First General Bank
大通銀行
Your Path to Success 攜手大通 邁向成功

2022
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.

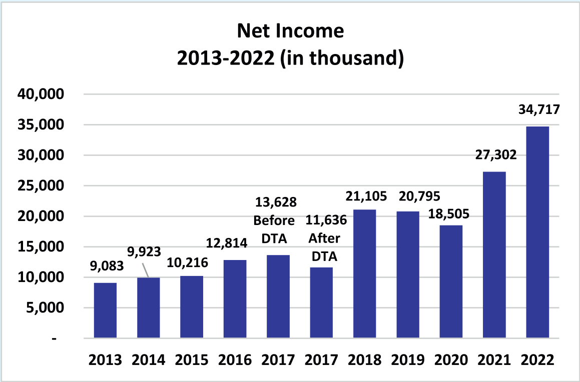
從銀行開幕營運以來，我們的使命就是為客戶創造最高價值。服務「客戶」是我們的首要任務。我們了解客戶的需求，以最迅速專業的服務來滿足客戶。我們永遠會為客戶提供優質，及時和增值的服務來確保客戶能獲得最高價值。

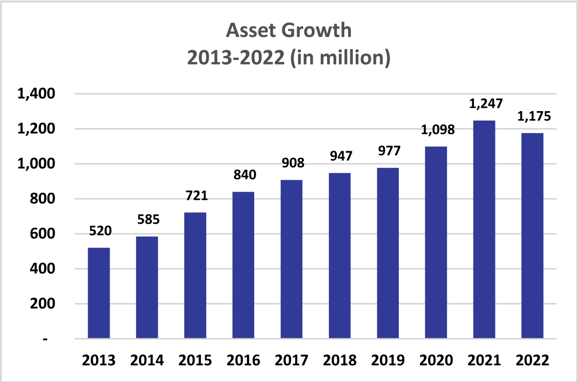
Creating value for our community 為社區創造價值

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.

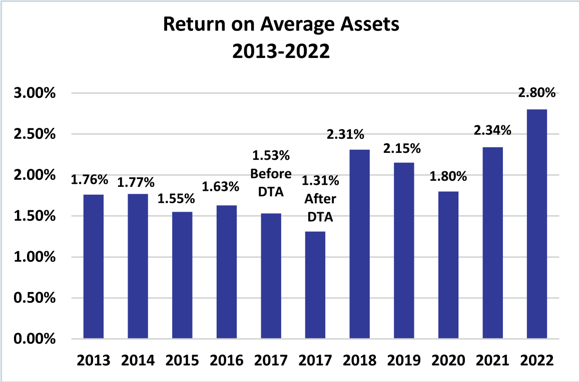
我們創行以來始終秉持著以人為本的基本理念。我們的成功來自於社會各界的支持。因此，我們提供慈善捐款幫助社區組織並鼓勵所有員工積極參與社區服務。創造和實現幸福的社區是我們的最高價值。

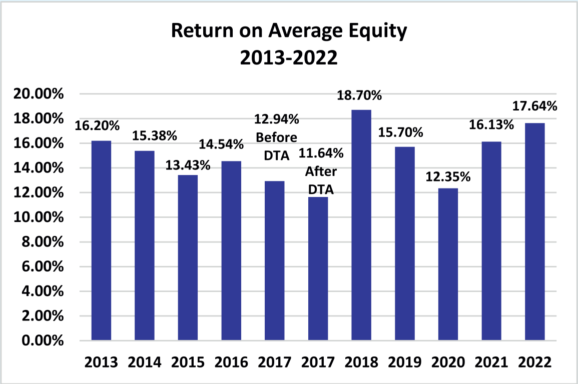
Financial Highlights

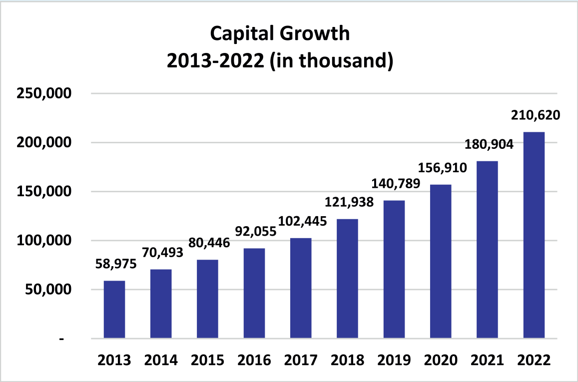


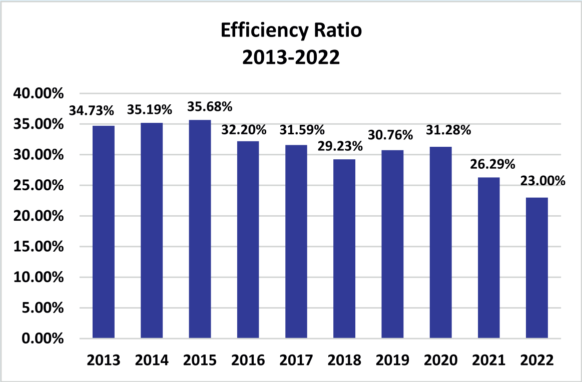


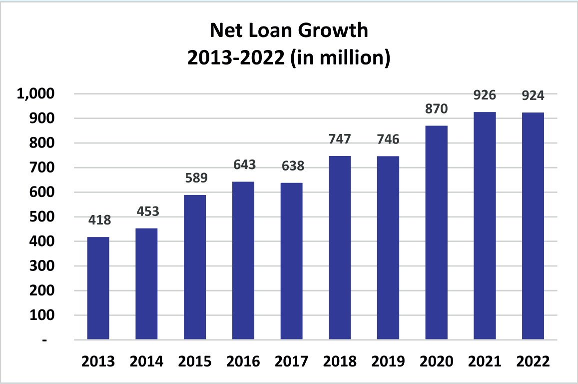
DTA = Deferred Tax Assets/One time $1.992 million yearend DTA write down due to the new Tax Cuts and Jobs Act on Dec. 22, 2017

