CHINO COMMERCIAL BANCORP

ANNUAL REPORT 2020

FOCUSED ON

THE FUTURE

OF OUR

COMMUNITIES

CORPORATE PROFILE

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

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

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

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

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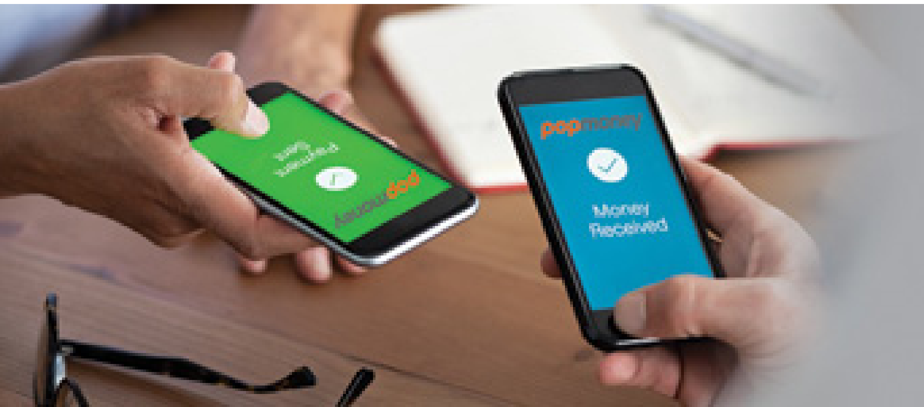
ONLINE BANKING

- Access Online Banking at **ChinoCommercialBank.com**
- Check and reconcile your bank accounts
- Make transfers between your bank accounts
- Pay your bills through our online banking

FINANCIAL HIGHLIGHTS

	As of and For the Years Ended December 31, 2020	2019	2018
	(Dollars in Thousands, except per share data)		
SELECTED BALANCE SHEET DATA:			
Total assets	$ 314,840	$ 229,507	$ 201,988
Loans receivable	190,714	141,558	129,536
Deposits	257,712	180,151	171,020
Non-interest bearing deposits	145,434	88,413	83,237
Subordinated notes payable to subsidiary trust	3,093	3,093	3,093
Shareholders' equity	27,223	24,373	21,709
SELECTED OPERATING DATA:			
Interest income	$ 9,395	$ 8,160	$ 7,326
Net income	2,625	2,554	2,231
Basic income per share	1.18	1.14	1.20
Diluted income per share	1.18	1.14	1.20
PERFORMANCE RATIOS			
Return on average assets	0.92%	1.17%	1.16%
Return on average equity	10.11%	11.03%	10.83%
Equity to total assets at the end of the period	8.65%	10.62%	10.75%
Core efficiency ratio	59.81%	64.62%	63.23%
Non-interest expense to average assets	2.32%	2.97%	2.91%
REGULATORY RATIOS			
Average equity to average assets	9.12%	10.57%	10.67%
Leverage capital	11.44%	13.74%	14.80%
Tier I Risk-based	22.23%	20.16%	20.93%
Risk-based capital	19.84%	18.30%	19.19%
Common Tier 1 (CET 1)	22.23%	20.16%	20.93%



POP MONEY

- Send and Receive money as easily as you send and receive email and text messages
- Easily use your checking or savings account

TO OUR SHAREHOLDERS

We are very pleased to present you with Chino Commercial Bancorp's annual report, for the year 2020. This has truly been a historic year in many ways.

The COVID-19 virus, which emerged from China, reminded us just how small the world has become, and how inter-dependent each nation is with each other. Global and national economies have been severely disrupted as country after country struggled to cope with how to slow the spread of the disease, while maintaining their standard of living. In California, businesses were categorized as "essential" or "non-essential," which resulted in some businesses enjoying incredible success, while others suffered tremendously.

Fortunately, the Bank was able to assist during this crisis by advancing over 400 SBA emergency Payroll Protection Plan loans to struggling businesses to help them get through the downturn. Not only was this a tremendous help to many small businesses, but the Bank also gained over 200 new business relationships. And as you will read, this last year was a very good year for the Company, which posted record levels of Deposits, Loans, Revenue and Net Profits.

During 2020 the Bank was again recognized by the American Bankers Association in their annual ranking of the **Top 200 Publicly Traded Community Banks** in the United States. The Bank was also recognized by the Findley Reports on Financial Institutions by receiving Findley's highest rating of "**Super Premier Performing Bank**" based upon the financial results of the Bank for the previous year. Similarly, the Bank also received the highest rating of "**Five Star**" from Bauer Financial, an independent Bank and Credit Union rating service.

During 2020 the Bank's Total Assets increased by $85 million or 37%, to its highest level of $315 million. During that same time, Total Deposits increased by $77 million or 43% to $258 million; and Total Loans increased by $49 million or 35% to $191 million. Perhaps equally important was the level of Loan quality attained, with the Bank having no credit losses during the year and ending the year with no loan delinquency and no foreclosed properties.

In addition to the increase in Assets, the Bank's pre-provision Interest Income also increased by 15%, or $1.2 million, to $9.4 million, and yielding a record, net after tax profit of $2.6 million or $1.18 per basic and diluted share.

Looking forward, the Bank continues to develop innovation in the delivery of financial services. Increasingly, the traditional method of paying for things in cash or by check, are being replaced by electronic payment channels, such as debit, credit and ACH. Going to

a bank branch is being replaced by Online Banking systems; and over the next two years the Federal Reserve is planning to move to a "real time" ACH payment system, which will allow payments and receipt of funds to occur real-time, rather than settling in days.

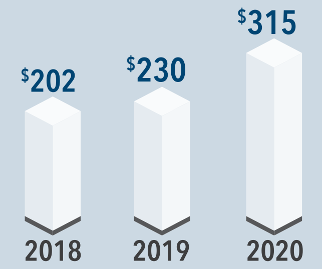
During 2020 the Bank began offering **Merchant Services**, which allows a business customer to accept debit and credit cards for customer purchases. In 2021 the Bank plans to begin offering its own **Credit Card program** for consumers and businesses, which offers ease, convenience, and redeemable rewards for use.

Despite all of the challenges in the world and in our economy, we believe that the Bank's value proposition of providing excellent customer service, coupled with leading technology is more compelling today than at any time in the past. Many banks offer online banking and access through mobile devices; however, very few banks offer a direct telephone number and a person to call if things are not working like they should. It is this combination of warm and friendly personal service, coupled with excellent technology that makes Chino Commercial Bank the right choice.

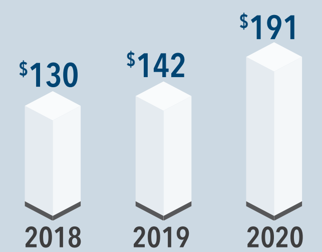
On behalf of your Board of Directors, Management, and Staff, I would like to thank you for your confidence and continued support of the Bank and look forward to another successful year.

