INVESTED IN OUR CUSTOMERS

2022 ANNUAL REPORT

CHINO COMMERCIAL BANCORP

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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We Answer the Phone

"One day I was in need of help with an online banking issue. Eventhough I was driving I made the call to Chino Commercial Bank. When Joe answered the phone, I was able to explain the issue. Joe was helping me when the call dropped... moments later Joe called me back and we were able to finish our conversation and fix my online banking issue. I can't think of another bank or service that would take that kind of initiative to help a person out, thank you to Joe and Chino Commercial Bank."

FINANCIAL HIGHLIGHTS

	As of and For the Years Ended December 31,		
	2022	2021	2020
	(Dollars in Thousands, except per share data)		
SELECTED BALANCE SHEET DATA:			
Total assets	$ 399,836	$ 378,514	$ 314,840
Loans receivable	176,556	170,876	190,714
Deposits	337,453	318,879	257,712
Non-interest bearing deposits	204,189	195,274	145,434
Subordinated notes payable to subsidiary trust	3,093	3,093	3,093
Shareholders' equity	32,350	29,594	27,223
SELECTED OPERATING DATA:			
Interest income	$ 13,862	$ 11,027	$ 9,395
Net income	4,713	3,131	2,625
Basic income per share	1.76	1.17	1.18
Diluted income per share	1.76	1.17	1.18
PERFORMANCE RATIOS			
Return on average assets	1.17%	0.89%	0.92%
Return on average equity	15.55%	10.98%	10.11%
Equity to total assets at the end of the period	8.09%	7.82%	8.65%
Core efficiency ratio	50.53%	59.90%	59.81%
Non-interest expense to average assets	2.01%	2.07%	2.32%
REGULATORY RATIOS			
Average equity to average assets	7.49%	8.07%	9.12%
Leverage capital	9.27%	8.84%	11.44%
Tier I Risk-based	n/a	n/a	22.23%
Risk-based capital	n/a	n/a	19.84%
Common Tier 1 (CET 1)	n/a	n/a	22.23%

No Appointment Necessary

"As a small business owner, I can confidently say that this bank is the best I have ever worked with! The level of service is exceptional, and I am always greeted by name as soon as I walk in the door. I never have to wait and they always make me feel valued as a customer and that my business matters."

TO OUR SHAREHOLDERS

We are very pleased to present you with Chino Commercial Bancorp and Chino Commercial Bank's annual report, for the year 2022. As you will read, last year was a very good year for the Bank, with net earnings increasing over 50%, total deposits increasing by $18 million, or 6%, and Loans increasing by $5 million or 3%. In addition to this growth, the fundamental loan quality has remained very strong, with the Bank having only two delinquent loans at year-end, for less than $300 thousand combined.

Despite the Company's strong performance in 2022, the banking industry, as a whole, is currently overshadowed by fear gripping investors and depositors in the financial service industry. The recent announcement of the FDIC takeover of Silicon Valley Bank and Signature have rippled through the markets, causing panic to dominate the national discourse. Unfortunately to stimulate viewership, some news channels have chosen to stoke this fear, forecasting doom for the banking industry. For that reason, I wanted to discuss the current conditions of the banking industry and describe some of the basic causes for the conditions.

In early 2020, as the Pandemic was expanding worldwide, the U.S. Federal Reserve Bank began to expand the Money Supply to stimulate the economy and avoid a Recession. The Fed pumped roughly $4.8 trillion dollars into the economy, expanding the money supply by 44% in just over 26 months. In addition, the Fed reduced the benchmark Fed Funds rate to just .08%. The effects of these two actions made money cheap and plentiful.

The deposits of virtually every bank increased significantly during this time. Many banks chose not to invest the excess deposits fearing that the Fed would reverse course and the deposits would quickly shrink, leaving the bank exposed. Eventually, after continued reassurance by the Treasury and others that Inflation was "transitory" and that the liquidity would not be quickly withdrawn, many banks began to invest the excess deposits into safe and conservative U.S. Government backed investments such as U.S. Treasuries and Mortgage Backed Securities.

Unfortunately, inflation became much more than transitory, and beginning in March of 2022, the Fed began increasing the Fed Funds rate and removing liquidity from the economy. In just nine months, the Fed increased the Fed Funds rate from just .08% to 4.25%, reducing the market value of the Investment Securities. As interest rates rose, the market value of the Investments decreased, which prevented many banks from selling the investments as a source of capital to meet the needs of their depositors. In the case of Silicon Valley Bank, the reduction in the market value of their investments exceeded the banks remaining capital. When depositors at SVB became aware of the bank's lack of liquidity, many of them began to withdraw deposits, which resulted in the FDIC having to intervene.

In summary, the rapid expansion of the Money Supply, followed by rapidly rising interest rates and subsequent contraction of liquidity that have combined to place significant pressure on the banking system. The next logical question would be: How is our Bank doing?

Like most other banks, our Bank's deposits increased by $78 million, or 43%, in 2020. The following year deposits increased again by $64 million or 25%, and in 2022 deposits increased again by $18 million, or 6%. During the three years, total deposits increased by $161 million or 88%. To keep pace with the rapid rise in deposits, the Holding Company increased the Bank's capital by $5 million, in addition to retained earnings, raising the total capital by $14 million, or 55%, bringing the total up to $39 million, or a Tier 1 leverage ratio of 10.14%.

