield adjustment through earnings over the remaining term of the securities. No gain or loss was recorded at the time of transfer. As of December 31, 2023 and December 31, 2022, the unaccreted balance amounted to $1,237,430 and $1,346,835, respectively. There were no transfers in 2023.

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

	Less than 12 Months		Over 12 Months	
December 31, 2023	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available for sale				
Municipal bonds	$ -	$ -	$ 6,736,976	$ (971,517)

	Less than 12 Months		Over 12 Months	
December 31, 2022	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available for sale				
Municipal bonds	$ -	$ -	$ 6,347,231	$ (1,496,934)
Securities held to maturity				
Federal agency	$ 8,357,929	$ (541,018)	$ 3,909,538	$ (1,332,410)
Mortgage-backed securities	113,773,867	(12,421,341)	14,893,646	(2,783,340)
	$ 122,131,796	$ (12,962,359)	$ 18,803,184	$ (4,115,750)

At December 31, 2023, no ACL was established for available-for-sale or held-to-maturity securities. Unrealized losses at December 31, 2023 are a result of expected fluctuations in the bond market primarily driven by changes in market interest rates.

Allowance for Credit Losses – Available-for-Sale Securities

At December 31, 2023, unrealized losses on available-for-sale securities are primarily composed of securities that are directly or implicitly guaranteed by the U.S. government and are highly rated by major rating agencies with a history of no credit losses. Timely payments of principal and interest are expected. Obligations of states and political subdivisions are of high credit quality, with all rated AA or higher. All issuers continue to make timely principal and interest payments. The decline in value in any of these securities is deemed to be temporary and not attributable to credit losses. Furthermore, the Company does not intend to sell, and it is likely that management will not be required to sell these securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions.

Allowance for Credit Losses – Held-to-Maturity Securities

At December 31, 2023, unrealized losses on held-to-maturity securities are primarily composed of securities that are directly or implicitly guaranteed by the U.S. government and are highly rated by major rating agencies with no history of credit losses. Timely payments of principal and interest are expected. The Company does not expect to incur credit losses on these securities.

As of December 31, 2022, the Company had 118 debt securities where estimated fair value had decreased from the Company's amortized cost. Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The unrealized losses at December 31, 2022 are attributable to changes in interest rates and not credit quality. The Company has the ability to hold these investments until a recovery of fair value, which may be maturity. Thus, the Company does not consider these investments to be other-than-temporarily impaired as of December 31, 2022.

The amortized cost and fair value of debt securities as of December 31, 2023, by contractual maturity are shown below:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ -	$ -	$ -	$ -
After 1 year through 5 years	-	-	2,227,272	2,171,382
After 5 years through 10 years	-	-	-	-
After 10 years through 30 years	7,708,493	6,736,976	23,002,220	21,433,284
Mortgage-backed securities	-	-	183,276,813	171,244,387
	$ 7,708,493	$ 6,736,976	$ 208,506,305	$ 194,849,053

Debt securities with amortized cost totaling $122,752,205 and estimated fair values totaling $110,756,573 were pledged to secure borrowings with the Federal Home Loan Bank and the Federal Reserve Bank at December 31, 2023. Debt securities with amortized cost totaling $11,024,946 and estimated fair values totaling $9,788,784 were pledged to secure borrowings with the Federal Home Loan Bank at December 31, 2022.

The Company did not sell debt securities during 2023 and 2022.

NOTE 3 | Stock Investments, Restricted

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

	2023	2022
Federal Home Loan Bank (FHLB) stock	$ 2,501,700	$ 1,420,800
Federal Reserve Bank stock	480,400	480,400
Pacific Coast Banker's Bank stock	144,000	144,000
	$ 3,126,100	$ 2,045,200

NOTE 4 | Loans and Allowance for Credit Losses

The Company's loan portfolio consists primarily of loans to borrowers within the Inland Empire region of Southern California. Although the Company seeks to avoid concentrations of loans to a single industry or based upon a single class of collateral, real estate and real estate associated businesses are among the principal industries in the Company's market area and, as a result, the Company's loan and collateral portfolios are, to some degree, concentrated in those industries. Most loans are secured by business assets, and commercial and residential real estate. Real estate and construction loans held for investment represented 82 percent and 81 percent of total loans held for investment at December 31, 2023 and 2022, respectively. The Company has no concentration of loans with any one customer or industry.

