First General Bank
大通銀行

Your Path to Success 攜手大通 邁向成功

2020 Annual Report

Your Path to Success 攜手大通 邁向成功

MISSION & VALUES 使命和價值

Our mission is to create value for our shareholders, customers, employees and community.

為股東，客戶，員工和社區創造最高價值。

Creating value for shareholders 為股東創造價值

Creating and maximizing shareholder value is a mission and goal of our Bank. Our strategy is to create value for our shareholders through profitable and sustainable growth. We understand that long-term shareholder value can be maximized only when the Bank is able to create value for our customers, our employees, and our community. We believe we have succeeded in these areas, and we are proud to continue our mission to create and add value for our shareholders, year after year.

創造和實現股東最高獲利是我們銀行的使命。我們通過持續盈利的增長，為股東創造價值。我們相信當銀行能夠為我們的客戶，員工和社會創造最大價值的時候，就是股東的最高價值。我們感恩能夠每年持續的為股東創造最高價值。

Creating value for employees 為員工創造價值

Our employees are our most important assets – Therefore, providing a harmonious and rewarding environment for our employees is also our focus. Over the years, the Bank has greatly invested in training and developing its employees, along with a competitive, merit-based compensation and benefit program. The reward? A team of dedicated, professional employees who share a common goal of the First General Bank family: Creating value for our customers, shareholders, employees, and community.

我們的員工是我們最重要的資產。我們提供一個和諧，成長和獎勵的工作環境，並為員工增進其競爭力及專業發展，最終提高整體服務品質。我們的員工成就了我們銀行的使命:為股東，客戶和社區創造最高價值。

Creating value for customers 為客戶創造價值

Since the Bank's beginning, we understand that we can only compete in the marketplace by creating value for our customers. We accomplish this in several ways: Ensuring that each of our employees understand that the "Customer" is our top priority; understanding each of our customer's unique business needs; and providing responsive, valuable and quality services. Our business exists because of our customers – Going the extra mile for our customers has always been a standard at our Bank.

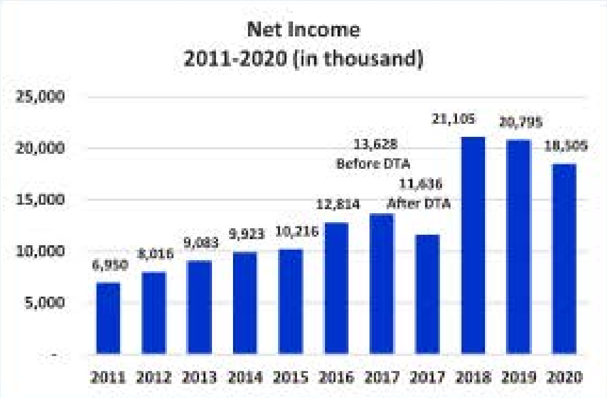
從銀行開幕營運以來，我們的使命就是為客戶創造最高價值。服務「客戶」是我們的首要任務。我們了解客戶的需求，以最迅速專業的服務來滿足客戶。我們永遠會為客戶提供優質，及時和增值的服務來確保客戶能獲得最高價值。

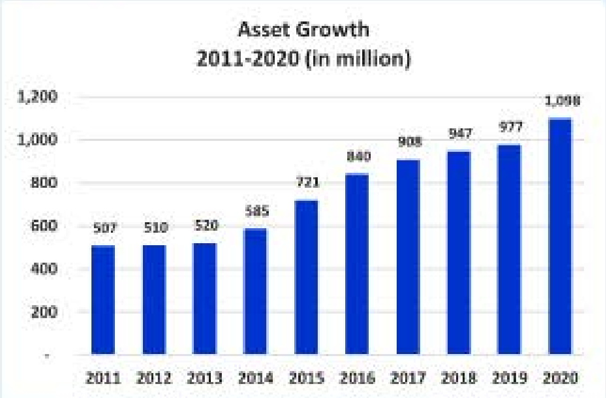
Creating value for our community 為社區創造價值

The Bank's roots lie in the community. We owe much of our success to the community's support – Therefore, we have been committed to its well-being. In addition to providing financial support to numerous community organizations, our Bank's employees have volunteered to serve the community through teaching financial literacy, assisting low-income families with tax returns filing. Through such volunteering opportunities, our Bank has been able to foster a community-focused culture within the organization, and expand our community network.

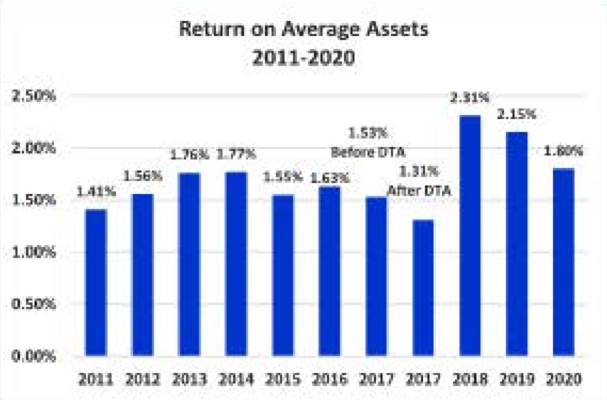
我們創行以來始終秉持著以人為本的基本理念。我們的成功來自於社會各界的支持。因此，我們提供慈善捐款幫助社區組織並鼓勵所有員工積極參與社區服務。創造和實現幸福的社區是我們的最高價值。

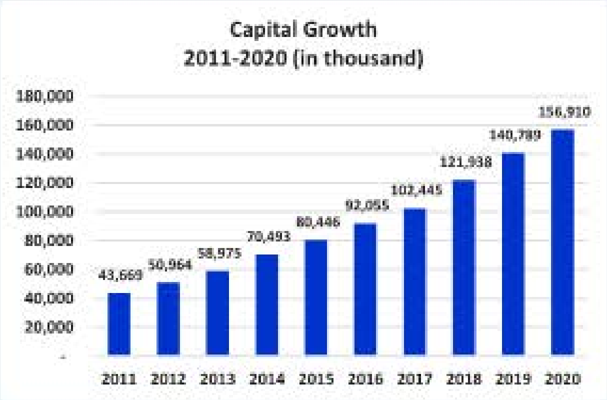
Financial Highlights

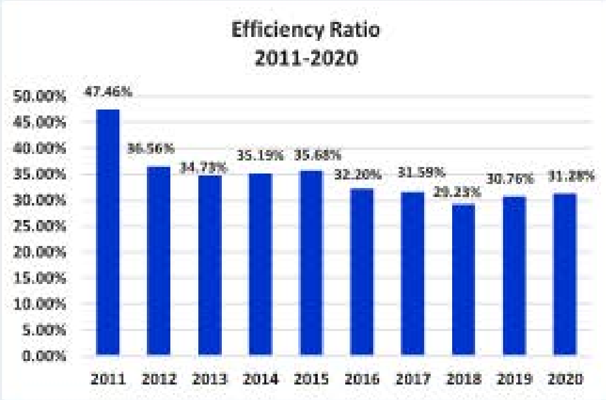


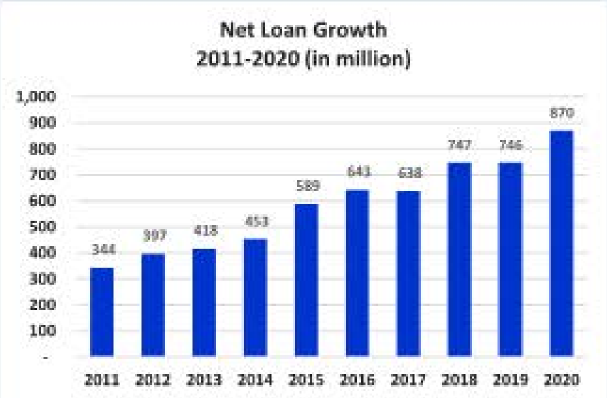


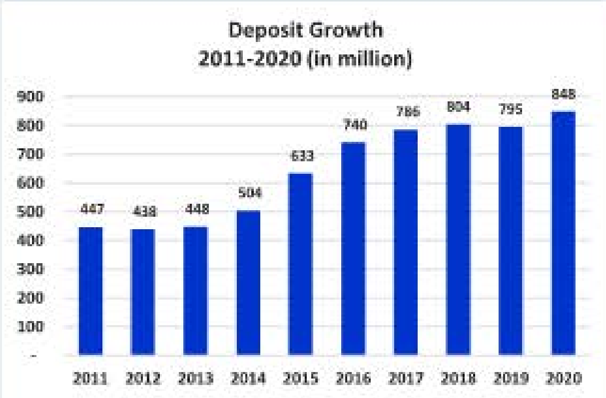
DTA = Deferred Tax Assets/One time $1.992 million yearend DTA write down due to the new Tax Cuts and Jobs Act on Dec. 22, 2017











Letter to Shareholders

Dear Shareholders,

2020 was an eventful year of unprecedented circumstances for many. As the year progressed through rolling business closures, changing rate environments, new government mandates and programs, we adapted to our community's immediate needs with an understanding that the year also provided hints and opportunities for the decade to come.