Today, the Bank's balance sheet is strong, and liquidity is sufficient to meet depositors' demands. At year-end 2022, the Bank's credit quality was very strong, with the Bank having only two delinquent loans. In addition, during 2022, the Bank had a net recovery of credit losses, meaning that the Bank had credit losses of less than -0- for six consecutive years.

Prioritizing Customer Relationships

"After running my business in the area for over forty years, I have noticed that banks have become increasingly impersonal, with little regard for their customers. So, you can imagine my surprise when I received an invitation from Dann Bowman, bank president for a small luncheon with other prospective customers at Chino Commercial Bank. During the two-hour event, I had the opportunity to get to know the president and other members of their impressive staff."

In 2022, the American Bankers Association again recognized our Bank in their annual ranking of the **Top 200 Publicly Traded Community Banks** in the United States. The Findley Reports on Financial Institutions also recognized the Bank by giving Findley's highest rating of "**Super Premier Performing Bank**" based on the Bank's financial results for the previous year. Similarly, the Bank received the highest rating of "**Five Star**" from Bauer Financial, an independent Bank and Credit Union rating service.

Looking forward, the Bank continues to develop innovation in delivering financial services. Increasingly, electronic payment channels, such as debit, credit, and ACH, are replacing the traditional method of paying for things in cash or by check. Going to a bank branch is being replaced by Online Banking systems, and over the next two years, we anticipate moving to a "real-time" ACH payment system, which will allow payments and receipt of funds to occur in real-time rather than in days.

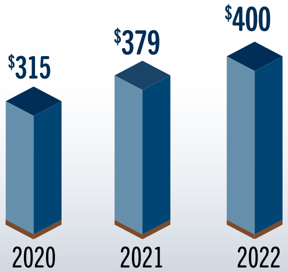
In 2020 the Bank began offering Merchant Services to its customers to allow them to accept credit and debit cards in payment for goods and services. This service has expanded and became an important part of the Bank's non-interest revenue stream.

Despite all of the changes taking place in the financial services industry, we believe that the Bank's value proposition of providing excellent customer service, coupled with leading technology is more compelling today than it was 22 years ago. 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.

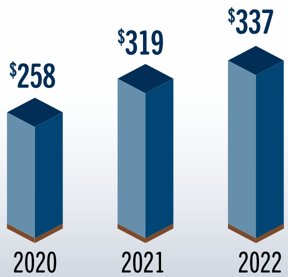
On behalf of your Board of Directors, Management, and Staff, I would like to thank you for your confidence and continued support of the Bank and look forward to another successful year.

Sincerely,

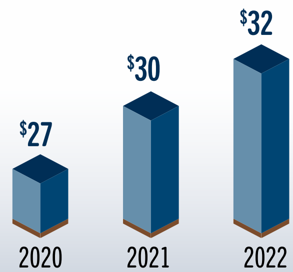
Dann H. Bowman
President and Chief Executive Officer



TOTAL ASSETS
(in millions)



TOTAL DEPOSITS
(in millions)



SHAREHOLDERS' EQUITY
(in millions)

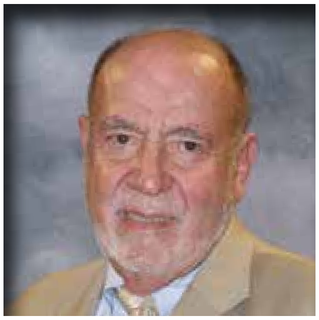
We Make Banking Easy

"When we needed help with a small business loan, we turned to Chino Commercial Bank. Unlike the big banks, we received personalized attention and support that helped us navigate these difficult times. It's great to have a local bank that understands and cares about the unique challenges of our small business."

BOARD OF DIRECTORS

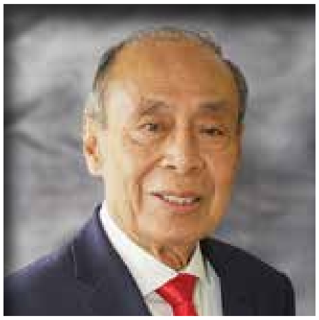
Dann H. Bowman
President and
Chief Executive Officer

Bernard Wolfswinkel
Chairman of the Board
Retired



Richard G. Malooly
Real Estate Professional
Retired

Linda M. Cooper
President, Inland Empire Escrow



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

Jeanette L. Young
Realtor, King Realty Group

Julio Cardenas
President, Century 21 King

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

Kenneth McElvany
Insurance Executive
Retired

Comprehensive Range of Services

"I have multiple business accounts at Chino Commercial Bank, and I'm constantly impressed by all of the services they offer. From wire transfers to letters of credit and credit lines, they can do it all. Their online banking platform is user-friendly and efficient. When I need help, I know I can call in, where they often recognize my voice on the phone and provide me with prompt and friendly assistance."

