REFINITIV

DELTA REPORT

10-Q

OPBK - OP BANCORP

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	785
CHANGES	416
DELETIONS	164
ADDITIONS	205

REFINITIV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☐ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023 September 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to _______

Commission File Number: **001-38437**

OP BANCORP
(Exact Name of Registrant as Specified in its Charter)

California	**81-3114676**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1000 Wilshire Blvd., Suite 500, Los Angeles, CA	**90017**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(213) 892-9999**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	**OPBK**	**NASDAQ Global Market**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ NO ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☐ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☐

The number of shares outstanding of the Registrant's Common Stock as of August 2, 2023 November 6, 2023 was 15,129,203. 14,999,203.

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Introduction

This Quarterly Report on Form 10-Q is filed by OP Bancorp, a California corporation and a registered bank holding company ("Company") with respect to its financial condition, results of operations, and business as of June 30, 2023 September 30, 2023. The Company's primary business operations are conducted through its wholly owned subsidiary, Open Bank, a California chartered commercial bank ("Bank"), and unless the context requires otherwise, statements about the Company generally are intended to describe the consolidated operations of the Company and the Bank.

Cautionary Note Regarding Forward-Looking Statements

Certain matters set forth herein (including any exhibits hereto) constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements that are not statements of historical fact are forward-looking, but such statements include comments about the Company's current business plans and expectations regarding future operating results, as well as management's statements about expected future events and economic developments. All such statements reflect the current intentions, beliefs and expectations of the Company's executive management based on currently available information and current and expected market conditions. Forward-looking statements can sometimes be identified by the use of forward-looking language, such as "likely result in," "expects," "anticipates," "estimates," "forecasts," "projects," "intends to," or may include other similar words or phrases, such as "believes," "plans," "trend," "objective," "continues," "remains," or similar expressions, or future or conditional verbs, such as "will," "would," "should," "could," "may," "might," "can," or similar verbs.

These forward-looking statements are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those projected. These risks and uncertainties, some of which are beyond our control, include, but are not limited to:

- our ability to meet our liquidity needs, particularly as those obligations relate to the ability to fund deposit withdrawals and undrawn lines of credit;
- the effect of recent bank failures, particularly with the impacts of such events on customer confidence in the Bank and in the banking system generally, and the further impacts of the current market uncertainties on the value of our common stock; interest rate fluctuations, which could have an adverse effect on our profitability;

- external economic and/or market factors, such as changes in monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve, inflation or deflation, changes in the demand for loans, and fluctuations in consumer spending, borrowing and savings habits, which may have an adverse impact on our financial condition;
- business and economic conditions, particularly those affecting the financial services industry and our primary market areas;
- management's ability to assess and accurately estimate the risk of losses in our credit portfolio and to establish and maintain adequate reserves to offset those risks;
- economic, market and political factors that can impact the performance of affect our loan portfolio, including real estate values and liquidity in our primary market areas, the financial health of our commercial borrowers, and the success of construction projects that we finance;
- our borrowers' ability to effectively execute our strategic plan repay and manage our growth;timely to perform their obligations under their borrowing obligations;
- liquidity issues, geopolitical factors inside and outside the United States, including fluctuations in the fair value war and liquidity regional hostilities, acts of the securities we hold for sale terrorism, civil unrest, riots, and our ability to raise additional capital, if necessary;demonstrations;
- government, quasi-governmental and extra-governmental actions in response to significant economic, political or social events, such as disease outbreaks, domestic or international terrorism, or war or other hostilities, as such government actions restrict our ability to conduct business or that have the effect of reducing our customers' ability to maintain compliance with their borrowing obligations or that affect their need for deposit liquidity or increased borrowing capacity;
- our ability to effectively execute our strategic plan and manage our growth;
- liquidity issues, including fluctuations in the fair value and liquidity of the securities we hold for sale and our ability to raise additional capital, if necessary;
- continued or increasing competition from other financial institutions, credit unions, and non-bank financial services companies, many of which are subject to different regulations than we are;
- challenges arising from unsuccessful attempts to expand into new geographic markets, products, or services;
- liquidity, earnings and other factors that impact the Bank's ability to continue paying dividends to the Company, which would restrict the Company's ability to meet its operating capital needs;
- increased capital requirements imposed by banking regulators, which may require us to raise capital at a time when capital is not available on favorable terms or at all;
- the effectiveness and operation of the internal controls we maintain to address the risks inherent to the business of banking, including but not limited to our ability to detect promptly any physical security breach, employee misfeasance or malfeasance, data security violation, disclosure controls and procedures, or internal control over financial reporting;
- inaccuracies in our assumptions about future events, which could result in material differences between our financial projections and actual financial performance, or which could call into question the adequacy of our reserves for loan and lease losses or various other estimates in our financial statements;
- changes in our management personnel or our inability to retain, motivate and hire qualified management personnel;
- disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems;
- disruptions, security breaches, or other adverse events affecting the third-party vendors who perform several of our critical processing functions;
- an inability to keep pace with the rate of technological advances due to a lack of resources to invest in new technologies;
- risks related to potential acquisitions;
- the effects of natural disasters, such as earthquakes, drought, pandemic diseases (such as the coronavirus) or extreme weather events, any of which may affect services we use or affect our customers, employees or third parties with which we conduct business;
- the impact of any claims or legal actions to which we may be subject, including any effect of such events on our reputation;
- compliance with governmental and regulatory requirements relating to banking, consumer protection, securities and tax matters, and our ability to maintain licenses required in connection with commercial mortgage origination, sale and servicing operations;
- changes in federal tax law or policy; and
- our ability to manage and respond to changes in the foregoing.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this report. Because of these risks and other uncertainties, our actual future results, performance or achievement, or industry results, may be materially different from the results indicated by the forward looking statements in this report. In addition, our past results of operations are not necessarily indicative of our future results. You should read all forward looking statements in the context of the foregoing and should not consider them to be reliable predictions of future events or as assurances of a particular level of performance or intended course of action. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

OP BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

($ in thousands)	($ in thousands)	June 30, 2023 (unaudited)	December 31, 2022	($ in thousands)	September 30, 2023 (unaudited)	December 31, 2022
ASSETS	**ASSETS**			**ASSETS**		
Cash and cash equivalents	Cash and cash equivalents	$ 143,761	$ 82,972	Cash and cash equivalents	$ 105,740	$ 82,972
Available-for-sale debt securities, at fair value	Available-for-sale debt securities, at fair value	202,250	209,809	Available-for-sale debt securities, at fair value	191,313	209,809
Other investments	Other investments	16,183	12,098	Other investments	16,100	12,098
Loans held for sale	Loans held for sale	—	44,335	Loans held for sale	—	44,335
Loans receivable, net of allowance for credit losses of $20,802 in 2023 and $19,241 in 2022		1,695,395	1,659,051			
Loans receivable, net of allowance for credit losses of $21,617 in 2023 and $19,241 in 2022				Loans receivable, net of allowance for credit losses of $21,617 in 2023 and $19,241 in 2022	1,737,908	1,659,051
Premises and equipment, net	Premises and equipment, net	5,093	4,400	Premises and equipment, net	5,378	4,400
Accrued interest receivable	Accrued interest receivable	7,703	7,180	Accrued interest receivable	7,996	7,180
Servicing assets	Servicing assets	12,654	12,759	Servicing assets	11,931	12,759
Company owned life insurance	Company owned life insurance	21,913	21,613	Company owned life insurance	22,071	21,613
Deferred tax assets, net	Deferred tax assets, net	13,360	14,316	Deferred tax assets, net	15,061	14,316
Operating right-of-use assets	Operating right-of-use assets	9,487	9,097	Operating right-of-use assets	8,993	9,097
Other assets	Other assets	23,902	16,867	Other assets	20,184	16,867
Total assets	**Total assets**	$ 2,151,701	$2,094,497	**Total assets**	$ 2,142,675	$2,094,497
LIABILITIES AND SHAREHOLDERS' EQUITY	**LIABILITIES AND SHAREHOLDERS' EQUITY**			**LIABILITIES AND SHAREHOLDERS' EQUITY**		
Liabilities	Liabilities			Liabilities		
Deposits:	Deposits:			Deposits:		
Noninterest bearing		$ 634,745	$ 701,584			
Interest bearing:						
Noninterest-bearing				Noninterest-bearing	$ 605,509	$ 701,584
Interest-bearing:				Interest-bearing:		
Money market and others	Money market and others	344,162	526,321	Money market and others	348,869	526,321
Time deposits greater than $250	Time deposits greater than $250	416,208	356,197	Time deposits greater than $250	420,162	356,197
Other time deposits	Other time deposits	464,524	301,669	Other time deposits	450,631	301,669
Total deposits	Total deposits	1,859,639	1,885,771	Total deposits	1,825,171	1,885,771
Federal Home Loan Bank advances	Federal Home Loan Bank advances	75,000	—	Federal Home Loan Bank advances	95,000	—
Accrued interest payable	Accrued interest payable	9,354	2,771	Accrued interest payable	13,552	2,771
Operating lease liabilities	Operating lease liabilities	10,486	10,213	Operating lease liabilities	9,926	10,213
Other liabilities	Other liabilities	13,452	18,826	Other liabilities	14,719	18,826

Total liabilities	Total liabilities	1,967,931	1,917,581	Total liabilities	1,958,368	1,917,581
Shareholders’ equity	Shareholders’ equity			Shareholders’ equity		
Preferred stock no par value; 10,000,000 shares authorized; no shares issued or outstanding in 2023 and 2022	Preferred stock no par value; 10,000,000 shares authorized; no shares issued or outstanding in 2023 and 2022	—	—	Preferred stock no par value; 10,000,000 shares authorized; no shares issued or outstanding in 2023 and 2022	—	—
Common stock – no par value; 50,000,000 shares authorized; 15,118,268 and 15,270,344 shares issued and outstanding in 2023 and 2022, respectively		77,464	79,326			
Common stock – no par value; 50,000,000 shares authorized; 15,149,203 and 15,270,344 shares issued and outstanding in 2023 and 2022, respectively				Common stock – no par value; 50,000,000 shares authorized; 15,149,203 and 15,270,344 shares issued and outstanding in 2023 and 2022, respectively	77,632	79,326
Additional paid-in capital	Additional paid-in capital	10,297	9,743	Additional paid-in capital	10,606	9,743
Retained earnings	Retained earnings	114,177	105,690	Retained earnings	117,483	105,690
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(18,168)	(17,843)	Accumulated other comprehensive loss	(21,414)	(17,843)
Total shareholders’ equity	Total shareholders’ equity	183,770	176,916	Total shareholders’ equity	184,307	176,916
Total liabilities and shareholders' equity	**Total liabilities and shareholders' equity**	$ 2,151,701	$2,094,497	**Total liabilities and shareholders' equity**	$ 2,142,675	$2,094,497

See accompanying notes to unaudited consolidated financial statements

OP BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (unaudited)

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousand, except per share data)		**2023**	**2022**	**2023**	**2022**					
($ in thousands, except per share data)						($ in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
INTEREST INCOME	**INTEREST INCOME**					**INTEREST INCOME**				
Interest and fees on loans	Interest and fees on loans	$27,288	$19,108	$53,299	$36,365	Interest and fees on loans	$28,250	$21,780	$81,549	$58,145
Interest on available-for-sale debt securities	Interest on available-for-sale debt securities	1,562	703	3,128	1,233	Interest on available-for-sale debt securities	1,519	881	4,647	2,114
Other interest income	Other interest income	1,252	337	2,269	494	Other interest income	1,417	573	3,686	1,067
Total interest income	Total interest income	30,102	20,148	58,696	38,092	Total interest income	31,186	23,234	89,882	61,326

Interest expense	Interest expense					Interest expense				
Interest on deposits	Interest on deposits	11,920	1,069	22,302	1,723	Interest on deposits	13,006	2,890	35,308	4,613
Interest on borrowings	Interest on borrowings	930	—	1,250	—	Interest on borrowings	867	—	2,117	—
Total interest expense	Total interest expense	12,850	1,069	23,552	1,723	Total interest expense	13,873	2,890	37,425	4,613
Net interest income	Net interest income	17,252	19,079	35,144	36,369	Net interest income	17,313	20,344	52,457	56,713
Provision for (reversal of) credit losses		—	996	(338)	1,337					
Provision for credit losses						Provision for credit losses	1,359	662	1,021	1,999
Net interest income after provision for credit losses	Net interest income after provision for credit losses	17,252	18,083	35,482	35,032	Net interest income after provision for credit losses	15,954	19,682	51,436	54,714
NONINTEREST INCOME	**NONINTEREST INCOME**					**NONINTEREST INCOME**				
Service charges on deposits	Service charges on deposits	573	427	991	815	Service charges on deposits	575	454	1,566	1,269
Loan servicing fees, net of amortization	Loan servicing fees, net of amortization	595	654	1,441	1,101	Loan servicing fees, net of amortization	468	610	1,909	1,711
Gain on sale of loans	Gain on sale of loans	2,098	3,873	4,668	7,111	Gain on sale of loans	1,179	3,490	5,847	10,601
Other income	Other income	339	405	800	548	Other income	379	267	1,179	815
Total noninterest income	Total noninterest income	3,605	5,359	7,900	9,575	Total noninterest income	2,601	4,821	10,501	14,396
NONINTEREST EXPENSE	**NONINTEREST EXPENSE**					**NONINTEREST EXPENSE**				
Salaries and employee benefits	Salaries and employee benefits	7,681	7,109	14,933	12,766	Salaries and employee benefits	7,014	7,343	21,947	20,109
Occupancy and equipment	Occupancy and equipment	1,598	1,489	3,168	2,867	Occupancy and equipment	1,706	1,537	4,874	4,404
Data processing and communication	Data processing and communication	546	492	1,096	985	Data processing and communication	369	586	1,465	1,571
Professional fees	Professional fees	381	364	740	688	Professional fees	440	602	1,180	1,290
FDIC insurance and regulatory assessments	FDIC insurance and regulatory assessments	420	192	887	399	FDIC insurance and regulatory assessments	333	238	1,220	637
Promotion and advertising	Promotion and advertising	159	165	321	354	Promotion and advertising	207	177	528	531
Directors' fees	Directors' fees	210	190	371	367	Directors' fees	164	170	535	537
Foundation donation and other contributions	Foundation donation and other contributions	594	852	1,347	1,667	Foundation donation and other contributions	529	875	1,876	2,542
Other expenses	Other expenses	711	650	1,345	1,072	Other expenses	773	810	2,118	1,882

Total noninterest expense	Total noninterest expense	12,300	11,503	24,208	21,165	Total noninterest expense	11,535	12,338	35,743	33,503
INCOME BEFORE INCOME TAX EXPENSE	**INCOME BEFORE INCOME TAX EXPENSE**	8,557	11,939	19,174	23,442	**INCOME BEFORE INCOME TAX EXPENSE**	7,020	12,165	26,194	35,607
Income tax expense	Income tax expense	2,466	3,459	5,549	6,810	Income tax expense	1,899	3,515	7,448	10,325
NET INCOME	**NET INCOME**	$ 6,091	$ 8,480	$13,625	$16,632	**NET INCOME**	$ 5,121	$ 8,650	$18,746	$25,282
EARNINGS PER SHARE - BASIC	**EARNINGS PER SHARE - BASIC**	$ 0.39	$ 0.55	$ 0.88	$ 1.08	**EARNINGS PER SHARE - BASIC**	$ 0.33	$ 0.56	$ 1.21	$ 1.63
EARNINGS PER SHARE - DILUTED	**EARNINGS PER SHARE - DILUTED**	$ 0.39	$ 0.54	$ 0.88	$ 1.07	**EARNINGS PER SHARE - DILUTED**	$ 0.33	$ 0.55	$ 1.21	$ 1.62

See accompanying notes to unaudited consolidated financial statements

OP BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

		Three Months Ended June 30,		**Six Months Ended June 30,**			**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
($ in thousands)	($ in thousands)	**2023**	**2022**	**2023**	**2022**	($ in thousands)	**2023**	**2022**	**2023**	**2022**
Net income	Net income	$6,091	$8,480	$13,625	$16,632	Net income	$5,121	$8,650	$18,746	$25,282
Other comprehensive loss	Other comprehensive loss					Other comprehensive loss				
Change in unrealized loss on available-for-sale debt securities	Change in unrealized loss on available-for-sale debt securities	(3,565)	(5,243)	(461)	(13,881)	Change in unrealized loss on available-for-sale debt securities	(4,608)	(9,404)	(5,069)	(23,285)
Tax effect	Tax effect	1,055	1,550	136	4,104	Tax effect	1,362	2,780	1,498	6,884
Total other comprehensive loss	Total other comprehensive loss	(2,510)	(3,693)	(325)	(9,777)	Total other comprehensive loss	(3,246)	(6,624)	(3,571)	(16,401)
Comprehensive income	Comprehensive income	$3,581	$4,787	$13,300	$ 6,855	Comprehensive income	$1,875	$2,026	$15,175	$ 8,881

See accompanying notes to unaudited consolidated financial statements

OP BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

		Common Stock								**Common Stock**		
($ in thousands, except per share data)	($ in thousands, except per share data)	**Shares Outstanding**	**Amount**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Shares Outstanding**	**Total Shareholders' Equity**	($ in thousands, except per share data)	**Amount**		**Additional Paid-in Capital**
Three Months Ended	**Three Months Ended**								**Three Months Ended**			
Balance at April 1, 2023		15,286,558	$79,475	$ 10,056	$109,908	$ (15,658)		$ 183,781				
Balance at July 1, 2023									**Balance at July 1, 2023**	15,118,268	$77,464	$ 10,297
Net income	Net income	—	—	—	6,091	—		6,091	Net income	—	—	—
Other comprehensive loss	Other comprehensive loss	—	—	—	—	(2,510)		(2,510)	Other comprehensive loss	—	—	—
Stock issued under stock-based compensation plans		53,204	—	(73)	—	—		(73)				

Stock issued under stock-based compensation plans, net of forfeitures								Stock issued under stock-based compensation plans, net of forfeitures	30,935	168	(14)
Stock-based compensation, net	Stock-based compensation, net	—	—	314	—	—	314	Stock-based compensation, net	—	—	323
Repurchase of common stock		(221,494)	(2,011)	—	—	—	(2,011)				
Cash dividends declared ($0.12 per share)	Cash dividends declared ($0.12 per share)	—	—	—	(1,822)	—	(1,822)	Cash dividends declared ($0.12 per share)	—	—	—
Balance at June 30, 2023		15,118,268	$77,464	$ 10,297	$114,177	$ (18,168)	$ 183,770				
Balance at September 30, 2023								**Balance at September 30, 2023**	15,149,203	$77,632	$ 10,606
Balance at April 1, 2022		15,137,808	$78,718	$ 8,860	$ 85,694	$ (7,281)	$ 165,991				
Balance at July 1, 2022								**Balance at July 1, 2022**	15,189,203	$78,718	$ 9,089
Net income	Net income	—	—	—	8,480	—	8,480	Net income	—	—	—
Other comprehensive loss	Other comprehensive loss	—	—	—	—	(3,693)	(3,693)	Other comprehensive loss	—	—	—
Stock issued under stock-based compensation plans		51,395	—	(79)	—	—	(79)				
Stock issued under stock-based compensation plans, net of forfeitures								Stock issued under stock-based compensation plans, net of forfeitures	10,637	64	—
Stock-based compensation, net	Stock-based compensation, net	—	—	308	—	—	308	Stock-based compensation, net	—	—	335
Cash dividends declared ($0.12 per share)	Cash dividends declared ($0.12 per share)	—	—	—	(1,515)	—	(1,515)	Cash dividends declared ($0.12 per share)	—	—	—
Balance at , June 30, 2022		15,189,203	$78,718	$ 9,089	$ 92,659	$ (10,974)	$ 169,492				
Balance at September 30, 2022								**Balance at September 30, 2022**	15,199,840	$78,782	$ 9,424
Six Months Ended											
Nine Months Ended								**Nine Months Ended**			
Balance at January 1, 2023	**Balance at January 1, 2023**	15,270,344	$79,326	$ 9,743	$105,690	$ (17,843)	$ 176,916	**Balance at January 1, 2023**	15,270,344	$79,326	$ 9,743
Cumulative effect related to adoption of ASC 326, net of tax	Cumulative effect related to adoption of ASC 326, net of tax	—	—	—	(1,484)	—	(1,484)	Cumulative effect related to adoption of ASC 326, net of tax	—	—	—
Adjusted balance at January 1, 2023	**Adjusted balance at January 1, 2023**	15,270,344	79,326	9,743	104,206	(17,843)	175,432	**Adjusted balance at January 1, 2023**	15,270,344	79,326	9,743
Net income	Net income	—	—	—	13,625	—	13,625	Net income	—	—	—
Other comprehensive loss	Other comprehensive loss	—	—	—	—	(325)	(325)	Other comprehensive loss	—	—	—
Stock issued under stock-based compensation plans		146,408	720	(84)	—	—	636				

Stock issued under stock-based compensation plans, net of forfeitures							Stock issued under stock-based compensation plans, net of forfeitures	177,343	888	(98)
Stock-based compensation, net	Stock-based compensation, net	—	—	638	—	—	638	Stock-based compensation, net	—	—	961
Repurchase of common stock	(298,484)	(2,582)	—	—	—	(2,582)				

Cash dividends declared($0.24 per share)	—	—	—	(3,654)	—	(3,654)
Balance at June 30, 2023	15,118,268	77,464	10,297	114,177	(18,168)	$ 183,770
Balance at January 1, 2022	15,137,808	$ 78,718	$ 8,645	$ 79,056	$ (1,197)	$ 165,222
Net income	—	—	—	16,632	—	16,632
Other comprehensive loss	—	—	—	—	(9,777)	(9,777)
Stock issued under stock-based compensation plans	51,395	—	(79)	—	—	(79)
Stock-based compensation, net	—	—	523	—	—	523
Cash dividends declared ($0.22 per share)	—	—	—	(3,029)	—	(3,029)
Balance at June 30, 2022	15,189,203	78,718	9,089	92,659	(10,974)	$ 169,492

Repurchase of common stock	(298,484)	(2,582)	—	—	—	(2,582)
Cash dividends declared ($0.36 per share)	—	—	—	(5,469)	—	(5,469)
Balance at September 30, 2023	15,149,203	77,632	10,606	117,483	(21,414)	$ 184,307
Balance at January 1, 2022	15,137,808	$ 78,718	$ 8,645	$ 79,056	$ (1,197)	$ 165,222
Net income	—	—	—	25,282	—	25,282
Other comprehensive loss	—	—	—	—	(16,401)	(16,401)
Stock issued under stock-based compensation plans, net of forfeitures	62,032	64	(79)	—	—	(15)
Stock-based compensation, net	—	—	858	—	—	858
Cash dividends declared ($0.32 per share)	—	—	—	(4,851)	—	(4,851)
Balance at September 30, 2022	15,199,840	78,782	9,424	99,487	(17,598)	$ 170,095