Of course, as some things change, some things stay the same. Financially, the Bank continued to outperform its national and local peer groups in most metrics; operationally, every office and branch stayed open for our communities while other institutions faced intermittent closures; and for you, we are proud to have maintained 2019's dividend amount of $0.75/share at year-end.

With 2020 drifting further behind us, a short glance back makes us grateful for your continued support and confident in the direction we are moving towards.

2020 Financial Performance

Building on the momentum over the past decade, for 2020, our Bank continued to achieve strong levels in many areas:

- Perhaps the most pertinent performance metric of 2020 was the sudden 150 basis point drop to interest rates. In front of this backdrop, our Bank posted before-tax NOI of $26.26 million, which is a year-over-year decrease of 11.05% but exceeded our 2020 budget projections by 33.65%. By comparison, peer banks saw average drops in NOI of 19.62%.
- Similarly, our After-Tax Net Income of $18.51 million was a decrease of 11.01% over 2019.
- Total Assets reached the $1.1 billion milestone, an increase of 12.42% as compared to $977.32 million in 2019.
- Loan production continued strong, with $247.6 million portfolio and $40.6 million SBA PPP (Payroll Protection Program) new loans booked.
- Total Gross Loans grew by 16.97%, increasing from $755.8 million in 2019 to $884.02 million (including $19.9 million of SBA PPP loans) by year-end.
- Credit quality remained excellent with no charge offs for the year.
- Total Deposits increased by approximately 6.68% to $848.31 million, as compared to 2019. The increase is mainly attributable Bank's success in the PPP program, which significantly expanded non-interest bearing DDA deposits and generated many new long-term banking relationships.
- Community Bank Leverage Ratio was well-capitalized at 14.50%.
- Tangible Shareholders' Equity increased by 11.18% in the year to $155.5 million.
- Tangible Book Value per share increased by 10.67% to $38.65 compared to $34.92 in 2019.
- In 2020, our Board of Directors declared a cash dividend of $0.75 per common share to stockholders, unchanged from 2019.

The Bank's performance ratios continue to compare favorably to those of local, state, and national peers. Against national peer banks of similar asset sizes, most notable for the year were Bank's Return on Equity (ROE) of 12.35% (vs. 9.97%), Return on Assets (ROA) of 1.80% (vs. 1.06%), and Efficiency Ratio of 31.28% (vs. 60.38%).

Aside from our financial performance:

- We took proactive actions to effectively protect the safety of our employees and customers, successfully ensuring minimal disruption to service for customers during the COVID-19 pandemic.
- We launched mobile business banking and mobile deposit, bringing additional convenience to our commercial customers.
- We started offering Zelle ® Person-to-Person Payments (P2P) to consumer customers.
- We participated in the SBA's Paycheck Protection Program (PPP). At the end of the "first round" of the PPP program in 2020, the Bank processed and approved a total of $40.59 million in PPP loans, helping small businesses retain approximately 5,695 employees and 441 unique businesses maintain operations.
- We received a Bank Enterprise Award from the U.S. Department of the Treasury in recognition of our continued investment in the development and health of our local communities as a Community Development Financial Institution (CDFI).

Honors and Awards Received

2005 -	Founded in Rowland Heights
2008 -	Rated as "FIVE STAR Bank" by Bauer Financial
2009 -	Rated as "FIVE STAR Bank" by Bauer Financial
2011 -	Ranked as "Super Premier Performing Bank" by Findley Reports
2012 -	Ranked as "Top Bank" by SNL Financials
	Ranked as "Most Profitable Bank" by LA Business Journal
	Ranked as "Super Premier Performing Bank" by Findley Reports
2013 -	Ranked as "SBA Export Lender of the Year" by SBA
	Ranked as "Super Premier Performing Bank" by Findley Reports
2014 -	Ranked as "Super Premier Performing Bank" by Findley Reports
2015 -	Rated as "FIVE STAR Bank" by Bauer Financial
	Ranked as "Super Premier Performing Bank" by Findley Reports
2016 -	Rated as "FIVE STAR Bank" by Bauer Financial
	Ranked as "Super Premier Performing Bank" by Findley Reports
2017 -	Rated as "FIVE STAR Bank" by Bauer Financial
	Ranked as "Super Premier Performing Bank" by Findley Reports
	Rated "Top Financial Institution" by LA Business Journal
	Rated "Top BSA Lender" by Orange County Business Journal
2018 -	Rated as "FIVE STAR Bank" by Bauer Financial
	Ranked as "Super Premier Performing Bank" by Findley Reports
2019-	Rated as "FIVE STAR Bank" by Bauer Financial, and ranked as "Super Premier Performing Bank" by Findley Reports.
	Named one of the "100 Top Community Banks" by S&P Global Intelligence
2020-	Rated as "FIVE STAR Bank" by Bauer Financial, and ranked as "Super Premier Performing Bank" by Findley Reports.

Resilience and Recovery

One adversity after another rocked our communities in 2020, from raging wildfires to riots and rolling curfews. However, the year was undoubtedly headlined by COVID-19. In a single year, the pandemic took with it a shocking number of businesses, jobs, and lives. In the face of this mega-crisis, we are reminded why banks like ourselves are considered essential.
We are grateful to have served, for many of you, as the intermediary between constantly shifting policies and much needed aid, and we are grateful for your trust in us to keep your wealth safe and accessible in a tumultuous time.

Over the past 15 years, and especially through the fires of 2020, we have continuously refined our processes and perspectives in order to bring tangible value and growth to our communities. As we look forward, we will continue to do so with the safety of ourselves, our clients, and the assets entrusted to us at the forefront of our efforts.

We want to thank our customers, shareholders, directors, and employees for their contributions over the past year and beyond.

Jackson Yang
Chairman of the Board

Cliff J. Hsu
President & CEO

致股東函

親愛的股東們：

2020年對多數人來說是多事之秋且前所未有的一年。這一年面臨多家企業倒閉、利率的驟變、新的政府政策跟方案等等所造成的變數，大通銀行本著良好的應變與經營能力解決客戶的需求，也為未來提供了機運。

當然，有些事情會改變，有些事情則維持不變。在財務方面，大通銀行在多數指標上持續領先全國同行;在營運上，當其他機構面臨間歇性關閉時，我們的每一個部門及分行仍為社區保持開放。對您來說，我們也很自豪能夠在2020年保持了同等2019年每股0.75美元的股息。

隨著2020的漸行漸遠，回首過往，我們對股東們一直以來對大通銀行的信任與支持萬分感激。

2020 年財務表現平穩向上

在過去堅實的基礎上，面向2020年，我們在多個領域繼續保持強勢水平。

- 利率於2020年遽然下降150個基點或許是最相關的績效指標。在此環境下，銀行的稅前獲利為2,626萬元，較前年下降11.05%，但超出我們2020年預算33.65%。相比之下，同業銀行2020的獲利平均下降19.62%。
- 同樣，稅後淨利為1,851萬元，比2019年減少了11.01%。
- 總資產達到11億元里程碑，相比2019年的9.77億元，增長12.42%。
- 貸款業務量持續強勁，新增貸款金額有2.476億美元加上4,060萬美元的SBA PPP(薪資保護計劃）。
- 貸款總額增長16.97%，從2019年的7.55億美元增加到年底的8.84億美元。
- 信貸質量保持良好，全年沒有壞帳沖銷。
- 與2019年相比，存款總額增加約6.68%至8.48億元。增加的主要原因是本行成功執行了PPP方案，顯著擴大了非計息DDA存款，並增長了許多新的長期客戶業務關係。
- 社區銀行資本槓桿率為14.50% 顯示本行資本充足。
- 股東淨值增長11.18%，至1.55億美元。
- 股票帳面值從2019年的34.92美元增加10.67%至38.65美元。
- 2020年，我們宣布向股東發配每股0.75美元的現金股息，與2019年相同。