Certain loans are pledged as collateral for available borrowings with the FHLB. Pledged loans totaled $126,127,376 and $132,563,706 at December 31, 2023 and 2022, respectively.

There were no loans serviced for others at December 31, 2023 and 2022.

At December 31, the composition of the Company's loans portfolio is as follows:

	2023	2022
Real estate, commercial	$ 143,208,395	$ 145,033,087
Real estate, consumer	1,872,823	1,433,990
Construction	1,623,838	2,252,407
Commercial	32,439,090	32,250,534
Other	172,347	178,338
Total gross loans	179,316,493	181,148,356
Allowance for credit losses	(4,465,622)	(4,100,516)
Unearned income and deferred loan fees, net	(498,578)	(492,058)
Loans held for investment, net	$ 174,352,293	$ 176,555,782

Changes in the allowance for credit losses by loan portfolio segment for the year ended December 31, 2023, are summarized as follows:

	Real Estate, Commercial	Real Estate, Consumer	Construction	Commercial	Other	Total
Beginning Balance, January 1, 2023	$ 3,220,273	$ 31,970	$ 64,229	$ 778,997	$ 5,047	$ 4,100,516
Impact of adopting ASC 326	385,466	7 ,112	(2,141)	11,411	(235)	401,613
Provision (reversal) for credit losses	(49,851)	6,284	(19,246)	(22,091)	4,464	(80,440)
Loans charged off	-	-	-	(20,082)	(17,762)	(37,844)
Recoveries	13,651	-	-	55,862	12,264	81,777
Ending Balance, December 31, 2023	$ 3,569,539	$ 45,366	$ 42,842	$ 804,097	$ 3,778	$ 4,465,622

In addition to the allowance for credit losses on loans, the Company has established an allowance for credit losses on off-balance sheet exposures of approximately $25 million at December 31, 2023 and approximately $27 million at December 31, 2022. The following table presents the activity in the allowance for credit losses on off-balance sheet exposures for the years ended December 31, 2023 and 2022.

Reserve for unfunded loan commitments	2023	2022
Beginning Balance, January 1, 2023	$ 66,298	$ 59,400
Impact of adopting ASC 326	-	-
Provision (reversal) for credit losses	(4,560)	6,898
Ending Balance, December 31, 2023	$ 61,738	$ 66,298

Changes in the allowance for loan losses by loan portfolio segment for the year ended December 31, 2022, are summarized as follows:

	Real Estate, Commercial	Real Estate, Consumer	Construction	Commercial	Other	Total
Beginning Balance, January 1, 2022	$ 2,989,655	$ 36,668	$ 11,553	$ 842,046	$ 8,558	$ 3,888,480
Provision (reversal) for credit losses	187,810	(4,698)	52,676	(88,466)	(4,220)	143,102
Loans charged off	-	-	-	-	-	-
Recoveries	42,808	-	-	25,417	709	68,934
Ending Balance, December 31, 2022	$ 3,220,273	$ 31,970	$ 64,229	$ 778,997	$ 5,047	$ 4,100,516

The following tables present loans and the allowance for loan losses by segment for the year ended December 31, 2022:

	Real Estate, Commercial	Real Estate, Consumer	Construction	Commercial	Other	Total
Loans						
Collectively evaluated for impairment	$ 143,457,216	$ 1,433,990	$ 2,252,407	$ 32,250,594	$ 178,338	$ 179,572,485
Individually evaluated for impairment	1,575,871	-	-	-	-	1,575,871
Balance	$ 145,033,087	$ 1,433,990	$ 2,252,407	$ 32,250,594	$ 178,338	$ 181,148,356
Allowance for Loan Losses						
Collectively evaluated for impairment	$ 3,193,482	$ 31,970	$ 64,229	$ 778,997	$ 5,047	$ 4,073,725
Individually evaluated for impairment	26,791	-	-	-	-	26,791
Balance	$ 3,220,273	$ 31,970	$ 64,229	$ 778,997	$ 5,047	$ 4,100,516

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

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

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

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

Doubtful – Loans classified as doubtful have the weaknesses of those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

	December 31, 2023						
	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	Prior			
Real estate, commercial							
Pass	$ 14,630,225	$ 41,061,058	$ 18,882,762	$ 63,889,394	$ -	$ -	$138,463,439
Special mention	-	-	579,114	405,928	-	-	985,042
Substandard	-	-	-	3,368,181	-	-	3,368,181
Doubtful	-	-	-	-	-	-	-
Subtotal	$ 14,630,225	$ 41,061,058	$ 19,461,876	$ 67,663,503	$ -	$ -	$142,816,662
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real estate, consumer							
Pass	$ 499,067	$ -	$ 512,518	$ 848,485	$ -	$ -	$ 1,860,070
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Subtotal	$ 499,067	$ -	$ 512,518	$ 848,485	$ -	$ -	$ 1,860,070
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction							
Pass	$ 373,579	$ -	$ 1,234,770	$ -	$ -	$ -	$ 1,608,349
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Subtotal	$ 373,579	$ -	$ 1,234,770	$ -	$ -	$ -	$ 1,608,349
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial							
Pass	$ 2,205,809	$ 1,676,025	$ 7,484,175	$ 5,630,514	$ 15,241,274	$ -	$ 32,237,797
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	122,690	-	122,690
Doubtful	-	-	-	-	-	-	-
Subtotal	$ 2,205,809	$ 1,676,025	$ 7,484,175	$ 5,630,514	$ 15,363,964	$ -	$ 32,360,487
Current period gross charge-offs	$ -	$ 949	$ -	$ 19,133	$ -	$ -	$ 20,082
Other							
Pass	$ 71,672	$ 10,868	$ 32,878	$ 56,929	$ -	$ -	$ 172,347
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Subtotal	$ 71,672	$ 10,868	$ 32,878	$ 56,929	$ -	$ -	$ 172,347
Current period gross charge-offs	$ 17,762	$ -	$ -	$ -	$ -	$ -	$ 17,762
Total	$ 17,780,352	$ 42,747,951	$ 28,726,217	$ 74,199,431	$ 15,363,964	$ -	$178,817,915

The risk category of loans by class of loans was as follows as of December 31, 2022:

	Grade				
December 31, 2022	Pass	Special Mention	Substandard	Doubtful	Total
Real Estate, Commercial	$ 140,366,389	$ -	$ 3,090,827	$ 1,575,871	$ 145,033,087
Real Estate, Consumer	9,273,937	-	-	-	9,273,937
Construction	2,252,407	-	-	-	2,252,407
Commercial	24,410,587	-	-	-	24,410,587
Other	178,338	-	-	-	178,338
	$ 176,481,658	$ -	$ 3,090,827	$ 1,575,871	$ 181,148,356

The following tables summarizes the aging of the past due loans by loan class within the portfolio segments as of December 31, 2023 and 2022:

December 31, 2023	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90-Days	Total Past Due	Nonaccrual	Total Current
Real estate, commercial	$ 186,638	$ -	$ -	$ 186,638	$ 369,303	$ 142,260,723
Real estate, consumer	-	-	-	-	-	1,860,069
Construction	-	-	-	-	-	1,608,349
Commercial	-	-	-	-	122,690	32,237,797
Other	-	-	-	-	-	172,347
	$ 186,638	$ -	$ -	$ 186,638	$ 491,993	$ 178,139,285
December 31, 2022						
Real estate, commercial	$ -	$ -	$ -	$ -	$ 404,095	$ 144,628,992
Real estate, consumer	-	-	-	-	-	1,433,990
Construction	-	-	-	-	-	2,252,407
Commercial	189,969	-	-	189,969	-	32,060,565
Other	-	-	-	-	-	178,338
	$ 189,969	$ -	$ -	$ 189,969	$ 404,095	$ 180,554,292