See accompanying notes to unaudited consolidated financial statements

OP BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

		Six Months Ended June 30,			**Nine Months Ended September 30,**	
($ in thousands)	($ in thousands)	**2023**	**2022**	($ in thousands)	**2023**	**2022**
Cash flows from operating activities	**Cash flows from operating activities**			**Cash flows from operating activities**		
Net income	Net income	$13,625	$ 16,632	Net income	$18,746	$ 25,282
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:	Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:			Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
(Reversal of) provision for credit losses		(338)	1,337			

Provision for credit losses				Provision for credit losses	1,021	1,999
Depreciation and amortization of premises and equipment	Depreciation and amortization of premises and equipment	673	671	Depreciation and amortization of premises and equipment	975	1,020
Amortization of net premiums on securities	Amortization of net premiums on securities	131	414	Amortization of net premiums on securities	187	546
Amortization of servicing assets	Amortization of servicing assets	2,074	2,161	Amortization of servicing assets	3,302	3,512
Accretion of net discounts on loans	Accretion of net discounts on loans	(1,304)	(2,584)	Accretion of net discounts on loans	(2,199)	(3,972)
Amortization of low income housing partnerships	Amortization of low income housing partnerships	723	374	Amortization of low income housing partnerships	1,084	584
Stock-based compensation	Stock-based compensation	638	602	Stock-based compensation	961	858
Deferred income taxes	Deferred income taxes	1,092	(859)	Deferred income taxes	753	(2,003)
Gain on sale of loans	Gain on sale of loans	(4,668)	(7,111)	Gain on sale of loans	(5,847)	(10,601)
Earnings on company owned life insurance	Earnings on company owned life insurance	(300)	(183)	Earnings on company owned life insurance	(458)	(330)
Net change in fair value of equity investment with readily determinable fair value	Net change in fair value of equity investment with readily determinable fair value	(1)	293	Net change in fair value of equity investment with readily determinable fair value	106	438
Origination of loans held for sale	Origination of loans held for sale	(40,139)	(68,245)	Origination of loans held for sale	(64,362)	(86,033)
Proceeds from sales of loans held for sale	Proceeds from sales of loans held for sale	87,173	90,928	Proceeds from sales of loans held for sale	112,070	161,287
Net change in:	Net change in:			Net change in:		
Accrued interest receivable	Accrued interest receivable	(523)	532	Accrued interest receivable	(816)	(1,072)
Other assets	Other assets	(6,780)	2,473	Other assets	(2,929)	(11,068)
Accrued interest payable	Accrued interest payable	6,583	53	Accrued interest payable	10,781	541
Other liabilities	Other liabilities	(4,907)	(2,885)	Other liabilities	(4,200)	(229)

Net cash provided by operating activities	Net cash provided by operating activities	53,752	34,603	Net cash provided by operating activities	69,175	80,759
Cash flows from investing activities	**Cash flows from investing activities**			**Cash flows from investing activities**		
Net change in loans receivable	Net change in loans receivable	(17,685)	(32,483)	Net change in loans receivable	(57,247)	(127,999)
Proceeds from matured, called, or paid-down securities available for sale	Proceeds from matured, called, or paid-down securities available for sale	12,614	18,853	Proceeds from matured, called, or paid-down securities available for sale	18,887	26,194
Purchase of company owned life insurance	Purchase of company owned life insurance	—	(10,000)	Purchase of company owned life insurance	—	(10,000)
Purchase of loans	Purchase of loans	(18,501)	(138,007)	Purchase of loans	(21,916)	(175,753)
Purchase of available-for-sale debt securities	Purchase of available-for-sale debt securities	(5,647)	(57,518)	Purchase of available-for-sale debt securities	(5,647)	(86,019)
Purchase of equity investments	Purchase of equity investments	(39)	—	Purchase of equity investments	(63)	—
Purchase of Federal Home Loan Bank stock	Purchase of Federal Home Loan Bank stock	(4,044)	(1,477)	Purchase of Federal Home Loan Bank stock	(4,044)	(1,477)
Purchase of premises and equipment, net	Purchase of premises and equipment, net	(1,366)	(808)	Purchase of premises and equipment, net	(1,953)	(1,048)
Investment in low income housing partnerships	Investment in low income housing partnerships	(1,563)	(374)	Investment in low income housing partnerships	(1,563)	(714)
Net cash used in investing activities	Net cash used in investing activities	(36,231)	(221,814)	Net cash used in investing activities	(73,546)	(376,816)
Cash flows from financing activities	**Cash flows from financing activities**			**Cash flows from financing activities**		
Net change in deposits	Net change in deposits	(26,132)	207,557	Net change in deposits	(60,600)	282,745
Cash received from stock option exercises	Cash received from stock option exercises	720	—	Cash received from stock option exercises	888	64
Proceeds from Federal Home Loan Bank advances	Proceeds from Federal Home Loan Bank advances	75,000	—	Proceeds from Federal Home Loan Bank advances	95,000	10,000
Repurchase of common stock	Repurchase of common stock	(2,582)	—	Repurchase of common stock	(2,582)	—
Cash dividend paid on common stock	Cash dividend paid on common stock	(3,654)	(3,029)	Cash dividend paid on common stock	(5,469)	(4,851)

Payments related to tax-withholding for vested restricted stock awards	Payments related to tax-withholding for vested restricted stock awards	(84)	(79)	Payments related to tax-withholding for vested restricted stock awards	(98)	(79)
Net cash provided by financing activities	Net cash provided by financing activities	43,268	204,449	Net cash provided by financing activities	27,139	287,879
Net change in cash and cash equivalents	Net change in cash and cash equivalents	60,789	17,238	Net change in cash and cash equivalents	22,768	(8,178)
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	82,972	115,459	Cash and cash equivalents at beginning of period	82,972	115,459
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	$ 143,761	$ 132,697	Cash and cash equivalents at end of period	$ 105,740	$ 107,281
Supplemental cash flow information:	Supplemental cash flow information:			Supplemental cash flow information:		
Cash paid during the period for	Cash paid during the period for			Cash paid during the period for		
Income taxes	Income taxes	$ 7,305	$ 7,947	Income taxes	$ 8,377	$ 10,557
Interest	Interest	16,969	1,670	Interest	26,644	5,890
Supplemental non-cash disclosure:	Supplemental non-cash disclosure:			Supplemental non-cash disclosure:		
Initial recognition of right-of-use assets	Initial recognition of right-of-use assets	$ 1,369	$ —	Initial recognition of right-of-use assets	$ 1,369	$ —

See accompanying notes to unaudited consolidated financial statements

OP BANCORP AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Business and Basis of Presentation

OP Bancorp is a California corporation that was formed to acquire 100% of the voting equity of Open Bank (the "Bank") and commenced operation as a bank holding company on June 1, 2016. This transaction was treated as an internal reorganization as all shareholders of the Bank became shareholders of OP Bancorp. OP Bancorp has no operations other than ownership of the Bank. The Bank is a California state-chartered and FDIC-insured financial institution, which began its operations on June 10, 2005. Headquartered in downtown Los Angeles, California, OP Bancorp operates primarily in the traditional banking business arena that includes accepting deposits and making loans and investments. OP Bancorp's primary deposit products are demand and time deposits, and the primary lending products are commercial business loans to small to medium sized businesses. OP Bancorp is operating with ten full-service branches. Bank opened its eleventh full service branch in Las Vegas, Nevada during the third quarter of 2023.

The accompanying unaudited Consolidated Financial Statements and notes thereto of the Company have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for Form 10-Q and conform to practices within the banking industry and include all of the information and disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting. The accompanying unaudited Consolidated Financial Statements reflect all adjustments (consisting only of normal recurring adjustments), which are necessary for a fair presentation of the financial results for the interim periods presented, including eliminating intercompany transactions and balances. Certain items on the Consolidated Financial Statements and notes for prior years have been reclassified to conform to the 2023 presentation. The results of operations for the interim periods are not necessarily indicative of the results for the full year. These interim unaudited financial statements should be read in conjunction with the audited Consolidated Financial Statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Annual Report on Form 10-K"). Descriptions of our significant accounting policies are included in Note 1. Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements in the 2022 Annual Report on Form 10-K.

New Accounting Pronouncements Adopted

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments — Credit Losses (Topic 326)*: *Measurement of Credit Losses on Financial Instruments*. The Company adopted ASU 2016-13 using a modified retrospective approach on January 1, 2023 without electing the fair value option on eligible financial instruments under ASU 2019-05. The Company replaced the current incurred loss accounting model with the Current Expected Credit Losses ("CECL") approach for financial instruments measured at amortized cost and other commitments to extend credit. CECL requires the immediate recognition of estimated credit losses expected to occur over the estimated remaining life of the asset. The forward-looking concept of CECL requires loss estimates to consider historical experience, current conditions and reasonable and supportable forecasts.

The adoption of this ASU increased the allowance for credit losses by $1.9 million and allowance for off-balance sheet commitments by $184 thousand. The Company also recorded a deferred tax assets of $624 thousand and a decrease to opening retained earnings of $1.5 million on January 1, 2023. The increase to allowance for credit losses was primarily longer duration of home mortgage loans, offset primarily by shorter duration of commercial and industrial ("C&I") loans. The Company did not record an allowance for credit losses on the Company's available-for-sale debt securities as a result of this adoption. Disclosures for periods after January 1, 2023 are presented in accordance with ASC 326 while prior period amounts continue to be reported in accordance with previously applicable standards and the accounting policies.

The following table illustrates the impact of ASU 2016-13:

	January 1, 2023, Adoption Date		
($ in thousands)	**As Reported**	**Pre-ASU 2016-13**	**Impact**
Assets:			
Loans:			
Commercial real estate	$ 7,826	$ 6,951	$ 875
SBA—real estate	1,369	1,607	(238)
SBA—non-real estate	65	207	(142)
C&I	1,323	1,643	(320)
Home mortgage	10,579	8,826	1,753
Consumer	3	7	(4)
Allowance for credit losses on loans	$ 21,165	$ 19,241	$ 1,924
Liabilities:			
Allowance for credit losses on off-balance sheet commitments	$ 446	$ 262	$ 184

FASB issued ASU 2022-02, Financial Instruments - *Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. ("ASU 2022-02")*. ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings in Accounting Standards Codification ("ASC") Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, ASU 2022-02 requires entities to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of ASC Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost. The Company adopted ASU 2022-02 on January 1, 2023, and the adoption of ASU 2022-02 did not have a significant impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements under Evaluation

In March 2023, the FASB issued ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. This ASU permits reporting entities to elect to account for tax equity investments, regardless of the tax credit program for which the income tax credits are received, using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a component of income tax expense. A reporting entity makes an accounting policy election to apply the proportional amortization method on a tax-credit-program-by-tax-credit-program basis rather than electing to apply the proportional amortization method at the reporting entity level or to individual investments. This ASU also requires specific disclosures of investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method. The updated guidance is effective for fiscal years beginning after December 15, 2023. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and the adoption is not expected to have a significant impact on the consolidated financial statements.

Note 2. Securities

The following table summarizes the amortized cost, the corresponding amounts of gross unrealized gains and losses, and estimated fair value of available-for-sale ("AFS") debt securities as of June 30, 2023 September 30, 2023 and December 31, 2022:

		June 30, 2023					September 30, 2023			
($ in thousands)	($ in thousands)	**Amortized Cost**	**Gross Unrealized Gain**	**Gross Unrealized Loss**	**Fair Value**	($ in thousands)	**Amortized Cost**	**Gross Unrealized Gain**	**Gross Unrealized Loss**	**Fair Value**

U.S. Government agencies or sponsored agency securities:	U.S. Government agencies or sponsored agency securities:					U.S. Government agencies or sponsored agency securities:				
Residential mortgage-backed securities	Residential mortgage-backed securities	$ 51,660	$ —	$ (5,328)	$ 46,332	Residential mortgage-backed securities	$ 49,819	$ —	$ (6,458)	$ 43,361
Residential collateralized mortgage obligations	Residential collateralized mortgage obligations	170,707	—	(20,576)	150,131	Residential collateralized mortgage obligations	166,195	—	(23,324)	142,871
Municipal securities-tax exempt		5,677	110	—	5,787					
Municipal securities - tax exempt						Municipal securities - tax exempt	5,701	—	(620)	5,081
Total AFS debt securities	Total AFS debt securities	$ 228,044	$ 110	$ (25,904)	$202,250	Total AFS debt securities	$ 221,715	$ —	$ (30,402)	$191,313

	December 31, 2022			
($ in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
U.S. Government agencies or sponsored agency securities:				
Residential mortgage-backed securities	$ 55,189	$ —	$ (5,425)	$ 49,764
Residential collateralized mortgage obligations	179,953	1	(19,909)	160,045
Total AFS debt securities	$ 235,142	$ 1	$ (25,334)	$ 209,809

There were no sales of AFS debt securities during the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

The amortized cost and estimated fair value of AFS debt securities as of June 30, 2023 September 30, 2023, by contractual maturity, are shown below:

($ in thousands)	($ in thousands)	Amortized Cost	Fair Value	($ in thousands)	Amortized Cost	Fair Value
After one year through five years	After one year through five years	$ 1,684	$ 1,598	After one year through five years	$ 1,506	$ 1,433
After five years through ten years	After five years through ten years	3,769	3,377	After five years through ten years	3,551	3,155
After ten years	After ten years	222,591	197,275	After ten years	216,658	186,725
Total AFS debt securities	Total AFS debt securities	$ 228,044	$202,250	Total AFS debt securities	$ 221,715	$191,313

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. As of June 30, 2023 September 30, 2023 and December 31, 2022, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

The following table presents the fair value and the associated gross unrealized losses on AFS debt securities by length of time those individual securities in each category have been in a continuous loss as of June 30, 2023 September 30, 2023 and December 31, 2022:

		June 30, 2023							September 30, 2023					
		Less Than 12 Months		12 Months or Longer		Total			Less Than 12 Months		12 Months or Longer		Total	
($ in thousands)	($ in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	($ in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unre Lo
U.S. Government agencies or sponsored agency securities:	U.S. Government agencies or sponsored agency securities:							U.S. Government agencies or sponsored agency securities:						
Residential mortgage-backed securities	Residential mortgage-backed securities	$15,116	$ (707)	$ 31,216	$ (4,621)	$ 46,332	$ (5,328)	Residential mortgage-backed securities	$ 6,443	$ (289)	$ 36,918	$ (6,169)	$ 43,361	$ (
Residential collateralized mortgage obligations	Residential collateralized mortgage obligations	53,637	(1,194)	96,494	(19,382)	150,131	(20,576)	Residential collateralized mortgage obligations	45,025	(1,425)	97,846	(21,899)	142,871	(2
Municipal securities - tax exempt								Municipal securities - tax exempt	5,081	(620)	—	—	5,081	
Total AFS debt securities	Total AFS debt securities	$68,753	$ (1,901)	$127,710	$ (24,003)	$196,463	$ (25,904)	Total AFS debt securities	$56,549	$ (2,334)	$134,764	$ (28,068)	$191,313	$ (3

	December 31, 2022					
	Less Than 12 Months		12 Months or Longer		Total	
($ in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government agencies or sponsored agency securities:						
Residential mortgage-backed securities	$ 26,347	$ (1,485)	$ 23,417	$ (3,940)	$ 49,764	$ (5,425)
Residential collateralized mortgage obligations	81,320	(3,888)	71,604	(16,021)	152,924	(19,909)
Total AFS debt securities	$ 107,667	$ (5,373)	$ 95,021	$ (19,961)	$ 202,688	$ (25,334)

As a result of the Company's adoption of ASU 2016-03 on January 1, 2023, available-for-sale debt securities are measured at fair value and are subject to impairment testing. A security is impaired if the fair value of the security is less than its amortized cost basis. When an available-for-sale debt security is considered impaired, the Company must determine if the decline in fair value has resulted from a credit-related loss or other factors and then, (1) recognize an allowance for credit losses by a charge to earnings for the credit-related component of the decline in fair value, and (2) recognize in other comprehensive income (loss) any non-credit related components of the fair value decline. If the amount of the amortized cost basis expected to be recovered increases in a future period, the valuation reserve would be reduced, but not more than the amount of the current existing reserve for that security.

As of September 30, 2023, the Company's AFS debt securities consisted of 86 securities, all of which were in an unrealized loss position.

The unrealized losses were primarily from the decline in fair value is attributable to changes in interest rate movement, rates, and not credit quality. The Company believes issuers of the AFS debt securities are of high credit quality. Approximately 97% of the AFS debt securities are residential mortgage-backed securities and residential collateralized mortgage obligations that were issued by U.S. government-sponsored agencies, such as Ginnie Mae, Fannie Mae and Freddie Mac. The remaining 3% of the gross AFS debut securities are tax-exempt municipal securities.

We believe that the unrealized losses presented in the previous tables are temporary and no credit losses are expected. As a result, the Company expects full collection of the carrying amount of these securities, does not intend to sell the securities in an unrealized loss position, and it was more-likely-than-not the Company will not have to sell these securities prior to recovery of amortized cost. Accordingly, for available-for-sale debt securities, the Company did not record allowance for credit losses on January 1, 2013 January 1, 2023 and did not have allowance for credit losses as of June 30, 2023 September 30, 2023.

As of June 30, 2023 September 30, 2023 or December 31, 2022, there were no pledged securities to secure public deposits, borrowing and letters of credit from Federal Home Loan Bank ("FHLB") and the Board of Governors of the Federal Reserve System, and for other purposes required or permitted by law.

The following table presents the other investment securities, which are included in Other investments on the Consolidated Balance Sheets as of June 30, 2023 September 30, 2023 and December 31, 2022:

($ in thousands)	($ in thousands)	June 30, 2023	December 31, 2022	($ in thousands)	September 30, 2023	December 31, 2022
FHLB stock	FHLB stock	$12,527	$ 8,483	FHLB stock	$ 12,527	$ 8,483
Pacific Coast Bankers Bank ("PCBB") stock	Pacific Coast Bankers Bank ("PCBB") stock	190	190	Pacific Coast Bankers Bank ("PCBB") stock	190	190
Mutual fund - Community Reinvestment Act ("CRA") qualified	Mutual fund - Community Reinvestment Act ("CRA") qualified	3,370	3,330	Mutual fund - Community Reinvestment Act ("CRA") qualified	3,287	3,330
Time deposits placed in other banks	Time deposits placed in other banks	96	95	Time deposits placed in other banks	96	95
Total other investments	Total other investments	$16,183	$ 12,098	Total other investments	$ 16,100	$ 12,098

The Company has equity investment in a mutual fund with readily determinable fair value of $3.4 million $3.3 million and $3.3 million, as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively, which is measured at fair value with changes in fair value recorded in net income. The Company invested in the mutual fund for CRA purposes. For the mutual fund, the Company recorded a $53 $106 thousand loss and a $120 $145 thousand loss for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and a $1 $106 thousand gain loss and a $293 $438 thousand loss for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The gains (losses) losses of the mutual fund are included in Other income in the Consolidated Statements of Income.

Note 3. Loans and Allowance for Credit Losses on Loans

Loans Receivable

The following table presents the composition of the loan portfolio as of June 30, 2023 September 30, 2023 and December 31, 2022:

($ in thousands)	($ in thousands)	June 30, 2023	December 31, 2022	($ in thousands)	September 30, 2023	December 31, 2022
Commercial real estate	Commercial real estate	$ 847,863	$ 842,208	Commercial real estate	$ 878,824	$ 842,208
SBA—real estate	SBA—real estate	224,476	221,340	SBA—real estate	225,579	221,340
SBA—non-real estate	SBA—non-real estate	14,309	13,377	SBA—non-real estate	14,575	13,377
C&I	C&I	112,160	116,951	C&I	124,632	116,951
Home mortgage	Home mortgage	516,226	482,949	Home mortgage	515,789	482,949
Consumer	Consumer	1,163	1,467	Consumer	126	1,467
Gross loans receivable	Gross loans receivable	1,716,197	1,678,292	Gross loans receivable	1,759,525	1,678,292
Allowance for credit losses	Allowance for credit losses	(20,802)	(19,241)	Allowance for credit losses	(21,617)	(19,241)
Loans receivable, net (1)	Loans receivable, net (1)	$1,695,395	$1,659,051	Loans receivable, net (1)	$ 1,737,908	$1,659,051

(1) Includes net deferred loan costs/ costs (fees) and unamortized premiums/(unaccreted premiums (unaccreted discounts) of $(381) $314 thousand and $160 thousand as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

No loans were outstanding to related parties as of June 30, 2023 September 30, 2023 and December 31, 2022.

Allowance for Credit Losses on Loans

The Company employs a modeled approach that takes into account current and future economic conditions to estimate lifetime expected losses on a collective basis. With the adoption of CECL, the Company elected not to consider accrued interest receivable in its estimated credit losses because the Company writes off uncollectible accrued interest receivable in a timely manner. The Company considers writing off accrued interest amounts once the amounts become 90 days past due to be considered within a timely manner. The Company has elected to write off accrued interest receivable by reversing interest income. The Company uses transition matrices to develop the Probability of Default ("PD") and Loss Given Default ("LGD") approach, incorporating quantitative factors and qualitative considerations in the calculation of the allowance for credit losses for collectively assessed loans. The model provides forecasts of PD and LGD based on national unemployment rates using regression analysis. The Company incorporates future economic conditions using a weighted multiple scenario approach: baseline and adverse. The Company applies a reasonable and supportable period of one year for the baseline scenario and two years for the adverse scenario, after which loss assumptions revert to historical loss information through a one-year reversion period for the baseline scenario and a two-year reversion period for the adverse scenario.

In order to quantify the credit risk impact of other trends and changes within the loan portfolio, the Company utilizes qualitative adjustments to the modeled estimated loss approaches. The parameters for making adjustments are established under a Credit Risk Matrix that provides different possible scenarios for each of the factors listed below. The Credit Risk Matrix and the possible scenarios enable the Bank to qualitatively adjust the loss rates. This matrix considers the following nine factors, which are patterned after the guidelines provided under the Federal Financial Institutions Examination Council Interagency Policy Statement on the Allowance for Credit Losses, updated to reflect the adoption of CECL:

- Changes in lending policies and procedures, including changes in underwriting standards and practices for collection, charge-offs, and recoveries;
- Actual and expected changes in national and local economic and business conditions and developments in which the institution operates that affect the collectivity of loans;
- Changes in the nature and volume of the loan portfolio;
- Changes in the experience, ability, and depth of lending management and staff;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified loans;
- Changes in the quality of the credit review function;
- Changes in the value of the underlying collateral for loans that are not collateral-dependent;
- The existence, growth, and effect of any concentrations of credit, and
- The effect of other external factors, such as the regulatory, legal and technological environments; competition; and events such as natural disasters.