Sincerely,

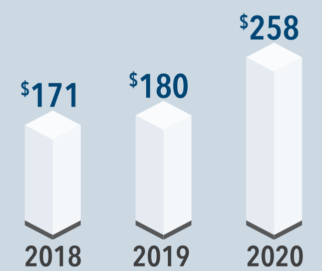
Dann H. Bowman
President and Chief Executive Officer



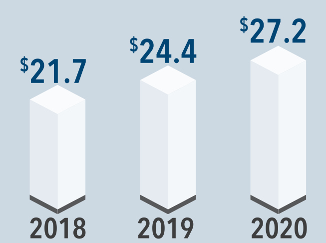
TOTAL ASSETS
(in millions)



TOTAL LOANS
(in millions)



TOTAL DEPOSITS
(in millions)



SHAREHOLDERS' EQUITY
(in millions)

DIGITAL WALLET

- Faster - tap to pay, and you're on your way
- Easier - all cards in one place
- Safer - card number is never exposed

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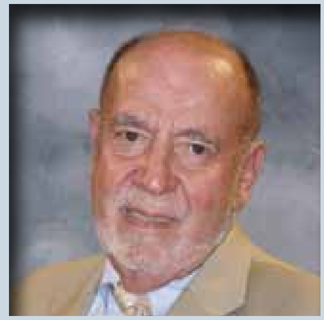
BOARD OF DIRECTORS

Dann H. Bowman
President and
Chief Executive Officer

Bernard Wolfswinkel
Chairman of the Board
Retired



Richard G. Malooly
Real Estate Professional
Retired

Linda M. Cooper
President,
Inland Empire Escrow

Jeanette L. Young
Corporate Secretary
Realtor, King Realty Group

Julio Cardenas
President, Century 21 King
Realtors

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

Kenneth McElvany
Insurance Executive
Retired

CHINO COMMERCIAL BANCORP

ANNUAL REPORT 2020

Financial Statements

INDEPENDENT AUDITOR'S REPORT

EideBailly

CPAs & BUSINESS ADVISORS

Board of Directors and Shareholders of
Chino Commercial Bancorp
Chino, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Chino Commercial Bancorp and Subsidiary (the Company), which comprise the consolidated statement of financial condition as of December 31, 2020 and 2019, and the related consolidated statements of net income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Chino Commercial Bancorp and Subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Rancho Cucamonga, California
February 23, 2021

What inspires you, inspires us. | eidebailly.com

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CHINO COMMERCIAL BANCORP

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and due from banks	$ 58,075,217	$ 4,363,753
Federal funds sold	–	32,415,000
Cash and cash equivalents	58,075,217	36,778,753
Interest-bearing deposits in other banks	–	496,000
Investment securities available for sale (note 3)	32,370,042	7,977,936
Investment securities held to maturity (note 3)	18,626,525	28,367,056
Loans held for investment, net of allowance for loan losses of $3,271,921 in 2020, and $2,391,765 in 2019, (note 5)	190,714,242	141,558,351
Fixed assets, net (note 6)	6,145,711	6,401,773
Accrued interest receivable	1,013,732	619,856
Stock investments, restricted, at cost (note 4)	1,554,200	1,440,900
Bank owned life insurance	4,721,232	4,595,584
Other assets	1,618,717	1,270,936
Total assets	$ 314,839,618	$ 229,507,145
LIABILITIES		
Deposits		
Noninterest-bearing	$ 145,433,815	$ 88,412,668
Interest-bearing	112,277,985	91,738,674
Total deposits	257,711,800	180,151,342
Federal Home Loan Bank advances (note 13)	25,000,000	20,000,000
Subordinated notes payable to subsidiary trust (note 9)	3,093,000	3,093,000
Accrued interest payable	137,487	203,246
Other liabilities	1,674,150	1,686,979
Total liabilities	287,616,437	205,134,567
Commitments and Contingent Liabilities (notes 14 and 15)	–	–
SHAREHOLDERS' EQUITY		
Common stock, no par value, 10,000,000 shares authorized and 2,230,808 shares issued and outstanding at December 31, 2020 and December 31, 2019	10,502,557	10,502,557
Retained earnings	16,428,258	13,803,528
Accumulated other comprehensive income	292,366	66,493
Total shareholders' equity	27,223,181	24,372,578
Total liabilities and shareholders' equity	$ 314,839,618	$ 229,507,145

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF NET INCOME

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INTEREST INCOME		
Interest and fees on loans	$ 9,207,404	$ 7,884,573
Interest on federal funds sold and FRB deposits	154,934	510,650
Interest on time deposits in other financial institutions	1,856	35,077
Interest on investment securities	912,489	1,078,908
Total interest income	10,276,683	9,509,208
INTEREST EXPENSE		
Interest on deposits	369,628	935,215
Interest on borrowings	511,815	413,749
Total interest expense	881,443	1,348,964
Net interest income	9,395,240	8,160,244
Provision for loan losses (note 5)	762,600	28,200
Net interest income after provision for loan losses	8,632,640	8,132,044
NONINTEREST INCOME		
Service charges on deposit accounts	1,002,004	1,285,992
Other miscellaneous income	455,477	435,428
Dividend income from restricted stock	71,664	88,281
Income from bank-owned life insurance	125,648	110,699
Total noninterest income	1,654,793	1,920,400
NONINTEREST EXPENSE		
Salaries and employee benefits	4,058,653	3,941,211
Occupancy and equipment	623,103	632,502
Other expenses (note 21)	1,927,142	1,939,980
Total noninterest expense	6,608,898	6,513,693
Income before income tax expense	3,678,535	3,538,751
Provision for income taxes	1,053,805	984,794
Net Income	$ 2,624,730	$ 2,553,957
Basic earnings per share	$ 1.18	$ 1.14
Diluted earnings per share	$ 1.18	$ 1.14

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
NET INCOME	$ 2,624,730	$ 2,553,957
Other comprehensive income, net of tax effects		
Net unrealized holding income on securities available-for-sale during the period (net of tax effects of $88,494 and $43,783 in 2020 and 2019, respectively)	225,873	111,751
Total comprehensive income	$ 2,850,603	$ 2,665,708

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2020 AND 2019

	Number of Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2018	1,859,132	$ 10,502,557	$ 11,251,915	$ (45,258)	$ 21,709,214
Net income	-	-	2,553,957	-	2,553,957
Change in unrealized gain on securities available for sale, net of tax	-	-	-	111,751	111,751
Cash in lieu of fractional stock dividends (note 19)	-	-	(2,344)	-	(2,344)
Stock dividends (note 19)	371,676	-	-	-	-
Balance at December 31, 2019	2,230,808	10,502,557	13,803,528	66,493	24,372,578
Net income	-	-	2,624,730	-	2,624,730
Change in unrealized gain on securities available for sale, net of tax	-	-	-	225,873	225,873
Balance at December 31, 2020	2,230,808	$ 10,502,557	$ 16,428,258	$ 292,366	$ 27,223,181

