Financial Statements
December 31, 2023 and 2022

California International Bank, N.A.

Independent Auditor's Report

The Board of Directors
California International Bank, N.A.
Westminster, California

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of California International Bank, N.A., which comprise the statements of financial condition as of December 31, 2023 and 2022, and the related statements of operations, comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of California International Bank, N.A. as of December 31, 2023 and 2022, and the results of its operations and its 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 Financial Statements section of our report. We are required to be independent of California International Bank, N.A., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle
As discussed in Note 2 to the consolidated financial statements, the Bank adopted the provisions of FASB Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as of January 1, 2023 using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this matter.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the 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 California International Bank, N.A.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California International Bank, N.A.'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.

Laguna Hills, California
February __, 2024

	2023	2022
Assets		
Cash and due from banks	$ 667,504	$ 1,577,773
Federla funds sold	1,070,000	390,000
Interest bearing deposits at other financial institutions	9,853,702	8,115,312
Total cash and cash equivalents	11,591,205	10,083,085
Time deposits at other financial institutions	2,739,000	3,735,000
Debt securities available for sale, at fair value (amortized cost of $146,228, net of allowance for credit losses of $0, and $191,540)	137,472	180,801
Loans receivable, net of allowance for credit losses of $2,387,145 and $2,402,345	39,800,752	39,427,457
Restricted stock, at cost	565,050	562,550
Premises and equipment	42,099	39,663
Right-of-use asset	289,853	150,448
Accrued interest and other assets	876,858	1,077,760
Total assets	$ 56,042,290	$ 55,256,764
Liabilities and Shareholders' Equity		
Demand deposits	$ 16,484,147	$ 9,856,297
Interest-bearing demand accounts	446,772	410,730
Money market accounts	2,114,461	4,321,794
Savings accounts	59,060	115,664
Time deposits	24,705,302	28,524,541
Total deposits	43,809,741	43,229,026
Accrued interest and other liabilities	853,936	768,886
Total liabilities	44,663,677	43,997,912
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock - 10,000,000 shares authorized, none outstanding	-	-
Common stock - 200,000,000 shares authorized, no par value; 170,453,486 and 170,446,818 shares issued and outstanding in 2023 and 2022	38,830,861	38,829,861
Additional paid-in capital	742,021	742,021
Accumulated deficit	(28,185,513)	(28,302,291)
Accumulated other comprehensive income (loss) - net unrealized gain (loss) on securities available for sale	(8,756)	(10,739)
Total shareholders' equity	11,378,613	11,258,852
Total liabilities and shareholders' equity	$ 56,042,290	$ 55,256,764

See Notes to Financial Statements

	2023	2022
Interest Income		
Interest and fees on loans	$ 3,754,679	$ 2,769,187
Interest on debt securities	4,001	3,569
Interest on federal funds sold and other	1,005,637	449,636
Total interest income	4,764,316	3,222,392
Interest Expense		
Interest on deposits	835,207	394,504
Interest on borrowings	49	16
Total interest expense	835,257	394,520
Net Interest Income	3,929,060	2,827,872
Provision for (Reversal of) Credit Losses	(29,684)	-
Net Interest Income After Provision for Credit Losses	3,958,744	2,865,872
Noninterest Income		
Service charges on deposit accounts	40,024	48,021
Gain on the sale of loans	-	392,907
Other income	46,816	84,686
Total noninterest income	86,840	525,614
Noninterest Expense		
Salaries and employee benefits	2,167,804	1,879,007
Occupancy and equipment expenses	261,636	225,786
Other expenses	1,498,565	1,455,266
Total noninterest expense	3,928,005	3,598,059
Loss Before Income Taxes	117,579	(206,573)
Provision for Income Taxes	800	800
Net Income (Loss)	$ 116,779	$ (207,373)
Net Earnings (Loss) per Share - Basic and Diluted	$ 0.001	$ (0.001)