"SERVICE ORIENTED BANK"

2022 FINANCIAL STATEMENTS

CHINO COMMERCIAL BANCORP

CHINO COMMERCIAL BANCORP

INDEPENDENT AUDITOR'S REPORT

EideBailly
CPAs & BUSINESS ADVISORS

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

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Chino Commercial Bancorp and Subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of net income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

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

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

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

Eide Bailly LLP

Laguna Hills, California
February 28, 2023

What inspires you, inspires us. | eidebailly.com
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CHINO COMMERCIAL BANCORP

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Cash and due from banks	$ 36,436,018	$ 135,593,445
Cash and cash equivalents	36,436,018	135,593,445
Investment securities available for sale (note 2)	6,347,231	40,270,538
Investment securities held to maturity (note 2)	160,668,959	12,435,291
Loans held for investment, net of allowance for loan losses of $4,100,516 in 2022, and $3,888,480 in 2021, (note 4)	176,555,782	170,876,382
Stock investments, restricted, at cost (note 3)	2,045,200	2,045,200
Fixed assets, net (note 5)	5,626,850	5,897,342
Accrued interest receivable	1,153,613	877,104
Bank owned life insurance	8,054,491	7,871,339
Other assets	2,947,830	2,647,812
Total assets	$ 399,835,974	$ 378,514,453
Liabilities		
Deposits (note 7)		
Noninterest-bearing	$ 204,189,323	$ 195,274,304
Interest-bearing	133,263,940	123,604,881
Total deposits	337,453,263	318,879,185
Federal Home Loan Bank advances (note 8)	15,000,000	15,000,000
Subordinated debt (note 8)	10,000,000	10,000,000
Subordinated notes payable to subsidiary trust (note 9)	3,093,000	3,093,000
Accrued interest payable	124,947	130,327
Other liabilities	1,815,061	1,817,705
Total liabilities	367,486,271	348,920,217
Commitments and Contingent Liabilities (notes 13 and 14)	-	-
Shareholders' Equity		
Common stock, no par value, 10,000,000 shares authorized and 2,676,799 shares issued and outstanding at December 31, 2022 and December 31, 2021	10,502,557	10,502,557
Retained earnings	24,269,527	19,556,872
Accumulated other comprehensive loss - unrecognized loss on available for sale, net of taxes of $949,061 in 2022 and $182,258 in 2021	(2,422,381)	(465,193)
Total shareholders' equity	32,349,703	29,594,236
Total liabilities and shareholders' equity	$ 399,835,974	$ 378,514,453

See Notes to Consolidated Financial Statements

CHINO COMMERCIAL BANCORP

CONSOLIDATED STATEMENTS OF NET INCOME

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Interest Income		
Interest and fees on loans	$ 9,569,690	$ 9,914,710
Interest on investment securities	3,323,894	880,324
Other interest income	968,328	232,237
Total interest income	13,861,912	11,027,271
Interest Expense		
Interest on deposits	362,922	187,460
Interest on borrowings	874,664	693,963
Total interest expense	1,237,586	881,423
Net Interest Income	12,624,326	10,145,848
Provision For Loan Losses (note 4)	143,102	552,100
Net Interest Income After Provision For Loan Losses	12,481,224	9,593,748
Noninterest Income		
Service charges and fees on deposit accounts	1,285,773	1,137,761
Interchange fees	475,099	407,867
Earnings from bank-owned life insurance	183,152	150,107
Other miscellaneous income	292,041	343,246
Total noninterest income	2,236,065	2,038,981
Noninterest Expense		
Salaries and employee benefits	5,100,354	4,408,276
Occupancy and equipment	637,147	619,852
Other expenses (note 11)	2,403,008	2,270,797
Total noninterest expense	8,140,509	7,298,925
Income before income tax expense	6,576,780	4,333,804
Provision for income taxes	1,864,125	1,202,816
Net Income	$ 4,712,655	$ 3,130,988
Basic earnings per share	$ 1.76	$ 1.17
Diluted earnings per share	$ 1.76	$ 1.17

See Notes to Consolidated Financial Statements

CHINO COMMERCIAL BANCORP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Net Income	$ 4,712,655	$ 3,130,988
Other comprehensive loss, net of tax effects		
Net unrealized holding loss on securities available for sale during the period (net of tax effects of $766,803 and $296,803 in 2022 and 2021, respectively)	(2,077,868)	(757,559)
Reclassification adjustment for accretion of unrealized holding loss included in accumulated other comprehensive income from the transfer of securities from available-for-sale to held-to-maturity	120,680	-
Total other comprehensive loss	(1,957,188)	(757,559)
Total comprehensive income	$ 2,755,467	$ 2,373,429

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2022 AND 2021

	Number of Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2020	2,230,808	$ 10,502,557	$ 16,428,258	$ 292,366	$ 27,223,181
Net income	-	-	3,130,988	-	3,130,988
Change in unrealized loss on securities available for sale, net of tax	-	-	-	(757,559)	(757,559)
Cash in lieu of fractional stock dividends (note 16)	-	-	(2,374)	-	(2,374)
Stock dividends (note 16)	445,991	-	-	-	-
Balance at December 31, 2021	2,676,799	10,502,557	19,556,872	(465,193)	29,594,236
Net income	-	-	4,712,655	-	4,712,655
Change in unrealized loss on securities available for sale, net of tax	-	-	-	(1,957,188)	(1,957,188)
Balance at December 31, 2022	2,676,799	$ 10,502,557	$ 24,269,527	$ (2,422,381)	$ 32,349,703