For loans that do not share similar risk characteristics such as nonaccrual loans above $250 thousand, the Company evaluates these loans on an individual basis in accordance with ASC 326. Such nonaccrual loans are considered to have different risk profiles than performing loans and are therefore evaluated individually. The Company elected to collectively assess nonaccrual loans with balances below $250 thousand along with the performing and accrual loans, in order to reduce the operational burden of individually assessing small nonaccrual loans with immaterial balances. For individually assessed loans, the allowance for credit losses is measured using either 1) the present value of future cash flows discounted at the loan’s effective interest rate; or 2) the fair value of the collateral, if the loan is collateral-dependent. For the collateral-dependent loans, the Company obtains a new appraisal to determine the fair value of collateral. The appraisals are based on an “as-is” valuation. To ensure that appraised values remain current, the Company obtains updated appraisals every twelve months from a qualified independent appraiser. If the fair value of the collateral is less than the amortized balance of the loan, the Company recognizes an allowance for credit losses with a corresponding charge to the provision for credit losses.

The Company maintains a separate allowance for credit losses for its off-balance sheet commitments. The Company uses an estimated funding rate to allocate an allowance to undrawn exposures. This funding rate is used as a credit conversion factor to capture how much undrawn lines of credit can potentially become drawn at any point. The funding rate is determined based on a look-back period of 8 quarters. Credit loss is not estimated for off-balance sheet commitments that are unconditionally cancellable by the Company.

The following table summarizes the activity in the allowance for credit losses on loans by portfolio segment for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

($ in thousands)	($ in thousands)	Commercial Real Estate	SBA—Real Estate	SBA — Non-Real Estate	C&I	Home Mortgage	Consumer	Total	($ in thousands)	Commercial Real Estate	SBA—Real Estate	SBA — Non-Real Estate	C&I	Home Mortgage	Consumer	Total
Three Months Ended June 30, 2023																
Three Months Ended September 30, 2023									**Three Months Ended September 30, 2023**							
Beginning balance	Beginning balance	$ 6,784	$1,218	$ 67	$1,270	$ 11,472	$ 3	$20,814	Beginning balance	$ 6,784	$1,218	$ 55	$1,270	$ 11,472	$ 3	$20,802
Provision for (reversal of) credit losses	Provision for (reversal of) credit losses	—	—	—	—	—	—	—	Provision for (reversal of) credit losses	1,171	34	91	(115)	125	(3)	1,303

Charge-offs	Charge-offs	—	—	(20)	—	—	—	(20)	Charge-offs	(457)	(35)	—	—	—	—	(492)
Recoveries	Recoveries	—	—	8	—	—	—	8	Recoveries	—	—	4	—	—	—	4
Ending balance	Ending balance	$ 6,784	$1,218	$ 55	$1,270	$ 11,472	$ 3	$20,802	Ending balance	$ 7,498	$1,217	$ 150	$1,155	$ 11,597	$ —	$21,617
Three Months Ended June 30, 2022																
Three Months Ended September 30, 2022									Three Months Ended September 30, 2022							
Beginning balance	Beginning balance	$ 6,480	$1,750	$ 169	$3,492	$ 4,768	$ 13	$16,672	Beginning balance	$ 7,743	$1,800	$ 135	$2,102	$ 5,913	$ 9	$17,702
Provision for (reversal of) credit losses	Provision for (reversal of) credit losses	1,263	43	(61)	(1,390)	1,145	(4)	996	Provision for (reversal of) credit losses	(895)	(261)	7	291	1,521	(1)	662
Charge-offs	Charge-offs	—	—	(18)	—	—	—	(18)	Charge-offs	—	—	—	—	—	—	—
Recoveries	Recoveries	—	7	45	—	—	—	52	Recoveries	—	—	5	—	—	—	5
Ending balance	Ending balance	$ 7,743	$1,800	$ 135	$2,102	$ 5,913	$ 9	$17,702	Ending balance	$ 6,848	$1,539	$ 147	$2,393	$ 7,434	$ 8	$18,369

($ in thousands)	($ in thousands)	Commercial Real Estate	SBA— Real Estate	SBA — Non-Real Estate	C&I	Home Mortgage	Consumer	Total	($ in thousands)	Commercial Real Estate	SBA— Real Estate	SBA — Non-Real Estate	C&I	Home Mortgage	Consumer	Total
Six Months Ended June 30, 2023																
Nine Months Ended September 30, 2023									Nine Months Ended September 30, 2023							
Beginning balance	Beginning balance	$ 6,951	$1,607	$ 207	$1,643	$ 8,826	$ 7	$19,241	Beginning balance	$ 6,951	$1,607	$ 207	$1,643	$ 8,826	$ 7	$19,241
Impact of CECL adoption	Impact of CECL adoption	875	(238)	(142)	(320)	1,753	(4)	1,924	Impact of CECL adoption	875	(238)	(142)	(320)	1,753	(4)	1,924
	(Reversal of) provision for credit losses	(951)	(140)	(7)	(53)	893	—	(258)								
Provision for (reversal of) credit losses									Provision for (reversal of) credit losses	220	(106)	84	(168)	1,018	(3)	1,045
Charge-offs	Charge-offs	(91)	(11)	(34)	—	—	—	(136)	Charge-offs	(548)	(46)	(34)	—	—	—	(628)
Recoveries	Recoveries	—	—	31	—	—	—	31	Recoveries	—	—	35	—	—	—	35
Ending balance	Ending balance	$ 6,784	$1,218	$ 55	$1,270	$ 11,472	$ 3	$20,802	Ending balance	$ 7,498	$1,217	$ 150	$1,155	$ 11,597	$ —	$21,617
Six Months Ended June 30, 2022																
Nine Months Ended September 30, 2022									Nine Months Ended September 30, 2022							

Beginning balance	Beginning balance	$ 8,150	$2,022	$ 199	$2,848	$ 2,891	$ 13	$16,123	Beginning balance	$ 8,150	$2,022	$ 199	$2,848	$ 2,891	$ 13	$16,123
	(Reversal of) provision for credit losses(1)	(407)	(215)	(108)	(746)	3,022	(5)	1,541								
Provision for (reversal of) credit losses(1)									Provision for (reversal of) credit losses(1)	(1,302)	(476)	(100)	(455)	4,543	(6)	2,204
Charge-offs	Charge-offs	—	(14)	(18)	—	—	—	(32)	Charge-offs	—	(14)	(18)	—	—	—	(32)
Recoveries	Recoveries	—	7	62	—	—	1	70	Recoveries	—	7	66	—	—	1	74
Ending balance	Ending balance	$ 7,743	$1,800	$ 135	$2,102	$ 5,913	$ 9	$17,702	Ending balance	$ 6,848	$1,539	$ 147	$2,393	$ 7,434	$ 8	$18,369

(1) Excludes reversal of uncollectible accrued interest receivable of $205 thousand for the six nine months ended June 30, 2022 September 30, 2022.

The following table presents the allowance for credit losses on loans and recorded investment (not including accrued interest receivable) by portfolio segment and impairment methodology as of June 30, 2023 September 30, 2023 and December 31, 2022:

($ in thousands)	($ in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	($ in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
As of June 30, 2023								
As of September 30, 2023					**As of September 30, 2023**			
Allowance for credit losses:	Allowance for credit losses:				Allowance for credit losses:			
Commercial real estate	Commercial real estate	$ —	$ 6,784	$ 6,784	Commercial real estate	$ —	$ 7,498	$ 7,498
SBA—real estate	SBA—real estate	57	1,161	1,218	SBA—real estate	14	1,203	1,217
SBA—non-real estate	SBA—non-real estate	—	55	55	SBA—non-real estate	—	150	150
C&I	C&I	—	1,270	1,270	C&I	—	1,155	1,155
Home mortgage	Home mortgage	—	11,472	11,472	Home mortgage	—	11,597	11,597
Consumer	Consumer	—	3	3	Consumer	—	—	—
Total	Total	$ 57	$ 20,745	$ 20,802	Total	$ 14	$ 21,603	$ 21,617
Loans(1):	Loans(1):				Loans (1):			
Commercial real estate	Commercial real estate	$ —	$ 847,863	$ 847,863	Commercial real estate	$ 739	$ 878,085	$ 878,824
SBA—real estate(2)	SBA—real estate(2)	4,362	220,114	224,476	SBA—real estate (2)	773	224,806	225,579
SBA—non-real estate	SBA—non-real estate	—	14,309	14,309	SBA—non-real estate	—	14,575	14,575
C&I	C&I	—	112,160	112,160	C&I	—	124,632	124,632
Home mortgage	Home mortgage	2,305	513,921	516,226	Home mortgage	2,241	513,548	515,789
Consumer	Consumer	—	1,163	1,163	Consumer	—	126	126
Total	Total	$ 6,667	$ 1,709,530	$1,716,197	Total	$ 3,753	$ 1,755,772	$1,759,525
As of December 31, 2022	**As of December 31, 2022**				**As of December 31, 2022**			
Allowance for credit losses:	Allowance for credit losses:				Allowance for credit losses:			

Commercial real estate	Commercial real estate	$ —	$ 6,951	$ 6,951	Commercial real estate	$ —	$ 6,951	$ 6,951
SBA—real estate	SBA—real estate	—	1,607	1,607	SBA—real estate	—	1,607	1,607
SBA—non-real estate	SBA—non-real estate	—	207	207	SBA—non-real estate	—	207	207
C&I	C&I	279	1,364	1,643	C&I	279	1,364	1,643
Home mortgage	Home mortgage	—	8,826	8,826	Home mortgage	—	8,826	8,826
Consumer	Consumer	—	7	7	Consumer	—	7	7
Total	Total	$ 279	$ 18,962	$ 19,241	Total	$ 279	$ 18,962	$ 19,241
Loans(1):	Loans(1):				Loans(1):			
Commercial real estate	Commercial real estate	$ —	$ 842,208	$ 842,208	Commercial real estate	$ —	$ 842,208	$ 842,208
SBA—real estate	SBA—real estate	423	220,917	221,340	SBA—real estate	423	220,917	221,340
SBA—non-real estate	SBA—non-real estate	—	13,377	13,377	SBA—non-real estate	—	13,377	13,377
C&I	C&I	279	116,672	116,951	C&I	279	116,672	116,951
Home mortgage	Home mortgage	—	482,949	482,949	Home mortgage	—	482,949	482,949
Consumer	Consumer	—	1,467	1,467	Consumer	—	1,467	1,467
Total	Total	$ 702	$ 1,677,590	$1,678,292	Total	$ 702	$ 1,677,590	$1,678,292

(1) Excludes accrued interest receivables of $6.8 million $7.1 million and $6.4 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

(2) Individually evaluated loans $773 thousand of $4.4 million include SBA—non-real estate excludes the guaranteed portion of SBA loans of $3.6 million $3.4 million as of June 30, 2023 September 30, 2023.

The following table presents the recorded investment in impaired loans and the specific allowance for loan losses as of December 31, 2022.

	December 31, 2022(1)			
($ in thousands)	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Related Allowance
SBA—real estate	$ 423	$ 423	$ —	$ —
C&I	279	—	279	279
Total	$ 702	$ 423	$ 279	$ 279

(1) The difference between the unpaid principal balance (net of partial charge-offs) and the recorded investment in the loans was not considered to be material

Collateral-dependent loans are loans where repayment is expected to be provided solely by the sale of the underlying collateral and there are no other available and reliable sources of repayment. The estimated credit losses for these loans are based on the collateral's fair value less selling costs. In most cases, the Company records a partial charge-off to reduce the loan's carrying value to the collateral's fair value less selling costs at the time of foreclosure.

As of June 30, 2023 September 30, 2023, there were $6.7 million $3.8 million of collateral-dependent loans which are primarily secured by residential and commercial real estate, as well as equipment. The allowance for credit losses allocated to these loans as of June 30, 2023 September 30, 2023 was $57 $14 thousand.

The following table represents the amortized cost basis of collateral-dependent loans by class of loans as of June 30, 2023 September 30, 2023, for which repayment is expected to be obtained through the sale of the underlying collateral.

($ in thousands)	($ in thousands)	Hotel / Motel	Gas Station	Single-Family Residential	Total	($ in thousands)	Hotel / Motel	Gas Station	Single-Family Residential	Total
As of June 30, 2023										
As of September 30, 2023						**As of September 30, 2023**				

Commercial real estate						Commercial real estate	$ 739	$ —	$ —	$ 739
SBA—real estate(1)	SBA—real estate(1)	$ 424	$ 3,938	$ —	$4,362	SBA—real estate(1)	422	351	—	773
Home mortgage	Home mortgage	—	—	2,305	2,305	Home mortgage	—	—	2,241	2,241
Total	Total	$ 424	$ 3,938	$ 2,305	$6,667	Total	$1,161	$ 351	$ 2,241	$3,753

(1) Includes Excludes guaranteed portion of SBA loans of $3.6 million $3.4 million as of June 30, 2023 September 30, 2023.

The following table presents the recorded investment in nonaccrual loans and loans past due 90 or more days and still accruing interest, by portfolio as of June 30, 2023 September 30, 2023 and December 31, 2022:

($ in thousands)	Nonaccrual Loans with a Related Allowance for Credit Losses	Nonaccrual Loans without a Related Allowance for Credit Losses	Total Nonaccrual Loans	90 or More Days Past Due &

($ in thousands)	Nonaccrual Loans with a Related Allowance for Credit Losses	Nonaccrual Loans without a Related Allowance for Credit Losses	
As of June 30, 2023 September 30, 2023			
SBA— Commercial real estate	$ 5,056 —	$ 423 739	$
SBA—real estate	398	421	
SBA—non-real estate	182	351	
C&I	— 163	—	
Home mortgage	249	2,305 2,241	
Total	$ 5,487 810	$ 3,079 3,401	$
As of December 31, 2022			
SBA—real estate			$
SBA—non-real estate			
C&I			
Home mortgage			
Total			$

(1) Includes Excludes guaranteed portion of SBA loans of $5.4 million $5.2 million and $1.0 million as of June 30, 2023 September 30, 2023

Nonaccrual loans and loans past due 90 or more days and still accruing interest include both homogeneous loans t impaired loans.

The following table represents the aging analysis of the recorded investment in past due loans as of June 30, 2023 Septem

($ in thousands)	($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	> 90 Days Past Due	Total Past Due(1)	Loans Not Past Due	Total(2)	($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	> 90 Days Past Due	Total Past Due(1)	
As of June 30, 2023													
As of September 30, 2023								**As of September 30, 2023**					
Commercial real estate	Commercial real estate	$ —	$ —	$ —	$ —	$ 847,863	$ 847,863	Commercial real estate	$1,199	$ 739	$ —	$ 1,938	$
SBA—real estate	SBA—real estate	851	198	5,056	6,105	218,371	224,476	SBA—real estate	1,668	499	398	2,565	
SBA—non-real estate	SBA—non-real estate	157	80	597	834	13,475	14,309	SBA—non-real estate	—	6	162	168	
C&I	C&I	200	—	—	200	111,960	112,160	C&I	789	—	—	789	
Home mortgage	Home mortgage	3,216	1,370	1,462	6,048	510,178	516,226	Home mortgage	3,199	1,872	1,615	6,686	
Consumer	Consumer	—	—	—	—	1,163	1,163	Consumer	—	—	—	—	

Total	Total	$4,424	$1,648	$7,115	$13,187	$1,703,010	$1,716,197	Total	$6,855	$3,116	$2,175	$12,146
As of December 31, 2022	**As of December 31, 2022**							**As of December 31, 2022**				
Commercial real estate	Commercial real estate	$ —	$ —	$ —	$ —	$ 842,208	$ 842,208	Commercial real estate	$ —	$ —	$ —	$ —
SBA—real estate	SBA—real estate	199	175	—	374	220,966	221,340	SBA—real estate	199	175	—	374
SBA—non-real estate	SBA—non-real estate	117	49	381	547	12,830	13,377	SBA—non-real estate	38	—	26	64
C&I	C&I	—	—	441	441	116,510	116,951	C&I	—	—	—	—
Home mortgage	Home mortgage	1,707	1,522	342	3,571	479,378	482,949	Home mortgage	1,707	1,522	342	3,571
Consumer	Consumer	—	—	—	—	1,467	1,467	Consumer	—	—	—	—
Total	Total	$2,023	$1,746	$1,164	$ 4,933	$1,673,359	$1,678,292	Total	$1,944	$1,697	$ 368	$ 4,009

(1) Includes Excludes guaranteed portion of SBA loans of $5.3 million $5.1 million and $924 thousand as of June 30, 2023 September 30, 20

(2) Excludes accrued interest receivables of $6.8 million $7.1 million and $6.4 million as of June 30, 2023 September 30, 2023 and Decemb

Loan Modifications to Borrowers Experiencing Financial Difficult: On January 1, 2023, the Company adopted ASU 2022-02,

Disclosures", which eliminated the accounting guidance for troubled debt restructurings ("TDRs") while enhancing disclosure req experiencing financial difficulty. This guidance was applied on a prospective basis. Upon adoption of this guidance, the Compa financial difficulty, unless those loans do not share the same risk characteristics with other loans in the portfolio. Provided t allowance for credit losses is estimated on a pooled basis consistent with the other loans with similar risk characteristics.

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interes extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. The financial difficulty. No charge-offs of previously modified loans were recorded for the three and six nine months ended June 30, 20

The following table presents the amortized cost of modified loans and the financial effects of the modification as of June 3

($ in thousands)	($ in thousands)	**Interest Only**	**Total**	**Percentage to Each Loan Type**	($ in thousands)
As of June 30, 2023					
As of September 30, 2023					**As of September 30, 2023**
SBA—non-real estate	SBA—non-real estate	$ 139	$ 139	0.99 %	SBA—non-real estate $
Total	Total	$ 139	$ 139	0.99 %	Total $

The Company tracks the performance of modified loans. A modified loan may become delinquent and may result in a p loans that received a modification during the three and six nine months ended June 30, 2023 September 30, 2023 that subsequent

The following table presents the performance of loans that were modified as of June 30, 2023 September 30, 2023 since th

($ in thousands)	($ in thousands)	**Current**	**Total**	($ in thousands)	**Current**	**Total**
As of June 30, 2023						
As of September 30, 2023				**As of September 30, 2023**		

SBA—non-real estate	SBA—non-real estate	$ 139	$139	SBA—non-real estate	$ 136	$136
Total	Total	$ 139	$139	Total	$ 136	$136

The Company had no additional commitments to lend to borrowers whose loans were modified as of June 30, 2023 Septe

Credit Quality Indicators: The Company categorizes loans into risk categories based on relevant information about the payment experience, credit documentation, public information, and current economic trends, among other factors. For consum performance. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a qu

Special Mention—Loans classified as special mention have a potential weakness that deserves management's close att repayment prospects for the loan or of the Company's credit position at some future date.

Substandard—Loans classified as substandard are inadequately protected by the current net worth and paying capacit weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the inst

Doubtful—Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the add currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered

The following table presents the loan portfolio's amortized cost by loan type, risk rating and year of origination as of as of

		June 30, 2023											
		Term Loans by Origination Year											
($ in thousands)	($ in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	($ in thousands)	Total(1)		2023	202
Commercial real estate	Commercial real estate										Commercial real estate		
Pass	Pass	$47,055	$213,706	$151,119	$98,413	$146,211	$180,349	$ 11,010		$847,863	Pass	$86,00	
Special mention	Special mention	—	—	—	—	—	—	—		—	Special mention	-	
Substandard	Substandard	—	—	—	—	—	—	—		—	Substandard	-	
Doubtful	Doubtful	—	—	—	—	—	—	—		—	Doubtful	-	
Subtotal	Subtotal	$47,055	$213,706	$151,119	$98,413	$146,211	$180,349	$ 11,010		$847,863	Subtotal	$86,00	
Current period charge-offs	Current period charge-offs	$ —	$ —	$ —	$ —	$ 91	$ —	$ —		$ 91	Current period charge-offs	$ -	
SBA— real estate	SBA— real estate										SBA— real estate		
Pass	Pass	$ 9,680	$ 47,869	$ 27,462	$27,817	$ 30,354	$ 72,144	$ —		$215,326	Pass	$20,48	
Special mention	Special mention	—	1,045	—	—	939	925	—		2,909	Special mention	-	
Substandard	Substandard	—	—	5,056	—	—	1,185	—		6,241	Substandard	-	
Doubtful	Doubtful	—	—	—	—	—	—	—		—	Doubtful	-	
Subtotal	Subtotal	$ 9,680	$ 48,914	$ 32,518	$27,817	$ 31,293	$ 74,254	$ —		$224,476	Subtotal	$20,48	
Current period charge-offs	Current period charge-offs	$ —	$ —	$ 11	$ —	$ —	$ —	$ —		$ 11	Current period charge-offs	$ -	
SBA—non-real estate	SBA—non-real estate										SBA—non-real estate		
Pass	Pass	$ 3,040	$ 2,917	$ 531	$ 2,085	$ 1,018	$ 3,965	$ —		$ 13,556	Pass	$ 4,30	
Special mention	Special mention	—	—	—	—	—	—	—		—	Special mention	-	
Substandard	Substandard	—	—	—	—	—	477	—		477	Substandard	-	

Doubtful	Doubtful	—	—	—	—	—	276	—	276	Doubtful	-
Subtotal	Subtotal	$ 3,040	$ 2,917	$ 531	$ 2,085	$ 1,018	$ 4,718	$ —	$ 14,309	Subtotal	$ 4,30
Current period charge-offs	Current period charge-offs	$ —	$ —	$ —	$ —	$ —	$ 34	$ —	$ 34	Current period charge-offs	$ -
C&I	C&I									C&I	
Pass	Pass	$ 9,284	$ 24,277	$ 26,291	$ 6,246	$ 4,955	$ 2,773	$ 38,134	$111,960	Pass	$11,99
Special mention	Special mention	—	—	—	—	—	—	—	—	Special mention	-
Substandard	Substandard	—	—	—	—	—	—	200	200	Substandard	-
Doubtful	Doubtful	—	—	—	—	—	—	—	—	Doubtful	-
Subtotal	Subtotal	$ 9,284	$ 24,277	$ 26,291	$ 6,246	$ 4,955	$ 2,773	$ 38,334	$112,160	Subtotal	$11,99
Current period charge-offs	Current period charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	Current period charge-offs	$ -
Home mortgage	Home mortgage									Home mortgage	
Pass	Pass	$51,276	$318,076	$ 80,294	$20,087	$ 9,794	$ 34,145	$ —	$513,672	Pass	$62,58
Special mention	Special mention	—	—	—	—	—	—	—	—	Special mention	-
Substandard	Substandard	—	904	873	777	—	—	—	2,554	Substandard	-
Doubtful	Doubtful	—	—	—	—	—	—	—	—	Doubtful	-
Subtotal	Subtotal	$51,276	$318,980	$ 81,167	$20,864	$ 9,794	$ 34,145	$ —	$516,226	Subtotal	$62,58
Current period charge-offs										Current period charge-offs	$ -
Consumer										Consumer	

Current period charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	
Consumer										
Pass	Pass	$ 5	$ —	$ —	$ —	$ 126	$ 35	$ 997	$ 1,163	Pass
Special mention	Special mention	—	—	—	—	—	—	—	—	Special mention
Substandard	Substandard	—	—	—	—	—	—	—	—	Substandard
Doubtful	Doubtful	—	—	—	—	—	—	—	—	Doubtful
Subtotal	Subtotal	$ 5	$ —	$ —	$ —	$ 126	$ 35	$ 997	$ 1,163	Subtotal
Current period charge-offs	Current period charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	Current period charge-offs
Total loans	Total loans									Total loans
Pass	Pass	$ 120,340	$ 606,845	$ 285,697	$ 154,648	$ 192,458	$ 293,411	$ 50,141	$ 1,703,540	Pass
Special mention	Special mention	—	1,045	—	—	939	925	—	2,909	Special mention
Substandard	Substandard	—	904	5,929	777	—	1,662	200	9,472	Substandard
Doubtful	Doubtful	—	—	—	—	—	276	—	276	Doubtful
Subtotal	Subtotal	$ 120,340	$ 608,794	$ 291,626	$ 155,425	$ 193,397	$ 296,274	$ 50,341	$ 1,716,197	Subtotal
Current period charge-offs	Current period charge-offs	$ —	$ —	$ 11	$ —	$ 91	$ 34	$ —	$ 136	Current period charge-offs

(1) Excludes accrued interest receivables of $6.8 million $7.1 million as of June 30, 2023 September 30, 2023.