	2023	2022
Net Income (loss)	$ 116,779	$ (207,373)
Other Comprehensive Income (Loss)		
Unrealized (loss) gain on securities available-for-sale	1,983	(12,673)
Income tax expense relating to available-for-sale securities	-	-
Total other comprehensive income (loss)	1,983	(12,673)
Total comprehensive income (loss)	$ 118,762	$ (220,046)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2022	170,437,727	$ 38,828,861	$ 742,021	$ (28,094,918)	$ 1,934	$ 11,477,898
Net loss	-	-	-	(207,373)	-	(207,373)
Issuance of stock	9,091	1,000	-	-	-	1,000
Other comprehensive loss	-	-	-	-	(12,673)	(12,673)
Balance at December 31, 2022	170,446,818	38,829,861	742,021	(28,302,291)	(10,739)	11,258,852
Net loss	-	-	-	116,779	-	116,779
Issuance of stock	6,668	1,000	-	-	-	1,000
Other comprehensive income	-	-	-	-	1,983	1,983
Balance at December 31, 2023	170,453,486	$ 38,830,861	$ 742,021	$ (28,185,512)	$ (8,756)	$ 11,378,614

	2023	2022
Operating Activities		
Net loss	$ 116,779	$ (207,373)
Adjustments to reconcile net loss to net cash from operating activities		
Negative provision for credit losses	(29,684)	(38,000)
Net premium amortization on debt securities	885	1,690
Depreciation and amortization	16,556	9,041
Gain on sale of loans	-	(392,907)
Other operating activities (net)	146,547	164,476
Net cash used in operating activities	251,083	(463,073)
Investing Activities		
(Increase) decrease in time deposits in other financial institutions	996,000	(2,241,000)
Activity in available-for-sale investment securities:		
Principal reductions and maturities	44,427	72,263
Net change in loans	(343,611)	9,589,476
(Increase) decrease in restricted stock	(2,500)	(27,500)
Purchases of premises and equipment	(18,992)	(44,481)
Net cash provided by (used in) investing activities	675,325	7,348,758
Financing Activities		
Net (decrease) increase in demand deposits and savings accounts	4,399,954	(11,993,141)
Net (decrease) increase in time deposits	(3,819,239)	(22,557,470)
Proceeds from issuance of common stock	1,000	1,000
Repayment of FHLB term borrowings	-	-
Net cash (used in) provided by financing activities	581,715	(34,549,611)
(Decrease) Increase in Cash and Equivalents	1,508,122	(27,663,926)
Cash and Equivalents at Beginning of Year	10,083,085	37,747,011
Cash and Equivalents at End of Year	$ 11,591,207	$ 10,083,085
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ 842,918	$ 390,201
Taxes paid	$ 800	$ 800

Note 1 - Bank Description

California International Bank, N. A. (the Bank) was incorporated as a National Banking Association on March 18, 2005 and provides a variety of commercial banking services to individuals and small businesses located in Southern California. Its primary lending products are real estate and commercial loans. Its primary deposit products are non-interest bearing deposits, money market accounts, and time certificates of deposit. The Bank's stock is listed and traded in the over-the-counter markets and is therefore considered a public business entity for financial reporting purposes.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

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 balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term is the determination of the allowance for credit losses.

Subsequent Events

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, amounts due from banks, commercial paper, federal funds sold and interest-bearing balances in other financial institutions with an original maturity of 90 days or less. Generally, federal funds are sold for one-day periods.

Time Deposits at Other Financial Institution

Time deposits at other financial institutions are carried at cost and have maturities at origination ranging from six months to two years. The Bank does not invest more than $250,000 in any one institution in order to maintain Federal Deposit Insurance Corporation (FDIC) insurance.

Debt Securities

The Bank 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 (loss). Securities, which the Bank 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 cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Allowance for Credit Losses – Available-for-Sale Securities

For available-for-sale debt securities, the Bank evaluates, on an individual basis, whether a decline in fair value below the amortized cost basis has resulted from a credit loss or other factors. The portion of the decline attributable to credit losses is recognized through an ACL, and changes in the ACL on available-for-sale debt securities are recorded as a provision for credit losses in the statements of operations. The portion of decline in fair value below the amortized cost basis not attributable to credit is recognized through other comprehensive income (loss), net of applicable taxes.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

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

Allowance for Credit Losses ("ACL")