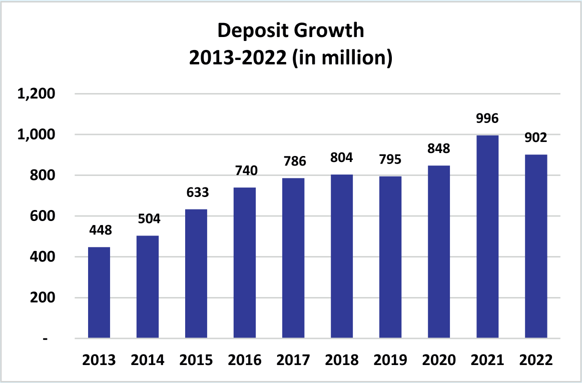












Letter to Shareholders

Dear Shareholders,

When we entered 2022, challenges awaited the banking industry: inflation, rising interest rates and the war in Ukraine… We are pleased to report that we overcame these challenges with great achievements in 2022. Indeed, amid the local and global economic uncertainty in the short run, your and customers' support, the Board's leadership and our employees' dedication and a sustainable business model had led us to another year of record-breaking earnings in 2022.

2022 Financial Performance

Building on the momentum over the past decade, for 2022, our Bank continued to achieve strong levels in many areas:

- Our Bank posted a record breaking before-tax NOI of $49.19 million, which is a year-over-year increase of 27.09% and exceeded our 2022 budget projections by 31.20%.
- Similarly, our After-Tax Net Income of $34.72 million was an increase of 27.16% over 2021.
- The Bank's performance ratios continue to top most banks in the nation, with ROAE (Return on Average Equity) at 17.64% and ROAA (Return on Average Assets) at 2.80%.
- Total Assets of $1.18 billion, a decrease of 5.70% as compared to $1.24 billion in 2021. Amid the exceptionally high interest rate environment and uncertain economic outlook, management opted not to grow assets aggressively, nor compete with peer banks for high-cost retail deposits.
- Loan production continued strong, with $294.66 million new loan commitments booked.
- Total Gross Loans decreased slightly from $940.50 million to $938.11 million by year-end, as borrowers refinanced out for fixed rate loans.
- Credit quality remained excellent with no charge offs.
- Total Deposits decreased by approximately 9.73% to $899.01 million, as compared to 2021, with sufficient on hand liquidity, the Bank opted not to compete for high-cost retail deposits during the year.
- Community Bank Leverage Ratio was well-capitalized at 17.52%, an increase of 2.92% over 2021.
- Tangible Shareholders' Equity increased by 17.09% in the year to $209.79 million.
- Tangible Book Value per share increased by 16.04% to $51.20 compared to $44.13 in 2021.
- In 2022, our Board of Directors declared 2 cash dividend distributions, totaling $1.25 per common share to stockholders, 25% increase from 2021.
- We continued to be certified as a Community Development Financial Institution (CDFI) by the U.S. Treasury,

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 SBA 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.
2021-	Rated as "FIVE STAR Bank" by Bauer Financial
	Ranked as "Super Premier Performing Bank" by Findley Reports
	Ranked #1 as Best Performing Bank in California and 4th in the U.S. (under $3 billion in assets) by S&P Global
2022-	Rated as "FIVE STAR Bank" by Bauer Financial
	Ranked as "Super Premier Performing Bank" by Findley Reports
	Ranked #1 as Best Performing Bank in US West Region (under $10 billion in assets) by S&P Global

Preservation and Innovation

At the time of this letter two regional banks in the US failed and were taken over by the FDIC, which ignited public depositors' fear and concerns about the safety and soundness of the U.S. banking system. In addition, many banks are sitting on billions of unrealized losses in their investment portfolios due to rising interest rates, further weakening their overall financial condition.

While the U.S. Government has taken swift and decisive actions to strengthen public confidence in our banking system, we would like to assure you that we will continue to conservatively manage our balance sheet, remain focused on the diversified markets we know and serve best, preserve our commitment to superior customer service, and continue to find new ways to innovate to bring further efficiencies to our bank operations and our overall financial performance.

We ended 2022 with an exceptionally strong capital position as evidenced by our 17.52% leverage ratio (while the median ratio for banks under $10 billion in asset size was at 10.32%). This provides us with a strong foundation to sustain the Bank during uncertain times and provide plenty of capacity for continued growth in the future. Our net interest margin, efficiency ratio and return on assets lead all our peer banks by a healthy margin as we continue to deliver the maximum shareholder value synonymous with First General Bank.

Again, we would like to thank our loyal customers, shareholders, directors and employees for their never-ending support in helping us achieve our goals. Our achievements are because of each and every one of you. We look forward to a successful 2023 and beyond united together with you all.

Jackson Yang
Chairman of the Board

Cliff J. Hsu
President & CEO

致股東函

親愛的股東們:

在 2022 年，銀行業面臨著各種挑戰：通貨膨脹、利率上升，烏克蘭戰爭……但是我們很榮幸地報告，我們在 2022 年克服了這些挑戰並取得了巨大成就，。事實上，在面臨美國和全球經濟不確定性的情況下，您和客戶的支持、董事會的領導以及我們員工的奉獻和大通銀行的商業模式，使我們在 2022 年再次實現了創紀錄的收益。

2022 年財務表現

建立在過去堅實的基礎上，2022 年，我們在多個領域繼續保持強度水平:

- 銀行的稅前獲利為創紀錄的 4,919 萬元，較去年上升 27.09%，並且超出我們 2022 年預算的 31.20%。
- 同樣地，稅後淨利為 3,472 萬元，比 2021 年增加了 27.16%。
- 銀行的績效比率繼續在全國大多數銀行中名列前茅，ROAE（平均資本回報率）為 17.64%，ROAA（平均資產回報率）為 2.80%。
- 總資產達到 11.8 億美元，較 2021 年的 12.4 億美元減少了 5.70%。在利率環境非常高和經濟前景不明朗的情況下，管理層選擇暫時不積極擴大資產規模，也不競爭超高成本的零售存款，以免對銀行的風險造成負面影響。
- 貸款業務量持續強勁，新增貸款金額有 2.94 億美元。
- 貸款總額從 2021 年的 9.40 億美元略微下降至 9.38 億美元，因為高利率讓借款人重貸轉換成固定利率貸款。
- 信貸質量保持良好，本年度無任何壞帳和 壞帳回收。
- 總存款額從 2021 年 9.95 億美元減至 9.00 億美元，約減少了 9.73%。由於銀行有充足的現金流量，因此刻意不競爭高超成本的零售存款。
- 銀行資本比率為 17.52% ，比 2021 年增長了 2.92%，顯示本行資本充足。
- 股東淨值增長 17.09%，至 2.10 億美元。
- 股票帳面值從 2021 年的 44.13 美元增加 16.04%至每股 51.20 美元。
- 2022 年，我們的董事會通過向股東派發 2 次現金股息，總計每股普通股 1.25 美元，相比 2021 年增加 25%。
- 我們持續獲得美國財政部的社區發展金融機構（CDFI）認證，並獲得銀行企業獎，以表彰我們對社區發展的持續投資。

榮譽與獎項

2005 -	大通銀行於羅蘭崗開幕營運
2008 -	BauerFinancial 評選為最高榮譽之「五星獎」
2009 -	BauerFinancial 評選為最高榮譽之「五星獎」
2011 -	Findley Reports 評選為「超級優異營運之銀行」
2012 -	SNL Financials 評選為「第一名頂級銀行」
	LA Business Journal 洛杉磯商業雜誌評選為「洛杉磯獲利率最高之銀行」
	Findley Reports 評選為「超級優異營運之銀行」
2013 -	SBA 評選為「中小型企業出口貸款之年度銀行」
	Findley Reports 評選為「超級優異營運之銀行」
2014 -	Findley Reports 評選為「超級優異營運之銀行」
2015 -	BauerFinancial 評選為最高榮譽之「五星獎」
	Findley Reports 評選為「超級優異營運之銀行」
2016 -	BauerFinancial 評選為最高榮譽之「五星獎」
	Findley Reports 評選為「超級優異營運之銀行」
2017 -	BauerFinancial 評選為最高榮譽之「五星獎」
	Findley Reports 評選為「超級優異營運之銀行」
	LA Business Journal 洛杉磯商業雜誌評選為「洛杉磯獲利率最高之銀行」
	Orange County Business Journal 評選為「優等中小型企業貸款 performance-price ratio 銀行」
2018 -	BauerFinancial 評選為最高榮譽之「五星獎」
	Findley Reports 評選為「超級優異營運之銀行」
2019-	BauerFinancial 評選為最高榮譽之「五星獎」
	Findley Reports 評選為「超級優異營運之銀行」
	S&P Global Intelligence 評選為 “100 家頂級社區銀行”之一
2020-	BauerFinancial 評選為最高榮譽之「五星獎」和 Findley Reports 評選為「超級優異營運之銀行」
2021-	BauerFinancial 評選為最高榮譽之「五星獎」和 Findley Reports 評選為「超級優異營運之銀行」
	S&P Global 30 億美元資產以下銀行 評選為 「加州最佳表現銀行第一名」和「全美國第四名」
2022-	BauerFinancial 評選為最高榮譽之「五星獎」和 Findley Reports 評選為「超級優異營運之銀行」
	S&P Global 評選為 (資產規模小於 100 億美元以下銀行的 12 個州)「美西最佳銀行第一名 」

保持與創新

就在最近，美國有兩家區域性銀行倒閉，並被聯邦存款保險公司 (FDIC) 接管，引發公眾存款人對美國銀行系統安全性和穩健性的擔憂和關注。此外，由於利率上升，許多銀行的投資組合中存在著數十億美元的未實現虧損，進一步削弱了它們的整體財務狀況。

儘管美國政府已經採取了迅速而果斷的行動以加強公眾對我們銀行體系的信心，但我們向您保證，我們會繼續保守地管理我們的資產負債，繼續專注於我們最為熟悉服務的市場，保持對客戶優質服務的承諾，並繼續尋找新的創新方式，以進一步提高我們的銀行運營效率和整體財務表現。

在 2022 年我們以非常強勁的資本與獲利結束了這一年，這可以從我們的 17.52%資本比率得到證實（而資產規模小於 100 億美元的銀行中位數比率為 10.32%）。這為我們提供了堅實的基礎，在不確定的時期維持良好銀行運作，並為未來持續增長提供充足的能力。我們的淨利差、效率比和資產回報率在同業銀行中遙遙領先，我們將繼續為大通銀行股東提供最大的股東回報，這就是大通銀行的價值。

讓我們要再次感謝我們忠實的客戶、股東、董事和員工，感謝你們的不懈支持讓我們實現了目標。我們期待著與大家攜手共進，共同創造一個成功的 2023 和未來。

董事長
楊信

總裁/執行長
徐仁貴

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audits of the Financial Statements and Internal Control over Financial Reporting

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the financial statements of First General Bank, which comprise the statements of financial condition as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of First General Bank as of December 31, 2022 and 2021, and the results of their operations and their cash flows for years then ended, in accordance with accounting principles generally accepted in the United States of America.

We also have audited First General Bank's internal control over financial reporting as of December 31, 2022, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, First General Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting section of our report. We are required to be independent of First General Bank, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Responsibilities of Management for the Financial Statements and Internal Control over Financial Reporting

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; and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control over Financial Reporting.

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

Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.

- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about First General Bank's ability to continue as a going concern for a reasonable period of time.