See Notes to Consolidated Financial Statements

CHINO COMMERCIAL BANCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Operating Activities		
Net income	$ 4,712,655	$ 3,130,988
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	143,102	552,100
Depreciation and amortization	336,623	331,142
Loss on disposition of fixed assets	545	283
Net (accretion) of discount and amortization of premium on securities	131,031	330,142
Change in deferred loan fees, net	(927,026)	(259,557)
Earnings from bank-owned life insurance	(183,152)	(150,107)
Deferred income (benefit) tax	249,522	(118,883)
Other items, net	(67,270)	(340,386)
Net Cash from Operating Activities	4,396,030	3,475,722
Investing Activities		
Proceeds from principal payments received and maturities of securities available for sale	3,190,055	9,493,530
Purchase of securities available for sale	(16,602,857)	(18,684,819)
Purchase of securities held to maturity	(115,298,050)	-
Proceeds from principal payments received and maturities of securities held to maturity	11,545,469	6,097,523
Net increase (decrease) in loans	(4,895,476)	19,545,317
Purchases of stock investments, restricted	-	(491,000)
Purchase of fixed assets	(66,676)	(83,056)
Purchase of bank-owned life insurance	-	(3,000,000)
Net Cash (used for) from Investing Activities	(122,127,535)	12,877,495
Financing Activities		
Net increase in deposits	18,574,078	61,167,385
Repayment of FHLB advances	-	(10,000,000)
Issuance of subordinated debt	-	10,000,000
Cash paid in lieu of fractional stock dividends	-	(2,374)
Net Cash from Financing Activities	18,574,078	61,165,011
Net Change in Cash and Cash Equivalents	(99,157,427)	77,518,228
Cash and Cash Equivalents at Beginning of Period	135,593,445	58,075,217
Cash and Cash Equivalents at End of Period	$ 36,436,018	$ 135,593,445
Supplemental Disclosure for Cash Flow Information		
Interest paid	$ 1,242,966	$ 888,583
Income taxes paid	$ 1,222,014	$ 1,520,000
Supplemental Disclosure of Noncash Investing		
Change in unrealized gain on securities available for sale	$ 2,723,991	$ 1,054,362
Transfer of securities from available-for-sale to held-to-maturity	$ 44,293,926	$ -

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 1 | Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

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

NATURE OF OPERATIONS

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

SUBSEQUENT EVENTS

The Company has evaluated subsequent events for recognition and disclosure through February 28, 2023, which is the date the consolidated financial statements were available to be issued.

USE OF ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the 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 reporting cash flows, cash and cash equivalents include cash, due from banks, interest bearing demand deposits, and federal funds sold. Generally, federal funds are sold for one-day periods.

CASH AND DUE FROM BANKS

Banking regulations require that banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. As of December 31, 2022 and 2021, the required reserve percentage is zero. The Company was in compliance with its reserve requirements as of December 31, 2022 and 2021.

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

DEBT SECURITIES

The Company classifies its debt securities as available-for-sale or held-to-maturity. Securities classified as available-for-sale are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in comprehensive income. Securities, which the Company has the positive intent and ability to hold to maturity, are classified as held-to-maturity and are carried at amortized cost. 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 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 a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Amounts are charged-off when available information confirms that specific loans or portions thereof, are uncollectible. This methodology for determining charge-offs is consistently applied to each segment.

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

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

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

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

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 than 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.

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 $66,298 and $59,400 as of December 31, 2022 and 2021, respectively, and is included in other liabilities on the balance sheet.

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 $2,045,200 as of December 31, 2022 and 2021, and includes investment in Pacific Coast Bankers' Bank ("PCBB"). Adjustments to the carrying value of bankers bank stock is based on observable activity in the stock.

COMPANY OWNED LIFE INSURANCE

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

PREMISES AND EQUIPMENT

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

LEASES

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

FORECLOSED ASSETS

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

LOSS CONTINGENCIES

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

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.

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 nonsufficient 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 $152,685 and $126,458, respectively, for the years ended December 31, 2022 and 2021.

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, 2022 and 2021, the Company did not have a tax position that failed to meet the more-likely-than-not recognition threshold.

EARNINGS PER SHARE ("EPS")

Basic earnings per share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options, and are determined using the treasury stock method. There were no common stock equivalents that are dilutive at December 31, 2022 and 2021. The weighted-average number of shares for basic and diluted earnings was 2,676,799 in 2022 and in 2021.

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.

FINANCIAL INSTRUMENTS

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

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

Note 2 | Debt Securities

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

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

The amortized cost and fair values of securities with gross unrealized gains and losses at December 31, 2021 are as follows:

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
Municipal bonds	$ 7,977,833	$ 30,245	$ (10,814)	$ 7,997,264
Federal Agency	7,200,532	11,045	(318,465)	6,893,112
Mortgage-backed securities	25,739,625	111,815	(471,278)	25,380,162
	$ 40,917,990	$ 153,105	$ (800,557)	$ 40,270,538
Securities held to maturity				
Federal agency	$ 5,150,819	$ 220,458	$ -	$ 5,371,277
Mortgage-backed securities	7,284,472	178,798	-	7,463,270
	$ 12,435,291	$ 399,256	$ -	$ 12,834,547

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

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

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

December 31, 2021	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				
Municipal bonds	$ 3,391,260	$ (10,814)	$ -	$ -
Federal agency	969,594	(12,518)	4,644,053	(305,947)
Mortgage-backed securities	14,180,966	(258,881)	5,133,772	(212,397)
	$ 18,541,820	$ (282,213)	$ 9,777,825	$ (518,344)

As of December 31, 2022, the Company had 118 debt securities where estimated fair value had decreased from the Company's amortized cost.

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

The unrealized losses at December 31, 2022 and 2021, are attributable to changes in interest rates and not credit quality. The Company has the ability to hold these investments until a recovery of fair value, which may be maturity. Thus, the Company does not consider these investments to be other-than-temporarily impaired as of December 31, 2022 and 2021.