The ACL for loans is a valuation account that is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the recorded loan balance is confirmed as uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant information for each loan segment, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The ACL for loans is measured on a pooled basis when similar risk characteristics exist. The Bank uses publicly available data from Schedule RI-C of the Call Report to derive initial proxy expected lifetime loss rates. This data is obtained using the Scaled CECL Allowance for Losses Estimator ("SCALE") developed by the Federal Reserve Bank to assist smaller community institutions in calculating CECL. Management adjusts the proxy expected lifetime loss rates to reflect Bank-specific facts and circumstances to arrive at the final ACL estimate. Adjustments by management at December 31, 2023 included those made to the SBA loan and variable rate commercial real estate loan pools to reflect the higher risk of credit loss associated with these loan types in the current economic environment.

A loan is considered to be collateral dependent when repayment is expected to be provided substantially through the operation or sale of the collateral. The ACL on collateral dependent loans is measured using the amortized cost basis of the financial asset less the fair value of the underlying collateral, adjusted for costs to sell, when applicable. If the value of the underlying collateral is determined to be less than the recorded amount of the loan, a specific reserve for that loan is recorded. If the Bank determines that the loss represented by the specific reserve is uncollectible it records a charge-off for the uncollectible portion.

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

Allowance for Credit Losses – Off-Balance Sheet Credit Exposures

The Bank also maintains a separate allowance for off-balance sheet credit exposures. Beginning January 1, 2023, management estimates anticipated losses using expected loss factors consistent with those used for the ACL methodology for loans described above, and utilization assumptions based on historical experience. Provision for credit losses for off-balance sheet credit exposures is included in provision for credit losses in the statements of operations and added to the allowance for off-balance sheet credit exposures, which is included in accrued interest payable and other liabilities in the statement of financial condition.

Loan Modifications

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

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

Premises and Equipment

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

Leases

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

Restricted Stock

The Bank is a member of the FHLB and the FRB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB and FRB stock are carried at cost, classified as restricted securities, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

Real Estate Owned

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

Advertising Costs

The Bank expenses the costs of advertising in the period incurred.

Transfers of Financial Assets and Servicing 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 Bank – 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 Bank 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.

Servicing assets are recognized as separate assets when rights are acquired through sale of financial assets when a portion of the cost of originating the loan is allocated to the servicing right based on its fair value. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is recognized through valuation allowance for individual tranches, to the extent that fair value is less than the capitalized amount for the tranches. If the Bank later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income. Capitalized servicing rights are included in other assets in the statement of financial condition and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned.

Income Taxes

Deferred tax assets and liabilities are computed using the asset and liability method, which recognizes a liability or asset representing the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the financial statements. A valuation allowance is established to reduce the deferred tax asset to the level at which is it "more likely than not" that the tax asset or benefits will be realized. Realization of tax benefits of deductible temporary differences and operating loss carryforwards depends on having sufficient taxable income of an appropriate character within the carryforward periods. The Bank has adopted guidance issued by the Financial Accounting Standards Board ("FASB") that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

Comprehensive Income (Loss)

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

Financial Instruments

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

Earnings (Loss) Per Share ("EPS")

Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Weighted-average shares outstanding used in the computation of basic earnings per share were 170,452,930 and 170,440,965 for 2023 and 2022, respectively.

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 also 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 Bank's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

See Note 16 for more information and disclosures relating to the Bank's fair value measurements.

Adoption of Accounting Standards Codification Topic 326

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

The Bank adopted ASU 2016-13 using the modified retrospective transition approach which resulted in no change to the amounts previously recorded under the incurred loss methodology. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with the incurred loss methodology. As permitted under ASC 326, the Bank elected to maintain the same loan segments that it previously identified prior to adoption of CECL.

At adoption of CECL and continuing through December 31, 2023, the Bank did not record an ACL on available-for-sale debt securities debt securities as these investment portfolios primarily consisted of debt securities implicitly backed by the U.S. government and historically have had no credit loss experience. Refer to Note 4, Debt Securities Available for Sale, for more information.

Concurrent with the adoption of ASU 2016-13, the Bank adopted ASU 2022-02, Financial Instruments—Credit Losses (Topic 326) *Troubled Debt Restructurings ("TDR") and Vintage Disclosures*, which eliminated TDR accounting prospectively for all loan modifications occurring on or after January 1, 2023 and added additional disclosure requirements for current period gross charge-offs by year of origination in the credit quality disclosure for loans. It also prescribes guidance for reporting modifications for certain loan refinancings and restructurings made to borrowers experiencing financial difficulty.