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because of management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of First General Bank's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only (Call Report instructions). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Eide Bailly LLP

Laguna Hills, California
March 31, 2023

FIRST GENERAL BANK

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Cash and Due from Banks	$ 137,989,118	$ 76,912,071
Federal Funds Sold	66,000,000	198,000,000
TOTAL CASH AND CASH EQUIVALENTS	203,989,118	274,912,071
Interest-Bearing Deposits in Other Banks	1,494,000	992,000
Securities Available for Sale	5,497,285	7,008,226
Securities Held to Maturity (Fair Value of $5,802,946 at 2022 and $3,174,362 at 2021)	6,040,770	3,101,948
Loans:		
Real Estate	904,202,383	892,925,516
Commercial	31,902,782	45,407,828
TOTAL LOANS	936,105,165	938,333,344
Net Deferred Loan (Fees) Costs	(1,568,450)	(2,283,810)
Unaccreted Discount on Acquired Loans	(9,661)	(102,510)
Allowance for Loan Losses	(10,653,382)	(9,851,997)
NET LOANS	923,873,672	926,095,027
Premises and Equipment	1,732,033	1,956,740
Right of Use ("ROU") Asset	6,287,901	6,935,509
Federal Home Loan Bank Stock, at cost	5,073,900	4,764,100
Bank Owned Life Insurance ("BOLI")	6,518,011	6,374,671
Deferred Income Taxes	7,272,116	6,107,385
Goodwill	248,671	248,671
Accrued Interest and Other Assets	7,387,408	8,022,249
TOTAL ASSETS	$ 1,175,414,885	$ 1,246,518,597

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

FIRST GENERAL BANK

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2022 AND 2021

LIABILITIES AND SHAREHOLDERS' EQUITY

	2022	2021
Deposits:		
Noninterest-Bearing Demand	$ 177,767,954	$ 194,735,938
Savings, NOW and Money Market Accounts	227,877,977	244,810,675
Time Deposits	493,363,520	556,345,010
TOTAL DEPOSITS	899,009,451	995,891,623
FHLB Advance	38,000,000	48,000,000
Operating Lease Liability	6,977,990	7,549,521
Accrued Interest and Other Liabilities	20,807,929	14,173,562
TOTAL LIABILITIES	964,795,370	1,065,614,706
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 4,097,303 at 2022 and 4,060,302 at 2021	45,894,967	45,105,407
Additional Paid-in-Capital	2,309,920	2,178,109
Retained Earnings	163,296,657	133,701,265
Accumulated Other Comprehensive Income - Unrealized (Loss) Gain on Available-for-Sale Securities, Net of Taxes of $370,142 at 2022 and $33,946 at 2021	(882,029)	(80,890)
TOTAL SHAREHOLDERS' EQUITY	210,619,515	180,903,891
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,175,414,885	$ 1,246,518,597

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

FIRST GENERAL BANK

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
INTEREST INCOME		
Interest and Fees on Loans	$ 62,090,946	$ 47,934,972
Interest on Investment Securities	210,315	137,550
Interest on Federal Funds Sold and Other	4,467,636	832,904
TOTAL INTEREST INCOME	66,768,897	48,905,426
INTEREST EXPENSE		
Interest on Savings, NOW and Money Market Accounts	814,696	480,311
Interest on Time Deposits	3,963,620	2,812,096
Interest on Other Borrowings	182,747	328,630
TOTAL INTEREST EXPENSE	4,961,063	3,621,037
NET INTEREST INCOME	61,807,834	45,284,389
Provision for Loan Losses	800,000	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	61,007,834	45,284,389
NONINTEREST INCOME		
Service Charges and Fees on Deposits	379,520	363,273
CDFI (Community Development Financial Institutions fund) Grant	170,699	1,826,265
Other Charges and Fees	1,370,621	1,252,388
Earnings on BOLI	143,340	144,451
Gain on Sale of Loans	1,051,294	3,639,511
	3,115,474	7,225,888
NONINTEREST EXPENSE		
Salaries and Employee Benefits	9,145,490	8,317,519
Occupancy and Equipment Expenses	1,733,290	1,718,899
Other Expenses	4,053,681	3,767,410
	14,932,461	13,803,828
INCOME BEFORE INCOME TAXES	49,190,847	38,706,449
Income Tax Expense	14,473,827	11,404,441
NET INCOME	$ 34,717,020	$ 27,302,008

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

FIRST GENERAL BANK

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Net Income	$ 34,717,020	$ 27,302,008
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized Gains and Losses on Securities Available for Sale:		
Changes in Unrealized (Losses) Gains	(1,137,334)	(198,031)
Changes in Related Income Taxes	336,196	58,538
OTHER COMPREHENSIVE LOSS	(801,138)	(139,493)
TOTAL COMPREHENSIVE INCOME	$ 33,915,882	$ 27,162,515

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, 2022 AND 2021

	Common Stock					
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at January 1, 2021	4,023,635	$ 44,312,852	$ 2,083,131	$ 110,455,027	$ 58,603	$ 156,909,613
Net Income				27,302,008		27,302,008
Stock-Based Compensation			242,267			242,267
Exercise of Stock Options	36,667	792,555	(147,289)			645,266
Dividends Declared				(4,055,770)		(4,055,770)
Other Comprehensive Loss, Net of Taxes					(139,493)	(139,493)
Balance at December 31, 2021	4,060,302	45,105,407	2,178,109	133,701,265	(80,890)	180,903,891
Net Income				34,717,020		34,717,020
Stock-Based Compensation			271,499			271,499
Exercise of Stock Options	37,001	789,560	(139,688)			649,872
Dividends Declared				(5,121,629)		(5,121,629)
Other Comprehensive Loss, Net of Taxes					(801,138)	(801,138)
Balance at December 31, 2022	4,097,303	$ 45,894,967	$ 2,309,920	$ 163,296,656	$ (882,028)	210,619,515