See Notes to Consolidated Financial Statements

CHINO COMMERCIAL BANCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
OPERATING ACTIVITIES		
Net income	$ 2,624,730	$ 2,553,957
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	762,600	28,200
Depreciation and amortization	346,058	314,062
Loss on disposition of fixed assets	86	12,797
Amortization of deferred loan fees	1,100,046	195,402
Net (accretion) of discount and amortization of premium on securities	279,814	221,197
Income from bank-owned life insurance	(125,648)	(1,110,699)
Deferred income tax (benefit)	(776,383)	174,330
Net changes in		
Accrued interest receivable	(393,876)	(34,350)
Other assets	340,109	(367,017)
Accrued interest payable	(65,759)	138,452
Other liabilities	(12,829)	585,561
Net Cash from Operating Activities	4,078,948	2,711,892
INVESTING ACTIVITIES		
Net change in interest-bearing deposits in banks	496,000	1,492,000
Loan originations and principal collections, net	(51,018,537)	(12,245,598)
Proceeds from disposal of fixed assets	3,758	–
Purchase of fixed assets	(93,840)	(695,507)
Proceeds from principal payments received and maturities of available-for-sale securities	4,918,152	2,202,805
Purchase of securities available for sale	(29,115,591)	(4,162,392)
Purchase of securities held-to-maturity	–	(10,443,333)
Proceeds from principal payments received and maturities of securities held-to-maturity	9,580,416	8,530,343
Purchases of stock investments, restricted	(113,300)	(192,500)
Net Cash used for Investing Activities	(65,342,942)	(15,514,182)
FINANCING ACTIVITIES		
Net increase in deposits	77,560,458	9,131,521
Increase in Federal Home Loan Bank advances	5,000,000	15,000,000
Cash paid in lieu of fractional stock dividends	–	(2,344)
Net Cash from Financing Activities	82,560,458	24,129,177
Net Change in Cash and Cash Equivalents	21,296,464	11,326,887
Cash and Cash Equivalents at Beginning of Period	36,778,753	25,451,866
Cash and Cash Equivalents at End of Period	$ 58,075,217	$ 36,778,753
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION		
Cash payments for		
Interest paid	$ 947,202	$ 1,210,512
Income taxes paid	1,560,000	1,186,405
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Change in unrealized gain on securities available-for-sale	$ (314,367)	$ (155,534)

See Notes to Consolidated Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Chino Commercial Bank, N.A. (the "Bank"), a nationally chartered bank, was incorporated on December 8, 1999, and began operations on September 1, 2000, with the opening of its office in Chino, California. The Bank opened a branch office in Ontario, California in January 2006, a branch office in Rancho Cucamonga, California in April 2010, and a branch office in Upland, California in October 2018.

The Bank provides a variety of commercial banking services to individuals and small businesses primarily in the Inland Empire region of Southern California. Its primary lending products are real estate and commercial loans. Its primary deposit products are non-interest bearing deposits and money market accounts.

Chino Commercial Bancorp (the "Company") is a California corporation registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and is headquartered in Chino, California. The Company was incorporated on March 2, 2006, and acquired all of the outstanding shares of Chino Commercial Bank, N.A. effective July 1, 2006. The Company's principal subsidiary is the Bank, and the Company exists primarily for the purpose of holding the stock of the Bank and of such other subsidiaries it may acquire or establish. The Company's only other direct subsidiary is Chino Statutory Trust I, which was formed on October 25, 2006, solely to facilitate the issuance of capital trust pass-through securities. Chino Commercial Bancorp and the Bank are collectively referred to herein as the Company unless otherwise indicated.

Consolidation

The consolidated financial statements include the accounts of Chino Commercial Bancorp and its subsidiary, Chino Commercial Bank. All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and financial reporting policies the Company follows conform, in all material respects, to accounting principles generally accepted in the United States of America and to general practices within the financial services industry. In consolidating, the Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity under accounting principles generally accepted in the United States. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns, and the right to make decisions about the entity's activities. The Company consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, variable interest entities (VIEs) are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in an entity is present when an enterprise has a variable interest, or a combination of variable interests, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. The Company's wholly-owned subsidiary, Chino Statutory Trust I, is a VIE for which the Company is not the primary beneficiary. Accordingly, the accounts of this entity are not included in the Company's consolidated financial statements.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold, all of which have original maturities of 90 days or less.

Balances in transaction accounts at other financial institutions may exceed amounts covered by federal deposit insurance. Management regularly evaluates the credit risk associated with other financial institutions and believes that the Company is not exposed to any significant credit risks on cash and cash equivalents.

Interest-Bearing Deposits in Other Banks

Interest-bearing deposits in other banks mature in less than two years and are carried at cost.

Debt Securities

The Company classifies its debt securities as available-for-sale or held-to-maturity. Securities classified as available-for-sale are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in comprehensive income. Securities, which the Company has the positive intent and ability to hold to maturity, are classified as held-to-maturity and are carried at amortized cost. Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at amortized cost and evaluated periodically for impairment.

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

The Company follows the accounting guidance related to recognition and presentation of other-than-temporary impairment. This guidance specifies that (a) if a company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more likely than not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For equity securities, the entire amount of impairment is recognized through earnings.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value. Fair value is based on commitments on hand from investors or prevailing market prices. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. There were no loans held for sale at December 31, 2020 and 2019.

Loans Held for Investment

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

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

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

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

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

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

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the collectability of the loan balance is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based on management's periodic review of the collectability of the loans in light of historical experience, the nature, and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are individually evaluated for impairment. For impaired loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers unimpaired loans and is based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company 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 $56,500 and $49,100 as of December 31, 2020 and 2019, respectively, and is included in other liabilities on the balance sheet.

Troubled Debt Restructuring

A troubled debt restructuring is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to a borrower that the Company would not otherwise consider. A loan restructuring may take the form of a reduction in the stated interest rate, an extension of the maturity at an interest rate below market, or a reduction in the face amount of the debt or accrued interest, among others. Loans that are renewed at below-market terms are considered to be troubled debt restructurings if the below-market terms represent a concession due to the borrower's troubled financial condition. Troubled debt restructurings are classified as impaired loans and are measured at the present value of estimated future cash flows using the loan's effective rate at inception of the loan. If the loan is considered to be collateral dependent, impairment is measured based on the fair value of the collateral.

Loan Portfolio Segments

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

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

One-to-Four Family Residential

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

Residential Income

This portfolio segment consists of the origination of first mortgage loans secured by non-owner occupied residential properties in its market area. Such lending involves additional risks arising from the use of the properties by non-owners.

Construction

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

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

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

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

Commercial Real Estate Loans

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

Commercial and Industrial Loans

This portfolio segment includes commercial business loans secured by assignments of corporate assets and personal guarantees of the business owners. Commercial business loans generally have higher interest rates and shorter terms than one-to-four-family residential loans, but they also may involve higher average balances, increased difficulty of loan monitoring and a higher risk of default since their repayment generally depends on the successful operation of the borrower's business.