The amortized cost and fair value of investment securities as of December 31, 2022, by contractual maturity are shown below:

	Available-for-Sale Amortized Cost	Available-for-Sale Fair Value	Held-to-Maturity Amortized Cost	Held-to-Maturity Fair Value
Within 1 year	$ -	$ -	$ -	$ -
After 1 year through 5 years	-	-	2,338,930	2,255,073
After 5 years through 10 years	-	-	-	-
After 10 years through 30 years	7,844,165	6,347,231	11,801,965	10,012,394
Mortgage-backed securities	-	-	146,528,064	131,340,784
	$ 7,844,165	$ 6,347,231	$ 160,668,959	$ 143,608,251

Investment securities with amortized cost totaling $11,024,946 and estimated fair values totaling $9,788,784 were pledged to secure borrowings with the Federal Home Loan Bank and the Federal Reserve Bank at December 31, 2022. Investment securities with amortized cost totaling $12,013,419 and estimated fair values totaling $12,379,382 were pledged to secure borrowings with the Federal Home Loan Bank at December 31, 2021.

The Company did not sell debt securities during 2022 and 2021.

Note 3 | Stock Investments, Restricted

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

	2022	2021
Federal Home Loan Bank (FHLB) stock	$ 1,420,800	$ 1,420,800
Federal Reserve Bank stock	480,400	480,400
Pacific Coast Banker's Bank stock	144,000	144,000
	$ 2,045,200	$ 2,045,200

Note 4 | Loans and Allowance for Loan Losses

The Company's loan portfolio consists primarily of loans to borrowers within the Inland Empire region of Southern California. Although the Company seeks to avoid concentrations of loans to a single industry or based upon a single class of collateral, real estate and real estate associated businesses are among the principal industries in the Company's market area and, as a result, the Company's loan and collateral portfolios are, to some degree, concentrated in those industries. Most loans are secured by business assets, and commercial and residential real estate. Real estate and construction loans held for investment represented 81 percent and 68 percent of total loans held for investment at December 31, 2022 and 2021, respectively. The Company has no concentration of loans with any one customer or industry.

Certain loans are pledged as collateral for available borrowings with the FHLB. Pledged loans totaled $132,563,706 and $100,038,539 at December 31, 2022 and 2021, respectively.

There were no loans serviced for others at December 31, 2022 and 2021.

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

	2022	2021
Real estate loans, commercial	$ 145,033,087	$ 118,886,107
Real estate loans, consumer	1,433,990	1,490,699
Construction loans	2,252,407	414,072
Commercial loans	24,410,587	48,133,781
Residential Income loans	7,839,947	7,008,719
Other loans	178,338	250,568
Total gross loans	181,148,356	176,183,946
Allowance for loan losses	(4,100,516)	(3,888,480)
Unearned income and deferred loan fees, net	(492,058)	(1,419,084)
Loans held for investment, net	$ 176,555,782	$ 170,876,382

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

	One-to-Four Residential	Residential Income	Construction	Commercial Real Estate	Commercial and Industrial	Other	Total
Beginning Balance, January 1, 2022	$ 36,668	$ 189,676	$ 11,553	$ 2,989,655	$ 652,370	$ 8,558	$ 3,888,480
Provision (credit) for loan losses	(4,698)	4,361	52,676	187,810	(92,827)	(4,220)	143,102
Loans charged off	-	-	-	-	-	-	-
Recoveries	-	-	-	42,808	25,417	709	68,934
Ending Balance, December 31, 2022	$ 31,970	$ 194,037	$ 64,229	$ 3,220,273	$ 584,960	$ 5,047	$ 4,100,516

Changes in the allowance for loan losses by loan portfolio segment for the year ended December 31, 2021, are summarized as follows:

	One-to-Four Residential	Residential Income	Construction	Commercial Real Estate	Commercial and Industrial	Other	Total
Beginning Balance, January 1, 2021	$ 38,840	$ 160,910	$ 23,028	$ 2,560,838	$ 484,996	$ 3,309	$ 3,271,921
Provision (credit) for loan losses	(2,172)	28,766	(11,475)	386,009	151,388	(416)	552,100
Loans charged off	-	-	-	-	-	-	-
Recoveries	-	-	-	42,808	15,986	5,665	64,459
Ending Balance, December 31, 2021	$ 36,668	$ 189,676	$ 11,553	$ 2,989,655	$ 652,370	$ 8,558	$ 3,888,480

The following tables present loans and the allowance for loan losses by segment:

December 31, 2022	One-to-Four Residential	Residential Income	Construction	Commercial Real Estate	Commercial and Industrial	Other	Total
Loans							
Collectively evaluated for impairment	$ 1,433,990	$ 7,839,947	$ 2,252,407	$ 143,457,216	$ 24,410,587	$ 178,338	$ 179,572,485
Individually evaluated for impairment	-	-	-	1,575,871	-	-	1,575,871
Balance	$ 1,433,990	$ 7,839,947	$ 2,252,407	$ 145,033,087	$ 24,410,587	$ 178,338	$ 181,148,356
Allowance for Loan Losses							
Collectively evaluated for impairment	$ 31,970	$ 194,037	$ 64,229	$ 3,193,482	$ 584,960	$ 5,047	$ 4,073,725
Individually evaluated for impairment	-	-	-	26,791	-	-	26,791
Balance	$ 31,970	$ 194,037	$ 64,229	$ 3,220,273	$ 584,960	$ 5,047	$ 4,100,516
December 31, 2021							
Loans							
Collectively evaluated for impairment	$ 1,490,699	$ 7,008,719	$ 414,072	$ 117,584,814	$ 48,133,781	$ 250,568	$ 174,882,653
Individually evaluated for impairment	-	-	-	1,301,293	-	-	1,301,293
Balance	$ 1,490,699	$ 7,008,719	$ 414,072	$ 118,886,107	$ 48,133,781	$ 250,568	$ 176,183,946
Allowance for Loan Losses							
Collectively evaluated for impairment	$ 36,668	$ 189,676	$ 11,553	$ 2,964,539	$ 652,370	$ 8,558	$ 3,863,364
Individually evaluated for impairment	-	-	-	25,116	-	-	25,116
Balance	$ 36,668	$ 189,676	$ 11,553	$ 2,989,655	$ 652,370	$ 8,558	$ 3,888,480