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

FIRST GENERAL BANK

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING ACTIVITIES		
Net Income	$ 34,717,020	$ 27,302,008
Adjustments to Reconcile Net Income to Net Cash		
From Operating Activities:		
Depreciation, Amortization and Accretion, Net	190,141	286,633
Provision for Loan Losses	800,000	-
Stock-Based Compensation	271,499	242,267
(Decrease) Increase in Payment Protection Program deferred loan fees	(627,440)	23,864
Gain on Sale of Loans	(1,051,294)	(3,639,511)
Earnings on BOLI	(143,340)	(144,451)
Deferred Income Tax Benefit	(828,535)	(338,462)
Change in Accrued Interest and Other Assets	1,283,398	(1,537,680)
Change in Accrued Interest and Other Liabilities	4,996,976	2,038,804
NET CASH FROM OPERATIONS	$ 39,608,425	$ 24,233,472
INVESTING ACTIVITIES		
Net Change in Interest-Bearing Deposits in Other Banks	(502,000)	-
Purchase of Held-To-Maturity Securities	(3,535,140)	(3,146,970)
Maturity/Principal Paydowns of Held to Maturity	580,930	450,322
Maturity/Principal Paydowns of Available-for-Sale Securities	358,276	1,685,233
Purchase in FHLB and Other Stock	(309,800)	(878,400)
Net Increase in Loans	(13,853,439)	(91,275,447)
Proceeds from Loan Sales	17,046,377	38,991,158
Purchases of Premises and Equipment	(28,514)	(56,678)
NET CASH (USED IN) INVESTING ACTIVITIES	$ (243,310)	$ (54,230,782)
FINANCING ACTIVITIES		
Net Change in Demand Deposits and Savings Accounts	(33,900,682)	67,875,319
Net Change in Time Deposits	(62,981,490)	79,701,336
Repayment of Long-Term FHLB Advances	(10,000,000)	(26,000,000)
Dividends Paid	(4,055,769)	(3,825,253)
Proceeds from Exercise of Stock Options, Including Tax Benefit	649,873	645,266
NET CASH FROM FINANCING ACTIVITIES	$ (110,288,068)	$ 118,396,668
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (70,922,953)	$ 88,399,358
Cash and Cash Equivalents at Beginning of Year	274,912,071	186,512,713
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 203,989,118	$ 274,912,071
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	$ 4,697,770	$ 3,667,843
Taxes Paid	$ 14,660,000	$ 11,505,000

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 31, 2023 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, 2022, the required reserve percentage is zero. The Bank was in compliance with all reserve requirements as of December 31, 2022 and 2021.

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

The 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, 2022 and $80,000 at December 31, 2021, 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 $5,073,900 and $4,764,100 at December 31, 2022 and 2021, respectively.

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 $9,100 and $12,130 at December 31, 2022 and 2021, respectively.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 (Loss) Income

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

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 K. 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 N for more information and disclosures relating to the Bank's fair value measurements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been 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.

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 $1,462,933 and $1,572,636 at December 31, 2022 and December 31, 2021, 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 B - DEBT SECURITIES

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

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale:				
Mortgage-Backed Securities:				
Agency	$ 6,740,996	$ 455	$ (1,252,698)	$ 5,488,753
Collateralized Mortgage Obligations:				
Agency	8,459	73	-	8,532
	$ 6,749,455	$ 528	$ (1,252,698)	$ 5,497,285
Held-to-Maturity:				
Mortgage-Backed Securities:				
Agency	$ 2,501,627	$ -	$ (269,686)	$ 2,231,941
U. S. Government/Sponsored Obligation:				
Agency	3,000,000	4,446	-	3,004,446
Municipal Bond	539,143	27,416	-	566,559
	$ 6,040,770	$ 31,862	$ (269,686)	$ 5,802,946
December 31, 2021				
Available-for-Sale:				
Mortgage-Backed Securities:				
Agency	$ 7,111,419	$ 30,534	$ (146,657)	$ 6,995,296
Collateralized Mortgage Obligations:				
Agency	11,643	1,287	-	12,930
	$ 7,123,062	$ 31,821	$ (146,657)	$ 7,008,226
Held-to-Maturity:				
Mortgage-Backed Securities:				
Agency	$ 3,101,948	$ 72,414	$ -	$ 3,174,362

The carrying value of debt securities pledged for borrowings and for other purposes as required or permitted by law was approximately $10,999,000 at December 31, 2022 and $10,110,000 at December 31, 2021.

The Bank did not sell debt securities during 2022 or 2021.

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, 2022, 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	$ 50,172	$ 50,132	$ 3,605,042	$ 3,564,538
Due After Ten Years	6,699,283	5,447,153	2,435,728	2,238,408
	$ 6,749,455	$ 5,497,285	$ 6,040,770	$ 5,802,946

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, 2022 **Available-for-sale**	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Mortgage-Backed Securities:						
Agency	$ (66,590)	$ 607,038	$(1,186,108)	$ 4,850,740	$(1,252,698)	$5,457,778
Held-to-Maturity						
Mortgage-Backed Securities:						
Agency	$ (269,686)	$ 2,231,941	$ -	$ -	$ (269,686)	$2,231,941
December 31, 2021 **Available-for-sale**						
Mortgage-Backed Securities:						
Agency	$ (45,948)	$ 3,796,395	$ (100,709)	$ 2,259,706	$ (146,657)	$6,056,101

As of December 31, 2022, the Bank had nine 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 G.

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 $88,585,804 and $97,277,758 in SBA loans previously sold as of December 31, 2022 and 2021, respectively.