Information relating to individually impaired loans presented by class of loans was as follows as of December 31, 2022:

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an Allowance Recorded					
Real estate, commercial	$ 1,575,871	$ 1,575,871	$ 26,761	$ 1,634,814	$ 120,263

There were three nonaccrual loans totaling $491,993 as of December 31, 2023 and two nonaccrual loans totaling $404,095 as of December 31, 2022. The Company recognized $0 and $120,263 of interest income on nonaccrual loans during the years ended December 31, 2023 and 2022, respectively.

Occasionally, the Company may modify loans to borrowers who are experiencing financial difficulty. Loan modifications to borrowers experiencing financial difficulty may be in the form of principal forgiveness, term extension, an other-than-insignificant payment delay, interest rate reduction, or combination thereof. The Company had no loan modifications during the year ended December 31, 2023.

As of December 31, 2022, the Company had a recorded investment in troubled debt restructurings of $1,171,776 in which $19,920 of specific reserves was recorded. The Company has committed to lend no additional amounts to customers with outstanding loans that are classified as troubled debt restructurings as of December 31, 2022. The Company did not have any loans modified as a troubled debt restructuring for which there was a payment default within the twelve months following the modification during the year ended December 31, 2022.

NOTE 5 | Fixed Assets

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

	2023	2022
Land	$ 1,868,422	$ 1,868,422
Building	3,212,729	3,212,729
Furniture, fixture and equipment	1,818,293	1,728,569
Building and leasehold improvements	2,313,604	2,297,980
Automobile	53,283	53,283
	9,266,331	9,160,983
Less accumulated depreciation and amortization	(3,799,973)	(3,534,133)
Total premises and equipment	$ 5,466,358	$ 5,626,850

Depreciation and amortization expense for years ended December 31, 2023 and 2022, amounted to $277,788 and $336,623, respectively.

NOTE 6 | Leases

The Company leases a branch under an operating lease that expires on January 31, 2026. The amount of the lease liability and ROU asset is impacted by the lease term and the discount rate applied to determine the present value of future lease payments.

The lease includes one five-year option to renew, with renewal terms that can extend the lease term by varying amounts. The exercise of renewal options is at the sole discretion of the Company. Renewal option periods were not included in the measurement of ROU assets and lease liabilities as they are not considered reasonably certain of exercise.

The balance of ROU assets and lease liabilities are included in other assets and other liabilities on the consolidated statements of financial condition.

The consolidated statements of financial condition and supplemental information at December 31, 2023 and 2022 are shown below:

	2023	2022
Operating Lease Right-of-Use Assets Classified as Other Assets	$ 126,110	$ 181,963
Operating Lease Liabilities Classified as Other Liabilities	$ 126,110	$ 181,963
Weighted Average Remaining Lease Term, in Years	2	3
Weighted Average Discount Rate	4.58%	4.58%

The Company elected, for all classes of underlying assets, not to separate lease and non-lease components and instead to account for them as a single lease component.

The future minimum lease payments under the noncancelable operating lease are listed below as of December 31:

Year Ending	
2024	$ 64,914
2025	66,861
2026	5,585
Total lease payments	137,360
Less imputed interest	(11,250)
Present value of net future minimum lease payments	$ 126,110

NOTE 7 | Deposits

Interest-bearing and noninterest-bearing deposits consist of the following:

	2023	2022
NOW accounts	$ 4,948,305	$ 6,213,060
Savings and money market	135,581,930	116,186,710
Time certificate of deposit accounts under $250,000	8,092,789	8,193,190
Time certificate of deposit accounts equal to and over $250,000	4,046,350	2,670,980
Total interest-bearing deposits	152,669,374	133,263,940
Total noninterest-bearing deposits	167,131,411	204,189,323
Total deposits	$ 319,800,785	$ 337,453,263

At December 31, 2023, the scheduled maturities of time deposits were as follows:

	2023
Within 1 year	$ 11,460,546
After 1 year through 3 years	671,889
After 3 years through 5 years	6,704
	$ 12,139,139

The Company has four escrow companies that together account for 5% of total deposits on December 31, 2023 and 2022.