Note 3 - Restrictions on Cash and Amounts Due from Banks

Banking regulations can require banks to maintain average cash balances on hand or reserves with the Federal Reserve Bank. There was no reserve requirement as of December 31, 2023. The Bank maintains amounts due from banks, which exceed federally insured limits. The Bank has not experienced any losses in such accounts.

Note 4 - Debt Securities Available for Sale

The following table summarizes the amortized cost and fair value of the available-for-sale debt securities portfolio at December 31, 2023 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	$ 146,228	$ -	$ (8,756)	$ 137,472

The following table summarizes the amortized cost and fair value of the available-for-sale debt securities portfolio at December 31, 2022, and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	$ 191,540	$ -	$ (10,739)	$ 180,801

The Bank has pledged all its debt securities as of December 31, 2023 to secure FHLB borrowing lines discussed in Note 10.

Allowance for Credit Losses – Available-for-Sale and Held-to-Maturity Securities

At December 31, 2023, the Bank had $146,228 debt securities with an unrealized loss of $8,756, which have depreciated approximately 6 percent from the amortized cost basis and have been in a continuous loss position. For available-for-sale debt securities with unrealized losses, management considered the financial condition of the issuer and the Bank's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. Available-for-sale debt securities consisted of U.S. government and agency and government sponsored enterprise securities, which are implicitly guaranteed by the U.S. government and historically have had no credit loss experience.

Management determined that the unrealized losses at December 31, 2023 and each investment were primarily attributable to factors other than credit related, including changes in interest rates driven by the Federal Reserve's policy to fight against inflation. As such, the Bank applied a zero-credit loss assumption for these securities and no provision for credit losses was recorded for available-for-sale debt securities during the year ended December 31, 2023.

At December 31, 2022, the Bank had 6 debt securities with an unrealized loss of $10,739, which have depreciated approximately 5.6 percent from the amortized cost basis and have been in a continuous loss position for shorter than 12 months. These securities are guaranteed implicitly by the U.S. Government and therefore no credit loss is expected. As the Bank does not intend to sell these securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, no declines are deemed to be other-than-temporary.

Note 5 - Loans and Allowance for Loan Losses

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

	2023	2022
Real estate loans	$ 29,444,166	$ 28,288,158
Commercial loans	12,662,085	13,567,857
	42,106,251	41,856,014
Deferred loan costs (fees) and premiums (discounts), net	81,646	(26,213)
Allowance for credit losses	(2,387,145)	(2,402,345)
Loans receivable, net	$ 39,800,752	$ 39,427,456

The Bank's loan portfolio consists primarily of loans within Los Angeles and Orange Counties in California. Although the Bank seeks to avoid concentrations of loans to a single industry based upon a single class of collateral, real estate and real estate associated businesses are among the principal industries in the Bank's market area and, as a result, the Bank's loan and collateral portfolios are, to some degree, concentrated in those industries.

The Bank began originating Small Business Administration (SBA) 7A loans in 2018 and Paycheck Protection Program (PPP) loans in 2020. Below is a summary of SBA loans included in the composition of loans as of December 31, 2023 and 2022.

	2023	2022
SBA 7A loans		
Included in real estate loans	$ 14,046,454	$ 10,654,199
Included in commercial loans	10,081,904	12,206,719
	$ 24,128,357	$ 22,860,918
Unguaranteed portion of sold loans	$ 1,761,466	$ 2,034,994
Unsold SBA loans	22,366,891	20,825,923
	$ 24,128,357	$ 22,860,917

The Bank has pledged approximately $7.05 million in loans for borrowing purposes as discussed in Note 10.