Other Loans

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

Credit Quality Indicators

The Company's policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or loss assets. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those assets characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable, based on currently existing facts, conditions, and values. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their continuation as assets is not warranted. Assets that do not expose the Company to risk sufficient to warrant classification in one of the aforementioned categories, but which possess potential weaknesses that deserve close attention, are required to be designated as special mention.

When assets are classified as special mention, substandard or doubtful, the Company allocates a portion of the related general loss allowances to such assets as the Company deems prudent. Determinations as to the classification of assets and the amount of loss allowances are subject to review by regulatory agencies, which can require that we establish additional loss allowances. Management regularly reviews the asset portfolio to determine whether any assets require classification in accordance with applicable regulations.

Transfer of Financial Assets

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

Foreclosed Assets

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

Premises and Equipment

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

Leases

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

FHLB Stock and Other Investments

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

The Company elected the measurement alternative for measuring equity securities without readily determinable fair values at cost less impairment, plus or minus observable price changes in orderly transactions. The carrying amount of equity securities without readily determinable fair values is $144,000 as of December 31, 2020 and 2019, and includes investment in Pacific Coast Bankers' Bank ("PCBB"). A $94,000 gain was recorded to income upon adoption the ASU during the year ended December 31, 2019. Adjustments to the carrying value of bankers bank stock is based on observable activity in the stock.

Company Owned Life Insurance

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

Income Taxes

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

The Company uses a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions are recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Interest and penalties associated with uncertain tax positions are classified as income tax expense. At December 31, 2020 and 2019, the Company did not have a tax position that failed to meet the more-likely-than-not recognition threshold.

Comprehensive Income

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

Revenue Recognition – Noninterest Income

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

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

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

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

Advertising and Marketing Costs

Advertising costs are expensed as incurred. Such costs were $144,167 and $97,035 respectively, for the years ended December 31, 2020 and 2019.

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.

Recent Accounting Guidance Not Yet Effective

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326).* This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. In issuing the standard, the FASB is responding to criticism that today's guidance delays recognition of credit losses. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, public business entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination.

ASU No. 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019, for SEC filers, and is effective for interim and annual reporting periods beginning after December 15, 2022 for all entities other than SEC filers that do not qualify as a Smaller Reporting Company as defined by the SEC. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Company is currently evaluating the provisions of ASU No. 2016-13 for potential impact on its consolidated financial statements and disclosures.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are issued or are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not reflect subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before consolidated financial statements are issued or are available to be issued.

The Company has evaluated subsequent events through February 23, 2021, which is the date the consolidated financial statements were issued or the date the consolidated financial statements were available to be issued.

NOTE 2 RESTRICTIONS ON CASH AND CASH EQUIVALENTS

The Company is required to maintain average cash balances on hand or balances with the Federal Reserve Bank for balances in transaction accounts. The Company was able to maintain sufficient average cash balances to avoid the requirement for a reserve balance with the Federal Reserve Bank at December 31, 2020 and 2019. Effective March 26, 2020, the Federal Reserve announced the reduction of the reserve requirement ratio to zero percent across all deposit tiers. Depository institutions that were required to maintain deposits in a Federal Reserve Bank account to satisfy reserve requirements will no longer be required to do so and can use the additional liquidity to lend to individuals and businesses. It is our understanding that the Federal Reserve currently has no current plans to reinstate the reserve requirement. However, the Federal Reserve may adjust reserve requirement ratios in the future if conditions warrant.

The Company maintains cash that may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Company does not expect to incur losses in its cash accounts.

NOTE 3 DEBT SECURITIES

The amortized cost and fair values of securities with gross unrealized gains and losses at December 31, 2020 are as follows:

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
Municipal bonds	$ 3,858,268	$ 38,513	$ -	$ 3,896,781
Federal Agency	6,677,440	-	(33,182)	6,644,258
Mortgage-backed securities	21,427,424	436,707	(35,128)	21,829,003
	$ 31,963,132	$ 475,220	$ (68,310)	$ 32,370,042
Securities held to maturity				
Federal agency	$ 6,072,660	$ 434,351	$ -	$ 6,507,011
Mortgage-backed securities	12,553,865	502,998	(7,624)	13,049,239
	$ 18,626,525	$ 937,349	$ (7,624)	$ 19,556,250

The amortized cost and fair values of securities with gross unrealized gains and losses at December 31, 2019 are as follows:

December 31, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
Federal Agency	$ 2,135,486	$ -	$ (10,233)	$ 2,125,253
Mortgage-backed securities	5,749,906	108,902	(6,125)	5,852,683
	$ 7,885,392	$ 108,902	$ (16,358)	$ 7,977,936
Securities held to maturity				
Municipal bonds	$ 330,000	$ 7,155	$ -	$ 337,155
Federal agency	7,769,469	107,215	(19,021)	7,857,663
Mortgage-backed securities	20,267,587	199,009	(36,163)	20,430,433
	$ 28,367,056	$ 313,379	$ (55,184)	$ 28,625,251

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

December 31, 2020	Less than 12 Months Fair Value	Less than 12 Months Gross Unrealized Losses	Over 12 Months Fair Value	Over 12 Months Gross Unrealized Losses
Securities available for sale				
Federal agency	$ 4,931,347	$ (19,914)	$ 1,712,911	$ (13,268)
Mortgage-backed securities	3,957,723	(35,065)	5,789	(63)
	$ 8,889,070	$ (54,979)	$ 1,718,700	$ (13,331)
Securities held to maturity				
Mortgage-backed securities	$ 659,597	$ (7,624)	$ -	$ -

December 31, 2019	Less than 12 Months Fair Value	Less than 12 Months Gross Unrealized Losses	Over 12 Months Fair Value	Over 12 Months Gross Unrealized Losses
Securities available for sale				
Federal agency	$ 833,651	$ (1,338)	$ 1,291,603	$ (8,895)
Mortgage-backed securities	1,741,183	(5,967)	7,525	(158)
	$ 2,574,834	$ (7,305)	$ 1,299,128	$ (9,053)
Securities held to maturity				
Federal agency	$ 1,559,761	$ (19,021)	$ -	$ -
Mortgage-backed securities	2,106,413	(7,720)	3,107,865	(28,443)
	$ 3,666,174	$ (26,741)	$ 3,107,865	$ (28,443)

At December 31, 2020, the Company had five available for sale (AFS) mortgage-backed securities (MBS) with losses less than 12 months, two AFS MBS with losses greater than 12 months, two AFS federal agency securities with losses less than 12 months and three AFS federal agency securities with losses greater than 12 months. Also, in 2020, the Company held one held to maturity (HTM) MBS with losses greater than 12 months. In 2019, the Company had five AFS MBS with losses less than 12 months, three AFS MBS with losses greater than 12 months, and three AFS federal agency securities with losses greater than 12 months. Also, in 2019, the Company held four HTM federal agency securities and twelve HTM MBS with losses less than 12 months. In addition, in 2019 the Company held one HTM federal agency security and four HTM MBS with losses greater than 12 months.