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

	2022	2021
Beginning Balance	$ 9,851,997	$ 9,923,685
Additions to the Allowance Charged to Expense	800,000	-
Recoveries on Loans Charged Off	1,385	215,064
	10,653,382	10,138,749
Less Loans Charged Off	-	(286,752)
Ending Balance	$ 10,653,382	$ 9,851,997

NOTE C - LOANS - Continued

The following table presents the recorded investment in loans, net of deferred loan fees and costs, and impairment method as of December 31, 2022 and December 31, 2021 and the allowance for loan losses for the years then ended by portfolio segment:

December 31, 2022	Real Estate	Commercial	Total
Allowance for Loan Losses:			
Beginning of Year	$ 9,716,517	$ 135,480	$ 9,851,997
Provisions	800,578	(578)	800,000
Recoveries	-	1,385	1,385
Charge-offs	-	-	-
End of Year	$ 10,517,095	$ 136,287	10,653,382
Reserves:			
Specific	$ -	$ -	$ -
General	10,517,095	136,287	10,653,382
	$ 10,517,095	$ 136,287	$ 10,653,382
Loans Evaluated for Impairment:			
Individually	$ 896,028	$ 93,090	$ 989,118
Collectively	901,728,244	31,809,692	933,537,936
	$ 902,624,272	$ 31,902,782	$ 934,527,054

December 31, 2021	Real Estate	Commercial	Total
Allowance for Loan Losses:			
Beginning of Year	$ 9,705,881	$ 217,804	$ 9,923,685
Provisions	10,636	(10,636)	-
Recoveries	-	215,064	215,064
Charge-offs	-	(286,752)	(286,752)
End of Year	$ 9,716,517	$ 135,480	$ 9,851,997
Reserves:			
Specific	$ -	$ -	$ -
General	9,716,517	135,480	9,851,997
	$ 9,716,517	$ 135,480	$ 9,851,997
Loans Evaluated for Impairment:			
Individually	$ 965,308	$ 117,368	$ 1,082,676
Collectively	889,573,888	45,290,460	934,864,348
	$ 890,539,196	$ 45,407,828	$ 935,947,024

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, 2022:

December 31, 2022	Pass	Special Mention	Substandard	Impaired	Total
Real Estate:					
Construction and Land Development	$ 72,428,862	$ -	$ -	$ -	$ 72,428,862
Residential Real Estate	53,768,624	-	-	708,807	54,477,431
Multi-Family	156,544,392	-	-	130,145	156,674,537
Commercial - Owner Occupied	135,864,829	-	278,081	-	136,142,910
Commercial - Other	478,552,161	4,291,295		57,076	482,900,532
Commercial	31,806,325		3,367	93,090	31,902,782
	$ 928,965,193	$ 4,291,295	$ 281,448	$ 989,118	$ 934,527,054

NOTE C - LOANS - Continued

The risk category of loans by class of loans was as follows as of December 31, 2021:

December 31, 2021	Pass	Special Mention	Substandard	Impaired	Total
Real Estate:					
Construction and Land Development	$ 83,906,122	$ -	$ -	$ -	$ 83,906,122
Residential Real Estate	52,696,589	-	-	717,173	53,413,762
Multi-Family	184,323,939	-	-	162,452	184,486,391
Commercial - Owner Occupied	110,888,822	-	281,219	-	111,170,041
Commercial - Other	453,188,769	4,288,428		85,683	457,562,880
Commercial	45,285,457		5,003	117,368	45,407,828
	$ 930,289,698	$ 4,288,428	$ 286,222	$ 1,082,676	$ 935,947,024

Past due and nonaccrual loans presented by loan class were as follows as of December 31, 2022 and 2021:

	30-89 Days Past Due	Over 90 Days Past Due	
December 31, 2022	Accruing		Nonaccrual
Real Estate:			
Construction and Land Development	$ -	$ -	$ -
Residential Real Estate	-	-	708,807
Multi-Family	-	-	130,145
Commercial - Owner Occupied	-	-	-
Commercial - Other	-	-	57,076
Commercial	-	-	93,090
	$ -	$ -	$ 989,118
December 31, 2021			
Real Estate:			
Construction and Land Development	$ -	$ -	$ -
Residential Real Estate	-	-	717,173
Multi-Family	-	-	162,452
Commercial - Owner Occupied	-	-	-
Commercial - Other	4,832,691	-	85,683
Commercial	-	-	117,368
	$ 4,832,691	$ -	$ 1,082,676

NOTE C - LOANS - Continued

Information relating to individually impaired loans presented by class of loans was as follows as of December 31, 2022 and 2021:

	With no Allowance Recorded		With an Allowance Recorded		
December 31, 2022	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Related Allowance
Real Estate:					
Construction and Land Development	$ -	$ -	$ -	$ -	$ -
Residential Real Estate	706,880	708,807	-	-	-
Multi-Family	337,166	130,145	-	-	-
Commercial - Owner Occupied	-	-	-	-	-
Commercial - Other	482,747	57,076	-	-	-
Commercial	143,500	93,090	-	-	-
	$ 1,670,293	$ 989,118	$ -	$ -	$ -
December 31, 2021					
Real Estate:					
Construction and Land Development	$ -	$ -	$ -	$ -	$ -
Residential Real Estate	859,798	717,173	-	-	-
Multi-Family	332,166	162,452	-	-	-
Commercial - Owner Occupied	-	-	-	-	-
Commercial - Other	497,869	85,683	-	-	-
Commercial	156,881	117,368	-	-	-
	$ 1,846,714	$ 1,082,676	$ -	$ -	$ -

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 2022 and 2021:

	2022		2021	
	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income
Real Estate:				
Construction and Land Development	$ -	$ -	$ -	$ -
Residential Real Estate	734,000	-	759,000	-
Multi-Family	152,000	-	175,000	-
Commercial - Owner Occupied	-	-	-	-
Commercial - Other	147,000	-	237,000	-
Commercial	72,000	-	50,000	-
	$ 1,105,000	$ -	$ 1,221,000	$ -

The Bank had four and five loans identified as troubled debt restructurings ("TDR's") at December 31, 2022 and 2021, respectively. TDR's recorded investment and related specific reserves totaled approximately $280,000 and $0 and $393,000 and $0 at December 31, 2022 and 2021, 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, 2022 and 2021. The Bank had no new troubled debt restructurings, that were material, during 2022 and 2021. There were no defaults on any TDR's in 2022 or 2021 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 2022 and 2021, and providing modifications to include interest only deferral or principal and interest deferral; however, as of December 31, 2022, 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.