NOTE 8 | Borrowing Arrangements

The Company may borrow up to approximately $16,000,000 at December 31, 2023 and 2022 in federal fund lines of credit on an unsecured basis from two of its primary correspondent banks. There were no borrowings under these lines as of December 31, 2023 and 2022.

Federal Home Loan Bank Advances

As a member of the FHLB, the Company may borrow funds collateralized by securities or qualified loans. The Company has available credit capacity of $118,620,689 and $102,168,571 as of December 31, 2023 and 2022, respectively. Total FHLB advances outstanding at December 31, 2023 and 2022 were as follows:

FHLB Borrowings			2023	2022
	2.70%	2/20/2024	$ 7,000,000	$ 7,000,000
	1.61%	8/20/2024	8,000,000	8,000,000
			$ 15,000,000	$ 15,000,000

The advances were collateralized by loans and securities in the amount of $162,176,118 and $140,021,596 as of December 31, 2023 and 2022, respectively. Based on this collateral and the Company's holding of FHLB stock, the Company has a remaining borrowing capacity of $103,620,689 and $87,168,571 as of December 31, 2023 and 2022, respectively.

Federal Reserve Bank Borrowings

On March 12, 2023, the Company was approved to obtain funding from the FRB's Bank Term Funding Program (BTFP). The Company pledged eligible collateral totaling $95,605,418 as of December 31, 2023 with remaining borrowing capacity of $38,605,418. As of December 31, 2023, $57,000,000 was outstanding with a weighted average rate of 4.37%. Borrowings under the BTFP carry a term of up to 12 months and an interest rate of the one-year overnight index rate plus 10 basis points determined on the date of advance.

The Company has borrowing capacity of $95,605,418 and $471,128 with the Federal Reserve Bank discount window as of December 31, 2023 and 2022, respectively. The Company pledged debt securities as collateral for this line. There were no borrowings under this arrangement as of December 31, 2023.

Subordinated Debt

On May 21, 2021, the Company issued $10.0 million of unsecured subordinated debentures. From the original issue date until June 1, 2026, the Company will pay interest at a fixed rate of 4.25% on the debt semi-annually in arrears on June 1 and December 1 of each year beginning December 1, 2021. From June 1, 2026 on, the Company will pay interest at variable rate tied to 3-month SOFR plus 356 basis points on the debt on each March 1, June 1, September 1 and December 1 until the maturity date or redemption. The Company may, at its option, redeem some or all of the debt on or after June 1, 2026. As of December 31, 2023 and 2022, accrued interest payable amounted to $35,417. Interest expense amounted to $450,173 for the years ended December 31, 2023 and 2022.

NOTE 9 | Subordinated Notes Payable to Subsidiary Trust

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

The Subordinated Debt Securities bear interest equal to SOFR (adjusted quarterly) plus 1.68%. At December 15, 2023 SOFR rate was 5.65%, resulting in an interest rate of 7.33% from December 16, 2023 to March 14, 2024. At December 15, 2022, LIBOR rate was 4.78%, resulting in an interest rate of 6.45% from December 16, 2022 to March 14, 2023.

As of December 31, 2023 and 2022, accrued interest payable to the Trust amounted to $9,158 and $8,599, respectively. Interest expense for Trust Preferred Securities amounted to $210,306 and $104,032, for the years ended December 31, 2023 and 2022, respectively.