The following table presents the loan portfolio's amortized cost by loan type and risk rating of as of December 31, 2022:

($ in thousands)	Pass	Special Mention	
As of December 31, 2022			
Commercial real estate	$ 841,645	$ 563	$
SBA—real estate	220,348	—	
SBA—non-real estate	12,897	—	
C&I	116,396	—	
Home mortgage	481,669	—	
Consumer	1,467	—	
Total	$ 1,674,422	$ 563	$

(1) Excludes accrued interest receivables of $6.8 million and $6.4 million as of June 30, 2023 and December 31, 2022, respectively..

Note 4. Premises and Equipment

The following table presents information regarding the premises and equipment as of June 30, 2023 September 30, 2023 a

($ in thousands)	($ in thousands)	June 30, 2023	December 31, 2022	($ in thousands)	September 30, 2023	December 31, 2022
Leasehold improvements	Leasehold improvements	$ 8,754	$ 7,998	Leasehold improvements	$ 9,013	$ 7,998
Furniture and fixtures	Furniture and fixtures	4,408	3,983	Furniture and fixtures	4,695	3,983
Equipment and others	Equipment and others	3,468	3,288	Equipment and others	3,514	3,288
Total premises and equipment	Total premises and equipment	16,630	15,269	Total premises and equipment	17,222	15,269
Accumulated depreciation	Accumulated depreciation	(11,537)	(10,869)	Accumulated depreciation	(11,844)	(10,869)
Total premises and equipment, net	Total premises and equipment, net	$ 5,093	$ 4,400	Total premises and equipment, net	$ 5,378	$ 4,400

Total depreciation expense included in occupancy and equipment expenses was $338 $308 thousand and $341 $349 thou and $673 $975 thousand and $671 thousand $1.0 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022

Note 5. Servicing Assets

The Company recognizes the right to service SBA loans for others as servicing assets when the servicing income the Co using the amortization method. Under this method, the Company amortizes the servicing assets over the period of the economic

The Company periodically stratifies its servicing assets into groupings based on risk characteristics and assesses each gr was no valuation allowance for impairment as of June 30, 2023 September 30, 2023 and December 31, 2022.

The following table presents an analysis of the changes in activity for loan servicing assets during the three and six nine m

		Three Months Ended June 30, 2023		Six Months Ended June 30, 2023			Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
($ in thousands)	($ in thousands)	2023	2022	2023	2022	($ in thousands)	2023	2022	2023	2022
Beginning balance	Beginning balance	$12,898	$12,341	$12,759	$12,720	Beginning balance	$12,654	$12,341	$12,759	$12,720

Additions from loans sold with servicing retained	Additions from loans sold with servicing retained	869	1,357	1,969	2,149	Additions from loans sold with servicing retained	505	1,532	2,474	3,681
Amortized to expense	Amortized to expense	(1,113)	(990)	(2,074)	(2,161)	Amortized to expense	(1,228)	(984)	(3,302)	(3,512)
Ending balance	Ending balance	$12,654	$12,708	$12,654	$12,708	Ending balance	$11,931	$12,889	$11,931	$12,889

The fair value of the servicing assets was $18.2 million $17.0 million as of June 30, 2023 September 30, 2023, which was dete speeds ranging from 12.40% 12.60% to 12.90% 13.20%, depending on the stratification of the specific assets.

The fair value of the servicing assets was $15.2 million $17.3 million as of June 30, 2022 September 30, 2022, which was dete speeds ranging from 15.00% 13.00% to 15.50% 13.30% depending on the stratification of the specific assets.

Note 6. Deposits

Time deposits that exceed the FDIC insurance limit of $250 thousand as of June 30, 2023 September 30, 2023 and Decemb

The following table presents the scheduled contractual maturities of time deposits as of June 30, 2023 September 30, 2023

($ in thousands)	($ in thousands)		($ in thousands)	
Remainder of 2023	Remainder of 2023	$459,991	Remainder of 2023	$363,264
2024	2024	380,099	2024	465,871
2025	2025	22,985	2025	23,893
2026	2026	17,268	2026	17,345
2027 and thereafter	2027 and thereafter	389	2027 and thereafter	420
Total	Total	$880,732	Total	$870,793

Deposits from principal officers, directors, and their affiliates as of June 30, 2023 September 30, 2023 and December 31, 20

The Company had estimated uninsured deposits of $1.09 billion $1.06 billion, or 58.7% 58.2% of total deposits, and $1.14 b 2022, respectively.

Note 7. Borrowing Arrangements

As of June 30, 2023 September 30, 2023, the Company had $75.0 million $95.0 million advances from FHLB with a weigh years. 1.2 years, compared to no borrowings as of December 31, 2022. The Company has a letter of credit with the FHLB in the a 2023 and December 31, 2022.

The Company had available borrowing capacity from the following institutions as of June 30, 2023 September 30, 2023:

($ in thousands)
FHLB
Federal Reserve Bank
Pacific Coast Bankers Bank
Zions Bank
First Horizon Bank
Total

The Company has pledged approximately $1.30 billion $1.37 billion and $1.24 billion of loans as collateral for these lines of

Note 8. Income Taxes

The Company’s income tax expense was $2.5 million $1.9 million and $3.5 million for the three months ended June 30 million $10.3 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The effective in 2023 September 30, 2023 and 2022, respectively, and 28.9% 28.4% and 29.1% 29.0% for the six nine months ended June 30, 2023 Se

The Company is subject to U.S. Federal income tax as well as various state taxing jurisdictions. The Company is no longe state taxing authorities for tax years prior to 2018.

There were no significant unrealized tax benefits recorded as of June 30, 2023 September 30, 2023 and 2022, and the Com months.

Note 9. Commitments and Contingencies

Off-Balance-Sheet Credit Risk: In the normal course of business, the Company enters into commitments to extend credit expose the Company to varying degrees of credit and market risk and are subject to the same credit and market risk limita commitments represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. Standby performance of a customer to a third party. These commitments generally have fixed expiration dates or contain terminat commitments are expected to expire without being drawn upon, the commitment amounts do not necessarily represent future f

The Company applies the same credit underwriting criteria to extend loans and commitments to customers. Each custo based on management’s assessment of a customer’s credit. Collateral may include securities, accounts receivable, inventory, prop

The following table presents the distribution of undisbursed credit-related commitments as of June 30, 2023 September 3

($ in thousands)	($ in thousands)	June 30, 2023	December 31, 2022	($ in thousands)	September 30, 2023	December 31, 2022
Loan commitments	Loan commitments	$288,429	$ 265,110	Loan commitments	$ 255,858	$ 265,110
Standby letter of credit	Standby letter of credit	5,959	5,286	Standby letter of credit	5,814	5,286
Commercial letter of credit	Commercial letter of credit	—	451	Commercial letter of credit	296	451
Total undisbursed credit related commitments	Total undisbursed credit related commitments	$294,388	$ 270,847	Total undisbursed credit related commitments	$ 261,968	$ 270,847

The majority of these off-balance sheet commitments have a variable interest rate. Management does not anticipate any

Investments in low-income housing partnership: The Company invests in qualified affordable housing partnerships.

The following table shows the balance of the investments in low-income housing partnerships and the total unfunded co 2023 September 30, 2023 and December 31, 2022:

($ in thousands)	($ in thousands)	June 30, 2023	December 31, 2022	($ in thousands)	September 30, 2023	December 31, 2022
Investments in low-income housing partnerships	Investments in low-income housing partnerships	$11,489	$ 12,212	Investments in low-income housing partnerships	$ 11,128	$ 12,212
Unfunded commitments to fund investments for low-income housing partnerships	Unfunded commitments to fund investments for low-income housing partnerships	7,185	8,748	Unfunded commitments to fund investments for low-income housing partnerships	7,185	8,748

These balances are reflected in the other assets and other liabilities lines on the Consolidated Balance Sheets. The Compa

Under the proportional amortization method, the Company amortizes the initial cost of the investment in proportion to expense on the Consolidated Statements of Income. The Company recognized amortization expense of $362 thousand $361 tho 2023 and 2022, respectively, and $723 thousand $1.1 million and $374 $584 thousand for the six nine months ended June 30, 20

credits and other benefits from the investments in low-income housing partnerships of $456 thousand and $160 $418 thousand
$912 thousand $1.4 million and $320 $738 thousand, respectively, for the six nine months ended June 30, 2023 September 30, 2023

Note 10. Stock-Based Compensation

The Company has three stock-based compensation plans currently in effect as of June 30, 2023 September 30, 2023, as c
for these plans for the three months ended June 30, 2023 September 30, 2023 and 2022 was $314 $323 thousand and $308 $335
months ended June 30, 2023 September 30, 2023 and 2022, respectively.

<u>2005 Plan</u>: In 2005, the Board of Directors and shareholders of the Bank approved a stock option plan for the benefit of
Company in 2016 at the time of the bank holding company reorganization. Under the 2005 Plan, the Bank was authorized to gran

The exercise prices of the options may not be less than 100% of the fair value of the Company's common stock at the da
from the date of the grant and expire after ten years if not exercised. The 2005 Plan expired in 2015, and no future grants can be n

A summary of the transactions under the 2005 Plan for the six nine months ended June 30, 2023 September 30, 2023 is as

($ in thousands, except share data)	($ in thousands, except share data)	**Number of Options Outstanding**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**	($ in thousands, except share data)	**Number of Options Outstanding**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**
Outstanding, as of January 1, 2023	Outstanding, as of January 1, 2023	30,000	$ 6.18	$ 149	Outstanding, as of January 1, 2023	30,000	$ 6.18	$ 149
Options granted	Options granted	—	—		Options granted	—	—	
Options exercised	Options exercised	—	—		Options exercised	(30,000)	6.18	
Options forfeited	Options forfeited	—	—		Options forfeited	—	—	
Options expired	Options expired	—	—		Options expired	—	—	
Outstanding, as of June 30, 2023		30,000	$ 6.18	$ 67				
Outstanding, as of September 30, 2023					Outstanding, as of September 30, 2023	—	$ —	$ —
Fully vested and expected to vest	Fully vested and expected to vest	30,000	$ 6.18	$ 67	Fully vested and expected to vest	—	$ —	$ —
Vested	Vested	30,000	$ 6.18	$ 67	Vested	—	$ —	$ —

No tax benefits or expenses were realized from restricted stock units under the 2010 Plan for the three and six months en

The weighted average remaining contractual term of Information related to stock options outstanding exercised under th
term of stock options that were exercisable as of June 30, 2023 was 0.2 year. All of for the stock options that are outstanding unde

($ in thousands)	**Three Months Ended Se**	
	2023	
Intrinsic value of options exercised	$ 86	$
Cash received from option exercises	128	
Tax benefit realized from option exercised	2	

<u>2010 Plan</u>: In 2010, the Board of Directors of the Bank approved a new equity incentive plan for granting stock options a
Bank (the "2010 Plan"). In 2013, the 2010 Plan was amended and approved by the shareholders to increase the number of sha
stock. The 2010 Plan was assumed by the Company in 2016 at the time of the bank holding company reorganization.

The exercise prices of stock options granted under the plan may not be less than 100% of the fair value of the Company
the date of the grant and expire after ten years if not exercised. The 2010 Plan expired in August 2020, and no further grants can b

Restricted stock awards issued under the 2010 Plan may or may not be subject to vesting provisions. Owners of the rest
the shares and to all dividends (cash or stock). Compensation expense related to restricted stock awards will be recognized over
at the issue date.

A summary of the stock options outstanding under the 2010 Plan for the six nine months ended June 30, 2023 September

($ in thousands, except share data)	($ in thousands, except share data)	Number of Options Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value	($ in thousands, except share data)	Number of Options Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding, as of January 1, 2023	Outstanding, as of January 1, 2023	150,000	$ 8.00	$ 474	Outstanding, as of January 1, 2023	150,000	$ 8.00	$ 474
Options granted	Options granted	—	—		Options granted	—	—	
Options exercised	Options exercised	(90,000)	8.00		Options exercised	(90,000)	8.00	
Options forfeited	Options forfeited	—	—		Options forfeited	—	—	
Options expired	Options expired	—	—		Options expired	—	—	
Outstanding, as of June 30, 2023		60,000	$ 8.00	$ 26				
Outstanding, as of September 30, 2023					Outstanding, as of September 30, 2023	60,000	$ 8.00	$ 69
Fully vested and expected to vest	Fully vested and expected to vest	60,000	$ 8.00	$ 26	Fully vested and expected to vest	60,000	$ 8.00	$ 69
Vested	Vested	60,000	$ 8.00	$ 26	Vested	60,000	$ 8.00	$ 69

Information related to stock options exercised under the 2010 Plan for the periods indicated follows:

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	($ in thousands)	2023	2022	2023	2022	($ in thousands)	2023	2022	2023	2022
Intrinsic value of options exercised	Intrinsic value of options exercised	$ —	$ —	$186	$ —	Intrinsic value of options exercised	$ —	$ —	$186	$ —
Cash received from option exercises	Cash received from option exercises	—	—	720	$ —	Cash received from option exercises	—	—	720	$ —
Tax (provision) benefit realized from option exercised		—	—	(3)	$ —					

Tax provision realized from option exercised	Tax provision realized from option exercised	—	—	(3)	$ —

The weighted average remaining contractual term of stock options outstanding as of June 30, 2023 September 30, 2023 w were exercisable as of June 30, 2023 September 30, 2023 was 0.8 0.5 years.

A summary of the changes in the Company's non-vested restricted stock awards under the 2010 Plan for the six nine mor

($ in thousands, except share data)	($ in thousands, except share data)	Shares Issued	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value	($ in thousands, except share data)	Shares Issued	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested, as of January 1, 2023	Non-vested, as of January 1, 2023	14,500	$ 8.66	$ 162	Non-vested, as of January 1, 2023	14,500	$ 8.66	$ 162
Awards granted	Awards granted	—	—		Awards granted	—	—	
Awards vested	Awards vested	—	—		Awards vested	(4,500)	6.37	
Awards forfeited	Awards forfeited	—	—		Awards forfeited	—	—	
Non-vested, as of June 30, 2023		14,500	$ 8.66	$ 122				
Non-vested, as of September 30, 2023					Non-vested, as of September 30, 2023	10,000	$ 9.69	$ 92

No tax benefits or expenses were realized from Information related to vested restricted stock units awards under the follows:

	Three Months Ended Se	
	2023	
Tax benefit realized from awards vested	$ 4	$

As of June 30, 2023 September 30, 2023, the Company had approximately $26 $23 thousand of unrecognized compensat expects to recognize these costs over a weighted average period of 1.0 1.1 years.

2021 Plan: In 2021, the Board of Directors of the Company approved a new equity incentive plan for granting stock optic the Company and the Bank (the "2021 Plan"). The 2021 Plan was approved by the Company's shareholders at the 2021 Annual M shares of the Company's common stock.

The exercise prices of stock options granted under the plan may not be less than 100.00% of the fair value of the Compa of June 30, 2023 September 30, 2023.

Restricted stock awards issued under the 2021 Plan may or may not be subject to vesting provisions. Owners of the re shares and to all dividends (cash or stock). Compensation expense related to restricted stock awards will be recognized over the the issue date.

A summary of the changes in the Company's non-vested restricted stock awards under the 2021 Plan for the six nine mor

($ in thousands, except share data)	($ in thousands, except share data)	Shares Issued	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value	($ in thousands, except share data)	Shares Issued	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested, as of January 1, 2023	Non-vested, as of January 1, 2023	317,366	$ 11.60	$ 3,542	Non-vested, as of January 1, 2023	317,366	$ 11.60	$ 3,542
Awards granted	Awards granted	35,047	8.25		Awards granted	35,047	8.25	
Awards vested	Awards vested	(66,062)	10.31		Awards vested	(66,062)	10.31	
Awards forfeited	Awards forfeited	(6,000)	12.90		Awards forfeited	(7,500)	12.90	
Non-vested, as of June 30, 2023		280,351	$ 11.46	$ 2,363				
Non-vested, as of September 30, 2023					Non-vested, as of September 30, 2023	278,851	$ 11.45	$ 2,551

Information related to vested restricted stock awards under the 2021 Plan for the periods indicated follows:

($ in thousands)	($ in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	($ in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Tax (provision) benefit realized from awards vested	Tax (provision) benefit realized from awards vested	$(32)	$ 12	$(34)	$ 12	Tax (provision) benefit realized from awards vested	$ —	$ —	$ (34)	$ 12

There were 1,111,190 1,112,690 shares available for future grants of either stock options or restricted stock awards under th million $2.0 million of unrecognized compensation cost related to unvested restricted stock awards under the 2021 Plan as of J weighted average period of 2.1 1.9 years.

Note 11. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liabili advantageous market for the asset or liability in an orderly transaction between market participants. The Company uses fair va determine fair value disclosures. Assets and liabilities recorded at fair value on a recurring basis, such as AFS securities and equity on a nonrecurring basis. These nonrecurring adjustments typically involve application of lower of cost or fair value accounting and

The Company classifies its assets and liabilities recorded at fair value as one of the following three categories and a finan significant to the fair value measurement:

Level 1—Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to acc

Level 2—Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilitie be corroborated by observable market data.

Level 3—Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring I hierarchy.

Securities AFS: The fair values of investment securities are determined by matrix pricing, which is a mathematical tech specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2). Managem pricing service.

Other Investment: The Company has an equity investment with readily determinable fair value. The fair value for the ec prices in active markets on the date of measurement and classified as Level 1.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 September 30, 2023 and December 31, :

		Fair Value Measure on a Recurring Basis					Fair Value Measure on a I		
($ in thousands)	($ in thousands)	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	($ in thousands)	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significar Other Observab Inputs (Level 2
June 30, 2023									
September 30, 2023						**September 30, 2023**			
U.S. Government agencies or sponsored agency securities:	U.S. Government agencies or sponsored agency securities:					U.S. Government agencies or sponsored agency securities:			
Residential mortgage-backed securities	Residential mortgage-backed securities	$46,332	$ —	$ 46,332	$ —	Residential mortgage-backed securities	$43,361	$ —	$ 43,36
Residential collateralized mortgage obligations	Residential collateralized mortgage obligations	150,131	—	150,131	—	Residential collateralized mortgage obligations	142,871	—	142,87
Municipal securities-tax exempt		5,787	—	5,787	—				
Municipal securities - tax exempt						Municipal securities - tax exempt	5,081	—	5,08
Other investments:	Other investments:					Other investments:			
Mutual fund - CRA qualified	Mutual fund - CRA qualified	3,370	3,370	—	—	Mutual fund - CRA qualified	3,287	3,287	-
December 31, 2022	**December 31, 2022**					**December 31, 2022**			
U.S. Government agencies or sponsored agency securities:	U.S. Government agencies or sponsored agency securities:					U.S. Government agencies or sponsored agency securities:			
Residential mortgage-backed securities	Residential mortgage-backed securities	$49,764	$ —	$ 49,764	$ —	Residential mortgage-backed securities	$49,764	$ —	$ 49,76

Residential collateralized mortgage obligations	Residential collateralized mortgage obligations	160,045	—	160,045	—	Residential collateralized mortgage obligations	160,045	—	160,04
Other investments:	Other investments:					Other investments:			
Mutual fund - CRA qualified	Mutual fund - CRA qualified	3,330	3,330	—	—	Mutual fund - CRA qualified	3,330	3,330	-

There were no transfers of assets or liabilities between the Level 1 and Level 2 classifications for the three and six nine mo

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in acco of cost or fair value and write-downs of individual assets.