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NOTE D - PREMISES AND EQUIPMENT

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

Total depreciation expense was approximately $237,000 and $263,000, respectively, for the years ended December 31, 2022 and 2021.

	2022	2021
Leasehold Improvements	$ 3,270,348	$ 3,270,348
Furniture, Fixtures, and Equipment	723,442	720,774
Computer Equipment	265,782	265,782
	4,259,572	4,256,904
Less Accumulated Depreciation and Amortization	(2,527,539)	(2,300,164)
	$ 1,732,033	$ 1,956,740

NOTE E - LEASES

The Bank has entered into operating leases for its branches and administrative offices, which expire at various dates through 2031 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 lease expense was $1,152,507 and $1,125,627 which includes common area maintenance costs of $67,433 and $50,886 for the years ended December 31, 2022 and 2021, respectively.

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 6 months to 19 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.

NOTE E – LEASES - Continued

	2022	2021
Right of Use Asset	$ 6,287,901	$ 6,935,508
Operating Lease Liability	6,977,990	7,549,521
Weighted Average Remaining Lease Term, in Years	12.36	12.86
Weighted Average Discount Rate	5.32%	5.31%

Other Information:

	2022	2021
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	$ 1,075,347	$ 1,033,559

Maturities of lease liabilities for periods indicated:

2023	937,521
2024	959,480
2025	942,365
2026	765,777
2027	730,989
Thereafter	5,587,272
Total Lease Payments	9,923,404
Less Imputed Interest	$ (2,945,414)
Present Value of Net Future Minimum Lease Payments	6,977,990

NOTE F - DEPOSITS

At December 31, 2022, the scheduled maturities of time deposits were as follows:

2023	408,564,924
2024	61,466,497
2025	23,083,099
2026	249,000
	$ 493,363,520

Time deposits that equal or exceed the FDIC insurance limit of $250,000 amounted to $245,012,970 and $238,290,394 as of December 31, 2022 and 2021, respectively.

NOTE G - BORROWING ARRANGEMENTS

The Bank may borrow up to $85 million overnight on an unsecured basis from several correspondent banks. In addition, the Bank may borrow up to approximately $310 million from the Federal Home Loan Bank of San Francisco ("FHLB") collateralized by loans with an aggregate carrying value of approximately $482 million subject to fulfilling other conditions of the credit facility. As of December 31, 2022, the Bank had a total of $38 million of Federal Home Loan Bank advances that bear average interest at 0.43% per annum, and $38 million is due in 2023. As of December 31, 2021, the Bank had total $48 million of Federal Home Loan Bank advances that bear average interest at 0.63% per annum, of which $10 million was due in 2022.

The schedule of FHLB advance maturities as of December 31, 2022 is as follows:

Maturity	Coupon Rate	Par Amount
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
		$ 38,000,000

The Bank also has a borrowing capacity of approximately $10 million with the Federal Reserve Bank discount window. The Bank has pledged investment securities of approximately $11 million as collateral for this line. There were no borrowings under this arrangement as of December 31, 2022 and 2021.

NOTE H - 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:

	2022	2021
Current Expense:		
Federal	$ 9,801,940	$ 7,497,456
State	5,500,422	4,245,447
Deferred (Benefit) Expense	(828,535)	(338,462)
Total Income Tax Expense	$ 14,473,827	$ 11,404,441

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

	2022		2021	
	Amount	Rate	Amount	Rate
Statutory Federal Tax	$ 10,330,078	21.0%	$ 8,128,354	21.0%
State Franchise Tax, Net of Federal Benefit	4,193,151	8.5%	3,301,962	8.5%
Other Items, Net	(49,402)	(0.1%)	(25,875)	0.0%
Actual Tax Expense	$ 14,473,827	29.4%	$ 11,404,441	29.5%

NOTE H - 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:

	2022	2021
Deferred Tax Assets:		
Allowance for Loan Losses Due to Tax Limitations	$ 3,149,524	$ 2,912,605
Stock-Based Compensation	383,158	348,675
Available-For-Sale Securities	370,142	33,946
Deferred Compensation	1,524,827	1,293,595
Nonaccrual Loan Interest	234,396	212,743
California Franchise Tax	1,154,465	892,589
Net Operating Loss Carryover	-	11,045
Acquisition Accounting Adjustments	2,856	30,307
Operating Lease Liability	2,062,945	2,251,725
Other	730,539	683,995
	9,612,852	8,671,225
Deferred Tax Liabilities:		
Depreciation Differences	(615)	(46,281)
Deductible Prepaid Items	(64,615)	(69,012)
Capitalized Loan Costs	(137,170)	(130,096)
Right of Use Asset	(1,858,930)	(2,050,386)
Other	(279,406)	(268,065)
	(2,340,736)	(2,563,840)
Net Deferred Tax Assets	$ 7,272,116	$ 6,107,385

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, 2018 are open to audit by the federal authorities and California returns for the years ended on or after December 31, 2017 are open to audit by state authorities.

As of December 31, 2022, the Bank has fully utilized all Federal and state net operating loss carryforwards. 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 I - OTHER EXPENSES

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

	2022	2021
Data Processing	$ 540,357	$ 501,997
Marketing and Business Promotion	121,280	104,624
Professional Fees	374,450	427,856
Office Expenses	410,573	398,676
Insurance	545,133	448,443
Director Fees and Expenses	1,508,160	1,428,400
Other Expenses	553,728	457,414
	$ 4,053,681	$ 3,767,410

NOTE J - 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, 2022 and 2021 amounted to approximately $5,153,000 and $4,841,000, respectively.