本行的業績持續優於地方、州和全國同行。而最引人注目的是，與資產規模相似的全國同級銀行相比，本行的資本回報率(ROE)為12.35%(vs.9.97%)，資產回報率(ROA)為1.80%(vs.1.06%)，效率比為31.28%(vs.60.38%)。

其他業務表現:

- 在COVID-19 疫情期間，本行采取了積極主動的措施，有效地保護了員工和客戶的安全且成功地確保了服務品質，將由疫情帶來的干擾降至最低。
- 我們推出了手機商業銀行和手機存款，為所有客戶帶來更多便利。
- 我們開始向客戶提供Zelle®個人支付服務（P2P）。
- 本行參與了SBA的“薪資保護計劃”（PPP）。在 2020年PPP計劃“第一輪”，我們辦理且批准了4,059萬美元的PPP貸款，幫助小型企業保留了約5,695名員工和441家企業能得以維持營運。
- 獲得美國財政部頒發的銀行企業獎，以表彰本行作為社區發展金融機構(CDFI)持續在中低收入社區發展方面保持良好的信貸服務。

榮譽與獎項

2005年	大通銀行於羅蘭崗開幕營運
2008年	BauerFinancial 評選爲最高榮譽之「五星獎」
2009年	BauerFinancial 評選爲最高榮譽之「五星獎」
2011年	Findley Reports 評選爲「超級優異營運之銀行」
2012年	SNL Financials 評選爲「第一名頂級銀行」
	LA Business Journal洛杉磯商業雜誌評選爲「洛杉磯獲利率最高之銀行」
	Findley Reports 評選爲「超級優異營運之銀行」
2013年	SBA 評選爲「中小型企業出口貸款之年度銀行」
	Findley Reports 評選爲「超級優異營運之銀行」
2014年	American Banker Magazine美國銀行家雜誌評選爲「超級優異上市銀行」
	Findley Reports 評選爲「超級優異營運之銀行」
2015年	BauerFinancial評選爲最高榮譽之「五星獎」
	Findley Reports 評選爲「超級優異營運之銀行」
2016年	BauerFinancial評選爲最高榮譽之「五星獎」
	Findley Reports 評選爲「超級優異營運之銀行」
2017年	BauerFinancial評選爲最高榮譽之「五星獎」
	Findley Reports 評選爲「超級優異營運之銀行」
	LA Business Journal洛杉磯商業雜誌評選爲「洛杉磯獲利率最高之銀行」
	Orange County Business Journal 評選爲「優等中小型企業貸款銀行」
2018年	BauerFinancial評選爲最高榮譽之「五星獎」
	Findley Reports 評選爲「超級優異營運之銀行」
2019年	BauerFinancial 評選爲最高榮譽之「五星獎」
	Findley Reports 評選爲「超級優異營運之銀行」
	S&P Global Intelligence評為“100 家頂級社區銀行”之一
2020年	BauerFinancial 評選爲最高榮譽之「五星獎」和 Findley Reports 評選爲「超級優異營運之銀行」

韌性和復甦

2020年，一個又一個逆境衝擊著我們的社區，從肆虐的森林野火到街頭示威暴動，再到宵禁等等。然而，新冠病毒(COVID-19)無疑成為這一年的頭條新聞。在短短一年內，這場疫情使多家企業倒閉，許多人喪失工作機會和生命。在這場巨大危機之下，我們由衷感謝你們在動盪的政策和亟需的社區救助之間成為我們的支柱和橋梁。我們更感謝你們對我們的信賴將你們的寶貴投資託付於我們。

在過去的15年裡，特別是經歷了2020年的種種挑戰，我們不斷成長改進我們的企業經營模式，以便為我們的社區帶來切實的價值和增長。展望未來，我們將持續把各位股東、客戶、和同仁的安全與資產放在首位。

在此再次感謝我們的客戶在過去以來對大通銀行的長期支持，以及銀行股東、董事和全體員工的努力貢獻。

董事長
楊信

總裁/執行長
徐仁貴

CONTENTS

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors and Shareholders of
First General Bank
Rowland Heights, California

Report on the Financial Statements
We have audited the accompanying financial statements of First General Bank, which comprise the statements of financial condition as of December 31, 2020 and 2019, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First General Bank as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Laguna Hills, California
March 15, 2021

FIRST GENERAL BANK

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash and Due from Banks	$ 22,512,713	$ 23,199,903
Federal Funds Sold	164,000,000	170,000,000
TOTAL CASH AND CASH EQUIVALENTS	186,512,713	193,199,903
Interest-Bearing Deposits in Other Banks	992,000	494,000
Securities Available for Sale	5,798,268	3,346,734
Securities Held to Maturity (Fair Value of $ 3,693,634 at 2020 and $4,180,541 at 2019)	3,570,516	4,187,186
Loans:		
Real Estate	817,451,146	692,715,263
Commercial	64,889,618	61,994,196
TOTAL LOANS	882,340,764	754,709,459
Net Deferred Loan (Fees) Costs	(2,119,477)	(569,147)
Unaccreted Discount on Acquired Loans	(153,781)	(388,487)
Allowance for Loan Losses	(9,923,685)	(8,223,685)
NET LOANS	870,143,821	745,528,140
Premises and Equipment	2,163,223	2,419,059
Right of Use ("ROU") Asset	6,318,482	6,955,941
Federal Home Loan Bank Stock, at cost	3,885,700	3,885,700
Bank Owned Life Insurance ("BOLI")	6,230,220	6,080,439
Deferred Income Taxes	5,710,384	4,915,730
Core Deposit Intangible	-	19,200
Goodwill	248,671	248,671
Accrued Interest and Other Assets	6,492,508	5,752,989
TOTAL ASSETS	$ 1,098,066,506	$ 977,033,692

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

FIRST GENERAL BANK

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2020 AND 2019

LIABILITIES AND SHAREHOLDERS' EQUITY

	2020	2019
Deposits:		
Noninterest-Bearing Demand	$ 151,064,371	$ 114,079,957
Savings, NOW and Money Market Accounts	220,606,923	178,477,656
Time Deposits	476,643,674	502,633,467
TOTAL DEPOSITS	848,314,968	795,191,080
FHLB Advance	74,000,000	22,000,000
Operating Lease Liability	6,846,474	7,387,695
Accrued Interest and Other Liabilities	11,995,451	11,666,236
TOTAL LIABILITIES	941,156,893	836,245,011
Commitments and Contingencies - Note L		
Shareholders' Equity:		
Preferred Stock - 10,000,000 Shares Authorized, No Par Value; No Shares Issued and Outstanding	-	-
Common Stock - 10,000,000 Shares Authorized, No Par Value; Shares Issued and Outstanding of 4,023,635 at 2020 and 4,005,302 at 2019	44,312,852	43,915,157
Additional Paid-in-Capital	2,083,131	1,859,609
Retained Earnings	110,455,027	94,967,670
Accumulated Other Comprehensive Income - Unrealized Gain on Available-for-Sale Securities, Net of Taxes of $24,593 at 2020 and $19,407 at 2019	58,603	46,245
TOTAL SHAREHOLDERS' EQUITY	156,909,613	140,788,681
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,098,066,506	$ 977,033,692

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

FIRST GENERAL BANK

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INTEREST INCOME		
Interest and Fees on Loans	$ 43,082,468	$ 49,366,498
Interest on Investment Securities	188,043	215,702
Interest on Federal Funds Sold and Other	1,878,603	4,639,709
TOTAL INTEREST INCOME	45,149,114	54,221,909
INTEREST EXPENSE		
Interest on Savings, NOW and Money Market Accounts	654,909	1,096,012
Interest on Time Deposits	7,012,243	11,697,457
Interest on Other Borrowings	479,763	141,602
TOTAL INTEREST EXPENSE	8,146,915	12,935,071
NET INTEREST INCOME	37,002,199	41,286,838
Provision for Loan Losses	1,700,000	375,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	35,302,199	40,911,838
NONINTEREST INCOME		
Service Charges and Fees on Deposits	352,944	361,205
Other Charges and Fees	1,007,987	1,119,860
Earnings on BOLI	149,781	147,240
Gain on Sale of Loans	2,184,820	336,650
	3,695,532	1,964,955
NONINTEREST EXPENSE		
Salaries and Employee Benefits	7,358,971	7,636,169
Occupancy and Equipment Expenses	1,786,486	1,880,057
Other Expenses	3,588,930	3,837,109
	12,734,387	13,353,335
INCOME BEFORE INCOME TAXES	26,263,344	29,523,458
Income Tax Expense	7,758,261	8,728,694
NET INCOME	$ 18,505,083	$ 20,794,764