Collateral-dependent loans: Collateral-dependent loans are loans where repayment is expected to be provided solely by t repayment. Prior to the adoption of ASU 2016-13, impaired loans were evaluated and valued at the time the loan was identified a impaired loans are measured based on the value of the collateral securing these loans and are classified at a Level 3 in the fair v inventory and accounts receivable. The value of real estate collateral is determined based on an appraisal by qualified licensed ap

is based on an appraisal by qualified licensed appraisers hired by the Company if significant, or the equipment's net book valu valued based on independent field examiner review or aging reports. Appraisals may utilize a single valuation approach o Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the co loans. Appraised values are reviewed by management using historical knowledge, market considerations, and knowledge of the cl

The following table presents the fair value hierarchy and fair value of assets that were still held and had fair value adju December 31, 2022:

		Fair Value Measure on a Nonrecurring Basis					Fair Value Measure on a Nonrec Basis			
($ in thousands)	($ in thousands)	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	($ in thousands)	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Sign Unob In (Le
June 30, 2023										
September 30, 2023						September 30, 2023				
Collateral-dependent loans:	Collateral-dependent loans:					Collateral-dependent loans:				
Commercial real estate						Commercial real estate	$ 739	$ —	$ —	$
SBA—real estate	SBA—real estate	$ 768	$ —	$ —	$ 768	SBA—real estate	759	—	—	
Home mortgage	Home mortgage	2,305	—	—	2,305	Home mortgage	2,241	—	—	
Total	Total	$3,073	$ —	$ —	$ 3,073	Total	$3,739	$ —	$ —	$
December 31, 2022	December 31, 2022					December 31, 2022				
Impaired loans:	Impaired loans:					Impaired loans:				
SBA—real estate	SBA—real estate	$ 423	$ —	$ —	$ 423	SBA—real estate	$ 423	$ —	$ —	$
Total	Total	$ 423	$ —	$ —	$ 423	Total	$ 423	$ —	$ —	$
Total	Total					Total				

The following table presents the increase (decrease) in value of certain assets held at the end of the respective reporting the period presented:

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	($ in thousands)	2023	2022	2023	2022	($ in thousands)	2023	2022	2023	2022
Collateral-dependent loans:	Collateral-dependent loans:					Collateral-dependent loans:				
SBA—real estate	SBA—real estate	$ (1)	$ 8	$ 1	$ 15	SBA—real estate	$ —	$ 5	$ 1	$ 15
Total	Total	$ (1)	$ 8	$ 1	$ 15	Total	$ —	$ 5	$ 1	$ 15

The following table presents information about significant unobservable inputs utilized in the Company's nonrecurring L 2022:

($ in thousands)	($ in thousands)	Fair Value Measurements (Level 3)	Valuation Techniques	Unobservable Inputs	Range of Inputs	Weighted-Average of Inputs(1)	($ in thousands)	Fair Value Measurements (Level 3)
June 30, 2023								
September 30, 2023							**September 30, 2023**	
Collateral-dependent loans:	Collateral-dependent loans:						Collateral-dependent loans:	
Commercial real estate							Commercial real estate	$ 739
SBA—real estate	SBA—real estate	$ 768	Income approach - income capitalization	Capitalization rate	8.0% to 11.5%	9.9%	SBA—real estate	759
Home mortgage	Home mortgage	2,305	Sales comparison approach	Market data comparison	0.5% to 15.1%	6.5%	Home mortgage	2,241
December 31, 2022	**December 31, 2022**						**December 31, 2022**	
Impaired loans:	Impaired loans:						Impaired loans:	
SBA—real estate	SBA—real estate	$ 423	Income approach - income capitalization	Capitalization rate	11.5%	11.5%	SBA—real estate	$ 423

(1) Weighted-average of inputs is based on the relative fair value of the respective assets as of June 30, 2023 September 30, 2023 and De

Financial Instruments: The carrying amounts and estimated fair values of financial instruments that are not carried at fai are as follows. These financial assets and liabilities are measured at amortized cost basis on the Company's Consolidated Balance

		June 30, 2023						Septembe		
($ in thousands)	($ in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Fair Value	($ in thousands)	Carrying Amount	Level 1	Leve

Financial assets:	Financial assets:						Financial assets:			
Cash and cash equivalents	Cash and cash equivalents	$ 143,761	$143,761	$ —	$ —	$ 143,761	Cash and cash equivalents	$ 105,740	$105,740	$
Loans held for sale		—	—	—	—	—				
Loans receivable, net	Loans receivable, net	1,695,395	—	—	1,681,164	1,681,164	Loans receivable, net	1,737,908	—	
Accrued interest receivable, net	Accrued interest receivable, net	7,703	60	828	6,815	7,703	Accrued interest receivable, net	7,996	131	
Other investments:	Other investments:						Other investments:			
FHLB and PCBB stock	FHLB and PCBB stock	12,717	N/A	N/A	N/A	N/A	FHLB and PCBB stock	12,717	N/A	
Time deposits placed	Time deposits placed	96	—	96	—	96	Time deposits placed	96	—	
Servicing assets	Servicing assets	12,654	—	—	18,177	18,177	Servicing assets	11,931	—	
Financial liabilities:	Financial liabilities:						Financial liabilities:			
Deposits	Deposits	1,859,639	—	1,856,997	—	1,856,997	Deposits	1,825,171	—	1,823,
FHLB advances							FHLB advances	95,000	—	94,
Accrued interest payable	Accrued interest payable	9,354	—	9,354	—	9,354	Accrued interest payable	13,552	—	13,

($ in thousands)	Carrying Amount	Level 1
Financial assets:		
Cash and cash equivalents	$ 82,972	$ 82,972
Loans held for sale	44,335	—
Loans receivable, net	1,659,051	—
Accrued interest receivable, net	7,180	51
Other investments:		
FHLB and PCBB stock	8,673	N/A
Time deposits placed	95	—
Servicing assets	12,759	—
Financial liabilities:		
Deposits	1,885,771	—
Accrued interest payable	2,771	—

Note 12. Regulatory Capital Matters

The Bank is subject to certain risk-based capital and leverage ratio requirements under the U.S. Basel III capital rules ac meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulator or financial condition. The Basel III capital rules also require the Bank to maintain a capital conservation buffer of 2.5% above th stress, effective January 1, 2019. Banking institutions with a ratio of common equity tier 1 capital to risk-weighted assets above t equity repurchases and compensation based on the amount of the shortfall. Management believes that as of June 30, 2023 Septe which they are subject to. Based on recent changes to the Federal Reserve's definition of a "Small Bank Holding Company" tha separate minimum capital measurements. At such time as the Company reaches the $3 billion asset level, it will again be subject t

The following table presents the regulatory capital amounts and ratios for the Company and the Bank as of dates indicate

		June 30, 2023									Septem
		Actual(1)		Required for Capital Adequacy Purposes		Minimum To be Considered "Well Capitalized"			Actual(1)		Req C Ac Pu
($ in thousands)	($ in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	($ in thousands)	Amount	Ratio	Amou
Total capital (to risk-weighted assets)	Total capital (to risk-weighted assets)							Total capital (to risk-weighted assets)			
Consolidated	Consolidated	$222,643	13.10 %	N/A	N/A	N/A	N/A	Consolidated	$227,275	13.31 %	
Bank	Bank	220,584	12.98	$136,000	8.00 %	$170,000	10.00 %	Bank	225,386	13.20	$136,5
Tier 1 capital (to risk-weighted assets)	Tier 1 capital (to risk-weighted assets)							Tier 1 capital (to risk-weighted assets)			
Consolidated	Consolidated	202,589	11.92	N/A	N/A	N/A	N/A	Consolidated	206,350	12.09	
Bank	Bank	200,530	11.80	102,000	6.00	136,000	8.00	Bank	204,461	11.98	102,
Common equity Tier 1 capital (to risk-weighted assets)	Common equity Tier 1 capital (to risk-weighted assets)							Common equity Tier 1 capital (to risk-weighted assets)			
Consolidated	Consolidated	202,589	11.92	N/A	N/A	N/A	N/A	Consolidated	206,350	12.09	
Bank	Bank	200,530	11.80	76,500	4.50	110,500	6.50	Bank	204,461	11.98	76,
Tier 1 capital (to average assets)	Tier 1 capital (to average assets)							Tier 1 capital (to average assets)			
Consolidated	Consolidated	202,589	9.50	N/A	N/A	N/A	N/A	Consolidated	206,350	9.63	
Bank	Bank	200,530	9.41	85,257	4.00	106,571	5.00	Bank	204,461	9.55	85,

(1) The capital requirements are only applicable to the Bank, and the Company's ratios are included for comparison purpose.

	Actual(1)		
($ in thousands)	Amount	Ratio	
Total capital (to risk-weighted assets)			
Consolidated	$ 213,862	13.06 %	
Bank	211,981	12.94	$
Tier 1 capital (to risk-weighted assets)			
Consolidated	194,358	11.87	
Bank	192,477	11.75	
Common equity Tier 1 capital (to risk-weighted assets)			
Consolidated	194,358	11.87	
Bank	192,477	11.75	
Tier 1 capital (to average assets)			
Consolidated	194,358	9.38	
Bank	192,477	9.29	

(1) The capital requirements are only applicable to the Bank, and the Company's ratios are included for comparison purpose.

Note 13. Earnings Per Share

Basic EPS is calculated using the two-class method. Under the two-class method, all earnings (distributed and undistri restricted stock awards, which entitle recipients to receive nonforfeitable dividends during the vesting period on a basis equival awards meet the definition of participating securities based on their respective rights to receive nonforfeitable dividends, and securities are not included as incremental shares in computing diluted EPS.

Diluted EPS incorporates the potential impact of contingently issuable shares. Diluted EPS is calculated under both the t of the periods presented in the table below, diluted EPS calculated under two-class method was more dilutive.

The following table presents the calculation of net income applicable to common stockholders and basic and diluted EPS

		Three Months Ended June 30,		**Six Months Ended June 30,**	
($ in thousands, except share and per share data)	($ in thousands, except share and per share data)	**2023**	**2022**	**2023**	**2022**
Basic	Basic				
Net income	Net income	$ 6,091	$ 8,480	$ 13,625	$ 16,632
Distributed and undistributed earnings allocated to participating securities	Distributed and undistributed earnings allocated to participating securities	(127)	(205)	(286)	(346)
Net income allocated to common shares	Net income allocated to common shares	$ 5,964	$ 8,275	$ 13,339	$ 16,286
Weighted average common shares outstanding	Weighted average common shares outstanding	15,158,365	15,141,975	15,221,010	15,139,903
Basic earnings per common share	Basic earnings per common share	$ 0.39	$ 0.55	$ 0.88	$ 1.08
Diluted	Diluted				
Net income allocated to common shares	Net income allocated to common shares	$ 5,964	$ 8,275	$ 13,339	$ 16,286
Weighted average common shares outstanding for basic earnings per common share	Weighted average common shares outstanding for basic earnings per common share	15,158,365	15,141,975	15,221,010	15,139,903
Add: Dilutive effects of assumed exercises of stock options	Add: Dilutive effects of assumed exercises of stock options	11,429	92,602	20,893	98,210

	Three Months Ended September 30,		**Nine M Sept**
($ in thousands, except share and per share data)	**2023**	**2022**	**2023**
Basic			
Net income	$ 5,121	$ 8,650	$ 18,74
Distributed and undistributed earnings allocated to participating securities	(96)	(188)	(37
Net income allocated to common shares	$ 5,025	$ 8,462	$ 18,36
Weighted average common shares outstanding	15,131,587	15,195,826	15,149,20
Basic earnings per common share	$ 0.33	$ 0.56	$ 1.2
Diluted			
Net income allocated to common shares	$ 5,025	$ 8,462	$ 18,36
Weighted average common shares outstanding for basic earnings per common share	15,131,587	15,195,826	15,149,20
Add: Dilutive effects of assumed exercises of stock options	8,990	79,330	51,40

Average shares and dilutive potential common shares	Average shares and dilutive potential common shares	15,169,794	15,234,577	15,241,903	15,238,113	Average shares and dilutive potential common shares	15,140,577	15,275,156	15,200,61
Diluted earnings per common share	Diluted earnings per common share	$ 0.39	$ 0.54	$ 0.88	$ 1.07	Diluted earnings per common share	$ 0.33	$ 0.55	$ 1.2

No share of common stock was antidilutive for the three and six nine months ended June 30, 2023 September 30, 2023 an

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunctior Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Report, including inforr statements that involve risks and uncertainties. You should review the sections titled "Cautionary Note Regarding Forward-Loo important factors that could cause actual results to differ materially from the results described in or implied by the forward-lookir

OVERVIEW

We are a bank holding company headquartered in Los Angeles, California. Our commercial community banking activities services to small and medium-sized businesses, their owners and retail customers primarily in the Korean-American community.

Our results of operations depend primarily on our net interest income. We drive our income from interest received on c sale and service of SBA loans. Our major operating expenses are the interest we pay on deposits, the salaries and related benefits primarily on locally-generated deposits, mostly from the Korean-American market within California, to fund our loan activities. W one branch in Santa Clara County, California, one branch in Carrollton, Texas and one branch in Carrollton, Texas. Las Vegas, N Aurora, Colorado, and Lynnwood, Washington.

We adopted Accounting Standards Update ("ASU") 2016-13, which replaced the current incurred loss accounting model w allowance for credit losses by $1.9 million and allowance for off-balance sheet commitments by $184 thousand and recorded an million on January 1, 2023.

Banking Economy and Recent Developments

Beginning in late 2021, the Federal Reserve Board Open Markets Committee, which strives to manage benchmark intere for short-term borrowings in response to perceived increases in inflationary pressures. Financial institutions and markets promp deposits. While such adjustments are commonplace and tend to affect the banking industry as a whole, the pace and degree experiencing substantial pressure on multiple fronts. In particular, banks were forced to increase interest rates paid on deposits treasury securities and other investment opportunities that offered greater earning capabilities for those customers. These incre on our net interest margins.

The increases in market interest rates also were reflected in loan pricing, which had multiple effects, including a reductior ability to avoid or defer additional indebtedness, a decline in the origination of new loans, and an increase in credit risk as bo obligations. The combination of these factors has exerted downward pressure on our fee income, the volume of our interest-earr

Lastly, as a result of the prolonged low-interest-rate environment that had prevailed for years prior to the more recer treasury securities and other relatively low-yielding but stable instruments as a means to preserve liquidity, accepting the lower r Reserve's rate increases resulted in a dramatic loss of value for bonds that were paying at lower interest rates as investors eschew forces even resulted in the closure of three large U.S. banks, including two banks with extensive operations in our market area, wh a return of their deposits at a time when banks were confronting substantial challenges.

The following significant items are of note as of or for the periods presented:

As of June 30, 2023 September 30, 2023 compared to as of December 31, 2022

- Total assets were $2.15 billion $2.14 billion, an increase of $57.2 million $48.2 million, or 2.7% 2.3%, from $2.09 billion.
- Gross loans were $1.72 billion $1.76 billion, an increase of $37.9 million $81.2 million, or 2.3% 4.8%, from $1.68 billion.
- Total deposits were $1.86 billion $1.83 billion, a decrease of $26.1 million $60.6 million, or 1.4% 3.2%, from $1.89 billion.
- Shareholders' equity was $183.8 million $184.3 million, an increase of $6.9 million $7.4 million, or 3.9% 4.2%, from $176.

For the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 Septe

- Net interest income decreased to $17.3 million, a decrease of $1.8 million $3.0 million, or 9.6% 14.9%, from $19.1 million
- Net income was $6.1 million $5.1 million or $0.39 $0.33 per diluted common share, a decrease of $2 million $3.5 million,

For the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 S

- Net interest income decreased to $35.1 million $52.5 million, a decrease of $1.2 million $4.3 million, or 3.4% 7.5%, from
- Net income was $13.6 million $18.7 million or $0.88 $1.21 per diluted common share, a decrease of $3.0 million $6.5 m share.

SELECTED FINANCIAL DATA

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months End September 30,	
($ in thousands, except share and per share data)	($ in thousands, except share and per share data)	2023	2022	2023	2022	($ in thousands, except share and per share data)	2023	202
Income Statement Data:	**Income Statement Data:**					**Income Statement Data:**		
Interest income	Interest income	$ 30,102	$ 20,148	$ 58,696	$ 38,092	Interest income	$ 31,186	$ 23,2
Interest expense	Interest expense	12,850	1,069	23,552	1,723	Interest expense	13,873	2,8
Net interest income	Net interest income	17,252	19,079	35,144	36,369	Net interest income	17,313	20,3
Provision for (reversal of) credit losses		—	996	(338)	1,337			
Provision for credit losses						Provision for credit losses	1,359	6
Noninterest income	Noninterest income	3,605	5,359	7,900	9,575	Noninterest income	2,601	4,8
Noninterest expense	Noninterest expense	12,300	11,503	24,208	21,165	Noninterest expense	11,535	12,3
Income before income taxes	Income before income taxes	8,557	11,939	19,174	23,442	Income before income taxes	7,020	12,1
Income tax expense	Income tax expense	2,466	3,459	5,549	6,810	Income tax expense	1,899	3,5
Net income	Net income	6,091	8,480	13,625	16,632	Net income	5,121	8,6
Per Share Data:	**Per Share Data:**					**Per Share Data:**		
Basic income per share	Basic income per share	$ 0.39	$ 0.55	$ 0.88	$ 1.08	Basic income per share	$ 0.33	$ 0
Diluted income per share	Diluted income per share	0.39	0.54	0.88	1.07	Diluted income per share	0.33	0
Book value per share	Book value per share	12.16	11.16	12.16	11.16	Book value per share	12.17	11
Shares of common stock outstanding	Shares of common stock outstanding	15,118,268	15,137,808	15,118,268	15,137,808	Shares of common stock outstanding	15,149,203	15,199,8

Performance Ratios:	**Performance Ratios:**					**Performance Ratios:**		
Return on average assets(1)	Return on average assets(1)	1.15 %	1.79 %	1.29 %	1.82 %	Return on average assets(1)	0.96 %	1
Return on average equity(1)	Return on average equity(1)	13.27	20.29	15.02	19.92	Return on average equity(1)	11.07	19
Yield on total loans(1)	Yield on total loans(1)	6.34	4.91	6.22	4.88	Yield on total loans(1)	6.45	5
Yield on average earning assets(1)	Yield on average earning assets(1)	5.94	4.44	5.83	4.36	Yield on average earning assets(1)	6.08	4
Cost of average interest bearing liabilities(1)		4.01	0.50	3.79	0.42			
Cost of average interest-bearing liabilities(1)						Cost of average interest-bearing liabilities(1)	4.23	1
Cost of deposits(1)	Cost of deposits(1)	2.63	0.25	2.44	0.21	Cost of deposits(1)	2.83	0
Net interest margin(1)	Net interest margin(1)	3.40	4.21	3.48	4.16	Net interest margin(1)	3.38	4
Efficiency ratio(2)	Efficiency ratio(2)	58.97	47.07	56.24	46.07	Efficiency ratio(2)	57.92	49

(1) Annualized

(2) Represent noninterest expense divided by the sum of net interest income and noninterest income.

		As of			As of	
($ in thousands)	($ in thousands)	June 30, 2023	December 31, 2022	($ in thousands)	September 30, 2023	December 31, 2022
Balance Sheet Data:	**Balance Sheet Data:**			**Balance Sheet Data:**		
Gross loans receivable	Gross loans receivable	$1,716,197	$1,678,292	Gross loans receivable	$1,759,525	$1,678,292
Loans held for sale	Loans held for sale	—	44,335	Loans held for sale	—	44,335
Allowance for credit losses	Allowance for credit losses	(20,802)	(19,241)	Allowance for credit losses	(21,617)	(19,241)
Total assets	Total assets	2,151,701	2,094,497	Total assets	2,142,675	2,094,497
Deposits	Deposits	1,859,639	1,885,771	Deposits	1,825,171	1,885,771
Shareholders' equity	Shareholders' equity	183,770	176,916	Shareholders' equity	184,307	176,916
Asset Quality Data:	**Asset Quality Data:**			**Asset Quality Data:**		
Nonperforming loans to gross loans receivable	Nonperforming loans to gross loans receivable	0.51 %	0.18 %	Nonperforming loans to gross loans receivable	0.24 %	0.18 %
Allowance for credit losses to nonperforming loans	Allowance for credit losses to nonperforming loans	236	625	Allowance for credit losses to nonperforming loans	513	625

Allowance for credit losses to gross loans receivable	Allowance for credit losses to gross loans receivable	1.21	1.15	Allowance for credit losses to gross loans receivable	1.23	1.15
Balance Sheet and Capital Ratios:	**Balance Sheet and Capital Ratios:**			**Balance Sheet and Capital Ratios:**		
Gross loans receivable to deposits	Gross loans receivable to deposits	92.29 %	89.00 %	Gross loans receivable to deposits	96.40 %	89.00 %
Noninterest-bearing deposits to deposits	Noninterest-bearing deposits to deposits	34.13	37.20	Noninterest-bearing deposits to deposits	33.18	37.20
Average equity to average total assets	Average equity to average total assets	8.68	8.88	Average equity to average total assets	8.72	8.88
Leverage ratio	Leverage ratio	9.50	9.38	Leverage ratio	9.63	9.38
Common equity tier 1 ratio	Common equity tier 1 ratio	11.92	11.87	Common equity tier 1 ratio	12.09	11.87
Tier 1 risk-based capital ratio	Tier 1 risk-based capital ratio	11.92	11.87	Tier 1 risk-based capital ratio	12.09	11.87
Total risk-based capital ratio	Total risk-based capital ratio	13.10	13.06	Total risk-based capital ratio	13.31	13.06

RESULTS OF OPERATIONS

Net Income

We reported net income for the three months ended June 30, 2023 September 30, 2023 of $6.1 million $5.1 million, a decre
2022. The decrease was primarily due to a $1.8 million decrease in net interest income and a $1.8 million decrease in nonintere
thousand decrease in income tax expense.

($ in thousands)	2023
Interest income	$
Interest expense	
Net interest income	
Provision for credit losses	
Noninterest income	
Noninterest expense	
Income before income tax expense	
Income tax expense	
Net income	$

We reported net income for the six months ended June 30, 2023 of $13.6 million, compared to net income of $16.6 millio
increase decrease in noninterest expense, net interest income, a $1.7 million $2.2 million decrease in noninterest income and a
decrease in income tax expense and a $803 thousand decrease in noninterest expense.

($ in thousands)	2023
Interest income	$
Interest expense	

Net interest income	
Provision for credit losses	
Noninterest income	
Noninterest expense	
Income before income tax expense	
Income tax expense	
Net income	$

We reported net income for the nine months ended September 30, 2023 of $18.7 million, a decrease of $6.5 million, or 2
was primarily due to a $4.3 million decrease in net interest income, a $3.9 million decrease in noninterest income and a $2.2 millio
expense and a $1.0 million decrease in provision for credit losses and a $1.3 million decrease income tax expense. losses.

($ in thousands)	($ in thousands)	Six Months Ended June 30, 2023	2022	Change	($ in thousands)	Nine Months Ended September 30, 2023	2022	Change
Interest income	Interest income	$58,696	$38,092	$20,604	Interest income	$89,882	$61,326	$28,556
Interest expense	Interest expense	23,552	1,723	21,829	Interest expense	37,425	4,613	32,812
Net interest income	Net interest income	35,144	36,369	(1,225)	Net interest income	52,457	56,713	(4,256)
(Reversal of) provision for credit losses		(338)	1,337	(1,675)				
Provision for credit losses					Provision for credit losses	1,021	1,999	(978)
Noninterest income	Noninterest income	7,900	9,575	(1,675)	Noninterest income	10,501	14,396	(3,895)
Noninterest expense	Noninterest expense	24,208	21,165	3,043	Noninterest expense	35,743	33,503	2,240
Income before income tax expense	Income before income tax expense	19,174	23,442	(4,268)	Income before income tax expense	26,194	35,607	(9,413)
Income tax expense	Income tax expense	5,549	6,810	(1,261)	Income tax expense	7,448	10,325	(2,877)
Net income	Net income	$13,625	$16,632	$ (3,007)	Net income	$18,746	$25,282	$ (6,536)

Net Interest Income

The management of interest income and expense is fundamental to our financial performance. Net interest income, the
total revenue. Management closely monitors both total net interest income and the net interest margin (net interest income
exposing us to an excessive level of interest rate risk through our asset and liability policies. Interest rate risk is managed by mo
and liabilities. Our net interest margin is also adversely impacted by the reversal of interest on nonaccrual loans and the rein
investments.