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

The unrealized losses at December 31, 2020 and 2019, are attributable to changes in interest rates and not credit quality. The Company has the ability to hold these investments until a recovery of fair value, which may be maturity. Thus, the Company does not consider these investments to be other-than-temporarily impaired as of December 31, 2020 and 2019.

The amortized cost and fair value of investment securities as of December 31, 2020, by contractual maturity are shown below:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ -	$ -	$ -	$ -
After 1 year through 5 years	-	-	-	-
After 5 years through 10 years	1,059,613	1,049,955	-	-
After 10 years through 30 years	9,476,095	9,491,084	6,072,660	6,507,011
Mortgage-backed securities	21,427,424	21,829,003	12,553,865	13,049,239
	$ 31,963,132	$ 32,370,042	$ 18,626,525	$ 19,556,250

Investment securities with amortized cost totaling $16,781,312 and estimated fair values totaling $17,541,217 were pledged to secure borrowings with the Federal Home Loan Bank and the Federal Reserve Bank at December 31, 2020. Investment securities with amortized cost totaling $22,373,729 and estimated fair values totaling $22,560,308 were pledged to secure borrowings with the Federal Home Loan Bank at December 31, 2019.

NOTE 4 STOCK INVESTMENTS, RESTRICTED

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

	2020	2019
Federal Home Loan (FHLB) stock	$ 1,139,800	$ 1,026,500
Federal Reserve Bank stock	270,400	270,400
Pacific Coast Banker's Bank stock	144,000	144,000
	$ 1,554,200	$ 1,440,900

NOTE 5 LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the Company's loans held for investment at December 31 is as follows:

	2020	2019
Real estate loans, commercial	$ 117,459,996	$ 115,556,051
Real estate loans, consumer	1,842,119	1,421,412
Construction loans	1,014,462	-
Commercial loans	68,447,757	22,116,853
Residential Income loans	6,780,435	5,046,090
Other loans	120,035	248,090
Total gross loans	195,664,804	144,388,496
Allowance for loan losses	(3,271,921)	(2,391,765)
Unearned income and deferred loan fees, net	(1,678,641)	(438,380)
Loans held for investment, net	$ 190,714,242	$ 141,558,351

Changes in the allowance for loan losses by loan portfolio segment for the year ended December 31, 2020, are summarized as follows:

	One-to-Four Residential	Residential Income	Construction	Commercial Real Estate	Commercial and Industrial	Other	Total
Beginning Balance, January 1, 2020	$ 22,205	$ 37,265	$ -	$ 1,889,574	$ 437,589	$ 5,132	$ 2,391,765
Provision (credit) for loan losses	16,635	123,645	23,028	638,523	(21,091)	(18,140)	762,600
Loans charged off	-	-	-	-	-	(12,979)	(12,979)
Recoveries	-	-	-	32,741	68,498	29,296	130,535
Ending Balance, December 31, 2020	$ 38,840	$ 160,910	$ 23,028	$ 2,560,838	$ 484,996	$ 3,309	$ 3,271,921

Changes in the allowance for loan losses by loan portfolio segment for the year ended December 31, 2019, are summarized as follows:

	One-to-Four Residential	Residential Income	Construction	Commercial Real Estate	Commercial and Industrial	Other	Total
Beginning Balance, January 1, 2019	$ 7,154	$ 122,457	$ -	$ 1,900,762	$ 255,955	$ 6,150	$ 2,292,478
Provision (credit) for loan losses	(12,527)	(85,192)	-	(50,670)	165,063	11,526	28,200
Loans charged off	-	-	-	-	-	(22,343)	(22,343)
Recoveries	27,578	-	-	39,482	16,571	9,799	93,430
Ending Balance, December 31, 2019	$ 22,205	$ 37,265	$ -	$ 1,889,574	$ 437,589	$ 5,132	$ 2,391,765

The following tables present loans and the allowance for loan losses by segment as of December 31:

December 31, 2020	One-to-Four Residential	Residential Income	Construction	Commercial Real Estate	Commercial and Industrial	Other	Total
Loans							
Collectively evaluated for impairment	$ 1,842,119	$ 6,780,435	$ 1,014,462	$ 116,114,581	$ 68,447,757	$ 120,035	$ 194,319,389
Individually evaluated for impairment	-	-	-	1,345,415	-	-	1,345,415
Balance	$ 1,842,119	$ 6,780,435	$ 1,014,462	$ 117,459,996	$ 68,447,757	$ 120,035	$ 195,664,804
Allowance for Loan Losses							
Collectively evaluated for impairment	$ 38,840	$ 160,910	$ 23,028	$ 2,539,310	$ 484,995	$ 3,310	$ 3,250,393
Individually evaluated for impairment	-	-	-	21,528	-	-	21,528
Balance	$ 38,840	$ 160,910	$ 23,028	$ 2,560,838	$ 484,995	$ 3,310	$ 3,271,921

December 31, 2019	One-to-Four Residential	Residential Income	Construction	Commercial Real Estate	Commercial and Industrial	Other	Total
Loans							
Collectively evaluated for impairment	$ 1,421,412	$ 5,046,090	$ -	$ 114,193,857	$ 22,116,853	$ 248,090	$ 143,026,302
Individually evaluated for impairment	-	-	-	1,362,194	-	-	1,362,194
Balance	$ 1,421,412	$ 5,046,090	$ -	$ 115,556,051	$ 22,116,853	$ 248,090	$ 144,388,496
Allowance for Loan Losses							
Collectively evaluated for impairment	$ 22,205	$ 37,265	$ -	$ 1,875,134	$ 437,589	$ 5,132	$ 2,377,325
Individually evaluated for impairment	-	-	-	14,440	-	-	14,440
Balance	$ 22,205	$ 37,265	$ -	$ 1,889,574	$ 437,589	$ 5,132	$ 2,391,765

The following tables summarize the loan portfolio at December 31, 2020 and 2019, by credit risk profiles based on internally assigned grades. Information has been updated for each credit quality indicator as of December 31, 2020 and 2019:

	Grade				
December 31, 2020	Pass	Special Mention	Substandard	Impaired	Total
Residential One-to-Four	$ 1,842,119	$ -	$ -	$ -	$ 1,842,119
Residential income	6,780,435	-	-	-	6,780,435
Construction	1,014,462	-	-	-	1,014,462
Commercial real estate	113,530,928	1,522,688	1,060,965	1,345,415	117,459,996
Commercial and industrial	68,447,757	-	-	-	68,447,757
Other	120,035	-	-	-	120,035
	$ 191,735,736	$ 1,522,688	$ 1,060,965	$ 1,345,415	$ 195,664,804