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

	2023	2022
Balance at beginning of year	$ 2,402,345	$ 2,454,765
Provision for (reversal of) credit losses	(15,200)	(38,000)
Recoveries on loans charged off	-	-
	2,387,145	2,416,765
Less loans charged off	-	(14,420)
Balance at end of year	$ 2,387,145	$ 2,402,345

The following table presents the activity in the allowance for credit losses for the year end December 31, 2023 by portfolio segment:

	Real Estate	Commercial	Total
ACL - Loans			
Beginning of year	$ 2,043,084	$ 359,261	$ 2,402,345
Provisions	(508,487)	493,287	(15,200)
Charge-offs	-	-	-
Recoveries	-	-	-
End of year	$ 1,534,597	$ 852,548	$ 2,387,145

The following table presents the activity in the allowance for loan losses for the year 2022 and the recorded investment in loans and impairment method as of December 31, 2022 by portfolio segment:

Allowance for Loan Losses			
Beginning of year	$ 1,865,295	$ 589,470	$ 2,454,765
Provisions	177,789	(215,789)	(38,000)
Charge-offs	-	(14,420)	(14,420)
Recoveries	-	-	-
End of year	$ 2,043,084	$ 359,261	$ 2,402,345
Reserves			
Specific	$ -	$ -	$ -
General	2,043,084	359,261	2,402,345
	$ 2,043,084	$ 359,261	$ 2,402,345
Loans Evaluated for Impairment			
Individually	$ -	$ -	$ -
Collectively	29,735,266	11,965,792	41,701,058
	$ 29,735,266	$ 11,965,792	$ 41,701,058

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

The Bank uses the following definitions for risk ratings:

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

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

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

Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The Bank did not have any doubtful loans as of December 31, 2023 and 2022.

The risk category of loans by class of loans and origination year was as follows as of December 31, 2023:

	Term Loans Amortized Cost by Origination Year				Revolving Loans Amortized Cost Basis	
	2023	2022	2021	Prior Years		Total
Real Estate						
Pass	$ 4,707,943	$ 11,309,460	$ 6,591,579	$ 3,535,340	$ -	$ 26,144,322
Special Mention	-	-	80,459	-	-	80,459
Substandard	-	677,727	-	2,541,658	-	3,219,385
Total	4,707,943	11,987,186	6,672,038	6,076,998	-	29,444,166
Commercial						
Pass	1,893,169	1,040,000	4,072,596	5,234,303	-	12,240,068
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	422,018	-	422,018
Total	$ 1,893,169	$ 1,040,000	$ 4,072,596	$ 5,656,321	$ -	$ 12,662,085
Gross loans	$ 6,601,112	$ 13,027,186	$ 10,744,634	$ 11,733,319	$ -	$ 42,106,251
Current year gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -

The Bank recorded no charge-offs during the three-year period ended December 31, 2023.

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

	Pass	Special Mention	Substandard	Impaired	Total
Real Estate	$ 24,817,180	$ -	$ 3,470,977	$ -	$ 28,288,158
Commercial	12,978,787	143,917	445,154	-	13,567,857
	$ 37,795,967	$ 143,917	$ 3,916,131	$ -	$ 41,856,014

The Bank had no past due or nonaccrual loans as of or for the years ended December 31, 2023 and 2022.

Note 6 - Restricted Stock, at Cost

The carrying value of restricted stock held by the Bank as of December 31 is as follows:

	2023	2022
Federal Reserve Bank Stock	$ 340,750	$ 338,250
Federal Home Loan Bank Stock	224,300	224,300
	$ 565,050	$ 562,550

Note 7 - Premises and Equipment

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

	2023	2022
Furniture, fixtures, and equipment	$ 667,312	$ 790,051
Software	26,250	12,250
Leasehold improvements	535,266	644,788
	1,228,828	1,447,089
Less accumulated depreciation and amortization	(1,186,729)	(1,407,426)
	$ 42,099	$ 39,663

Depreciation and amortization expense for years ended December 31, 2023 and 2022, amounted to approximately $17,000 and $9,000, respectively.

Note 8 - Leases

The Bank has an operating lease relating to its one location, in Westminster California. The landlord in this lease is an affiliate of the majority shareholder of the Bank.

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 current lease reflects an agreement that was originally dated in December 2014 and has been continually extended for either one or two-year periods since the original expiration date of December 31, 2016. The current two-year extension runs through December 31, 2023.

Statement of financial condition amounts and supplemental information as of December 31, 2023 and 2022 are shown below.