The following table presents, for the periods indicated, information about: (i) weighted average balances, the total dollar
(ii) average balances, the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rates, (iii)

	Three Months Ended June 30, 2023	2022	Three 2023

($ in thousands)	($ in thousands)	Average Balance	Interest and Fees	Yield / Rate(1)	Average Balance	Interest and Fees	Yield / Rate(1)	($ in thousands)	Average Balance	Inter an Fee
Interest-earning assets:	Interest-earning assets:							Interest-earning assets:		
Interest-bearing deposits in other banks	Interest-bearing deposits in other banks	$ 79,200	$ 1,003	5.01 %	$ 79,628	$ 197	0.98 %	Interest-bearing deposits in other banks	$ 82,752	$ 1,1
Federal funds sold and other investments(2)	Federal funds sold and other investments(2)	15,374	249	6.46	11,966	140	4.70	Federal funds sold and other investments(2)	16,176	3
Available-for-sale debt securities	Available-for-sale debt securities	209,801	1,562	2.98	165,499	703	1.70	Available-for-sale debt securities	199,205	1,5
Total investments	Total investments	304,375	2,814	3.68	257,093	1,040	1.62	Total investments	298,133	2,9
Commercial real estate loans	Commercial real estate loans	838,526	11,823	5.66	751,610	8,743	4.67	Commercial real estate loans	856,911	12,2
SBA loans	SBA loans	262,825	7,174	10.95	353,138	5,707	6.48	SBA loans	248,960	7,3
Commercial and industrial loans	Commercial and industrial loans	114,103	2,232	7.85	160,291	1,811	4.53	Commercial and industrial loans	117,578	2,3
Home mortgage loans	Home mortgage loans	508,976	6,043	4.75	294,341	2,837	3.86	Home mortgage loans	516,465	6,3
Consumer & other loans	Consumer & other loans	1,334	16	4.77	684	10	5.49	Consumer & other loans	274	
Loans(3)	Loans(3)	1,725,764	27,288	6.34	1,560,064	19,108	4.91	Loans(3)	1,740,188	28,2
Total interest-earning assets	Total interest-earning assets	2,030,139	30,102	5.94	1,817,157	20,148	4.44	Total interest-earning assets	2,038,321	31,1
Noninterest-earning assets	Noninterest-earning assets	84,991			73,594			Noninterest-earning assets	84,580	
Total assets	Total assets	$2,115,130			$1,890,751			Total assets	$2,122,901	
Interest-bearing liabilities:	Interest-bearing liabilities:							Interest-bearing liabilities:		
Money market deposits and others	Money market deposits and others	$ 357,517	$ 3,201	3.59 %	$ 470,013	$ 503	0.43 %	Money market deposits and others	$ 352,424	$ 3,4
Time deposits	Time deposits	843,836	8,719	4.14	389,059	566	0.58	Time deposits	869,675	9,5
Total interest-bearing deposits	Total interest-bearing deposits	1,201,353	11,920	3.98	859,072	1,069	0.50	Total interest-bearing deposits	1,222,099	13,0
Borrowings	Borrowings	82,586	930	4.52	—	—	—	Borrowings	79,891	8
Total interest-bearing liabilities	Total interest-bearing liabilities	1,283,939	12,850	4.01	859,072	1,069	0.50	Total interest-bearing liabilities	1,301,990	13,8
Noninterest-bearing liabilities:	Noninterest-bearing liabilities:							Noninterest-bearing liabilities:		
Noninterest-bearing deposits	Noninterest-bearing deposits	615,748			843,788			Noninterest-bearing deposits	599,262	

Other noninterest-bearing liabilities	Other noninterest-bearing liabilities	31,810			20,720			Other noninterest-bearing liabilities	36,620	
Total noninterest-bearing liabilities	Total noninterest-bearing liabilities	647,558			864,508			Total noninterest-bearing liabilities	635,882	
Shareholders' equity	Shareholders' equity	183,633			167,171			Shareholders' equity	185,029	
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	$2,115,130			$1,890,751			Total liabilities and shareholders' equity	$2,122,901	
Net interest income / interest rate spreads	Net interest income / interest rate spreads		$17,252	1.93 %		$19,079	3.94 %	Net interest income / interest rate spreads		$17,3
Net interest margin	Net interest margin			3.40 %			4.21 %	Net interest margin		
Cost of deposits	Cost of deposits			2.63 %			0.25 %	Cost of deposits		
Cost of funds	Cost of funds			2.71 %			0.25 %	Cost of funds		

(1) Annualized

(2) Includes income and average balances for Federal Home Loan Bank ("FHLB") and Pacific Coast Bankers Bank stock, CRA qualified m
earning assets.

(3) Average loan balances include non-accrual loans and loans held for sale.

		Six Months Ended June 30,							Nine Months En		
		2023			2022				2023		
($ in thousands)	($ in thousands)	Average Balance	Interest and Fees	Yield / Rate(1)	Average Balance	Interest and Fees	Yield / Rate(1)	($ in thousands)	Average Balance	Interest and Fees	Yield Rate
Interest-earning assets:	Interest-earning assets:							Interest-earning assets:			
Interest-bearing deposits in other banks	Interest-bearing deposits in other banks	$ 76,695	$ 1,849	4.79 %	$ 83,231	$ 238	0.57 %	Interest-bearing deposits in other banks	$ 78,736	$ 2,965	4.97
Federal funds sold and other investments(1)	Federal funds sold and other investments(1)	13,761	420	6.10	11,465	256	4.45	Federal funds sold and other investments(1)	14,575	721	6.59
Available-for-sale debt securities	Available-for-sale debt securities	210,130	3,128	2.98	161,230	1,233	1.53	Available-for-sale debt securities	206,448	4,647	3.00
Total investments	Total investments	300,586	5,397	3.58 %	255,926	1,727	1.35 %	Total investments	299,759	8,333	3.69
Commercial real estate loans	Commercial real estate loans	839,459	23,002	5.53	731,413	16,545	4.56	Commercial real estate loans	845,340	35,208	5.57
SBA loans	SBA loans	268,823	14,156	10.62	355,916	11,542	6.54	SBA loans	262,130	21,459	10.94
Commercial and industrial loans	Commercial and industrial loans	117,988	4,432	7.58	158,334	3,348	4.26	Commercial and industrial loans	117,850	6,772	7.68
Home mortgage loans	Home mortgage loans	497,949	11,676	4.69	255,936	4,911	3.84	Home mortgage loans	504,188	18,070	4.78
Consumer & other loans	Consumer & other loans	1,360	33	4.92	780	19	5.15	Consumer & other loans	994	40	5.40
Loans(2)	Loans(2)	1,725,579	53,299	6.22	1,502,379	36,365	4.88	Loans(2)	1,730,502	81,549	6.30

Total interest-earning assets	Total interest-earning assets	2,026,165	58,696	5.83	1,758,305	38,092	4.36	Total interest-earning assets	2,030,261	89,882	5.91
Noninterest-earning assets	Noninterest-earning assets	83,771			68,334			Noninterest-earning assets	84,044		
Total assets	Total assets	$2,109,936			$1,826,639			Total assets	$2,114,305		
Interest-bearing liabilities:	Interest-bearing liabilities:							Interest-bearing liabilities:			
Money market deposits and others	Money market deposits and others	$ 383,521	$ 6,351	3.34 %	$ 441,314	$ 754	0.34 %	Money market deposits and others	$ 373,041	$ 9,837	3.53
Time deposits	Time deposits	815,267	15,952	3.95	381,879	969	0.51	Time deposits	833,603	25,471	4.09
Total interest-bearing deposits	Total interest-bearing deposits	1,198,788	22,303	3.75	823,193	1,723	0.42	Total interest-bearing deposits	1,206,644	35,308	4.91
Borrowings	Borrowings	54,533	1,249	4.62	—	—	—	Borrowings	63,078	2,117	4.49
Total interest-bearing liabilities	Total interest-bearing liabilities	1,253,321	23,552	3.79	823,193	1,723	0.42	Total interest-bearing liabilities	1,269,722	37,425	3.94
Noninterest-bearing liabilities:	Noninterest-bearing liabilities:							Noninterest-bearing liabilities:			
Noninterest-bearing deposits	Noninterest-bearing deposits	643,465			813,791			Noninterest-bearing deposits	628,569		
Other noninterest-bearing liabilities	Other noninterest-bearing liabilities	31,729			22,649			Other noninterest-bearing liabilities	33,377		
Total noninterest-bearing liabilities	Total noninterest-bearing liabilities	675,194			836,440			Total noninterest-bearing liabilities	661,946		
Shareholders’ equity	Shareholders’ equity	181,421			167,006			Shareholders’ equity	182,637		
Total liabilities and shareholders’ equity	Total liabilities and shareholders’ equity	$2,109,936			$1,826,639			Total liabilities and shareholders’ equity	$2,114,305		
Net interest income / interest rate spreads	Net interest income / interest rate spreads		$35,144	2.04 %		$36,369	3.94 %	Net interest income / interest rate spreads		$52,457	1.97
Net interest margin	Net interest margin			3.48 %			4.16 %	Net interest margin			3.45
Cost of deposits	Cost of deposits			2.44 %			0.21 %	Cost of deposits			2.57
Cost of funds	Cost of funds			2.50 %			0.21 %	Cost of funds			2.64

(1) Annualized

(2) Includes income and average balances for Federal Home Loan Bank (“FHLB”) and Pacific Coast Bankers Bank stock, CRA qualified m earning assets.

(3) Average loan balances include non-accrual loans and loans held for sale.

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of in rates. The following tables set forth the effects of changing rates and volumes on our net interest income during the period sh changes in volume (change in volume multiplied by prior rate) and (ii) effects on interest income attributable to changes in rate have been allocated to volume and rate ratably.

		Three Months Ended June 30, 2023 vs 2022 Increases (Decreases) Due to Change in				Three Months Ended September 30, 2023 vs 2022 Increases (Decreases) Due to Change in		
($ in thousands)	($ in thousands)	Volume	Rate	Total	($ in thousands)	Volume	Rate	Total
Interest-earning assets:	**Interest-earning assets:**				**Interest-earning assets:**			
Interest-bearing deposits in other banks	Interest-bearing deposits in other banks	$ (3)	$ 809	$ 806	Interest-bearing deposits in other banks	$ 68	$ 621	$ 689
Federal funds sold and other investments	Federal funds sold and other investments	59	50	109	Federal funds sold and other investments	74	81	155
Available-for-sale debt securities	Available-for-sale debt securities	262	597	859	Available-for-sale debt securities	173	465	638
Total investments	Total investments	318	1,456	1,774	Total investments	315	1,167	1,482
Commercial real estate loans	Commercial real estate loans	1,118	1,962	3,080	Commercial real estate loans	626	1,437	2,063
SBA loans	SBA loans	(1,838)	3,305	1,467	SBA loans	(1,060)	2,513	1,453
Commercial and industrial loans	Commercial and industrial loans	(774)	1,195	421	Commercial and industrial loans	(429)	817	388
Home mortgage loans	Home mortgage loans	2,364	842	3,206	Home mortgage loans	1,654	919	2,573
Consumer & other loans	Consumer & other loans	8	(2)	6	Consumer & other loans	(15)	8	(7)
Total loans	Total loans	878	7,302	8,180	Total loans	776	5,694	6,470
Total interest-earning assets	Total interest-earning assets	1,196	8,758	9,954	Total interest-earning assets	1,091	6,861	7,952
Interest-bearing liabilities:	**Interest-bearing liabilities:**				**Interest-bearing liabilities:**			
Money market deposits and others	Money market deposits and others	(194)	2,892	2,698	Money market deposits and others	(902)	2,883	1,981
Time deposits	Time deposits	2,759	5,394	8,153	Time deposits	3,304	4,832	8,136
Total interest-bearing deposits	Total interest-bearing deposits	2,565	8,286	10,851	Total interest-bearing deposits	2,402	7,715	10,117
Borrowings	Borrowings	465	465	930	Borrowings	734	132	866
Total interest-bearing liabilities	Total interest-bearing liabilities	3,030	8,751	11,781	Total interest-bearing liabilities	3,136	7,847	10,983
Net interest income	Net interest income	$ (1,834)	$ 7	$(1,827)	Net interest income	$ (2,045)	$(986)	$(3,031)

		Six Months Ended June 30,				Nine Months Ended September 30,		
		2023 vs 2022				2023 vs 2022		
		Increases (Decreases) Due to Change in				Increases (Decreases) Due to Change in		
($ in thousands)	($ in thousands)	**Volume**	**Rate**	**Total**	($ in thousands)	**Volume**	**Rate**	**Total**
Interest-earning assets:	**Interest-earning assets:**				**Interest-earning assets:**			
Interest-bearing deposits in other banks	Interest-bearing deposits in other banks	$ (87)	$1,698	$ 1,611	Interest-bearing deposits in other banks	$ (44)	$2,344	$ 2,300
Federal funds sold and other investments	Federal funds sold and other investments	80	84	164	Federal funds sold and other investments	154	165	319
Available-for-sale debt securities	Available-for-sale debt securities	556	1,339	1,895	Available-for-sale debt securities	738	1,795	2,533
Total investments	Total investments	549	3,121	3,670	Total investments	848	4,304	5,152
Commercial real estate loans	Commercial real estate loans	2,702	3,755	6,457	Commercial real estate loans	3,358	5,161	8,519
SBA loans	SBA loans	(3,479)	6,093	2,614	SBA loans	(4,608)	8,675	4,067
Commercial and industrial loans	Commercial and industrial loans	(1,321)	2,405	1,084	Commercial and industrial loans	(1,777)	3,249	1,472
Home mortgage loans	Home mortgage loans	5,167	1,598	6,765	Home mortgage loans	6,949	2,390	9,339
Consumer & other loans	Consumer & other loans	15	(1)	14	Consumer & other loans	5	2	7
Total loans	Total loans	3,084	13,850	16,934	Total loans	3,927	19,477	23,404
Total interest-earning assets	Total interest-earning assets	3,633	16,971	20,604	Total interest-earning assets	4,775	23,781	28,556
Interest-bearing liabilities:	**Interest-bearing liabilities:**				**Interest-bearing liabilities:**			
Money market deposits and others	Money market deposits and others	227	5,370	5,597	Money market deposits and others	(456)	8,033	7,577
Time deposits	Time deposits	4,917	10,066	14,983	Time deposits	8,170	14,949	23,119
Total interest-bearing deposits	Total interest-bearing deposits	5,144	15,436	20,580	Total interest-bearing deposits	7,714	22,982	30,696
Borrowings	Borrowings	625	624	1,249	Borrowings	1,765	351	2,116
Total interest-bearing liabilities	Total interest-bearing liabilities	5,769	16,060	21,829	Total interest-bearing liabilities	9,479	23,333	32,812
Net interest income	Net interest income	$ (2,136)	$ 911	$(1,225)	Net interest income	$ (4,704)	$ 448	$(4,256)

Comparison for the Three Months Ended June 30, 2023 September 30, 2023 and 2022

Net interest income decreased $1.8 million $3.0 million, or 9.6% 14.9%, primarily due to higher interest expense on 3.40% 3.38%, a decrease of 81 93 basis points from 4.21% 4.31%.

An $8.2 million A $10.1 million increase in interest expense on deposits was primarily due to a $274.7 million increase Reserve's rate increases.

A $6.5 million increase in interest income on loans was primarily due to a $165.7 million $126.2 million increase in average rate increases.

A $10.9 million increase in interest expense on deposits was primarily due to a $342.3 million increase in average bala increases.

Comparison for the Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022

Net interest income decreased $1.2 million $4.3 million, or 3.4% 7.5%, primarily due to higher interest expense on deposits a decrease of 68 77 basis points from 4.16% 4.22%.

An $16.9 million A $30.7 million increase in interest expense on deposits was primarily due to a $341.6 million increase Reserve's rate increases.

A $23.4 million increase in interest income on loans was primarily due to a $223.2 million $190.5 million increase in average rate increases.

A $21 million increase in interest expense on deposits was primarily due to a $375.6 million increase in averag Reserve's rate increases.

Provision for Credit Losses

Credit risk is inherent in the business of making loans. We establish an allowance for credit losses both on loans and statements of operations as the provision for credit losses. Specifically identifiable and quantifiable known losses are promp conducting a quarterly evaluation of the adequacy of our allowance for credit losses and charging the shortfall or excess, if any, and frequency of charges to earnings. The provision for credit losses and level of allowance for each period are dependent upon loan portfolio, delinquencies, management's assessment of the quality of the loan portfolio, the valuation of problem loans and tl

The provision for credit losses was zero of $1.4 million for the three months ended June 30, 2023, compared to September from loan balance and historical loss factor changes, and a $575 thousand increase in qualitative factor adjustments in the third period of 2022. A $163 thousand increase from qualitative factor adjustments in the second quarter of 2023 was primarily offset b quantitative general reserve during the quarter was insignificant as an increase from a 1.4% growth in gross loans was mostly ("LGD") rates.

The reversal of credit losses was $338 thousand for the six months ended June 30, 2023, compared to provision for cre composed of a $593 thousand in net charge-offs, a $692 thousand increase in qualitative factor adjustments in 2023, partially of losses was $2.0 million for the same period of 2022. The reversal was primarily due to a $345 thousand decrease in quantitative g decrease in specific reserve requirements on individually analyzed loans, partially offset by a $116 thousand increase in qualitative

Noninterest Income

While interest income remains the largest single component of total revenues, noninterest income is also an important consisting of gains on the sale of loans sold in the secondary market and servicing income from loans sold with servicing retained.

Comparison for the Three Months Ended June 30, 2023 September 30, 2023 and 2022

The following table sets forth the various components of our noninterest income for the three months ended June 30, 20

		Three Months Ended June 30,					Three Months Ended September 30,			
($ in thousands)	($ in thousands)	2023	2022	$ Change	% Change	($ in thousands)	2023	2022	$ Change	% Change
Noninterest income:	Noninterest income:					Noninterest income:				
Service charges on deposits	Service charges on deposits	$ 573	$ 427	$ 146	34.2 %	Service charges on deposits	$ 575	$ 454	$ 121	26.7 %

Loan servicing fees, net of amortization	Loan servicing fees, net of amortization	595	654	(59)	(9.0)	Loan servicing fees, net of amortization	468	610	(142)	(23.3)
Gain on sale of loans	Gain on sale of loans	2,098	3,873	(1,775)	(45.8)	Gain on sale of loans	1,179	3,490	(2,311)	(66.2)
Other income	Other income	339	405	(66)	(16.3)	Other income	379	267	112	41.9
Total noninterest income	Total noninterest income	$3,605	$5,359	$(1,754)	(32.7) %	Total noninterest income	$2,601	$4,821	$(2,220)	(46.0) %

Noninterest income for the three months ended June 30, 2023 September 30, 2023 was $3.6 million $2.6 million, a decrea
same period of 2022, primarily due to a decrease of 1.8 million 2.3 million in gain on sale of loans.

Gain on sale of loans was $2.1 million $1.2 million for the three months ended June 30, 2023 September 30, 2023, compar
million or 45.8% 66.2%. The decrease was primarily due to a lower SBA loans sold amount partially offset by and a lower average s
6.64% 6.50% for the three months ended June 30, 2023 September 30, 2023, compared to a sale of $58.6 million $59.3 million of SBA

Comparison for the Six Nine Months Ended 2023 and 2022

The following table sets forth the various components of our noninterest income for the Six Nine Months Ended June 30,

		Six Months Ended June 30,					Nine Months Ended September 30,			
($ in thousands)	($ in thousands)	2023	2022	$ Change	% Change	($ in thousands)	2023	2022	$ Change	% Change
Noninterest income:	Noninterest income:					Noninterest income:				
Service charges on deposit	Service charges on deposit	$ 991	$ 815	$ 176	21.6 %	Service charges on deposit	$ 1,566	$ 1,269	$ 297	23.4 %
Loan servicing fees, net of amortization	Loan servicing fees, net of amortization	1,441	1,101	340	30.9	Loan servicing fees, net of amortization	1,909	1,711	198	11.6
Gain on sale of loans	Gain on sale of loans	4,668	7,111	(2,443)	(34.4)	Gain on sale of loans	5,847	10,601	(4,754)	(44.8)
Other income	Other income	800	548	252	46.0	Other income	1,179	815	364	44.7
Total noninterest income	Total noninterest income	$7,900	$9,575	$(1,675)	(17.5) %	Total noninterest income	$10,501	$14,396	$(3,895)	(27.1) %

Noninterest income for the six nine months ended June 30, 2023 September 30, 2023 was $7.9 million $10.5 million, a decr
the same period of 2022, primarily due to a decrease of $2.4 million $4.8 million in gain on sale of loans, partially offset by increas
respectively. income.

Gain on sale of loans was $4.7 million $5.8 million for the six nine months ended June 30, 2023 September 30, 2023, compa
million or 34.4% 44.8%. The decrease was primarily due to a lower average sales premium and a lower SBA loans sold amount. We
the six nine months ended June 30, 2023 September 30, 2023, compared to a sale of $90.4 million $149.7 million of SBA loans with a

Loan servicing fees, net of amortization, were $1.4 million for the six month ended June 30, 2023, compared to $1.1 milli
portfolio and a decrease in servicing asset amortization driven by slower loan prepayments in 2023. Our total SBA loan servicing
period of 2022.

Other income was $800 thousand, $1.2 million, an increase of $252 $364 thousand from $548 $815 thousand, primarily d
investment.

Noninterest Expense

Comparison for the Three Months Ended June 30, 2023 September 30, 2023 and 2022

The following table sets forth the major components of our noninterest expense for the three months ended June 30, 202

($ in thousands)	($ in thousands)	Three Months Ended June 30, 2023	2022	$ Change	% Change	($ in thousands)	Three Months Ended Septembe 30, 2023	2022	$ Change	% Chang
Noninterest expense:	Noninterest expense:					Noninterest expense:				
Salaries and employee benefits	Salaries and employee benefits	$ 7,681	$ 7,109	$ 572	8.0 %	Salaries and employee benefits	$ 7,014	$ 7,343	$ (329)	(4.5)
Occupancy and equipment	Occupancy and equipment	1,598	1,489	109	7.3	Occupancy and equipment	1,706	1,537	169	11.0
Data processing and communication	Data processing and communication	546	492	54	11.0	Data processing and communication	369	586	(217)	(37.0)
Professional fees	Professional fees	381	364	17	4.7	Professional fees	440	602	(162)	(26.9)
FDIC insurance and regulatory assessments	FDIC insurance and regulatory assessments	420	192	228	118.8	FDIC insurance and regulatory assessments	333	238	95	39.9
Promotion and advertising	Promotion and advertising	159	165	(6)	(3.6)	Promotion and advertising	207	177	30	16.9
Directors' fees	Directors' fees	210	190	20	10.5	Directors' fees	164	170	(6)	(3.5)
Foundation donation and other contributions	Foundation donation and other contributions	594	852	(258)	(30.3)	Foundation donation and other contributions	529	875	(346)	(39.5)
Other expenses	Other expenses	711	650	61	9.4	Other expenses	773	810	(37)	(4.6)
Total noninterest expense	Total noninterest expense	$12,300	$11,503	$ 797	6.9 %	Total noninterest expense	$11,535	$12,338	$ (803)	(6.5)

Noninterest expense for the three months ended June 30, 2023 September 30, 2023 was $12.3 million $11.5 million, co
thousand or 6.5%, primarily due to lower foundation donation and other contributions, salaries and employee benefits, and data

Foundation donations and other contributions for the three months ended September 30, 2023 was $529 thousand,
primarily due to lower donation accruals for Open Stewardship as a result of lower net income.

Salaries and employee benefits for the three months ended September 30, 2023 was $7.0 million, compared to $7.3 mill
primarily due to a lower accrual on employee incentives.

Data processing and communication for the three months ended September 30, 2023 was $369 thousand, compared to
an accrual adjustment for a credit received on data processing fees.