	Grade				
December 31, 2019	Pass	Special Mention	Substandard	Impaired	Total
Residential One-to-Four	$ 1,421,412	$ -	$ -	$ -	$ 1,421,412
Residential income	5,046,090	-	-	-	5,046,090
Commercial real estate	111,377,880	1,213,027	1,602,950	1,362,194	115,556,051
Commercial and industrial	22,116,853	-	-	-	22,116,853
Other	248,090	-	-	-	248,090
	$ 140,210,325	$ 1,213,027	$ 1,602,950	$ 1,362,194	$ 144,388,496

The following tables set forth certain information with respect to the Company's portfolio delinquencies by loan class and amount at December 31, 2020 and 2019:

December 31, 2020	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90-Days	Total Past Due	Total Current	Non-accrual
Residential One-to-Four	$ -	$ -	$ -	$ -	$ 1,842,119	$ -
Residential income	-	-	-	-	6,780,435	-
Construction	-	-	-	-	1,014,462	-
Commercial real estate	-	-	-	-	117,459,996	107,672
Commercial and industrial	-	-	-	-	68,447,757	-
Other	-	-	-	-	120,035	-
	$ -	$ -	$ -	$ -	$ 195,664,804	$ 107,672
December 31, 2019						
Residential One-to-Four	$ -	$ -	$ -	$ -	$ 1,421,412	$ -
Residential income	-	-	-	-	5,046,090	-
Commercial real estate	-	-	-	-	115,438,847	117,204
Commercial and industrial	-	-	-	-	22,116,853	-
Other	-	-	-	-	248,090	-
	$ -	$ -	$ -	$ -	$ 144,271,292	$ 117,204

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

December 31, 2020	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an Allowance Recorded					
Commercial real estate	$ 1,345,415	$ 1,345,415	$ 21,528	$ 1,363,272	$ 80,381
December 31, 2019					
With an Allowance Recorded					
Commercial real estate	$ 1,362,194	$ 1,362,194	$ 14,440	$ 1,386,943	$ 113,142

There was one non-accrual loan of $107,672 as of December 31, 2020 and $117,204 as of December 31, 2019.

There were no loans serviced for others at December 31, 2020 and 2019.

Certain loans are pledged as collateral for available borrowings with the FHLB. Pledged loans totaled $98,165,640 and $97,221,136 at December 31, 2020 and 2019, respectively.

Troubled Debt Restructurings

As of December 31, 2020, and 2019, the Company has a recorded investment in troubled debt restructurings of $1,237,745 and $1,244,991, respectively. The Company has allocated $19,804 and $13,197 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2020 and 2019, respectively. The Company has committed to lend no additional amounts to customers with outstanding loans that are classified as troubled debt restructurings as of December 31, 2020 and 2019.

The Company did not have any terms of a loan that were modified as a troubled debt restructuring during 2020 and 2019.

The Company did not have any loans modified as a troubled debt restructuring for which there was a payment default within the twelve months following the modification during the years ended December 31, 2020 and 2019.

NOTE 6 FIXED ASSETS

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

	2020	2019
Land	$ 1,868,422	$ 1,868,422
Building	3,212,729	3,212,729
Furniture, fixture and equipment	1,619,724	1,571,501
Building and leasehold improvements	2,258,352	2,242,433
Automobile	53,283	53,283
	9,012,510	8,948,368
Less accumulated depreciation and amortization	2,866,799	2,546,595
Total premises and equipment	$ 6,145,711	$ 6,401,773

Depreciation and amortization expense for years ended December 31, 2020 and 2019, amounted to $346,058 and $314,062, respectively.

NOTE 7 LEASES

ASU 2016-02, Leases (Topic 842), and related amendments were adopted on January 1, 2019, using the modified retrospective transition method whereby comparative periods were not restated. No cumulative effect adjustment to the opening balance of retained earnings was required. Upon adoption of this standard, ROU assets and lease liabilities of $202,577 were recognized. The Company elected the package of practical expedients permitted under the new standard, which allowed carry forward historical lease classifications, account for lease and nonlease components as a single lease component, and not to recognize a ROU asset and lease liability for short-term leases.

The Company leases a branch under an operating lease that expires on January 31, 2023. The amount of the lease liability and ROU asset is impacted by the lease term and the discount rate applied to determine the present value of future lease payments.

The lease includes two five-year 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 Company. Renewal option periods were not included in the measurement of ROU assets and lease liabilities as they are not considered reasonably certain of exercise.

The balance of ROU assets and lease liabilities are included in other assets and other liabilities on the consolidated balance sheets. The balance sheet and supplemental information at December 31, 2020 and 2019 are shown below:

	2020	2019
Operating Lease Right-of-Use Assets Classified as Accrued Interest and Other Assets	$ 117,431	$ 164,350
Operating Lease Liabilities Classified as Accrued Interest and Other Liabilities	$ 117,431	$ 164,350
Weighted Average Remaining Lease Term, in Years	2.1	3.1
Weighted Average Discount Rate	2.78%	2.78%

The Company elected, for all classes of underlying assets, not to separate lease and non-lease components and instead to account for them as a single lease component. Variable lease cost primarily represents variable payments such as common area maintenance and utilities.

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 2020.

Year Ending	
2021	$ 59,405
2022	61,187
2023	5,112
Total lease payments	125,704
Less imputed interest	(8,273)
Present value of net future minimum lease payments	$ 117,431

NOTE 8 DEPOSITS

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

	2020	2019
NOW accounts	$ 4,372,372	$ 2,872,170
Savings and money market	93,868,904	73,857,498
Time certificate of deposit accounts under $250,000	9,563,300	9,537,555
Time certificate of deposit accounts equal to and over $250,000	4,473,409	5,471,451
Total interest-bearing deposits	112,277,985	91,738,674
Total noninterest-bearing deposits	145,433,815	88,412,668
Total Deposits	$ 257,711,800	$ 180,151,342

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

	2020
Within 1 year	$ 13,289,194
After 1 year through 3 years	747,515
	$ 14,036,709

NOTE 9 SUBORDINATED NOTES PAYABLE TO SUBSIDIARY TRUST

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

The Subordinated Debt Securities bear interest equal to LIBOR (adjusted quarterly) plus 1.68 percent. At December 15, 2020 LIBOR rate was 0.22 percent, resulting in an interest rate of 1.90 percent from December 16, 2020 to March 14, 2021. At December 15, 2019 LIBOR rate was 1.89 percent, resulting in an interest rate of 3.57 percent from December 16, 2019 to March 14, 2020.

As of December 31, 2020 and 2019, accrued interest payable to the Trust amounted to $2,529 and $4,467, respectively. Interest expense for Trust Preferred Securities amounted to $73,438 and $125,456, for the years ended December 31, 2020 and 2019, respectively.