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

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

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

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

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

The risk category of loans by class of loans was as follows as of December 31, 2022 and 2021:

	Grade				
December 31, 2022	Pass	Special Mention	Substandard	Impaired	Total
Residential One-to-Four	$ 1,433,990	$ -	$ -	$ -	$ 1,433,990
Residential income	7,839,947	-	-	-	7,839,947
Construction	2,252,407	-	-	-	2,252,407
Commercial real estate	140,366,389	-	3,090,827	1,575,871	145,033,087
Commercial and industrial	24,410,587	-	-	-	24,410,587
Other	178,338	-	-	-	178,338
	$ 176,481,658	$ -	$ 3,090,827	$ 1,575,871	$ 181,148,356

	Grade				
December 31, 2021	Pass	Special Mention	Substandard	Impaired	Total
Residential One-to-Four	$ 1,490,699	$ -	$ -	$ -	$ 1,490,699
Residential income	7,008,719	-	-	-	7,008,719
Construction	414,072	-	-	-	414,072
Commercial real estate	111,366,702	1,173,122	5,044,990	1,301,293	118,886,107
Commercial and industrial	48,133,781	-	-	-	48,133,781
Other	250,568	-	-	-	250,568
	$ 168,664,541	$ 1,173,122	$ 5,044,990	$ 1,301,293	$ 176,183,946

The following tables set forth certain information with respect to the Company's portfolio delinquencies by loan class and amount at December 31, 2022 and 2021:

December 31, 2022	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90-Days	Total Past Due	Non-accrual	Total Current
Residential One-to-Four	$ -	$ -	$ -	$ -	$ -	$ 1,433,990
Residential income	-	-	-	-	-	7,839,947
Construction	-	-	-	-	-	2,252,407
Commercial real estate	-	-	-	-	404,095	144,628,992
Commercial and industrial	189,969	-	-	189,969	-	24,220,618
Other	-	-	-	-	-	178,338
	$ 189,969	$ -	$ -	$ 189,969	$ 404,095	$ 180,554,292
December 31, 2021						
Residential One-to-Four	$ -	$ -	$ -	$ -	$ -	$ 1,490,699
Residential income	-	-	-	-	-	7,008,719
Construction	-	-	-	-	-	414,072
Commercial real estate	-	-	-	-	95,373	118,790,734
Commercial and industrial	63,801	-	-	63,801	-	48,069,980
Other	-	-	-	-	-	250,568
	$ 63,801	$ -	$ -	$ 63,801	$ 95,373	$ 176,024,772

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

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an Allowance Recorded Commercial real estate	$ 1,575,871	$ 1,575,871	$ 26,761	$ 1,634,814	$ 120,263
December 31, 2021					
With an Allowance Recorded Commercial real estate	$ 1,301,293	$ 1,301,293	$ 25,116	$ 1,339,997	$ 101,773

There were two non-accrual loans totaling $404,095 as of December 31, 2022 and one of $95,373 as of December 31, 2021.

TROUBLED DEBT RESTRUCTURINGS

A troubled debt restructuring is a loan which the Company, for reasons related to the borrower's financial difficulties, grants a concession to a borrower that the Company would not otherwise consider. 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.

As of December 31, 2022, and 2021, the Company has a recorded investment in troubled debt restructurings of $1,171,776 and $1,205,921, respectively. The Company has allocated $19,920 and $23,274 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2022 and 2021, 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, 2022 and 2021.

The Company did not have any terms of a loan that were modified as a troubled debt restructuring during 2022 and 2021.

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, 2022 and 2021.

Note 5 | Fixed Assets

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

	2022	2021
Land	$ 1,868,422	$ 1,868,422
Building	3,212,729	3,212,729
Furniture, fixture and equipment	1,728,569	1,691,854
Building and leasehold improvements	2,297,980	2,268,854
Automobile	53,283	53,283
	9,160,983	9,095,142
Less accumulated depreciation and amortization	(3,534,133)	(3,197,800)
Total premises and equipment	$ 5,626,850	$ 5,897,342

Depreciation and amortization expense for years ended December 31, 2022 and 2021, amounted to $336,623 and $331,142, respectively.

Note 6 | Leases

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

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

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

The balance sheet and supplemental information at December 31, 2022 and 2021 are shown below:

	2022	2021
Operating Lease Right-of-Use Assets Classified as Other Assets	$ 181,963	$ 60,423
Operating Lease Liabilities Classified as Other Liabilities	$ 181,963	$ 60,423
Weighted Average Remaining Lease Term, in Years	3	1.1
Weighted Average Discount Rate	4.58%	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.