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

FIRST GENERAL BANK

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Net Income	$ 18,505,083	$ 20,794,764
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized Gains and Losses on Securities Available for Sale:		
Changes in Unrealized Gains	17,544	38,747
	17,544	38,747
Related Income Tax Effect:		
Changes in Unrealized Gains	(5,186)	(11,454)
	(5,186)	(11,454)
OTHER COMPREHENSIVE INCOME	12,358	27,293
TOTAL COMPREHENSIVE INCOME	$ 18,517,441	$ 20,822,057

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

FIRST GENERAL BANK

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock		Additional	Retained	Accumulated Other	
	Number of Shares	Amount	Paid-in Capital	Earnings	Comprehensive Income/(Loss)	Total
Balance at January 1, 2019	3,956,500	$ 43,009,167	$ 1,732,648	$ 77,176,882	$ 18,952	$ 121,937,649
Net Income				20,794,764		20,794,764
Stock-Based Compensation			294,104			294,104
Exercise of Stock Options	48,802	905,990	(167,143)			738,847
Dividends Declared				(3,003,976)		(3,003,976)
Other Comprehensive Income, Net of Taxes					27,293	27,293
Balance at December 31, 2019	4,005,302	43,915,157	1,859,609	94,967,670	46,245	140,788,681
Net Income				18,505,083		18,505,083
Stock-Based Compensation			294,103			294,103
Exercise of Stock Options	18,333	397,695	(70,581)			327,114
Dividends Declared				(3,017,726)		(3,017,726)
Other Comprehensive Income, Net of Taxes					12,358	12,358
Balance at December 31, 2020	4,023,635	$ 44,312,852	$ 2,083,131	$ 110,455,027	$ 58,603	$ 156,909,613

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

FIRST GENERAL BANK

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

		2020		2019
OPERATING ACTIVITIES				
Net Income	$	18,505,083	$	20,794,764
Adjustments to Reconcile Net Income to Net Cash				
From Operating Activities:				
Depreciation, Amortization and Accretion, Net		113,444		130,982
Provision for Loan Losses		1,700,000		375,000
Stock-Based Compensation		294,103		294,103
Increase in Payment Protection Program deferred loan fees		1,156,237		-
Gain on Sale of Loans		(2,184,820)		(336,650)
Earnings on BOLI		(149,781)		(147,240)
Deferred Income Tax Benefit		(799,840)		(502,139)
Change in Accrued Interest and Other Assets		(84,056)		1,555,971
Change in Accrued Interest and Other Liabilities		(225,756)		851,444
NET CASH FROM OPERATIONS		18,324,614		23,016,235
INVESTING ACTIVITIES				
Net Change in Interest-Bearing Deposits in Other Banks		(498,000)		249,000
Purchase of Available-for-Sale Securities		(4,234,140)		(1,243,728)
Maturity/Principal Paydowns of Held to Maturity		597,862		444,499
Maturity/Principal Paydowns of Available-for-Sale Securities		1,777,646		969,064
Purchase in FHLB and Other Stock		-		(467,300)
Net Increase in Loans		(172,528,967)		(7,787,590)
Proceeds from Loan Sales		47,476,576		9,514,443
Purchases of Premises and Equipment		(49,805)		(643,888)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(127,458,828)		1,034,500
FINANCING ACTIVITIES				
Net Change in Demand Deposits and Savings Accounts		79,113,680		(29,702,419)
Net Change in Time Deposits		(25,989,793)		20,855,693
Net Change in Short-Term FHLB Advances		(1,000,000)		2,000,000
Repayment of Long-Term FHLB Advances		(10,000,000)		-
Proceeds from Long-Term FHLB Advances		63,000,000		10,000,000
Dividends Paid		(3,003,977)		(2,967,375)
Proceeds from Exercise of Stock Options, Including Tax Benefit		327,114		738,847
NET CASH FROM FINANCING ACTIVITIES		102,447,024		924,746
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(6,687,190)		24,975,481
Cash and Cash Equivalents at Beginning of Year		193,199,903		168,224,422
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	186,512,713	$	193,199,903
Supplemental Disclosures of Cash Flow Information:				
Interest Paid	$	8,439,566	$	12,850,556
Taxes Paid	$	7,950,000	$	9,530,000

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and FDIC Part 350.4 Statement

The Bank has been incorporated in the State of California and organized as a single operating segment that operates five full-service branches in Rowland Heights, Arcadia, San Gabriel, Irvine, and Cerritos, California. The Bank's primary source of revenue is providing loans to customers, who are predominately small and middle-market businesses and individuals. These financial statements have not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation ("FDIC"). The Bank is considered a public business entity.

Subsequent Events

The Bank has evaluated subsequent events for recognition and disclosure through March 15, 2021 which is the date the financial statements were available to be issued.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term is the determination of the allowance for loan losses.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, due from banks, federal funds sold and term federal funds sold with original maturities of less than 90 days.

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, 2020, the required reserve percentage is zero. The Bank was in compliance with all reserve requirements as of December 31, 2020 and 2019.

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

Interest-Bearing Deposits in Other Banks

Interest-bearing deposits in other banks mature within one year and are carried at cost.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Debt Securities

Debt securities are classified in three categories and accounted for as follows: debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity and are measured at amortized cost; debt securities bought and held principally for the purpose of selling in the near term are classified as trading securities and are measured at fair value, with unrealized gains and losses included in earnings; debt securities not classified as either held-to-maturity or trading securities are deemed as available-for-sale and are measured at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Gains or losses on sales of debt securities are determined on the specific identification method. Premiums and discounts are amortized or accreted using the interest method over the expected lives of the related securities.

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

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Premiums and discounts on loans purchased are grouped by type and certain common risk characteristics and amortized or accreted as an adjustment of yield over the weighted-average remaining contractual lives of each group of loans, adjusted for prepayments when applicable, using methodologies which approximate the interest method.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days based on the contractual terms of the loan or when, in the opinion of management, there is reasonable doubt as to collectibility. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Allowance for Loan Losses

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

The Bank determines a separate allowance for each portfolio segment. The allowance consists of specific and general reserves. Specific reserves relate to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors considered in determining impairment include payment status, collateral value and the probability of collecting all amounts when due. Measurement of impairment is based on the expected future cash flows of an impaired loan, which are to be discounted at the loan's effective interest rate, or measured by reference to an observable market value, if one exists, or the fair value of the collateral for a collateral-dependent loan. The Bank selects the measurement method on a loan-by-loan basis except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral.

The Bank recognizes interest income on impaired loans based on its existing methods of recognizing interest income on nonaccrual loans. Loans, for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired with measurement of impairment as described above.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Smaller balance, homogeneous loans are collectively evaluated for impairment.

General reserves cover non-impaired loans and are based on a combination of peer and historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Certain Acquired Loans

As part of business acquisitions, the Bank acquired certain loans that have shown evidence of credit deterioration since origination. These acquired loans are recorded at the allocated fair value, such that there is no carryover of the seller's allowance for loan losses. Such acquired loans are accounted for individually. The Bank estimates the amount and timing of expected cash flows for each purchased loan, and the expected cash flows in excess of the allocated fair value is recorded as interest income over the remaining life of the loan (accretable yield). The excess of the loan's contractual principal and interest over expected cash flows is not recorded (non-accretable difference). Over the life of the loan, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded through the allowance for loan losses. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Bank also maintains a separate allowance for off-balance sheet commitments. Management estimates anticipated losses using historical data and utilization assumptions. The allowance for off-balance sheet commitments totaled $80,000 at December 31, 2020 and $80,000 at December 31, 2019, and is included in other liabilities on the statement of financial condition.

Bank Owned Life Insurance

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

Other Real Estate Owned

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

Premises and Equipment

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Leases

The Bank 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 Bank 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 Bank'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 statements of financial condition. Lease expense is recognized on a straight-line basis over the lease term. The Bank has elected to account for lease agreements with lease and non-lease components as a single lease component.