	2023	2022
Operating lease right-of-use assets	$ 289,853	$ 150,448
Operating lease liabilities, included in other liabilities	$ 289,853	$ 150,448
Weighted average discount rate	5.50%	5.00%
Weighted average remaining lease term, in years	2.00	1.00

The Bank 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 following table represents lease costs and other lease information for the years ended December 31, 2023 and 2022:

	2023	2022
Operating lease cost	$ 138,957	$ 131,076
Common area maintenance (CAM)	61,822	40,116
Total lease and CAM costs	$ 200,778	$ 171,192
Other Information		
Cash paid for amounts included in the measurement of lease liabilities	$ 138,957	$ 131,076
Increase in ROU asset and lease liability due to extension	$ 289,853	$ -

Maturities of lease liabilities for periods indicated:

Year Ending December 31,	Amount
2024	$ 150,480
2025	154,994
Less imputed interest	(15,621)
Present value of net future minimum lease payment:	$ 289,853

Note 9 - Time Deposits

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

	Less than $250,000	$250,000 or More	Total
Due in one year or less	$ 13,555,233	$ 9,326,717	$ 22,881,950
Due in one to three years	1,538,712	-	1,538,712
Over three years	284,639		284,639
	$ 15,378,585	$ 9,326,717	$ 24,705,302

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

	Less than $250,000	$250,000 or More	Total
Due in one year or less	$ 11,893,440	$ 8,945,230	$ 20,838,670
Due in one to three years	5,428,267	2,257,604	7,685,871
	$ 17,321,707	$ 11,202,834	$ 28,524,541

Note 10 - Borrowing Arrangements

At December 31, 2023, the Bank may borrow up to the following:

	Borrowing Availability	Loans Pledged	Securities Pledged
Federal Home Loan Bank of San Francisco	$ 4,870,000	$ 7,500,000	$ 141,000
Federal Reserve Bank	363,000	453,000	-
	$ 5,233,000	$ 7,953,000	$ 141,000

At December 31, 2022, the Bank may borrow up to the following:

	Borrowing Availability	Loans Pledged	Securities Pledged
Federal Home Loan Bank of San Francisco	$ 4,000,000	$ 6,100,000	$ 181,000
Federal Reserve Bank	364,000	461,000	-
	$ 4,364,000	$ 6,561,000	$ 181,000

The Bank may also borrow up to $1,000,000 overnight on an unsecured basis from one of its correspondent banks as of December 31, 2023 and 2022.

There were no advances against these borrowing arrangements as of December 31, 2023 and 2022.

Note 11 - Income Taxes

The income tax expense from continuing operations for the years ended December 31 is comprised of the following:

	2023	2022
Current Taxes		
Federal	$ -	$ -
State	800	800
	800	800
Deferred	-	(60,000)
Change in valuation allowance	-	60,000
	$ 800	$ 800

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

The following is a summary of the components of the net deferred tax assets recognized in the accompanying statements of financial condition at December 31:

	2023	2022
Deferred Tax Assets		
Allowance for loan losses due to tax limitations	$ -	$ 219,000
Operating loss carryforwards	-	5,114,000
Depreciation differences	-	113,000
Other	-	89,000
	-	5,535,000
Valuation Allowance	-	(5,506,000)
Deferred Tax Liabilities		
Deferred loan costs	-	(11,000)
Other	-	(18,000)
	-	(29,000)
Net deferred tax assets	$ -	$ -

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition. The valuation allowance was established because the Bank has not reported earnings sufficient enough to support the recognition of the deferred tax assets. Utilization of the net operating losses are subject to limitations prescribed in IRS Code Section 382 as a result of ownership changes that occurred in 2010 and 2015. As of December 31, 2023, the Bank had federal net operating loss carry forwards available to reduce future taxable income of approximately $____ million, after consideration of the 382 limitations. The Federal net operating loss carry forwards begin to expire in 2025. The Bank had net operating loss carry forwards of approximately $____ million for California franchise tax purposes, after consideration of the 382 limitations. The state net operating loss carry forwards begin to expire in 2028.