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

Year Ending	
2023	$ 63,023
2024	64,914
2025	66,861
2026	5,585
Total lease payments	200,383
Less imputed interest	(18,420)
Present value of net future minimum lease payments	$ 181,963

Note 7 | Deposits

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

	2022	2021
NOW accounts	$ 6,213,060	$ 4,843,946
Savings and money market	116,186,710	105,448,908
Time certificate of deposit accounts under $250,000	8,193,190	9,616,481
Time certificate of deposit accounts equal to and over $250,000	2,670,980	3,695,546
Total interest-bearing deposits	133,263,940	123,604,881
Total noninterest-bearing deposits	204,189,323	195,274,304
Total deposits	$ 337,453,263	$ 318,879,185

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

	2022
Within 1 year	$ 9,975,804
After 1 year through 3 years	877,316
After 3 years through 5 years	11,050
	$ 10,864,170

Deposits from escrow companies represented 5% of total deposits on December 31, 2022 and 2021. Four escrow companies accounted for 5% and 7% of total deposits on December 31, 2022 and 2021, respectively.

Note 8 | Borrowing Arrangements

The Company may borrow up to approximately $21 million at December 31, 2022 and 2021 in federal fund lines of credit on an unsecured basis from three of its primary correspondent banks. There were no borrowings under these lines as of December 31, 2022 and 2021.

The Company has borrowing capacity of $471,128 and $737,495 with the Federal Reserve Bank discount window as of December 31, 2022 and 2021, respectively. The Company pledged debt securities as collateral for this line. There were no borrowings under this arrangement as of December 31, 2022 and 2021.

FEDERAL HOME LOAN BANK ADVANCES

As a member of the FHLB, the Company may borrow funds collateralized by securities or qualified loans. The Company has available credit capacity of $102,168,571 and $86,223,267 as of December 31, 2022 and 2021, respectively. Total FHLB advances outstanding at December 31, 2022 and 2021 were $15,000,000 with $7,000,000 maturing on February 20, 2024 at a fixed rate of 2.70% and $8,000,000 maturing August 20, 2024 at a fixed rate of 1.61%. The advances were collateralized by loans and securities in the amount of $140,021,596 and $111,059,516 as of December 31, 2022 and 2021, respectively. Based on this collateral and the Company's holding of FHLB stock, the Company has a remaining borrowing capacity is $87,168,571 and $71,223,267 as of December 31, 2022 and 2021, respectively.

SUBORDINATED DEBT

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

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%. At December 15, 2022 LIBOR rate was 4.78%, resulting in an interest rate of 6.45% from December 16, 2022 to March 14, 2023. At December 15, 2021, LIBOR rate was 0.20%, resulting in an interest rate of 1.88% from December 16, 2021 to March 14, 2022.

As of December 31, 2022 and 2021, accrued interest payable to the Trust amounted to $8,599 and $2,510, respectively. Interest expense for Trust Preferred Securities amounted to $104,032 and $55,906, for the years ended December 31, 2022 and 2021, respectively.

Note 10 | Income Taxes

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

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

	2022	2021
Currently payable		
Federal	$ 1,029,491	$ 833,965
State	585,112	487,734
	1,614,603	1,321,699
Deferred Taxes		
Federal	142,522	(77,737)
State	107,000	(41,146)
	249,522	(118,883)
Total provision for income taxes	$ 1,864,125	$ 1,202,816

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

	2022	2021
Statutory Federal tax rate	21.0 %	21.0 %
Increase (Decrease) Resulting From		
State taxes, net of Federal tax benefit	8.4	8.3
Tax-exempt earnings on life insurance policies	(0.6)	(0.7)
Tax-exempt interest from municipal bonds	(0.4)	(0.4)
Other, net	(0.1)	(0.4)
Effective Tax Rate	28.3 %	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:

	2022	2021
Deferred tax assets		
Allowance for loan losses	$ 909,029	$ 866,723
Unrealized loss on securities available for sale	949,061	182,258
State tax	123,052	103,259
Deferred compensation and benefits	145,390	145,040
Nonaccrual interest	13,105	5,931
Off balance sheet reserve	19,600	17,561
PPP loan fees	2,960	296,501
Other	97,076	-
	$ 2,259,273	$ 1,617,273
Deferred tax liabilities		
Depreciation and amortization	(143,861)	(166,763)
Deferred loan costs	(98,623)	(98,935)
Other	(172,837)	(24,904)
	(415,321)	(290,602)
Net deferred tax asset	$ 1,843,952	$ 1,326,671

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, 2022 and 2021. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

Tax years ended on or after December 31, 2019 are open to audit and remain subject to examination by the Internal Revenue Service. Tax years ended on or after December 31, 2018 are open and remain subject to examination by the California Franchise Tax Board.

Note 11 | Other Operating Expenses

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

	2022	2021
Data processing fees	$ 811,078	$ 727,793
Deposit products and services	186,035	141,133
Professional fees	209,895	138,895
Regulatory assessments	199,645	149,569
Advertising and marketing	152,685	126,458
Directors' fees and expenses	133,830	129,600
Other expenses	709,840	857,349
Total non-interest expenses	$ 2,403,008	$ 2,270,797

Note 12 | Employee Benefit Plan

The Company has a 401(k) savings and retirement plan (the Plan) that includes substantially all employees. Employees may contribute up to 100 percent of their compensation subject to certain limits based on Federal tax law. The Company has implemented the Plan based on safe harbor provisions. Under the Plan, the Company will match 100 percent of an employee's contribution up to the first 3 percent of compensation, and 50 percent of an employee's contribution up to the next 2 percent of compensation. Matching contributions will immediately be 100 percent vested. For the years ended December 31, 2022 and 2021, the Company matching contributions attributable to the Plan amounted to $125,278 and $117,258, respectively.