NOTE 10 | Income Taxes

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

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

	2023	2022
Currently payable		
Federal	$ 1,317,325	$ 1,029,491
State	738,679	585,112
	2,056,004	1,614,603
Deferred Taxes		
Federal	(82,280)	142,522
State	(12,241)	107,000
	(94,521)	249,522
Total provision for income taxes	$ 1,961,483	$ 1,864,125

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

	2023	2022
Statutory Federal tax rate	21.0 %	21.0 %
Increase (Decrease) Resulting From		
State taxes, net of Federal tax benefit	8.4	8.4
Tax-exempt earnings on life insurance policies	(0.6)	(0.6)
Tax-exempt interest from municipal bonds	(0.3)	(0.4)
Other, net	(0.1)	(0.1)
Effective Tax Rate	28.4 %	28.3 %

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

	2023	2022
Deferred tax assets		
Allowance for credit losses	$ 1,003,979	$ 909,029
Unrealized loss on securities available for sale	758,293	949,061
State tax	150,964	123,052
Deferred compensation and benefits	102,643	145,390
Nonaccrual interest	23,683	13,105
Off balance sheet reserve	18,252	19,600
Other	165,573	100,036
	$ 2,223,387	$ 2,259,273
Deferred tax liabilities		
Depreciation and amortization	$ (122,223)	$ (143,861)
Deferred loan costs	(93,626)	(98,623)
Other	(141,117)	(172,837)
	(356,966)	(415,321)
Net deferred tax asset	$ 1,866,421	$ 1,843,952

The Company records interest and penalties related to uncertain tax positions as part of income tax expense. There was no penalty or interest expense recorded as of December 31, 2023 and 2022. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

Tax years ended on or after December 31, 2020 are open to audit and remain subject to examination by the Internal Revenue Service. Tax years ended on or after December 31, 2019 are open and remain subject to examination by the California Franchise Tax Board.

NOTE 11 | Other Operating Expenses

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

	2023	2022
Data processing fees	$ 788,683	$ 811,078
Deposit products and services	210,050	186,035
Professional fees	318,150	209,895
Regulatory assessments	253,395	199,645
Advertising and marketing	141,571	152,685
Directors' fees and expenses	149,880	133,830
Other expenses	848,175	709,840
Total non-interest expenses	$ 2,709,904	$ 2,403,008

NOTE 12 | Employee Benefit Plan

The Company has a 401(k) savings and retirement plan (the Plan) that includes substantially all employees. Employees may contribute up to 100 percent of their compensation subject to certain limits based on Federal tax law. The Company has implemented the Plan based on safe harbor provisions. Under the Plan, the Company will match 100 percent of an employee's contribution up to the first 3 percent of compensation, and 50 percent of an employee's contribution up to the next 2 percent of compensation. Matching contributions will immediately be 100 percent vested. For the years ended December 31, 2023 and 2022, the Company matching contributions attributable to the Plan amounted to $134,087 and $125,278, respectively.

NOTE 13 | Commitments and Contingencies

Employment Agreement

The Company entered into a three-year employment agreement with a key officer expiring on June 30, 2024. The agreement provides for an annual base salary plus an incentive bonus equal to 5 percent of the Bank's net income. In addition, the key officer may receive a discretionary bonus determined by the Board of Directors. Employment may be terminated for cause, as defined, without incurring obligations. In the event of termination without cause, the key officer is entitled to severance compensation equal to at least six months' salary.

Salary Continuation Agreements

The Company has entered into salary continuation agreements, which provide for payments to certain officers at the age of retirement. At December 31, 2023 and 2022, $447,488 and $439,050, respectively, of deferred compensation related to these agreements were included in other liabilities.

The plans are funded through life insurance policies that generate a cash surrender value to fund the future benefits.