The Bank is subject to federal income tax and franchise tax of the state of California. Federal income tax returns for the years ended December 31, 2022, 2021, and 2020, are open to audit by the Federal authorities and California State tax returns for the years ended December 31, 2022, 2021, 2020 and 2019, are open to audit by State authorities.

Note 12 - Related Party Transactions

In the ordinary course of business, certain officers, directors, shareholders, and employees of the Bank have deposits with the Bank. The balance of these deposits at December 31, 2023 and 2022, was approximately $9,670,000 and $1,159,000, respectively. The related party deposits at December 31, 2023 and 2022 are comprised substantially of demand deposits from a company affiliated with the Bank's majority shareholder and represent approximately 21.7% and 1.8% of total deposits, respectively.

The Bank's Westminster location is leased from a company affiliated with the majority shareholder with the current lease agreement expiring December 31, 2025. Contractual payments totaled $126,000 in 2021, $131,000 in 2022, $135,000 and scheduled to be $150,000 in 2024.

The Bank paid $7,554 and $14,920 in referral fees on SBA loans originated in 2023 and 2022, respectively, to a director of the Bank whose normal business activity is assisting borrowers in obtaining SBA financing. The Bank paid $36,000 to a director for consulting services in both 2023 and 2022, pursuant to an agreement that is currently scheduled to expire on December 31, 2024.

Note 13 - Other Expenses

The following is a summary of other expenses for the years ended December 31, 2023 and 2022:

	2023	2022
Insurance and regulatory assessments	$ 243,086	$ 291,258
Professional fees	287,185	257,516
Data processing	545,966	515,542
Office expenses	18,443	27,729
Marketing and business promotion	22,133	18,184
Other expenses	381,752	383,037
Total other expenses	$ 1,498,565	$ 1,493,266

Note 14 - Off-Balance Sheet Activities

Credit-Related Financial Instruments

The Bank 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, unadvanced 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.

Unadvanced 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 Bank is committed.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank uses the same credit policies in making commitments as it does for on-ba1ance sheet instruments. At December 31, 2023 and 2022, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2023	2022
Commitments to extend loans	$ 2,294,000	$ 2,433,000

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. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank 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.

The allowance for losses on commitments to extend credit is primarily related to commercial lines of credit and commercial real estate lending. The inherent risk associated with the loan is evaluated at the same time the credit is extended. However, the allowance held for commitments is reported in the other liabilities within the accompanying statements of financial condition and not as part of the allowance for loan losses. The allowance for losses on commitments to extend credit was $57,450 and $71,934 at December 31, 2023 and 2022, respectively.

Note 15 - Employee Benefit Plan

The Bank adopted a 401(k) plan for its employees in January 2006. Under the plan, eligible employees may defer a portion of their salaries. The plan also provides for discretionary Bank profit sharing contributions. The Bank made contributions of approximately $68,000 and $53,000 to the plan in both 2023 and 2022, respectively.

Note 16 - Fair Value Measurement

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

Debt Securities: The fair values of debt securities available for sale are determined by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on securities' relationship to other benchmark quoted securities resulting in a level 2 classification.

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value at December 31, 2023:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets Measured at Fair Value on a Recurring Basis				
Mortgage-backed securities	$ -	$ 137,472	$ -	$ 137,472

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value at December 31, 2022:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets Measured at Fair Value on a Recurring Basis				
Mortgage-backed securities	$ -	$ 180,801	$ -	$ 180,801

Note 17 - Shareholders' Equity

Regulatory and Enforcement Proceedings

On February 23, 2021, the Bank and representatives of the Office of the Comptroller of Currency ("OCC") executed a Formal Agreement (the "Formal Agreement"). This Formal Agreement replaces an earlier agreement, dated May 13, 2010.

The scope of the revised Formal Agreement is significantly reduced from the prior agreement and includes the following key provisions:

- Annual submission to the OCC, beginning by June 1, 2021, of a written Capital and Strategic Plan for the next three years;
- Regulatory approval for all dividends or other reductions in capital;
- Quarterly written progress reports on efforts to comply with the Written Agreement.

The OCC has provided no supervisory objection letters on the annual Capital and Strategic Plans submitted under the Formal Agreement. Additionally, for purposes of the Prompt Correction Action capital framework, the Bank is no longer considered less than Well-Capitalized and as a result the brokered deposit and rate cap restrictions that existed prior to the February 23, 2021 Formal Agreement are no longer applicable.