Comparison for the Nine Months Ended 2023 and 2022

($ in thousands)	2023	
Noninterest expense:		
Salaries and employee benefits	$ 21,947	$
Occupancy and equipment	4,874	
Data processing and communication	1,465	
Professional fees	1,180	
FDIC insurance and regulatory assessments	1,220	
Promotion and advertising	528	
Directors' fees	535	
Foundation donation and other contributions	1,876	
Other expenses	2,118	

Total noninterest expense	$ 35,743	$

Noninterest expense for the nine months ended September 30, 2023 was $35.7 million, compared with $33.5 million for t due to a higher salaries and employee benefits, FDIC insurance and regulatory assessments, and occupancy and equipment, part

Salaries and employee benefits expense for the three nine months ended June 30, 2023 September 30, 2023 was $7.7 m increase of $572 thousand, $1.8 million, or 8.0% 9.1%. The increase was primarily due to 22 a $1.0 million increase from 20 additi decrease in loan origination costs as a result of lower loan originations.

FDIC insurance and regulatory assessments for the three nine months ended June 30, 2023 September 30, 2023 was thousand, or 118.8% 91.5%. The increase was primarily due to our deposit growth from the same period of 2022 and increases in F

Foundation donations Occupancy and other contributions equipment for the three nine months ended June 30, 2023 Sep of $258 thousand, of 30.3%. The decrease was primarily due to lower donation accruals for Open Stewardship as a result of lower

Comparison for the Six Months Ended 2023 and 2022

($ in thousands)	2023	
Noninterest expense:		
Salaries and employee benefits	$ 14,933	$
Occupancy and equipment	3,168	
Data processing and communication	1,096	
Professional fees	740	
FDIC insurance and regulatory assessments	887	
Promotion and advertising	321	
Directors' fees	371	
Foundation donation and other contributions	1,347	
Other expenses	1,345	
Total noninterest expense	$ 24,208	$

Noninterest expense for the six months ended June 30, 2023 was $24.2 million, compared with $21.2 million $4.4 million fo

Salaries and employee benefits expense for the six months ended June 30, 2023 was $14.9 million, compared to $12.8 m was primarily due to additional full-time employees to support our continued growth.

FDIC insurance and regulatory assessments for the six months ended June 30, 2023 was $887 thousand, compared to $3 our deposit growth from the same period of 2022 and increases in FDIC assessment fees in 2023. leasehold improvements and eq

Foundation donations and other contributions for the six nine months ended June 30, 2023 September 30, 2023 was thousand, or 19.2% 26.2%. The decrease was primarily due to lower donation accruals for Open Stewardship as a result of lower n

Income Tax Expense

Income tax expense was $2.5 million $1.9 million and $3.5 million for the three months ended June 30, 2023 September 30 three months ended June 30, 2023 September 30, 2023 and 2022,

respectively. Income tax expense was $5.5 million $7.4 million and $6.8 million $10.3 million for the six nine months ended June 30, 29.1% 29.0% for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The decrease in the effecti provision and the final tax returns that were applied in the third quarter of 2023.

After consideration of the matters in the preceding paragraph, we have determined that it is more likely than not that n years.

FINANCIAL CONDITION

Investment Portfolio

The securities portfolio is the second largest component of our interest earning assets, and the structure and compos serves the following purposes: (i) it provides a source of pledged assets for securing certain deposits and borrowed funds, as m liquidity to even out cash flows from the loan and deposit activities of customers; (iii) it can be used as an interest rate risk ma

characteristics of which can be changed more readily than the loan portfolio to better match changes in the deposit base and our
demand is weak or when deposits grow more rapidly than loans.

We classify our securities as either available-for-sale or held-to-maturity at the time of purchase. Accounting guidance rec
other comprehensive income (loss), a component of shareholders' equity. Monthly adjustments are made to reflect changes in th

All securities in our investment portfolio were classified as available-for-sale as of June 30, 2023 September 30, 2023. Ther
2023 September 30, 2023. All available-for-sale securities are carried at fair value and consist of U.S. government agencies or spons

Available-for-sale debt securities decreased $7.6 million $18.5 million, or 3.6% 8.8%, to $202.3 million $191.3 million at June
principal paydowns of $12.6 million 18.9 million, mainly offset by purchases of $5.6 million in tax exempt municipal securities for t
sale securities, other than U.S. Government and its agencies, comprised more than ten percent of our shareholders' equity as of Ju

The following table summarizes the fair value of the available-for-sale securities portfolio as of the dates presented:

		June 30, 2023			December 31, 2022				Septer
($ in thousands)	($ in thousands)	Amortized Cost	Fair Value	Unrealized (Loss) Gain	Amortized Cost	Fair Value	Unrealized Loss	($ in thousands)	Amortized Cost
U.S. Government agencies or sponsored agency securities:	U.S. Government agencies or sponsored agency securities:							U.S. Government agencies or sponsored agency securities:	
Residential mortgage-backed securities	Residential mortgage-backed securities	$ 51,660	$ 46,332	$ (5,328)	$ 55,189	$ 49,764	$ (5,425)	Residential mortgage-backed securities	$ 49,819 $
Residential collateralized mortgage obligations	Residential collateralized mortgage obligations	170,707	150,131	(20,576)	179,953	160,045	(19,908)	Residential collateralized mortgage obligations	166,195
Municipal securities-tax exempt		5,677	5,787	110	—	—	—		
Municipal securities - tax exempt								Municipal securities - tax exempt	5,701
Total available-for-sale debt securities	Total available-for-sale debt securities	$ 228,044	$202,250	$ (25,794)	$ 235,142	$209,809	$ (25,333)	Total available-for-sale debt securities	$ 221,715 $

Certain securities have fair values less than amortized cost and, therefore, contain unrealized losses. The unrealized losses
(Fannie Mae, Ginnie Mae, and Freddie Mac) are guaranteed or sponsored by agencies of the U.S. government, and the issuers of t
in the previous tables are temporary and no credit losses are expected. As a result, we expects full collection of the carrying amo
and it was more-likely-than-not we will not have to sell these securities prior to recovery of amortized cost. Accordingly, for ava
2013 January 1, 2023 and does not have allowance for credit losses as of June 30, 2023 September 30, 2023.

The following table sets forth certain information regarding contractual maturities and the weighted average yields of c
contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

		June 30, 2023									
		Due in One Year or Less		Due after One Year Through Five Years		Due after Five Years Through Ten Years		Due after Ten Years			
($ in thousands)	($ in thousands)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	($ in thousands)	A

U.S. Government agencies or sponsored agency securities:	U.S. Government agencies or sponsored agency securities:									U.S. Government agencies or sponsored agency securities:	
Residential mortgage-backed securities	Residential mortgage-backed securities	$ —	— %	$ 1,373	2.12 %	$ 732	2.28 %	$ 49,555	2.25 %	Residential mortgage-backed securities	$
Residential collateralized mortgage obligations	Residential collateralized mortgage obligations	—	—	311	1.81	3,037	1.25	167,359	2.81	Residential collateralized mortgage obligations	
Municipal securities-tax exempt		—	—	—	—	—	—	5,677	5.11		
Municipal securities - tax exempt										Municipal securities - tax exempt	
Total available-for-sale debt securities	Total available-for-sale debt securities	$ —	— %	$ 1,684	2.07 %	$ 3,769	1.45 %	$ 222,591	2.74 %	Total available-for-sale debt securities	$

We have not used interest rate swaps or other derivative instruments to hedge fixed rate loans or securities to otherwise

Loans

Our loans represent the largest portion of our earning assets, substantially greater than the securities portfolio or any otl consideration when reviewing our financial condition.

The loan distribution table that follows sets forth our gross loans outstanding, and the percentage distribution in each ca

($ in thousands)	($ in thousands)	June 30, 2023 Amount	June 30, 2023 % of Total	December 31, 2022 Amount	December 31, 2022 % of Total	($ in thousands)	September 30, 2023 Amount	September 30, 2023 % of Total	December 31, 2022 Amount	December 31, 2022 % of Total
Commercial real estate	Commercial real estate	$ 847,863	49.4 %	$ 842,208	50.1 %	Commercial real estate	$ 878,824	50.0 %	$ 842,208	50.1 %
SBA—real estate	SBA—real estate	224,476	13.1	221,340	13.2	SBA—real estate	225,579	12.8	221,340	13.2
SBA—non-real estate	SBA—non-real estate	14,309	0.8	13,377	0.8	SBA—non-real estate	14,575	0.8	13,377	0.8
Commercial and industrial	Commercial and industrial	112,160	6.5	116,951	7.0	Commercial and industrial	124,632	7.1	116,951	7.0
Home mortgage	Home mortgage	516,226	30.1	482,949	28.8	Home mortgage	515,789	29.3	482,949	28.8
Consumer	Consumer	1,163	0.1	1,467	0.1	Consumer	126	—	1,467	0.1
Gross loans receivable	Gross loans receivable	1,716,197	100.0 %	1,678,292	100.0 %	Gross loans receivable	1,759,525	100.0 %	1,678,292	100.0 %
Allowance for credit losses	Allowance for credit losses	(20,802)		(19,241)		Allowance for credit losses	(21,617)		(19,241)	
Loans receivable, net(1)	Loans receivable, net(1)	$1,695,395		$1,659,051		Loans receivable, net(1)	$1,737,908		$1,659,051	

(1) Includes net deferred loan costs/(fees) costs(fees) and unamortized premiums/(premiums(unaccreted discounts) of $(381) $3 2022, respectively.

Gross loans increased $37.9 million $81.2 million, or 2.3% 4.8%, to $1.72 billion $1.76 billion as of June 30, 2023 Septembe
attributable to new loan production of $181.5 million $277.6 million, mainly partially offset by loan payoffs and paydowns of $11
million.

The following tables presents the contractual loan maturities by loan category and the contractual distribution of loans t

		June 30, 2023									
		Due in One Year or Less		Due after One Year Through Five Years		Due after Five Years				Due in One Year or Less	
($ in thousands)	($ in thousands)	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Total	($ in thousands)	Fixed Rate	Adjustable Rate
Commercial real estate	Commercial real estate	$38,093	$ 59,791	$407,579	$ 88,490	$228,868	$ 25,042	$ 847,863	Commercial real estate	$52,161	$ 64,183
SBA—real estate	SBA—real estate	—	—	—	29	—	224,447	224,476	SBA—real estate	—	—
SBA—non- real estate	SBA—non- real estate	—	123	247	3,843	—	10,096	14,309	SBA—non- real estate	—	139
Commercial and industrial	Commercial and industrial	12,498	21,302	7,787	24,133	25,639	20,801	112,160	Commercial and industrial	25,688	26,661
Home mortgage	Home mortgage	—	—	—	—	495,756	20,470	516,226	Home mortgage	—	—
Consumer	Consumer	—	1,038	—	125	—	—	1,163	Consumer	—	126
Gross loans	Gross loans	$50,591	$ 82,254	$415,613	$ 116,620	$750,263	$ 300,856	$1,716,197	Gross loans	$77,849	$ 91,109

	Due in One Year or Less		Due after One Year T
($ in thousands)	Fixed Rate	Adjustable Rate	Fixed Rate
Commercial real estate	$ 27,735	$ 33,894	$ 387,902
SBA—real estate	—	—	—
SBA—non- real estate	—	75	442
Commercial and industrial	8,905	27,917	1,611
Home mortgage	—	—	—
Consumer	—	1,136	—
Gross loans	$ 36,640	$ 63,022	$ 389,955

Our loan portfolio is concentrated in commercial real estate, which includes unguaranteed balances in SBA loans, hon
entities). We do not have any material concentrations by industry or group of industries in the loan portfolio. However, 92.6% 9
2023, compared to 92.1% as of December 31, 2022.

Loans — Commercial Real Estate: We have established concentration limits in the loan portfolio for commercial real est
types are within established limits. We use underwriting guidelines to assess the borrowers' historical cash flow to determine del
Financial and performance covenants are used in commercial lending agreements to allow us to react to a borrower's deteriorati

Commercial real estate loans include owner-occupied and non-occupied commercial real estate. We originate both fixed
rate. Our commercial real estate loan portfolio totaled $847.9 million $878.8 million at June 30, 2023 September 30, 2023 compa
2023 September 30, 2023, we originated $54.2 million $87.4 million of commercial real estate loans. As of June 30, 2023 September
fixed-rate loans. Our policy maximum loan-to-value, or LTV, is 70% for commercial real estate loans. As of June 30, 2023 Septembe

Loans — SBA: We are designated as an SBA Preferred Lender under the SBA Preferred Lender Program. We offer mostly S
that we originate. Our SBA loans are typically made to small-sized manufacturing, wholesale, retail, hotel/motel and service busine
years. Typically, non-real estate secured loans mature in less than 10 years. Collateral may also include inventory, accounts recei
collateralized by real estate are monitored by collateral type and included in our commercial real estate Concentration Guidance.

As of June 30, 2023 September 30, 2023, our SBA portfolio totaled $238.8 million $240.2 million, compared to $234.7 million
ended June 30, 2023 September 30, 2023. We sold SBA loans of $81.5 million $104.8 million with a 7.02% 6.91% average premium du

From our total SBA loan portfolio, $224.5 million $225.6 million is secured by real estate and $14.3 million $14.6 million is u

Loans — Commercial and Industrial: Commercial and industrial loans totaled $112.2 million $124.6 million as of June originated $33.4 million $48.0 million for the six nine months ended June 30, 2023 September 30, 2023.

Loans - Home Mortgage: We originate mainly non-qualified, alternative documentation single-family home mortgage loa lender network. The primary loan product is a five-year or seven-year hybrid adjustable rate mortgage, which reprices after five y from third party mortgage originators based on the review of their underwriting and file quality as opportunities arise.

Home mortgage loans totaled $516.2 million $515.8 million as of June 30, 2023 September 30, 2023, compared to $482.9 m 2023, we originated $43.4 million $52.5 million of home mortgage loans and purchased $18.5 million $21.9 million of home mortga

Loan Servicing

As of June 30, 2023 September 30, 2023 and December 31, 2022, we serviced $726.3 million $706.9 million and $707.1 millio follows:

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	($ in thousands)	2023	2022	2023	2022	($ in thousands)	2023	2022	2023	2022
Beginning balance	Beginning balance	$12,898	$12,341	$12,759	$12,720	Beginning balance	$12,654	$12,341	$12,759	$12,720
Additions from loans sold with servicing retained	Additions from loans sold with servicing retained	869	1,357	1,969	2,149	Additions from loans sold with servicing retained	505	1,532	2,474	3,681
Amortized to expense	Amortized to expense	(1,113)	(990)	(2,074)	(2,161)	Amortized to expense	(1,228)	(984)	(3,302)	(3,512)
Ending balance	Ending balance	$12,654	$12,708	$12,654	$12,708	Ending balance	$11,931	$12,889	$11,931	$12,889

Loan servicing rights are reported on our Consolidated Balance Sheets and reported net of amortization.

Allowance for Credit Losses

We adopted ASU 2016-13 using a modified retrospective approach on January 1, 2023 without electing the fair value opt loss accounting model with the Current Expected Credit Losses ("CECL") approach for financial instruments measured at a recognition of estimated credit losses expected to occur over the estimated remaining life of the asset. The forward-looking cor and reasonable and supportable forecasts.

The adoption of this ASU increased the allowance for credit losses by $1.9 million and allowance for off-balance sheet con and decrease to opening retained earnings of $1.5 million on January 1, 2023. The increase to allowance for credit losses was p commercial and industrial loans. We did not record an allowance for credit losses on our available-for-sale debt securities as accordance with ASC 326 while prior period amounts continue to be reported in accordance with previously applicable standards

We employ a modeled approach that takes into account current and future economic conditions to estimate lifetime ex accrued interest receivable in its estimated credit losses because we write off uncollectible accrued interest receivable in a timely days past due to be considered within a timely manner. We have elected to write off accrued interest receivable by reversing int Loss Given Default ("LGD") approach, incorporating quantitative factors and qualitative considerations in the calculation of the a PD and LGD based on national unemployment rates using regression analysis. We incorporate future economic conditions using supportable period of one year for the baseline scenario and two years for the adverse scenario, after which loss assumptions scenario and a two-year reversion period for the adverse scenario.

In order to quantify the credit risk impact of other trends and changes within the loan portfolio, we utilize qualitativ adjustments are established under a Credit Risk Matrix that provides different possible scenarios for each of the factors listed adjust the loss rates. This matrix considers the following nine factors, which are patterned after the guidelines provided under th Allowance for Credit Losses, updated to reflect the adoption of CECL:

- Changes in lending policies and procedures, including changes in underwriting standards and practices for collection, c

- Actual and expected changes in national and local economic and business conditions and developments in which the i
- Changes in the nature and volume of the loan portfolio;
- Changes in the experience, ability, and depth of lending management and staff;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of
- Changes in the quality of the credit review function;
- Changes in the value of the underlying collateral for loans that are not collateral-dependent;
- The existence, growth, and effect of any concentrations of credit, and
- The effect of other external factors, such as the regulatory, legal and technological environments; competition; and eve

For loans that do not share similar risk characteristics such as nonaccrual loans above $250 thousand, we evaluates evalu are considered to have different risk profiles than performing loans and are therefore evaluated individually. We elected to performing and accrual loans, in order to reduce the operational burden of individually assessing small nonaccrual loans wit measured using either 1) the present value of future cash flows discounted at the loan's effective interest rate; or 2) the fair value obtains we obtain a new appraisal to determine the fair value of collateral. The appraisals are based on an "as-is" valuation. To e twelve months from a qualified independent appraiser. If the fair value of the collateral is less than the amortized balance of the l the provision for credit losses.

Collateral-dependent loans are loans where repayment is expected to be provided solely by the sale of the underlying co credit losses for these loans are based on the collateral's fair value less selling costs. In most cases, the Company records a partial at the time of foreclosure.

As of September 30, 2023, there were $3.8 million of collateral-dependent loans which are primarily secured by residential to these loans as of September 30, 2023 was $14 thousand.

The following table represents the amortized cost basis of collateral-dependent loans by class of loans as of September 30 collateral.

($ in thousands)	Hotel / Motel	Gas
As of September 30, 2023		
Commercial real estate	$ 739	$
SBA—real estate(1)	422	
Home mortgage	—	
Total	$ 1,161	$

(1) Excludes guaranteed portion of SBA loans of $3.4 million as of September 30, 2023.

We maintain a separate allowance for credit losses for its off-balance sheet commitments. We use an estimated funding conversion factor to capture how much undrawn lines of credit can potentially become drawn at any point. The funding rate is c balance sheet commitments that are unconditionally cancellable by us.

The allowance for credit losses was $20.8 million at June 30, 2023 $21.6 million as of September 30, 2023, compared to $19.: for the three months ended June 30, 2023 September 30, 2023, compared to provision for credit losses of $996 $662 thousand for t

Analysis of the Allowance for Credit Losses

The following table provides an analysis of the allowance for credit losses, provision for credit losses and net charge-offs, b

		As of and for the Three Months Ended June 30,									
		2023				2022					
($ in thousands)	($ in thousands)	Beginning	Provision (Reversal)	Net (Charge-offs) Recoveries	Ending	Beginning	Provision (Reversal)	Net (Charge-offs) Recoveries	Ending	($ in thousands)	Beginning
Commercial real estate	Commercial real estate	$ 6,784	$ —	$ —	$ 6,784	$ 6,480	$ 1,263	$ —	$ 7,743	Commercial real estate	$ 6,784
SBA—real estate	SBA—real estate	1,218	—	—	1,218	1,750	43	7	1,800	SBA—real estate	1,218

SBA—non-real estate	SBA—non-real estate	67	—	(12)	55	169	(61)	27	135	SBA—non-real estate	55
Commercial and industrial	Commercial and industrial	1,270	—	—	1,270	3,492	(1,390)	—	2,102	Commercial and industrial	1,270
Home mortgage	Home mortgage	11,472	—	—	11,472	4,768	1,145	—	5,913	Home mortgage	11,472
Consumer	Consumer	3	—	$ —	3	13	(4)	—	9	Consumer	3
Total	Total	$ 20,814	$ —	$ (12)	$ 20,802	$ 16,672	$ 996	$ 34	$ 17,702	Total	$ 20,802
Gross loans(1)	Gross loans(1)				$1,716,197				*$1,484,718*	Gross loans(1)	
Average loans(1)	Average loans(1)				$1,725,764				*$1,461,081*	Average loans(1)	
Net (charge-offs) recoveries to average gross loans (2)	Net (charge-offs) recoveries to average gross loans (2)				(0.00)%				(0.01)%	Net (charge-offs) recoveries to average gross loans (2)	
Allowance for credit losses to gross loans	Allowance for credit losses to gross loans				1.21 %				1.19 %	Allowance for credit losses to gross loans	

(1) Excludes loans held for sale.

(2) Annualized.

The following table provides an analysis of the allowance for credit losses, provision for credit losses and net charge-offs, b

		As of and for the Six Months Ended June 30,										
		2023					2022					
($ in thousands)	($ in thousands)	Beginning	Impact of CECL Adoption	(Reversal) Provision	Net (Charge-offs) Recoveries	Ending	Beginning	(Reversal) Provision	Net (Charge-offs) Recoveries	Ending	($ in thousands)	B
Commercial real estate	Commercial real estate	$ 6,951	$ 875	$ (951)	$ (91)	$ 6,784	$ 8,150	$ (407)	$ —	$ 7,743	Commercial real estate	$
SBA—real estate	SBA—real estate	1,607	(238)	(140)	(11)	1,218	2,022	(215)	(7)	1,800	SBA—real estate	
SBA—non-real estate	SBA—non-real estate	207	(142)	(7)	(3)	55	199	(108)	44	135	SBA—non-real estate	
Commercial and industrial	Commercial and industrial	1,643	(320)	(53)	—	1,270	2,848	(746)	—	2,102	Commercial and industrial	
Home mortgage	Home mortgage	8,826	1,753	893	—	11,472	2,891	3,022	—	5,913	Home mortgage	
Consumer	Consumer	7	(4)	—	$ —	3	13	(5)	1	9	Consumer	
Total	Total	$ 19,241	$ 1,924	$ (258)	$ (105)	$ 20,802	$ 16,123	$ 1,541	$ 38	$ 17,702	Total	$
Gross loans(1)	Gross loans(1)					$1,716,197				$1,484,718	Gross loans(1)	
Average loans(1)	Average loans(1)					$1,725,764				$1,406,075	Average loans(1)	
Net (charge-offs) recoveries to average gross loans (2)	Net (charge-offs) recoveries to average gross loans (2)					(0.02)%				(0.01)%	Net (charge-offs) recoveries to average gross loans (2)	
Allowance for credit losses to gross loans	Allowance for credit losses to gross loans					1.21 %				1.19 %	Allowance for credit losses to gross loans	

(1) Excludes loans held for sale.

(2) Annualized.