Goodwill and Other Intangible Assets

Goodwill is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquire, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually. The Bank has selected December 31 as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on the statement of financial condition.

Other intangible assets consist of core deposit intangible assets arising from whole bank acquisitions. They are initially measured at fair value and then are amortized on an accelerated method over their estimated useful lives, which range from 7 to 10 years.

Federal Home Loan Bank ("FHLB") Stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income. The Bank's investment in FHLB stock was $3,885,700 at December 31, 2020 and 2019.

Pursuant to the adoption of ASU 2016-01 on January 1, 2018, the Bank 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. No adjustments were required.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 Bank 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 Bank 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 Bank satisfies a performance obligation. The Bank 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 Bank 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 Bank 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. All of the Bank's revenue from contracts with customers within the scope of ASC 606 is recognized in non-interest income.

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

Service Charges and Fees on Deposit Accounts

The Bank 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.

Advertising Costs

The Bank's expenses in advertising was $6,050 and $70,084 at December 31, 2020 and 2019, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Stock-Based Compensation

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

Compensation cost is recognized over the required service period, generally defined as the vesting period, on s straight-line basis. The Bank has elected to account for forfeitures of stock-based awards as they occur. Excess tax benefits and tax deficiencies relating to stock-based compensation are recorded as income tax expense or benefit in the income statement when incurred.

Note N for additional information on the Bank's stock option plan.

Income Taxes

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

The Bank has adopted guidance issued by the Financial Accounting Standards Board ("FASB") that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by taxing authorities. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

Comprehensive Income

The change in unrealized gains and losses on available-for-sale securities is the only component of accumulated other comprehensive income for the Bank.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit as described in Note L. Such financial instruments are recorded in the 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 when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

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

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

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

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

Transfers of Financial Assets

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Loan Sales and Servicing of Financial Assets

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

Management periodically evaluates servicing assets for impairment, utilizing a fair value approach. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market based assumptions. A valuation allowance is recorded where the fair value is below the carrying amount of the asset. If the Bank later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase in income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayments speeds and changes in the discount rates. The balance of servicing assets was $1,100,536 and $608,904 at December 31, 2020 and December 31, 2019, respectively, which are included within the accrued interest and other assets account on the statement of financial condition.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Guidance Not Yet Effective

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*. This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. In issuing the standard, the FASB is responding to criticism that today's guidance delays recognition of credit losses. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, public business entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU No. 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2022 for all entities, other than SEC filers that do not qualify as a Smaller Reporting Company as defined by the SEC. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Bank is currently evaluating the provisions of ASU No. 2016-13 for potential impact on its financial statements and disclosures.

NOTE B - DEBT SECURITIES

Debt securities have been classified in the balance sheets according to management's intent. The amortized cost of securities and their approximate fair values at December 31 were as follows:

The carrying value of debt securities pledged for borrowings and for other purposes as required or permitted by law was approximately $9,369,000 at December 31, 2020 and $212,000 at December 31, 2019.

The Bank did not sell debt securities during 2020 or 2019.

December 31, 2020 Available-for-Sale:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-Backed Securities:				
Agency	$ 5,694,701	$ 91,573	$ (10,920)	$ 5,775,354
Collateralized Mortgage Obligations:				
Agency	20,371	2,543	-	22,914
	$ 5,715,072	$ 94,116	$ (10,920)	$ 5,798,268
Held-to-Maturity:				
Mortgage-Backed Securities:				
Agency	$ 3,570,516	$ 123,118	$ -	$ 3,693,634
December 31, 2019				
Available-for-Sale:				
Mortgage-Backed Securities:				
Agency	$ 3,255,247	$ 73,835	$ (10,259)	$ 3,318,823
Collateralized Mortgage Obligations:				
Agency	25,835	2,076	-	27,911
	$ 3,281,082	$ 75,911	$ (10,259)	$ 3,346,734
Held-to-Maturity:				
Mortgage-Backed Securities:				
Agency	$ 4,187,186	$ 20,338	$ (26,984)	$ 4,180,540

NOTE B - DEBT SECURITIES - Continued

The amortized cost and estimated fair value of all debt securities available for sale and held to maturity at December 31, 2020, by expected maturities are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-To-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due Before Ten Years	$ 59,132	$ 65,844	$ 1,037,776	$ 1,067,426
Due After Ten Years	5,655,940	5,732,424	2,532,740	2,626,208
	$ 5,715,072	$ 5,798,268	$ 3,570,516	$ 3,693,634

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

	Less than Twelve Months		Over Twelve Months		Total	
December 31, 2020: **Available-for-sale:**	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Mortgage-Backed Securities:						
Agency	$ (10,920)	$ 2,413,268	$ -	$ -	$ (10,920)	$2,413,268
December 31, 2019:						
Available-for-sale:						
Mortgage-Backed Securities:						
Agency	$ (10,259)	$ 1,257,491	$ -	$ -	$ (10,259)	$1,257,491
Held-to-Maturity:						
Mortgage-Backed Securities:						
Agency	$ -	$ -	$ (26,984)	$2,601,834	$ (26,984)	$2,601,834

As of December 31, 2020, the Bank had four debt securities where estimated fair value had decreased from the Bank's amortized cost. Unrealized losses on debt securities have not been recognized into income because the issuers' bonds are above investment grade, management does not intend to sell and it is not more likely than not that management would be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates. The fair value is expected to recover as the bonds approach maturity.

NOTE C - LOANS

The Bank's loan portfolio consists primarily of loans to borrowers within Southern California. Although the Bank seeks to avoid concentrations of loans to a single industry or based upon a single class of collateral, real estate and real estate associated businesses are among the principal industries in the Bank's market area and, as a result, the Bank's loan and collateral portfolios are, to some degree, concentrated in those industries. The Bank has pledged loans to secure lines of credit with the Federal Home Loan Bank as discussed in Note H.

The Bank also originates SBA loans for potential sale to institutional investors. A portion of the Bank's revenues are from origination of loans guaranteed by the Small Business Administration under its various programs and sale of the guaranteed portions of the loans. Funding for these loans depends on annual appropriations by the U.S. Congress. The Bank was servicing $73,082,482 and $41,895,657 in SBA loans previously sold as of December 31, 2020 and 2019, respectively.

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

	2020	2019
Beginning Balance	$ 8,223,685	$ 7,772,561
Additions to the Allowance Charged to Expense	1,700,000	375,000
Recoveries on Loans Charged Off	-	76,124
	9,923,685	8,223,685
Less Loans Charged Off	-	-
Ending Balance	$ 9,923,685	$ 8,223,685

NOTE C - LOANS - Continued

The following table presents the recorded investment in loans and impairment method as of December 31, 2020 and December 31, 2019 and the allowance for loan losses for the years then ended by portfolio segment:

December 31, 2020	Real Estate	Commercial	Total
Allowance for Loan Losses:			
Beginning of Year	$ 7,858,280	$ 365,405	$ 8,223,685
Provisions	1,847,601	(147,601)	1,700,000
Recoveries	-	-	-
Charge-offs	-	-	-
End of Year	$ 9,705,881	$ 217,804	$ 9,923,685
Reserves:			
Specific	$ -	$ -	$ -
General	9,705,881	217,804	9,923,685
	$ 9,705,881	$ 217,804	$ 9,923,685
Loans Evaluated for Impairment:			
Individually	$ 1,167,969	$ 143,670	$ 1,311,639
Collectively	814,424,177	64,331,690	878,755,867
	$ 815,592,146	$ 64,475,360	$ 880,067,506

December 31, 2019	Real Estate	Commercial	Total
Allowance for Loan Losses:			
Beginning of Year	$ 7,367,633	$ 404,928	$ 7,772,561
Provisions	414,523	(39,523)	375,000
Recoveries	76,124	-	76,124
Charge-offs	-	-	-
End of Year	$ 7,858,280	$ 365,405	$ 8,223,685
Reserves:			
Specific	$ -	$ -	$ -
General	7,858,280	365,405	8,223,685
	$ 7,858,280	$ 365,405	$ 8,223,685
Loans Evaluated for Impairment:			
Individually	$ 1,547,088	$ 167,949	$ 1,715,037
Collectively	690,014,520	62,022,268	752,036,788
	$ 691,561,608	$ 62,190,217	$ 753,751,825

NOTE C - LOANS - Continued

The Bank 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 Bank 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 Bank uses the following definitions for risk ratings:

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

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

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

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

The risk category of loans by class of loans was as follows as of December 31, 2020:

December 31, 2020	Pass	Special Mention	Substandard	Impaired	Total
Real Estate:					
Construction and Land					
Development	$ 66,789,970	$ -	$ -	$ -	$ 66,789,970
Residential Real Estate	62,332,023	-	-	747,909	63,079,932
Multi-Family	170,509,154	-	-	171,855	170,681,009
Commercial - Owner Occupied	95,047,479	-	284,209	-	95,331,688
Commercial - Other	415,179,639	4,281,703		248,205	419,709,547
Commercial	64,287,718		43,972	143,670	64,475,360
	$ 874,145,983	$ 4,281,703	$ 328,181	$ 1,311,639	$ 880,067,506

FIRST GENERAL BANK

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE C - LOANS - Continued

The risk category of loans by class of loans was as follows as of December 31, 2019:

December 31, 2019	Pass	Special Mention	Substandard	Impaired	Total
Real Estate:					
Construction and Land					
Development	$ 78,562,811	$ 4,659,777	$ -	$ -	$ 83,222,588
Residential Real Estate	52,065,790	-	-	771,068	52,836,858
Multi-Family	98,167,604	4,267,559	433,338	179,950	103,048,451
Commercial - Owner Occupied	102,212,323	-	382,194	259,567	102,854,084
Commercial - Other	349,263,124	-		336,503	349,599,627
Commercial	61,978,527	43,741	-	167,949	62,190,217
	$ 742,250,179	$ 8,971,077	$ 815,532	$ 1,715,037	$ 753,751,825

Past due and nonaccrual loans presented by loan class were as follows as of December 31, 2020 and 2019:

	30-89 Days Past Due	Over 90 Days Past Due	
December 31, 2020	Accruing		Nonaccrual
Real Estate:			
Construction and Land			
Development	$ -	$ -	$ -
Residential Real Estate	-	-	748,000
Multi-Family	-	-	172,000
Commercial - Owner Occupied	-	-	-
Commercial - Other	-	-	248,000
Commercial	37,000	-	144,000
	$ 37,000	$ -	$ 1,312,000
December 31, 2019			
Real Estate:			
Construction and Land			
Development	$ -	$ -	$ -
Residential Real Estate	-	-	771,000
Multi-Family	-	-	180,000
Commercial - Owner Occupied	283,000	-	-
Commercial - Other	-	-	240,000
Commercial	108,000	-	167,000
	$ 391,000	$ -	$ 1,358,000

NOTE C - LOANS - Continued

Information relating to individually impaired loans presented by class of loans was as follows as of December 31, 2020 and 2019:

	With no Allowance Recorded		With an Allowance Recorded		
December 31, 2020	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Related Allowance
Real Estate:					
Construction and Land Development	$ -	$ -	$ -	$ -	$ -
Residential Real Estate	880,621	747,909	-	-	-
Multi-Family	332,166	171,855	-	-	-
Commercial - Owner Occupied	-	-	-	-	-
Commercial - Other	845,253	248,205	-	-	-
Commercial	171,158	143,670	-	-	-
	$ 2,229,198	$ 1,311,639	$ -	$ -	$ -
December 31, 2019					
Real Estate:					
Construction and Land Development	$ -	$ -	$ -	$ -	$ -
Residential Real Estate	894,567	771,068	-	-	-
Multi-Family	327,267	179,950	-	-	-
Commercial - Owner Occupied	354,187	259,567	-	-	-
Commercial - Other	862,520	336,503	-	-	-
Commercial	182,918	167,949	-	-	-
	$ 2,621,459	$ 1,715,037	$ -	$ -	$ -

NOTE C - LOANS - Continued

Information relating to the average recorded investment and interest income recognized by class for individually impaired loans follows for the years 2020 and 2019:

	2020		2019	
	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income
Real Estate:				
Construction and Land Development	$ 7,000	$ -	$ 24,000	$ -
Residential Real Estate	842,000	-	806,000	-
Multi-Family	187,000	-	202,000	-
Commercial - Owner Occupied	-	-	269,000	-
Commercial - Other	367,000	-	438,000	-
Commercial	158,000	-	172,000	-
	$ 1,561,000	$ -	$ 1,911,000	$ -

The Bank had six and seven loans identified as troubled debt restructurings ("TDR's") at December 31, 2020 and 2019, respectively. TDR's recorded investment and related specific reserves totaled approximately $626,000 and $0 and $1,030,000 and $0 at December 31, 2020 and 2019, respectively. The Bank has not committed to lend any additional amounts to customers with outstanding loans that are classified as TDR's as of December 31, 2020 and 2019. The Bank had no new troubled debt restructurings, that were material, during 2020 and 2019. There were no defaults on any TDR's in 2020 or 2019 where the modification had occurred in the twelve months prior to the date of default.

Additionally, the Bank is working with borrowers impacted by COVID-19 through-out 2020, and providing modifications to include interest only deferral or principal and interest deferral; however, as of December 31, 2020, there are no outstanding loans with deferral arrangements. These modifications are excluded from troubled debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators.

NOTE D - PREMISES AND EQUIPMENT

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

	2020	2019
Leasehold Improvements	$ 3,263,074	$ 3,261,544
Furniture, Fixtures, and Equipment	682,662	715,095
Computer Equipment	425,044	422,624
	4,370,780	4,399,263
Less Accumulated Depreciation and Amortization	(2,207,557)	(1,980,204)
	$ 2,163,223	$ 2,419,059

Total depreciation expense was approximately $288,000 and $278,000, respectively, for the years ended December 31, 2020 and 2019.

NOTE E - LEASES

The Bank has entered into operating leases for its branches and administrative offices, which expire at various dates through 2026 with the Bank committing to renewal periods for one leased location through 2040. These leases include provision for periodic rent increases as well as payment by the lessee of certain operating expenses. Total rental expense was $1,054,604 and $1,069,096 which includes variable lease cost of $51,218 and $49,548 for the years ended December 31, 2020 and 2019, respectively.

ASU 2016-02, *Leases (Topic 842),* and related amendments were adopted on January 1, 2019, using the modified retrospective transition method whereby comparative periods were not restated. No cumulative effect adjustment to the opening balance of retained earnings was required. The Bank elected the package of practical expedients permitted under the new standard, which allowed carry forward historical lease classifications, account for lease and non-lease components as a single lease component, and not to recognize a ROU asset and lease liability for short-term leases.

Substantially all leases are operating leases for corporate offices and branch locations. 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 remaining terms of operating leases range from 17 months to 21 years.

Most leases include one or more options 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 Bank. The Bank does include options for its main headquarters. Renewal option periods were included in the measurement of ROU assets and lease liabilities for the main headquarters of the Bank as they are considered reasonably certain of exercise.

Upon adoption of this standard, ROU assets of $7.6 million and operating lease liabilities of $7.9 million were recognized. The balance of ROU assets and lease liabilities are included in the statements of financial condition. The statements of financial condition and supplemental information at December 31, 2020 are shown on the next page.

NOTE E – LEASES - Continued

	2020		2019	
Right of Use Asset	$	6,318,482	$	6,955,941
Operating Lease Liability	$	6,846,474	$	7,387,695
Weighted Average Remaining Lease Term, in Years		14.42		14.60
Weighted Average Discount Rate		5.50%		5.50%

Other Information:

	2020		2019	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	$	1,009,585	$	996,762

Maturities of lease liabilities for periods indicated:

2021	$	849,213
2022		751,413
2023		730,831
2024		752,756
2025		731,990
Thereafter		6,549,878
Total Lease Payments		10,366,081
Less Imputed Interest		(3,519,607)
Present Value of Net Future Minimum Lease Payments	$	6,846,474

NOTE F - CORE DEPOSIT INTANGIBLE

The gross carrying amount and accumulated amortization for the core deposit intangible was $294,000 and $294,000 as of December 31, 2020, resulting in a net carrying value of $0. Amortization expense was $19,200 and $15,500 for 2020 and 2019, respectively.

NOTE G - DEPOSITS

At December 31, 2020, the scheduled maturities of time deposits were as follows:

2021	381,416,861
2022	23,194,159
2023	32,622,654
2024	19,844,000
2025	19,566,000
	$ 476,643,674

Time deposits that equal or exceed the FDIC insurance limit of $250,000 amounted to $233,621,785 and $271,753,991 as of December 31, 2020 and 2019, respectively.