Deposits from certain directors, officers and their related interests with which they are associated held by the Bank at December 31, 2022 and 2021 amounted to approximately $41,154,000 and $49,924,000, respectively.

NOTE K - 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, 2022 and 2021, the Bank had the following outstanding financial commitments whose contractual amount represents credit risk:

	2022	2021
Commitments to Extend Credit	$ 116,778,000	$ 126,532,000
Letters of Credit	2,866,000	2,551,000
	$ 119,644,000	$ 129,083,000

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, 2022 and 2021, $1,557,052 and $1,569,965, respectively, have been accrued in conjunction with these agreements. The expense incurred for the deferred compensation was ($8,340) and $222,030 for the years 2022 and 2021, 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, 2022 and 2021, the cash surrender value of these insurance policies was $6,518,010 and $6,374,671, respectively.

NOTE L - 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 $131,015 and $121,418 during 2022 and 2021, respectively.

NOTE M - 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 $271,499 and $242,267 in 2022 and 2021, respectively. The Bank also recognized income tax benefits related to stock-based compensation of approximately $51,000 and $45,000 in 2022 and 2021, 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:

	2021
Risk Free Interest Rate	1.52%
Estimated Average Life	10 years
Expected Dividend Rates	2.14%
Expected Stock Volatility	22.00%
Weighted-Average Fair Value	$ 5.33

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 M - STOCK OPTION PLAN - Continued

A summary of the status of the Bank's stock option plan as of December 31, 2022 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	458,668	$ 20.72		
Granted	-	$ -		
Exercised	(37,001)	$ 17.56		
Forfeited	(7,000)	$ 22.93		
Outstanding at End of Year	414,667	$ 20.96	5.57 years	$ 3,512,000
Options Exercisable	359,667	$ 20.45	5.06 years	$ 3,230,000

As of December 31, 2022, there was $264,000 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted-average period of 1.50 years. The intrinsic value of stock options exercised in 2022 and 2021 was approximately $362,000 and $236,000, respectively.

NOTE N - 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, 2022 and 2021:

	Fair Value Measurements			
December 31, 2022	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Securities Available for Sale	$ -	$ 5,497,285	$ -	$ 5,497,285
December 31, 2021				
Assets measured at fair value on a recurring basis				
Securities Available for Sale	$ -	$ 7,008,226	$ -	$ 7,008,226

NOTE O - 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, 2022 and 2021 is summarized as follows (dollar amounts in thousands):

		2022		2021	
	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:					
Cash and Due From Banks	Level 1	$ 137,989	$ 137,989	$ 76,912	$ 76,912
Federal Funds Sold	Level 1	66,000	66,000	198,000	198,000
Interest-Bearing Deposits in Other Banks	Level 1	1,494	1,494	992	992
Investment Securities	Level 2	11,538	11,300	10,110	10,183
Loans, net	Level 3	923,874	919,107	926,095	925,245
Accrued Interest Receivable	Level 2	5,647	5,647	3,584	3,584
Financial Liabilities:					
Deposits	Level 2	$ 899,009	$ 886,167	$ 995,892	$ 992,618
FHLB Advance	Level 2	38,000	38,000	48,000	48,000
Accrued Interest Payable	Level 2	361	361	98	98

NOTE P - 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, 2022 and 2021 that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2022 and 2021 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 8.5% 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 7.5% 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, 2022 and 2021, 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 P - REGULATORY MATTERS - Continued

The table below presents the Bank's actual and required capital amount and ratio as of December 31, 2022 and 2021 (dollar amount in thousands):

	Actual		Required Capital To Be Well-Capitalized Under Prompt Corrective Action CBLR Framework	
As of December 31, 2022:	Amount	Ratio	Amount	Ratio
Tier 1 Capital (to Average Assets)	$ 211,228	17.5%	$ 108,549	9.0%

			Required Capital To Be Well-Capitalized Under Prompt Corrective Action CBLR Framework	
As of December 31, 2021:	Amount	Ratio	Amount	Ratio
Tier 1 Capital (to Average Assets)	$ 180,665	14.6%	$ 105,188	8.5%

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 2022 and 2021 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, ACH 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 2022, 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 December 31, 2022, First General Bank's Total Assets exceeded $1.175 billion, with five branch locations strategically spanning from the Greater San Gabriel Valley, Cerritos / Artesia area to Orange County, California.

EQUAL HOUSING LENDER

Member FDIC

Corporate Information

Board of Directors

Jackson Yang
Chairman of the Board, First General Bank
Chairman, Seville Classics, Inc.

Cliff J. Hsu
President & Chief Executive Officer
First General Bank

Dr. Lawrence Cheng
Dentist/Owner, Vail Ranch Family Dentistry,
Smile Haven Dental

Dr. Joseph Chiang
Retired Dentist

Edward Hsieh
President, TSE Investments, LLC

Jeff Lee
CEO, Nevis Capital, LLC

Harry Leu
Principal, HB, LLC

Johnny Lin
President, Long Win Inc.

Kansei Sai
President, Yanlot Development Corporation

Hsinya Shen
Attorney

Karena Sujo
CEO, Safco Realty and Investment, Inc.

John Sun
President, Best Restaurant Supply

Chris Wen
President, Walton Realty Inc.

Executive Officers

Cliff J. Hsu
President & Chief Executive Officer

Wilson Mach
Senior Executive Vice President &
Chief Operating Officer

Tony Chan
Executive Vice President &
Chief Lending Officer

Ada Chun
Executive Vice President &
Chief Financial Officer

Jeanette Lin
Executive Vice President &
Chief Credit Officer

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Irvine Branch
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Rowland Heights Main Branch
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San Gabriel Branch
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www.fgbusa.com

Rowland Heights Main Branch and Headquarters

Arcadia Branch

Cerritos Branch

Irvine Branch

San Gabriel Branch

Your Path to Success 攜手大通 邁向成功

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