On June 20, 2023 the OCC issued a separate Formal Agreement to address deficiencies relating to the Bank’s compliance with Bank Secrecy Act and anti-money laundering laws and regulations and includes various provisions to correct the deficiencies noted.

The Formal Agreements will remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the OCC. The Bank will continue its efforts to comply with the provisions of the Formal Agreements, and believes it is taking appropriate steps to comply.

Additionally, the OCC has deemed the Bank to be engaged in statutorily "unsafe and unsound practices" within the meaning of 12 USC 1818(b) which provides the basis for the issuance of a Cease and Desist Order or other enforcement action separate from the Formal Agreement. This statutory designation also provides the OCC with the ability to impose more stringent PCA requirements on the Bank by requiring that it comply with one or more provisions of the PCA category that is one-step below the Bank's current category of "adequately-capitalized", which would be the "undercapitalized" category. If "undercapitalized", capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. To date, the OCC has yet to take any action relative to these now available additional enforcement actions.

Minimum Regulatory Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Management believes, as of December 31, 2023 and 2022, that the Bank meets all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and capital restoration plans are required. As of December 31, 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank’s category.

The following table sets forth the Bank's actual capital amounts and ratios as of December 31, 2023 (dollar amounts in thousands):

	Actual		To Be Adequately Capitalized		To Be Well-Capitalized Under Prompt Corrective Action Framework	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$11,752	43.4%	$ 2,168	8.00%	$ 2,709	10.00%
Tier 1 capital (to risk-weighted assets)	$11,388	42.0%	$ 1,626	6.00%	$ 2,168	8.00%
CET1 capital (to risk-weighted assets)	$11,388	42.0%	$ 1,219	4.50%	$ 1,761	6.50%
Tier 1 capital (to average assets)	$11,388	19.6%	$ 2,324	4.00%	$ 2,905	5.00%

The following table sets forth the Bank's actual capital amounts and ratios as of December 31, 2022 (dollar amounts in thousands):

	Actual		To Be Adequately Capitalized		To Be Well-Capitalized Under Prompt Corrective Action Framework	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$11,582	47.8%	$ 1,939	8.00%	$ 2,424	10.00%
Tier 1 capital (to risk-weighted assets)	$11,253	46.4%	$ 1,454	6.00%	$ 1,939	8.00%
CET1 capital (to risk-weighted assets)	$11,259	46.4%	$ 1,091	4.50%	$ 1,576	6.50%
Tier 1 capital (to average assets)	$11,253	19.8%	$ 2,274	4.00%	$ 2,843	5.00%

Note 18 - Legal Matters

The Bank was mentioned in a Federal Grand Jury Indictment (the "Indictment") filed on December 1, 2015 in the Central District of California. The Indictment lists more than a dozen individuals, one of whom identified, as a central figure was a past President of the Bank. The Indictment refers to former customers and shareholders of the Bank and to transactions with a number of financial institutions, including the Bank. Currently, the judicial process is ongoing and the investigation of the alleged conspiracy is proceeding without a specified, known, or definitive conclusion to the allegations of the Indictment and to the effect, if any, upon operations of the Bank.

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 the amount or range of loss can be reasonable estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Note 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 fair value hierarchy level and estimated fair value of significant financial instruments at December 31, 2023 and 2022 are summarized as follows (dollars in thousands):

	Fair Value Hierarchy	2023 Carrying Amount	2023 Fair Value	2022 Carrying Amount	2022 Fair Value
Assets					
Cash and cash equivalents	Level 1	$ 11,591	$ 11,591	$ 10,083	$ 10,083
Time deposits in other financial institutions	Level 2	2,739	2,739	3,735	3,735
Debt securities available for sale	Level 2	137	137	181	181
Loans, net	Level 3	39,801	38,798	39,427	38,187
FHLB and FRB stock	Level 2	565	565	563	563
Liabilities					
Noninterest-bearing deposits	Level 1	16,484	16,484	9,856	9,856
Interest-bearing deposits	Level 2	27,326	28,159	33,373	33,536