NOTE H - BORROWING ARRANGEMENTS

The Bank may borrow up to $45 million overnight on an unsecured basis from several correspondent banks. In addition, the Bank may borrow up to approximately $223 million from the Federal Home Loan Bank of San Francisco ("FHLB") collateralized by loans with an aggregate carrying value of approximately $390 million subject to fulfilling other conditions of the credit facility. As of December 31, 2020, the Bank had total $74 million of Federal Home Loan Bank advances that bear average interest at 0.65% per annum, of which $26 million is due in 2021, $10 million due in 2022, and $38 million due in 2023. As of December 31, 2019, the Bank had total $22 million of Federal Home Loan Bank advances that bear average interest at 1.94% per annum, of which $12 million was due on January 2, 2020, and $10 million due on June 1, 2020.

The schedule of FHLB advance maturities as of December 31, 2020 is as follows:

Maturity	Coupon Rate	Par Amount
January 27, 2021	1.58%	$ 5,000,000
March 1, 2021	1.18%	3,000,000
March 2, 2021	0.96%	3,000,000
April 15, 2021	0.37%	10,000,000
May 4, 2021	0.00%	5,000,000
February 22, 2022	1.45%	5,000,000
February 24, 2022	1.34%	5,000,000
April 24, 2023	0.49%	10,000,000
May 1, 2023	0.49%	5,000,000
May 4, 2023	0.43%	10,000,000
June 2, 2023	0.35%	13,000,000
		$ 74,000,000

The Bank also has borrowing capacity of approximately $9,238,000 with the Federal Reserve Bank discount window. The Bank has pledged investment securities of approximately $8,994,000 as collateral for this line. There were no borrowings under this arrangement as of December 31, 2020 and 2019.

NOTE I - INCOME TAXES

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

Income tax expense consists of the following:

	2020	2019
Current Expense:		
Federal	$ 5,343,464	$ 5,866,103
State	3,214,637	3,364,730
Deferred (Benefit) Expense	(799,840)	(502,139)
Total Income Tax Expense	$ 7,758,261	$ 8,728,694

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

	2020		2019	
	Amount	Rate	Amount	Rate
Statutory Federal Tax	$ 5,515,302	21.0%	$ 6,199,926	21.0%
State Franchise Tax, Net of Federal Benefit	2,245,927	8.6%	2,528,341	8.6%
Other Items, Net	(2,968)	0.0%	427	0.0%
Actual Tax Expense	$ 7,758,261	29.6%	$ 8,728,694	29.6%

NOTE I - INCOME TAXES - Continued

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition.

The following is a summary of the components of the net deferred tax asset (liability) accounts recognized in the accompanying statements of financial condition at December 31:

	2020	2019
Deferred Tax Assets:		
Pre-Opening Expenses	$ -	$ 4,296
Allowance for Loan Losses Due to Tax Limitations	2,933,798	2,431,217
Depreciation Differences	-	14,746
Stock-Based Compensation	317,089	264,498
Deferred Compensation	1,224,632	961,669
Nonaccrual Loan Interest	259,161	255,040
California Franchise Tax	678,601	694,565
Net Operating Loss Carryover	59,247	198,372
Acquisition Accounting Adjustments	45,463	109,175
Operating Lease Liability	2,024,064	2,183,818
Other	592,201	470,604
	8,134,256	7,588,000
Deferred Tax Liabilities:		
Depreciation Differences	(62,764)	-
Deductible Prepaid Items	(53,207)	(47,911)
Available-For-Sale Securities	(24,593)	(19,407)
Capitalized Loan Costs	(160,705)	(243,367)
Right of Use Asset	(1,867,970)	(2,056,176)
Other	(254,633)	(305,409)
	(2,423,872)	(2,672,270)
Net Deferred Tax Assets	$ 5,710,384	$ 4,915,730

Unrecognized tax benefits are not expected to significantly increase or decrease within the next twelve months.

The Bank is subject to Federal income tax and California franchise tax. Income tax returns for the years ended after December 31, 2016 are open to audit by the federal authorities and California returns for the years ended on or after December 31, 2015 are open to audit by state authorities.

As of December 31, 2020, the Bank has Federal and State net operating loss carryforwards of approximately $230,000 and $129,000, respectively, which may begin to expire in 2025 for Federal and 2028 for California Franchise Tax purposes. These net operating loss carryforwards were acquired as part of an acquisition and are subject to an annual limitation of $622,501 by Section 382 of the Internal Revenue Code.

NOTE J - OTHER EXPENSES

Other expenses as of December 31 are comprised of the following:

	2020	2019
Data Processing	$ 489,552	$ 527,369
Marketing and Business Promotion	71,836	242,009
Professional Fees	399,795	409,972
Office Expenses	377,354	374,884
Insurance	368,727	196,393
Director Fees and Expenses	1,325,760	1,395,360
Other Expenses	555,906	691,122
	$ 3,588,930	$ 3,837,109

NOTE K - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has granted loans to certain directors and the companies with which they are associated. The balance of these loans outstanding at December 31, 2020 and 2019 amounted to approximately $4,280,000 and $3,863,000, respectively.

Deposits from certain directors, officers and their related interests with which they are associated held by the Bank at December 31, 2020 and 2019 amounted to approximately $49,414,000 and $46,984,000, respectively.

NOTE L - COMMITMENTS

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

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

As of December 31, 2020 and 2019, the Bank had the following outstanding financial commitments whose contractual amount represents credit risk:

	2020	2019
Commitments to Extend Credit	$ 128,974,000	$ 108,628,000
Letters of Credit	3,047,000	2,798,000
	$ 132,021,000	$ 111,426,000

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

The Bank has entered into Supplemental Executive Retirement Plan ("SERP") agreements approved in 2014 for selected executive management and employees of the Bank. Under the SERP agreements, the Bank has agreed to pay each participant, or their beneficiary, a designated monthly amount over a ten years period, beginning with the individual's termination of service. As of December 31, 2020 and 2019, $1,347,935 and $1,104,430, respectively, have been accrued in conjunction with these agreements. The expense incurred for the deferred compensation was $236,007 and $189,332 for the years 2020 and 2019, respectively. The Bank is the beneficiary of life insurance policies that have been purchased as a method of financing the benefits under the agreements. As of December 31, 2020 and 2019, the cash surrender value of these insurance policies was $6,230,220 and $6,080,439, respectively.

NOTE M - EMPLOYEE BENEFIT PLANS

The Bank has a 401(k) retirement plan which is generally available to all employees age 21 and older with one year of service. The Bank matches 50% of the employee contributions up to 6% of the employee's annual compensation. Employer contributions are vested to participants over five years. The Bank made contributions in the amount of $125,737 and $109,803 during 2020 and 2019, respectively.

NOTE N - STOCK OPTION PLAN

Under the terms of the Amended 2005 Stock Option Plan, officers and key employees may be granted both nonqualified and incentive stock options and directors and other consultants, who are not also an officer or employee, may be granted nonqualified stock options. The Plan provides for options to purchase up to a maximum of 1,001,954 shares of common stock at a price not less than 100% of the fair market value of the stock on the date of grant. Options may vest over a period of three to five years. Stock options expire no later than ten years from the date of the grant and generally vest over three years. As of May 20, 2015, this Plan expired. Any shares that become available for reuse due to forfeiture, expiration, cancellation, or the like, shall become available for delivery under the new plan.

The shareholders of the Bank approved the 2015 Long-term Incentive Plan ("2015 Plan") on May 20, 2015. The 2015 Plan replaces the Amended 2005 Stock Option Plan. Under the terms of the 2015 Plan, employees, directors and service providers of the Bank may be granted several types of equity awards including stock options and stock awards. The 2015 Plan provides for maximum number of shares that may be delivered upon the plan of 612,854 plus any shares that are covered under a prior plan that otherwise would become available for reuse. The exercise price of each stock option shall not be less than 100% of the fair market value of the stock on the date of grant. Awards may vest over a period of three to five years. Stock options expire no later than ten years from the date of the grant. The 2015 Plan provides for accelerated vesting if there is a change of control. The 2015 Plan expires in 2025.

The Bank recognized stock-based compensation cost of $294,103 and $294,103 in 2020 and 2019, respectively. The Bank also recognized income tax benefits related to stock-based compensation of approximately $55,000 and $55,000 in 2020 and 2019, respectively.