NOTE 10 FEDERAL FUNDS LINE OF CREDIT

The Company had a total of $19.7 million and $7.2 million in Federal funds lines of credit with various banks at December 31, 2020 and 2019, respectively.

Lines of Credit	2020	2019
PCBB	$ 7,500,000	$ 3,500,000
Zions	5,000,000	2,000,000
Federal Reserve Bank	1,219,721	1,701,533
TIB	6,000,000	-
	$ 19,719,721	$ 7,201,533

NOTE 11 INCOME TAXES

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

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

	2020	2019
Currently payable		
Federal	$ 1,187,022	$ 419,141
State	643,166	391,323
	1,830,188	810,464
Deferred Taxes		
Federal	(500,720)	130,928
State	(275,663)	43,402
	(776,383)	174,330
Total provision for income taxes	$ 1,053,805	$ 984,794

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

	2020	2019
Statutory Federal tax rate	21.0 %	21.0 %
Increase (Decrease) Resulting From		
State taxes, net of Federal tax benefit	8.3	8.3
Tax-exempt earnings on life insurance policies	(0.7)	(0.7)
Tax-exempt interest from municipal bonds	(0.1)	(0.1)
Other, net	0.1	(0.7)
Effective Tax Rate	28.6 %	27.8 %

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

	2020	2019
Deferred tax assets		
Allowance for loan losses	$ 703,502	$ 478,050
Start-up expense	269	805
State tax	129,750	84,133
Deferred compensation and benefits	132,380	80,909
Nonaccrual interest	4,060	2,188
Off balance sheet reserve	16,704	14,515
PPP loan fees	364,854	-
	$ 1,351,519	$ 660,600
Deferred tax liabilities		
Depreciation and amortization	(205,042)	(233,820)
Unrealized gain on securities available for sale	(114,545)	(26,051)
Deferred loan costs	(93,798)	(91,086)
Other	(27,149)	(86,547)
	(440,534)	(437,504)
Net Deferred Tax Asset	$ 910,985	$ 223,096

The Company records interest and penalties related to uncertain tax positions as part of income tax expense. There was no penalty or interest expense recorded as of December 31, 2020 and 2019. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

Tax years ended December 31, 2017 through December 31, 2020; remain subject to examination by the Internal Revenue Service. Tax years ended December 31, 2016 through December 31, 2020, remain subject to examination by the California Franchise Tax Board.

NOTE 12 RELATED PARTY TRANSACTIONS

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

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

	2020	2019
Balance, January 1	$ 6,553	$ 1,539,410
Advances	652,780	29,587
Repayments, net of borrowings	(47,506)	(50,991)
Reclassified Loans, Reg O status change	-	(1,511,453)
Balance as of December 31	$ 611,827	$ 6,553

Deposits from related parties held by the Company at December 31, 2020 and 2019, amounted to $13,222,563 and $9,487,619, respectively.

NOTE 13 FEDERAL HOME LOAN BANK ADVANCES

As a member of the FHLB, the Company may borrow funds collateralized by securities or qualified loans up to 35 percent of its asset base. The Company has a line of credit of $61,417,957 and $78,981,996 at December 31, 2020 and 2019, respectively. Total overnight FHLB advances outstanding at December 31, 2020 were $25,000,000 at a weighted average rate of 1.73 percent. Total overnight FHLB advances outstanding at December 31, 2019 were $20,000,000 at a weighted average rate of 2.17 percent.

NOTE 14 OFF BALANCE SHEET ACTIVITIES

Credit-Related Financial Instruments

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

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

At December 31, 2020 and 2019, the following financial instruments were outstanding:

	2020	2019
Undisbursed loans	$ 22,571,291	$ 19,610,499

Commitments to grant loans are agreements to lend to customers as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Undisbursed commitments included $7,227,398 and $8,197,416 of commitments at fixed rates for the years ended December 31, 2020 and 2019, respectively. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, equipment, income-producing commercial properties, residential properties, and properties under construction.

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

Standby and commercial letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. There were no standby letters of credit at December 31, 2020 and 2019.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Employment Agreement

The Company entered into a three-year employment agreement with a key officer expiring on June 30, 2021. The agreement provides for an annual base salary plus an incentive bonus equal to 5 percent of the Bank's net income. In addition, the key officer may receive a discretionary bonus determined by the Board of Directors. Employment may be terminated for cause, as defined, without incurring obligations. In the event of termination without cause, the key officer is entitled to severance compensation equal to at least six months' salary.

Salary Continuation Agreements

The Company has entered into salary continuation agreements, which provide for payments to certain officers at the age of retirement. At December 31, 2020 and 2019, $361,412 and $352,757, respectively, of deferred compensation related to these agreements were included in other liabilities.

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

Pending Litigation

The Company is involved in litigation which has arisen in the ordinary course of business and accruals for estimates of potential losses have been provided when necessary and appropriate under generally accepted accounting principles. In the opinion of management, the disposition of such pending litigation will not have a material effect on the Company's consolidated financial statements.

NOTE 16 CONCENTRATION RISK

The Company grants commercial, real estate and installment loans to businesses and individuals primarily in the Inland Empire area. Most loans are secured by business assets, and commercial and residential real estate. Real estate and construction loans held for investment represented 72 percent and 93 percent of total loans held for investment at December 31, 2020 and 2019 respectively. The Company has no concentration of loans with any one customer or industry.

Deposits from escrow companies represented 8 percent of total deposits on December 31, 2020 and 2019. Five escrow companies accounted for 8 and 7 percent of total deposits on December 31, 2020 and 2019, respectively.

NOTE 17 EMPLOYEE BENEFIT PLAN

The Company has a 401(k) savings and retirement plan (the Plan) that includes substantially all employees. Employees may contribute up to 100 percent of their compensation subject to certain limits based on Federal tax law. The Company has implemented the Plan based on safe harbor provisions. Under the Plan, the Company will match 100 percent of an employee's contribution up to the first 3 percent of compensation, and 50 percent of an employee's contribution up to the next 2 percent of compensation. Matching contributions will immediately be 100 percent vested. For the years ended December 31, 2020 and 2019, the Company matching contributions attributable to the Plan amounted to $103,354 and $103,193, respectively.

NOTE 18 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 capital ratios as set forth in the following table. The Bank's actual capital amounts and ratios as of December 31, 2020 and 2019, are also presented in the table. Management believes, as of December 31, 2020 and 2019, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2020, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be well-capitalized, the Bank must maintain minimum community bank leverage ratio as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category.