Note 13 | Commitments and Contingencies

EMPLOYMENT AGREEMENT

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

SALARY CONTINUATION AGREEMENTS

The Company has entered into salary continuation agreements, which provide for payments to certain officers at the age of retirement. At December 31, 2022 and 2021, $439,050 and $393,282, respectively, of deferred compensation related to these agreements were included in other liabilities.

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

Note 14 | Off Balance Sheet Activities

CREDIT-RELATED FINANCIAL INSTRUMENTS

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

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

At December 31, 2022 and 2021, the following financial instruments were outstanding:

	2022	2021
Undisbursed loans	$ 26,519,167	$ 23,910,984

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 $8,169,307 and $8,117,358 of commitments at fixed rates for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

Note 15 | Related Party Transactions

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

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

	2022	2021
Balance, January 1	$ 98,525	$ 611,827
Advances	142,157	98,525
Repayments, net of borrowings	(240,682)	(611,827)
Reclassified Loans, Reg O status change	-	-
Balance as of December 31	$ -	$ 98,525

Deposits from related parties held by the Company at December 31, 2022 and 2021, amounted to $13,370,878 and 16,498,451, respectively.

Note 16 | Dividends

During 2021, the Board of Directors declared, and the Company issued a 20% stock dividend to shareholders of record on June 17, 2021. As a matter of accommodation, cash dividends were issued to holders of fractional shares. The stock dividend consisted of 445,991 shares of stock issued on July 6, 2021, at which time the trading price was $14.20 per share. The 20% stock dividend was treated as a split for reporting purposes. There were no stock dividends declared during 2022.

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

Note 17 | Regulatory Matters

Banks and bank holding companies are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's 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, 2022 and 2021, are also presented in the table. Management believes, as of December 31, 2022 and 2021, that the Bank met all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. There are no conditions or events since that notification that management believes have changed the Bank's category. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2022 and 2021, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be well capitalized, the Bank must maintain minimum community bank leverage ratio as set forth in the table on the following page.

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

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

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2022, the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

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

	Actual		Minimum To Be Well Capitalized Under Prompt Corrective Action CBLR Framework	
	Amount	Ratio	Amount	Ratio
		(Dollars in Thousands)		
As of December 31, 2022				
Tier 1 Capital to Average Assets				
Consolidated	$ 37,865	9.27%	$ 36,758	9.00%
Bank	41,356	10.14%	36,712	9.00%

	Actual		Minimum To Be Well Capitalized Under Prompt Corrective Action CBLR Framework	
	Amount	Ratio	Amount	Ratio
		(Dollars in Thousands)		
As of December 31, 2021				
Tier 1 Capital to Average Assets				
Consolidated	$ 33,152	8.84%	$ 31,864	8.50%
Bank	36,586	9.77%	31,824	8.50%

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

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

Note 18 | Fair Value Measurements

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

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

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

The table below presents the balance of investment securities available for sale at December 31, 2022 and 2021, the fair value of which is measured on a recurring basis:

	Fair Value Measurements Using			
December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Securities Available-for-Sale				
Municipal bonds	$ -	$ 6,347,231	$ -	$ 6,347,231
Federal Agency	-	-	-	-
Mortgage-backed securities	-	-	-	-
Total	$ -	$ 6,347,231	$ -	$ 6,347,231
December 31, 2021				
Securities Available-for-Sale				
Municipal bonds	$ -	$ 7,997,264	$ -	$ 7,997,264
Federal Agency	-	6,893,112	-	6,893,112
Mortgage-backed securities	-	25,380,162	-	25,380,162
Total	$ -	$ 40,270,538	$ -	$ 40,270,538

Note 19 | Fair Value of Financial Instruments

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

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

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

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

The estimated fair values and related carrying amounts of the Company's financial instruments at December 31, 2021, are as follows:

		Fair Value Measurements at December 31, 2021			
	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	$ 135,593,445	$ 135,593,445	$ -	$ -	$ 135,593,445
Investment securities available-for-sale	40,270,538	-	40,270,538	-	40,270,538
Investment securities held-to-maturity	12,435,291	-	12,834,547	-	12,834,547
Loans, net	170,876,382	-	-	175,039,000	175,039,000
Stock investments	2,045,200	-	2,045,200	-	2,045,200
Accrued interest receivable	877,104	-	877,104	-	877,104
Bank owned life insurance	7,871,339	-	7,871,339	-	7,871,339
Trups common securities	93,000	-	93,000	-	93,000
Financial Liabilities					
Deposits					
Noninterest-bearing demand deposits	$ 195,274,304	$ 195,274,304	$ -	$ -	$ 195,274,304
Interest-bearing deposits	123,604,881	-	119,838,000	-	119,838,000
FHLB advances	15,000,000	-	15,000,000	-	15,000,000
Subordinated debt	10,000,000	-	10,000,000	-	10,000,000
Subordinated notes payable	3,093,000	-	3,093,000	-	3,093,000
Accrued interest payable	130,327	-	130,327	-	130,327

MARKET MAKERS

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CHINO COMMERCIAL BANCORP

Chino Commercial Bank N.A.

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BUSINESS APP

PERSONAL APP