NOTE 14 | Off Balance Sheet Activities

Credit-Related Financial Instruments

The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to grant loans, undisbursed lines of credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2023 and 2022, the following financial instruments were outstanding:

	2023	2022
Undisbursed loans	$ 24,695,064	$ 26,519,167

Commitments to grant loans are agreements to lend to customers as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Undisbursed commitments included $4,220,420 and $8,169,307 of commitments at fixed rates for the years ended December 31, 2023 and 2022, respectively. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, equipment, income-producing commercial properties, residential properties, and properties under construction.

Undisbursed lines of credit are commitments for possible future extensions of credit to existing customers. These lines of credit are sometimes unsecured and may not necessarily be drawn upon to the total extent to which the Company is committed.

Standby and commercial letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. There were no standby letters of credit at December 31, 2023 and 2022.

NOTE 15 | Related Party Transactions

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

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

	2023	2022
Balance, January 1	$ -	$ 98,525
Advances	29,133	142,157
Repayments, net of borrowings	-	(240,682)
Reclassified Loans, Reg O status change	-	-
Balance as of December 31	$ 29,133	$ -

Deposits from related parties held by the Company at December 31, 2023 and 2022, amounted to $11,460,870 and $13,370,878, respectively.

NOTE 16 | Dividends

During 2023, the Board of Directors declared, and the Company issued a 20% stock dividend to shareholders of record on July 6, 2023. As a matter of accommodation, cash dividends were issued to holders of fractional shares. The stock dividend consisted of 535,171 shares of stock issued on July 6, 2023, at which time the trading price was $11.74 per share. The 20% stock dividend was treated as a stock split for reporting purposes whereas no reclassification from retained earnings to common stock was necessary. There were no stock dividends declared during 2022.

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

NOTE 17 | Regulatory Matters

Banks and bank holding companies are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated 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 capital ratios as set forth in the following table. The Bank's actual capital amounts and ratios as of December 31, 2023 and 2022, are also presented in the table. Management believes, as of December 31, 2023 and 2022, that the Bank met all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. There are no conditions or events since that notification that management believes have changed the Bank's category. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2023 and 2022, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be well capitalized, the Bank must maintain minimum community bank leverage ratio as set forth in the table on the following page.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to Section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides graduated increases in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to Section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of Section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the Bank maintains a leverage ratio greater than 8%.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2023, the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The following table presents the Bank's and Company's capital ratios as of December 31 (dollar amounts in thousands):

	Actual		Minimum To Be Well Capitalized Under Prompt Corrective Action CBLR Framework	
	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)			
As of December 31, 2023				
Tier 1 Capital to Average Assets				
Consolidated	$ 42,516	9.26%	$ 41,327	9.00%
Bank	45,631	9.95%	36,758	9.00%

	Actual		Minimum To Be Well Capitalized Under Prompt Corrective Action CBLR Framework	
	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)			
As of December 31, 2022				
Tier 1 Capital to Average Assets				
Consolidated	$ 37,865	9.27%	$ 36,758	9.00%
Bank	42,701	10.47%	36,712	9.00%

Though the Company is not required to maintain similar capital amounts and ratios until total assets reach or exceed $3 billion, the Company has maintained capital amounts and ratios that are similar to those of the Bank.

The California Financial Code provides that a company may not make a cash distribution to its shareholders in excess of the lesser of the company's undivided profits or the company's net income for its last three fiscal years less the amount of any distribution made to the company's shareholders during the same period. In addition, the Company and the Bank may not pay dividends that would result in its capital levels being reduced below the minimum requirements as reflected.

NOTE 18 | Fair Value Measurements

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

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

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

The table below presents the balance of investment securities available for sale at December 31, 2023 and 2022, the fair value of which is measured on a recurring basis:

	Fair Value Measurements Using			
December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Securities Available for Sale				
Municipal bonds	$ -	$ 6,736,976	$ -	$ 6,736,976
December 31, 2022				
Securities Available for Sale				
Municipal bonds	$ -	$ 6,347,231	$ -	$ 6,347,231

NOTE 19 | Fair Value of Financial Instruments

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

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

The estimated fair values and related carrying amounts of the Company's financial instruments at December 31, 2023, are as follows:

	Carrying Value	Fair Value Measurements at December 31, 2023: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial Assets					
Cash and cash equivalents	$ 35,528,937	$ 35,528,937	$ -	$ -	$ 35,528,937
Investment securities available for sale	6,736,976	-	6,736,976	-	6,736,976
Investment securities held to maturity	208,506,305	-	194,849,053	-	194,849,053
Loans, net	174,352,293	-	-	162,632,000	162,632,000
Stock investments	3,126,100	-	3,126,100	-	3,126,100
Accrued interest receivable	1,439,178	-	1,439,178	-	1,439,178
Bank owned life insurance	8,247,174	-	8,247,174	-	8,247,174
Trups common securities	93,000	-	93,000	-	93,000
Financial Liabilities					
Deposits					
Noninterest-bearing demand deposits	$ 167,131,411	$ 167,131,411	$ -	$ -	$ 167,131,411
Interest-bearing deposits	152,669,374	-	134,236,000	-	134,236,000
FHLB advances	15,000,000	-	15,000,000	-	15,000,000
FRB borrowing	57,000,000	-	57,000,000	-	57,000,000
Subordinated debt	10,000,000	-	10,000,000	-	10,000,000
Subordinated notes payable	3,093,000	-	3,093,000	-	3,093,000
Accrued interest payable	2,156,153	-	2,156,153	-	2,156,153

The estimated fair values and related carrying amounts of the Company's financial instruments at December 31, 2022, are as follows:

		Fair Value Measurements at December 31, 2022			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial Assets					
Cash and cash equivalents	$ 36,436,018	$ 36,436,018	$ -	$ -	$ 36,436,018
Investment securities available for sale	6,347,231	-	6,347,231	-	6,347,231
Investment securities held to maturity	160,668,959	-	143,608,251	-	143,608,251
Loans, net	176,555,782	-	-	169,021,000	169,021,000
Stock investments	2,045,200	-	2,045,200	-	2,045,200
Accrued interest receivable	1,153,613	-	1,153,613	-	1,153,613
Bank owned life insurance	8,054,491	-	8,054,491	-	8,054,491
Trups common securities	93,000	-	93,000	-	93,000
Financial Liabilities					
Deposits					
Noninterest-bearing demand deposits	$ 204,189,323	$ 204,189,323	$ -	$ -	$ 204,189,323
Interest-bearing deposits	133,263,940	-	118,149,000	-	118,149,000
FHLB advances	15,000,000	-	15,000,000	-	15,000,000
Subordinated debt	10,000,000	-	10,000,000	-	10,000,000
Subordinated notes payable	3,093,000	-	3,093,000	-	3,093,000
Accrued interest payable	124,947	-	124,947	-	124,947

NOTE 20 | Subsequent Events

The Company is currently in escrow to purchase a commercial building in the city of Corona for purposes of expanding its branch operations. The purchase price is $1.8 million with another $650,000 estimated for building improvements.

MARKET MAKERS

Hilltop Securities Inc.
42605 Moonridge Rd
Big Bear Lake, California 92315
(909) 584-4500

Robert W. Baird & Co. Incorporated
1211 SW Fifth Avenue, Suite 1400
Portland, Oregon 97204
(800) 754-2841

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

BRANCH LOCATIONS

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

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

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

UPLAND BRANCH
300 N. Mountain Avenue
Upland, CA 91786
Phone: (909) 755-2000
Fax: (909) 755-2099

ChinoCommercialBank.com

BUSINESS APP

PERSONAL APP

CHINO COMMERCIAL BANCORP

Chino Commercial Bank N.A.

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

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

New Corona Branch
Coming Soon 2024

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

UPLAND BRANCH
300 N. Mountain Avenue
Upland, CA 91786
Phone: (909) 755-2000
Fax: (909) 755-2099

EQUAL HOUSING LENDER

MEMBER FDIC

ChinoCommercialBank.com

BUSINESS APP

PERSONAL APP