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 Association as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to Section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides graduated increases in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to Section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of Section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021, and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 7% as of December 31,2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the Risk-weighting framework without restriction. As of December 31, 2020, the Association was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The table below presents the Bank's and Company's capital ratios as of December 31, 2020 (dollar amounts in thousands)

	Actual		Minimum To Be Well Capitalized Under Prompt Corrective Action CBLR Framework	
	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)			
As of December 31, 2020				
Tier 1 Capital to Average Assets				
Consolidated	$ 35,908	11.44%	$ 25,113	8.00%
Bank	27,059	8.63%	25,091	8.00%

To be well-capitalized as of December 31, 2019 the Bank must maintain minimum total risk-based, Tier1 risk-based and Tier 1 leverage ratios as set forth in the table below.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
As of December 31, 2019						
Total Capital to Total Risk-Weighted Assets						
Company	$ 29,414	18.30%	$ 12,861	8.00%	$ 16,076	10.00%
Bank	27,032	16.82%	12,855	8.00%	16,069	10.00%
Tier 1 Capital to Total Risk-Weighted Assets						
Company	$ 32,408	20.16%	$ 9,645	6.00%	$ 12,861	8.00%
Bank	25,019	15.57%	9,641	6.00%	12,855	8.00%
Common Tier 1 (CET1)						
Company	$ 32,408	20.16%	$ 7,234	4.50%	$ 10,449	6.50%
Bank	25,019	15.57%	7,231	4.50%	10,445	6.50%
Tier 1 Capital to Average Assets						
Company	$ 32,408	13.74%	$ 9,432	4.00%	$ 11,790	5.00%
Bank	25,019	10.62%	9,423	4.00%	11,778	5.00%

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

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

NOTE 19 EARNINGS PER SHARE

Basic earnings per share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options, and are determined using the treasury stock method. There were no common stock equivalents that are dilutive at December 31, 2020 and 2019. The weighted-average number of shares for basic and diluted earnings was 2,230,808 in 2020 and in 2019.

NOTE 20 DIVIDENDS

During 2019, the Board of Directors declared and the Company issued a 20 percent stock dividend to shareholders of record on June 14, 2019. As a matter of accommodation, cash dividends were issued to holders of fractional shares. The stock dividend consisted of 371,676 shares of stock issued on May 16, 2019, at which time the trading price was $15.50 per share. The 20 percent stock dividend was treated as a split for reporting purposes. There were no stock dividends declared during 2020.

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

NOTE 21 OTHER OPERATING EXPENSES

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

	2020	2019
Data processing fees	$ 636,900	$ 500,833
Deposit products and services	119,195	140,545
Professional fees	209,565	430,050
Regulatory assessments	116,167	81,578
Advertising and marketing	144,167	97,035
Directors' fees and expenses	130,054	137,142
Other expenses	571,094	552,797
Total non-interest expenses	$ 1,927,142	$ 1,939,980

NOTE 22 FAIR VALUE MEASUREMENTS

Fair Value Measurements Using Fair Value Hierarchy - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The tables below present information about the Company's assets measured at fair value on a recurring and non-recurring basis as of December 31, 2020 and 2019, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. No liabilities were measured at fair value at December 31, 2020 and 2019.

The fair value hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs - Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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

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

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

The table below presents the balance of investment securities available for sale at December 31, 2020 and 2019, the fair value of which is measured on a recurring basis:

	Fair Value Measurements Using			
December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Securities Available-for-Sale				
Municipal bonds	$ -	$ 3,896,781	$ -	$ 3,896,781
Federal Agency		6,644,258		6,644,258
Mortgage-backed securities	-	21,829,003	-	21,829,003
Total	$ -	$ 32,370,042	$ -	$ 32,370,042
December 31, 2019				
Securities Available-for-Sale				
Federal Agency	$ -	$ 2,125,253	$ -	$ 2,125,253
Mortgage-backed securities	-	5,852,683	-	5,852,683
Total	$ -	$ 7,977,936	$ -	$ 7,977,936

Certain assets are measured at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). There were no assets measured at fair value on a non-recurring basis as of December 31, 2020 and 2019.

Fair Value of Financial Instruments - The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Discount rates on loans can vary significantly depending on the risk profile of the loan and the borrower's deposit relationship with the Company. Accordingly, the fair value estimates may not be realized in the immediate settlement of the instrument. Accounting Standards Codification (ASC) 825, Financial Instruments, excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The estimated fair values and related carrying amounts of the Company's financial instruments at December 31, 2020, are as follows:

		Fair Value Measurements at December 31, 2020			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial Assets					
Cash and cash equivalents	$ 58,075,217	$ 58,075,217	$ -	$ -	$ 58,075,217
Interest-bearing deposits with other banks	-	-	-	-	-
Investment securities available-for-sale	32,370,042	-	32,370,042	-	32,370,042
Investment securities held-to-maturity	18,626,525	-	19,556,250	-	19,556,250
Stock investments	1,554,200	-	1,554,200	-	1,554,200
Loans, net	190,714,242	-	-	192,973,079	192,973,079
Accrued interest receivable	1,013,732	-	1,013,732	-	1,013,732
Bank owned life insurance	4,721,232	-	4,721,232	-	4,721,232
Trups common securities	93,000	-	93,000	-	93,000
Financial Liabilities					
Deposits					
Noninterest-bearing demand deposits	$ 145,433,815	$ 145,433,815	$ -	$ -	$ 145,433,815
Interest-bearing deposits	112,277,985	-	112,300,985	-	112,300,985
FHLB advances	25,000,000	-	25,000,000	-	25,000,000
Subordinated notes payable	3,093,000	-	3,093,000	-	3,093,000
Accrued interest payable	137,487	-	137,487	-	137,487

The estimated fair values and related carrying amounts of the Company's financial instruments at December 31, 2019, are as follows:

	Carrying Value	Fair Value Measurements at December 31, 2019 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial Assets					
Cash and cash equivalents	$ 36,778,753	$ 36,778,753	$ -	$ -	$ 36,778,753
Interest-bearing deposits with other banks	496,000	496,000	-	-	496,000
Investment securities available-for-sale	7,977,936	-	7,977,936	-	28,367,056
Investment securities held-to-maturity	28,367,056	-	28,625,251	-	28,625,251
Stock investments	1,440,900	-	1,440,900	-	1,440,900
Loans, net	141,558,351	-	-	142,914,235	142,914,235
Accrued interest receivable	619,856	-	619,856	-	619,856
Bank owned life insurance	4,595,584	-	4,595,584	-	4,595,584
Trups common securities	93,000	-	93,000	-	93,000
Financial Liabilities					
Deposits					
Noninterest-bearing demand deposits	$ 88,412,668	$ 88,412,668	$ -	$ -	$ 88,412,668
Interest-bearing deposits	91,738,674	-	87,496,000	-	87,496,000
FHLB advances	20,000,000	-	20,000,000	-	20,000,000
Subordinated notes payable	3,093,000	-	3,093,000	-	3,093,000
Accrued interest payable	203,246	-	203,246	-	203,246

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Ontario, CA 91761
Phone: (909) 230-7600
Fax: (909) 230-5595

RANCHO CUCAMONGA OFFICE

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

UPLAND OFFICE

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

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Phone: (909) 393-8880 - Fax: (909) 465-1279

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