Fair value of each stock option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2020	2019
Risk Free Interest Rate	0.93%	1.92%
Estimated Average Life	10 years	10 years
Expected Dividend Rates	2.13%	2.16%
Expected Stock Volatility	22.00%	22.00%
Weighted-Average Fair Value	$ 3.73	$ 5.25

Since the Bank has a limited amount of historical stock activity the expected volatility is based on the historical volatility of similar banks that have a longer trading history. The expected term represents the estimated average period of time that the options remain outstanding. Since the Bank does not have sufficient historical data on the exercise of stock options, the expected term is based on the "simplified" method that measures the expected term as the average of the vesting period and the contractual term, adjusted for management's estimate on the period of time that options granted are expected to be outstanding. The risk free rate of return reflects the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

NOTE N - STOCK OPTION PLAN - Continued

A summary of the status of the Bank's stock option plan as of December 31, 2020 and changes during the year then ended is presented below:

	Shares		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term		Aggregate Intrinsic Value
Outstanding at Beginning of Year	412,668	$	20.36			
Granted	56,000	$	20.09			
Exercised	(18,333)	$	17.84			
Forfeited	(11,000)	$	22.41			
Outstanding at End of Year	439,335	$	19.73	6.59 years	$	158,000
Options Exercisable	321,335	$	18.84	5.60 years	$	402,000

As of December 31, 2020, there was $534,000 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted-average period of 1.89 years. The intrinsic value of stock options exercised in 2020 and 2019 was approximately $60,000 and $453,000, respectively.

NOTE O - FAIR VALUE MEASUREMENTS

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

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

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value at December 31, 2020 and 2019:

	Fair Value Measurements			
December 31, 2020	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Securities Available for Sale	$ -	$ 5,798,268	$ -	$ 5,798,268
December 31, 2019				
Assets measured at fair value on a recurring basis				
Securities Available for Sale	$ -	$ 3,346,734	$ -	$ 3,346,734

NOTE P - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The estimated fair value of significant financial instruments at December 31, 2020 and 2019 is summarized as follows (dollar amounts in thousands):

		2020		2019	
	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:					
Cash and Due From Banks	Level 1	$ 22,513	$ 22,513	$ 23,200	$ 23,200
Federal Funds Sold	Level 1	164,000	164,000	170,000	170,000
Interest-Bearing Deposits in Other Banks	Level 1	992	992	494	494
Investment Securities	Level 2	9,369	9,492	7,534	7,527
Loans, net	Level 3	870,144	873,242	745,528	745,910
Accrued Interest Receivable	Level 2	4,595	4,595	3,544	3,544
Financial Liabilities:					
Deposits	Level 2	$ 848,315	$ 847,986	$ 795,191	$ 795,926
FHLB Advance	Level 2	74,000	74,000	22,000	22,000
Accrued Interest Payable	Level 2	145	145	437	437

NOTE Q - REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 and CET1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2020 and 2019 that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2020 and 2019 the most recent notification from the FDIC categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action (there are no conditions or events since that notification that management believes have changed the Bank's category). To be categorized as well-capitalized, the Bank must maintain minimum ratios as set forth in the table.

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 a graduated increase 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 (generally applicable rule) 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 is 8% as of December 31, 2020, 8.5% for calendar year 2021, and 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 of 7% as of December 31, 2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

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, 2020, the Bank was a qualifying community banking organization as defined by the federal banking agencies and adopted to measure capital adequacy under the CBLR framework.

NOTE Q - REGULATORY MATTERS - Continued

The table below present the Bank's capital ratio as of December 31, 2020 and 2019 (dollar amount in thousands):

	Actual		Required Capital To Be Well-Capitalized Under Prompt Corrective Action CBLR Framework	
As of December 31, 2020:	Amount	Ratio	Amount	Ratio
Tier 1 Capital (to Average Assets)	$ 156,550	14.5%	$ 86,385	8.0%

	Actual		Amount of Capital Required: For Capital Adequacy Purposes		Amount of Capital Required: To Be Well-Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019:						
Total Capital (to Risk-Weighted Assets)	$ 148,456	17.8%	$ 66,671	8.0%	$ 83,339	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	$ 140,152	16.8%	$ 50,003	6.0%	$ 66,671	8.0%
CET1 Capital (to Risk-Weighted Assets)	$ 140,152	16.8%	$ 37,503	4.5%	$ 54,170	6.5%
Tier 1 Capital (to Average Assets)	$ 140,152	14.2%	$ 39,398	4.0%	$ 49,247	5.0%

The California Financial Code provides that a bank may not make a cash distribution to its shareholders in excess of the lesser of the bank's undivided profits or the bank's net income for its last three fiscal years less the amount of any distribution made by the bank's shareholders during the same period. In addition, the Bank may not pay dividends that would result in its capital levels being reduced below the minimum requirements shown above. The Bank's dividend payments in 2020 and 2019 were in compliance with the various dividend limitation rules.

Corporate Profile

Your Path to Success

攜手大通，邁向成功

Founded in October 2005, First General Bank is a community bank focused on providing value-added products and services to meet the financial needs of our customers. We are committed to reaching out and providing access to capital/financial services to our community, including those who are unserved/underserved, and lending to minorities. Our services are designed to create sustainable impact in our community, maximize shareholder value and provide a positive working environment for our employees. Most of our shareholders are established and well-respected members of the community with significant ties to the community. They have a first-hand understanding of the living and business environment and banking needs of the community, allowing the Bank to provide valuable and quality banking services to consumer and business customers, such as:

- Various types of depository accounts to meet different account needs
  - Checking, Interest-Checking, Business Checking
  - Savings, Money Market Accounts
  - Time Certificate of Deposit Accounts
  - CDARS® (Certificate of Deposit Account Registry Service) and ICS®, (Insured Cash Sweep®)

- Cash Management and Online Services
  - Online Banking
  - ACH Direct Deposit, Auto-Debit, Credit Origination
  - Bill Pay
  - Wire Transfers
  - Mobile Banking & Mobile Deposit (for both consumers and businesses)
  - Remote Deposit Capture (for business customers)
  - ATM/debit cards
  - eStatement
  - ZELLE ® Person-to-Person Payments (P2P)

- SBA Loans
  - Land and Building acquisition (for owner-use property)
  - Business Acquisition / General / Export Working Capital Line
  - Equipment, Machinery and Inventory Purchase
  - Line of Credit for Contractors / Builders
  - Commercial Building Construction

- International Trade Financing and Services
  - Bill Discount / Foreign Currency Outgoing Remittance
  - LC Issuance /Advising & Confirmation/Negotiation
  - Import/Export Documentary Collection

- Commercial Loans
  - Line of Credit / Export & Import / Fixed Assets Term Loan

- Commercial Real Estate & Construction Loans
  - Track Home Development / Construction
  - Offices, Shopping Centers, Industrial Warehouses, Hotels / Motels
  - Mixed Used Property / Apartment

- Home Equity Line of Credit

- Credit Card Program (for both consumers and businesses)

Operating on the strategic advantage of knowing the community, and the commitment to superior customer service, the Bank has earned the trust and support from its customers and recognition from industry groups as one of the leading banks in its class, in terms of safety and soundness, growth and profitability.

First General Bank has been certified by the U.S. Department of the Treasury as a Community Development Financial Institution (CDFI) since 2016. In 2019, the CDFI renewed the Bank's CDFI Certification. CDFI Certification is the U.S. Department of the Treasury's recognition of specialized financial institutions with their primary mission of promoting community development and serving low-income communities. As of March 2021, there were 165 CDFI-certified commercial banks and thrift institutions across the United States.

As of December 31, 2020, First General Bank's Total Assets exceeded $1.098 billion, with five branch locations strategically spanning from the Greater San Gabriel Valley, Cerritos / Artesia area to Orange County, California.

Member FDIC

Corporate Information

Board of Directors

Executive Officers

Cliff J. Hsu
President & Chief Executive Officer

Jeanette Lin
Executive Vice President & Chief Credit Officer

Wilson Mach
Senior Executive Vice President & Chief Operating Officer

Joe Teo
Executive Vice President & Chief Financial Officer

Bank Offices

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International Banking
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Cerritos Branch
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Irvine Branch
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Rowland Heights Main Branch
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San Gabriel Branch
801 E. Valley Boulevard, #103, San Gabriel, CA 91776
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www.fgbusa.com

Rowland Heights Main Branch and Headquarters

Arcadia Branch

Cerritos Branch

Irvine Branch

San Gabriel Branch

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