The following table presents an allocation of the allowance for credit losses by portfolio as of June 30, 2023 September 30,

($ in thousands)	($ in thousands)	June 30, 2023 Amount	June 30, 2023 % to Total	December 31, 2022 Amount	December 31, 2022 % to Total	($ in thousands)	September 30, 2023 Amount	September 30, 2023 % to Total	December 31, 2022 Amount	December 31, 2022 % to Total
Commercial real estate	Commercial real estate	$ 6,784	32.6 %	$ 6,951	36.1 %	Commercial real estate	$ 7,498	34.7 %	$ 6,951	36.1 %
SBA—real estate	SBA—real estate	1,218	5.9	1,607	8.4	SBA—real estate	1,217	5.6	1,607	8.4
SBA—non-real estate	SBA—non-real estate	55	0.3	207	1.1	SBA—non-real estate	150	0.7	207	1.1
Commercial and industrial	Commercial and industrial	1,270	6.1	1,643	8.5	Commercial and industrial	1,155	5.3	1,643	8.5
Home mortgage	Home mortgage	11,472	55.1	8,826	45.9	Home mortgage	11,597	53.7	8,826	45.9
Consumer	Consumer	3	—	7	—	Consumer	—	—	7	—
Total	Total	$ 20,802	100.0 %	$ 19,241	100.0 %	Total	$ 21,617	100.0 %	$ 19,241	100.0 %

Nonperforming Assets

Loans are considered delinquent when principal or interest payments are past due 30 days or more. Delinquent loans r accrual of interest has been discontinued are designated as non-accrual loans. Typically, the accrual of interest on loans is discont management, there is a reasonable doubt as to collectability in the normal course of business. When loans are placed on non-a period interest income. Income on non-accrual loans is subsequently recognized only to the extent that cash is received, and th loans become well-secured and management believes full collectability of principal and interest is probable.

Nonperforming loans include loans that are 90 days past due and still accruing, loans accounted for on a non-accrual bas plus other real estate owned ("OREO").

Nonperforming loans were $8.8 million $4.2 million at June 30, 2023 September 30, 2023, compared to $3.1 million $2.0 portion of SBA loans of $5.4 million $5.2 million and $1.0$1.0 million as of June 30, 2023 September 30, 2023 and December 31, 2022,

Real estate we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as OREO until sold, and is in We had no OREO as of June 30, 2023 September 30, 2023 and December 31, 2022.

The following table sets forth the allocation of our nonperforming assets among our different asset categories as of the c more and still accruing interest, and loans modified under troubled debt restructurings.

($ in thousands)	($ in thousands)	June 30, 2023	December 31, 2022	($ in thousands)	September 30, 2023	December 31, 2022
Nonaccrual loans	Nonaccrual loans	$8,566	$ 2,639	Nonaccrual loans	$ 4,211	$ 2,034
Past due loans 90 days or more and still accruing	Past due loans 90 days or more and still accruing	246	442	Past due loans 90 days or more and still accruing	—	—
Total nonperforming loans(1)	Total nonperforming loans(1)	8,812	3,081	Total nonperforming loans(1)	4,211	2,034
OREO	OREO	—	—	OREO	—	—
Total nonperforming assets	Total nonperforming assets	$8,812	$ 3,081	Total nonperforming assets	$ 4,211	$ 2,034
Nonperforming loans to gross loans	Nonperforming loans to gross loans	0.51 %	0.18 %	Nonperforming loans to gross loans	0.24 %	0.12 %

Nonperforming assets to total assets	Nonperforming assets to total assets	0.41 %	0.15 %	Nonperforming assets to total assets	0.20 %	0.10 %
Allowance for credit losses to nonperforming loans	Allowance for credit losses to nonperforming loans	236 %	625 %	Allowance for credit losses to nonperforming loans	513 %	946 %

(1) Includes Excludes guaranteed portion of SBA loans of $5.4 million $5.2 million and $1.0 million as of June 30, 2023 September 30, 2023

Deposits and Other Sources of Funds

We gather deposits primarily through our branch locations. We offer a variety of deposit products including demand dep dedicate continuing effort into gathering noninterest demand deposits accounts through marketing to our existing and new community networks.

The following table show the composition of deposits by type as of the dates presented:

		June 30, 2023		December 31, 2022			September 30, 2023		December 3
($ in thousands)	($ in thousands)	Amount	Percent	Amount	Percent	($ in thousands)	Amount	Percent	Amount
Noninterest-bearing demand	Noninterest-bearing demand	$ 634,745	34.1 %	$ 701,584	37.2 %	Noninterest-bearing demand	$ 605,509	33.2 %	$ 701,584
Interest-bearing:	Interest-bearing:					Interest-bearing:			
Money market and others	Money market and others	344,162	18.5	526,321	27.9	Money market and others	348,869	19.1	526,321
Time deposits (more than $250)	Time deposits (more than $250)	416,208	22.4	356,197	18.9	Time deposits (more than $250)	420,162	23.0	356,197
Time deposits ($250 or less)	Time deposits ($250 or less)	464,524	25.0	301,669	16.0	Time deposits ($250 or less)	450,631	24.7	301,669
Total interest-bearing	Total interest-bearing	1,224,894	65.9	1,184,187	62.8	Total interest-bearing	1,219,662	66.8	1,184,187
Total deposits	Total deposits	$1,859,639	100.0 %	$1,885,771	100.0 %	Total deposits	$1,825,171	100.0 %	$1,885,771

The following tables set forth the maturity of time deposits as of June 30, 2023 September 30, 2023:

		Maturity Within:						Maturity Within:			
($ in thousands)	($ in thousands)	Three Months	Three to Six Months	Six to 12 Months	After 12 Months	Total	($ in thousands)	Three Months	Three to Six Months	Six to 12 Months	After 12 Months
Time deposits (more than $250)	Time deposits (more than $250)	$30,086	$188,654	$195,818	$ 1,650	$416,208	Time deposits (more than $250)	$184,757	$141,526	$ 92,393	$ 1,486
Time deposits ($250 or less)	Time deposits ($250 or less)	67,165	174,086	180,766	42,507	464,524	Time deposits ($250 or less)	178,507	92,788	137,314	42,022
Total time deposits	Total time deposits	$97,251	$362,740	$376,584	$44,157	$880,732	Total time deposits	$363,264	$234,314	$229,707	$43,508

Other than deposits, we also utilized FHLB advances as a supplementary funding source to finance our operations. The a As of June 30, 2023 September 30, 2023 and December 31, 2022, we had maximum borrowing capacity from the FHLB of $625.9 borrowings from FHLB as of June 30, 2023 September 30, 2023 and no borrowing from FHLB as of December 31, 2022.

Liquidity and Capital Recourses

Liquidity refers to the measure of our ability to meet the cash flow requirements of depositors and borrowers, while reasonable cost. We continuously monitor our liquidity position to ensure that assets and liabilities are managed in a manner position to meet the daily cash flow needs of customers, while maintaining an appropriate balance between assets and liabiliti long-term liquidity requirements are primarily met through cash flow from operations, redeployment of prepaying and maturing alternative sources of funds will supplement these primary sources to the extent necessary to meet additional liquidity requireme

Deposits are the primarily funding source for the Bank. Deposits provide a stable source of funding and reduce our relia balances, the loans-to-deposit ratios, and deposits as a percentage of total liabilities as of June 30, 2023 September 30, 2023 and D

($ in thousands)	($ in thousands)	June 30, 2023	December 31, 2022	($ in thousands)	September 30, 2023	December 31, 2022
Deposits	Deposits	$1,859,639	$1,885,771	Deposits	$1,825,171	$1,885,771
Deposits as a % of total liabilities	Deposits as a % of total liabilities	94.5 %	98.3 %	Deposits as a % of total liabilities	93.2 %	98.3 %
Loans, net	Loans, net	$1,695,395	$1,659,051	Loans, net	$1,737,908	$1,659,051
Loans-to-deposits ratio	Loans-to-deposits ratio	91.2 %	88.0 %	Loans-to-deposits ratio	95.2 %	88.0 %

In addition to deposits, we have access to various sources of wholesale funding, as well as borrowing capacity at the FHLI meet daily cash demands and allow management flexibility to execute the business strategy. Economic conditions and the stabili capital markets is also affected by the ratings received from various credit rating agencies.

We had $100.0 million of unsecured federal funds lines with no amounts advanced as of June 30, 2023 September 30, 2023 Reserve discount window of $172.3 million $186.4 million and $175.6 million.. . The Federal Reserve discount window lines were co totaling $244.2 million $260.5 million and $254.7 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectiv 2023 September 30, 2023 or December 31, 2022, and our borrowing capacity is limited only by eligible collateral.

Based on the values of loans pledged as collateral, we had $400.5 million $375.9 million of additional borrowing availabilit the capital markets with brokers to issue certificates of deposit and money market accounts.

We maintain ample access to liquidity, including highly liquid assets on our balance sheet and available unused borrov available borrowings as of June 30, 2023 September 30, 2023 and December 31, 2022:

($ in thousands)	($ in thousands)	June 30, 2023	December 31, 2022	% Change	($ in thousands)	September 30, 2023	December 31, 2022	% Change
Liquid assets:	Liquid assets:				Liquid assets:			
Cash and cash equivalents	Cash and cash equivalents	$143,761	$ 82,972	73.3 %	Cash and cash equivalents	$ 105,740	$ 82,972	27.4 %
AFS debt securities	AFS debt securities	202,250	209,809	(3.6)	AFS debt securities	191,313	209,809	(8.8)
Liquid assets	Liquid assets	$346,011	$292,781	18.2 %	Liquid assets	$ 297,053	$292,781	1.5 %
Liquid assets to total assets		16.1 %	14.0 %					
Liquid assets to total deposits					Liquid assets to total deposits	16.3 %	15.5 %	
Available borrowings:	Available borrowings:				Available borrowings:			
FHLB	FHLB	$400,543	$440,358	(9.0) %	FHLB	$ 375,874	$440,358	(14.6) %
Federal Reserve Bank	Federal Reserve Bank	172,316	175,605	(1.9)	Federal Reserve Bank	186,380	175,605	6.1
Pacific Coast Bankers Bank	Pacific Coast Bankers Bank	50,000	50,000	—	Pacific Coast Bankers Bank	50,000	50,000	—
Zions Bank	Zions Bank	25,000	25,000	—	Zions Bank	25,000	25,000	—

First Horizon Bank	First Horizon Bank	25,000	24,950	0.2	First Horizon Bank	25,000	24,950	0.2
Total available borrowings	Total available borrowings	$672,859	$715,913	(6.0) %	Total available borrowings	$ 662,254	$715,913	(7.5) %
Total available borrowings to total assets		31.3 %	34.2 %					
Total available borrowings to total deposits					Total available borrowings to total deposits	36.3 %	38.0 %	
Liquid assets and available borrowings to total assets		47.4 %	48.2 %					
Liquid assets and available borrowings to total deposits					Liquid assets and available borrowings to total deposits	52.6 %	53.5 %	

The following tables summarizes short- and long-term material cash requirements as of June 30, 2023 September 30, 202
from our operations and available alternative sources of funds:

		Material Cash Requirements								
($ in thousands)	($ in thousands)	Within One Year	One to Three Years	Three to Five Years	After Five Years	Indeterminable maturity(1)	Total	($ in thousands)	Within One Year	O T Y
Deposits(2)(1)	Deposits(2)(1)	$459,991	$403,084	$17,657	$ —	$ 978,907	$1,859,639	Deposits(2)(1)	$363,264	$48
Operating lease commitments	Operating lease commitments	2,601	4,040	3,899	2,680	—	13,220	Operating lease commitments	2,604	
Advances from FHLB(2)	Advances from FHLB(2)	—	75,000	—	—	—	75,000	Advances from FHLB(2)	20,000	7
Commitments to fund investment for Low Income Housing Tax Credit	Commitments to fund investment for Low Income Housing Tax Credit	3,828	2,984	122	251	—	7,185	Commitments to fund investment for Low Income Housing Tax Credit	4,571	
Total contractual obligations	Total contractual obligations	$466,420	$485,108	$21,678	$2,931	$ 978,907	$1,955,044	Total contractual obligations	$390,439	$57

(1) Includes deposits with no defined maturity, such as noninterest-bearing demand, savings and money market.

(2) Excludes accrued interest.

In addition to contractual obligations, other commitments of us impact liquidity. These include unused commitments t
these commitments expire without being drawn upon, and each customer must continue to meet the conditions established i
represent the future cash requirements of us. Our liquidity sources have been, and are expected to be, sufficient to meet the cash
letters of credit and commercial letters of credit is provided in Note 9. Commitments and Contingencies to the Consolidated Finar

Capital Requirements

We are subject to various regulatory capital requirements administered by the federal and state banking regulators. Failu
additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements
action", we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balanc
classifications are subject to qualitative judgments by the federal banking regulators regarding components, risk weightings and
required us to maintain minimum amounts and various ratios of CET1 capital, Tier 1 capital and total capital to risk-weighted asse

The table below also summarizes the capital requirements applicable to us and the Bank in order to be considered "well-
June 30, 2023 September 30, 2023 and December 31, 2022. The Bank exceeded all regulatory capital requirements under the Base

the table below. As of June 30, 2023 September 30, 2023, the FDIC categorized us as well-capitalized under the prompt corrective a
30, 2023 that management believes would change this classification.

As of June 30, 2023		Actual(1)		Regulatory Capital Ratio Requirements		Minimum to be Considered "Well Capitalized"		Regulatory Capital Ratio Requirements, including fully phased in Capital Conservation Buffer			
As of 9/30/2023										**As of 9/30/2023**	**A**
($ in thousands)	($ in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	($ in thousands)	**Amou**
Total capital (to risk-weighted assets)	Total capital (to risk-weighted assets)									Total capital (to risk-weighted assets)	
Consolidated	Consolidated	$222,643	13.10 %	N/A	N/A	N/A	N/A	N/A	N/A	Consolidated	$227,2
Bank	Bank	220,584	12.98	$136,000	8.00 %	$170,000	10.00 %	$178,500	10.50 %	Bank	225,3
Tier 1 capital (to risk-weighted assets)	Tier 1 capital (to risk-weighted assets)									Tier 1 capital (to risk-weighted assets)	
Consolidated	Consolidated	202,589	11.92	N/A	N/A	N/A	N/A	N/A	N/A	Consolidated	206,3
Bank	Bank	200,530	11.80	102,000	6.00	136,000	8.00	144,500	8.50	Bank	204,4
CET1 capital (to risk-weighted assets)	CET1 capital (to risk-weighted assets)									CET1 capital (to risk-weighted assets)	
Consolidated	Consolidated	202,589	11.92	N/A	N/A	N/A	N/A	N/A	N/A	Consolidated	206,3
Bank	Bank	200,530	11.80	76,500	4.50	110,500	6.50	119,000	7.00	Bank	204,4
Tier 1 leverage (to average assets)	Tier 1 leverage (to average assets)									Tier 1 leverage (to average assets)	
Consolidated	Consolidated	202,589	9.50	N/A	N/A	N/A	N/A	N/A	N/A	Consolidated	206,3
Bank	Bank	200,530	9.41	85,257	4.00	106,571	5.00	85,257	4.00	Bank	204,4

(1) The capital requirements are only applicable to the Bank, and our ratios are included for comparison purpose.

As of December 31, 2022	Actual(1)		Regulatory Capital Rati Requirements	
($ in thousands)	**Amount**	**Ratio**	**Amount**	**Rati**
Total capital (to risk-weighted assets)				
Consolidated	$ 213,862	13.06 %	N/A	
Bank	211,981	12.94	$ 131,020	
Tier 1 capital (to risk-weighted assets)				
Consolidated	194,358	11.87	N/A	
Bank	192,477	11.75	98,265	
CET1 capital (to risk-weighted assets)				
Consolidated	194,358	11.87	N/A	
Bank	192,477	11.75	73,699	
Tier 1 leverage (to average assets)				

Consolidated	194,358	9.38	N/A
Bank	192,477	9.29	82,836

(1) The capital requirements are only applicable to the Bank, and our ratios are included for comparison purpose.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the risk of loss due to changes in market values of assets and liabilities. We incur market risk in the credit spreads. We have identified interest rate risk as our primary source of market risk.

Interest Rate Risk

Interest rate risk is the risk to earnings and value arising from changes in market interest rates. Interest rate risk aris interest-bearing liabilities (repricing risk), changes in the expected maturities of assets and liabilities arising from embedded optio ability to redeem certificates of deposit before maturity (option risk), changes in the shape of the yield curve where interest ra relationships between different yield curves, such as U.S. Treasuries and SOFR (basis risk).

Our board's asset liability committee, or ALM, establishes broad policy limits with respect to interest rate risk. Our manag the parameters of the policies set by the ALM. In general, we seek to minimize the impact of changing interest rates on net interes interest rate risk sensitivity on a quarterly basis to ensure compliance with the ALM-approved risk limits. The policy requires a scenarios, setting loan prepayment rates based on historical analysis, and noninterest-bearing and interest-bearing deposit durat

Interest rate risk management is an active process that encompasses monitoring loan and deposit flows complemente with understanding the dynamic characteristics of assets and liabilities and determining the appropriate interest rate risk pos constraints.

An asset sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expecte would reprice upward more quickly than rates paid on our interest-bearing liabilities, thus expanding our net interest margin. Co in short-term interest rates is expected to generate lower net interest income, as rates paid on our interest-bearing liabilities w compressing our net interest margin.

Interest rate risk measurement is calculated and reported to the ALCO and ALM at least quarterly. The information rep assessment of the policy limit breach and the action plan and timeline for resolution, mitigation, or assumption of the risk.

Evaluation of Interest Rate Risk

We use a net interest income simulation model to measure and evaluate potential changes in our net interest income. results against a scenario with no changes in interest rates. We use two approaches to model interest rate risk: Earnings at Risk, utilizing various assumptions for assets and liabilities. EVE measures the period end market value of assets minus the mark measurement.

Our simulation model incorporates various assumptions, which we believe are reasonable but which may have a sig rotations in the yield curve; (iii) re-pricing characteristics for market-rate-sensitive instruments; (iv) varying loan prepayment spe liabilities. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intende rather as a means to better plan and execute appropriate asset-liability management strategies and manage our interest rate risk

Potential changes to our net interest income in hypothetical rising and declining rate scenarios calculated as of June 30, projections assume (1) immediate, parallel shifts downward of the yield curve of 100, 200 and 300 basis points and (2) immediate,

		Net Interest Sensitivity		Economic Value of Equity Sensitivity			Net Interest Sensitivity		Economic Value of Equity Sensitivity	
		June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
+300 basis points	+300 basis points	(0.65)%	0.12 %	(39.84)%	(42.72) %	+300 basis points	(4.60) %	0.12 %	(41.93) %	(42.72) %
+200 basis points	+200 basis points	0.53	1.13	(19.06)	(23.29)	+200 basis points	(2.08)	1.13	(21.26)	(23.29)
+100 basis points	+100 basis points	0.58	0.97	(7.37)	(9.11)	+100 basis points	(0.69)	0.97	(8.79)	(9.11)

-100 basis points	-100 basis points	(0.37)	(0.94)	1.96	(1.78)	-100 basis points	1.15	(0.94)	4.40	(1.78)
-200 basis points	-200 basis points	0.67	(0.70)	(1.47)	(7.31)	-200 basis points	3.90	(0.70)	4.24	(7.31)
-300 basis points	-300 basis points	1.19	(3.24)	(11.28)	(18.42)	-300 basis points	7.32	(3.24)	(0.11)	(18.42)

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

Our management, including our President and Chief Executive Officer and our Chief Financial Officer, have evaluated tl under the Securities and Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered in this r Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective as of th us in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time disclosed by us in the reports it files or submits under the Exchange Act is accumulated and communicated to our managem appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

We identified, designed, and documented additional internal controls to address new risks posed by the new processes a any material changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchang or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In the normal course of business, we are subject to legal proceedings or claims. Management has reviewed all legal cla material to any of the consolidated financial statements.

Item 1A. Risk Factors.

A discussion of the risk factors affecting us is set forth in Part I, Item 1A. Risk Factors in our 2022 Annual Report on Forr factors that could affect our actual results and could cause our results to vary materially from those expressed in public statem that developed or were discovered after the date of our Form 10-K are set forth below, and you should read those discussions c discussed elsewhere in other of our reports filed with or furnished to the SEC could affect our business or results. The readers sh that we may face.

Recent and continuing uncertainties surrounding the banking sector may disproportionately affect our business.

During the first quarter and early in the second quarter of 2023, a number of regional banks suffered liquidity crises tha since those failures, customer confidence in the safety of their deposits has declined, particularly with respect to uninsured d banking customers, and both the news media and customers have tended to scrutinize smaller institutions much more closely t confidence, a continuation or exacerbation of these developments may further erode customer confidence generally or with re have been forced to maintain, and we expect to continue to maintain, higher liquidity levels, which will limit our ability to inves impact our net income. Further, if we cannot maintain sufficient liquidity to assure an ability to meet customer withdrawal dem the Bank is the Company's primary operating subsidiary and is responsible for substantially all of the Company's financial capaci securities.

Shifting customer expectations Increasing challenges in credit markets and the effects on our current and future borro result in ways that decrease our net interest income. losses or increasing provision expense.

In recent periods we have seen substantial increases late 2021 and early 2022, partially as a response to inflation in the U.S economic stimulus measures that had included historically low interest rates. As those measures were reversed, the Federal Rese than five percent in less than two years. These increases have had a variety of significant impacts, among them a substantial ar significant reduction in borrowing on existing lines of credit by corporate and individual customers that have the ability to limit ir effect of reducing our interest-earning assets), as well as an increase in delinquencies and classified loans (which requires us to i increases also effectively reduce demand for loans that we would typically originate and hold for resale, thus reducing our nonint for prolonged periods, our borrowers may experience increasing difficulty in repaying their loans.

Increasing delinquencies has resulted in our allowance for credit losses on loans decreasing as a percentage of nonperfor trends continue, or if economic conditions affecting our borrowers worsen, we may be forced to increase our provision expense, has increased corresponding period, or in some cases we may experience losses in excess of established reserves, which would ha a material adverse effect on our results of operations.

Adverse developments affecting the Federal Funds rate banking industry, and resulting media coverage, have eroded on the Company's operations and/or stock price.

The recent high-profile bank failures of Silicon Valley Bank, Signature Bank and First Republic have generated signi developments have negatively impacted customer confidence in the safety and soundness in the financial services industry. W some time have diminished in recent months, we cannot offer assurances that the underlying risks have been able to maintain bank failures, or geopolitical or market conditions will not exacerbate or continue these conditions. Partly as a result of near-ze bank depositors have chosen to higher market interest rates has motivated many customers to seek higher yields on place thei above, we have found it necessary to maintain additional liquidity to respond to potential increases in customer withdrawal de higher-yielding higher yielding short-term fixed income securities, all of which have adversely affected, and may continue to ma margin, capital, and investment products. We expect results of operations. In connection with high-profile bank failures, unce technology that increase the speed at which deposits can be moved, as well as the speed and reach of media attention, includi exacerbating liquidity concerns. Further, measures announced by the Department of the Treasury, the Federal Reserve, and the availability of their deposits may not be successful in restoring customer confidence in the banking system.

In addition, the interest rate environment and the prices of financial institutions stocks are often highly correlated, in p banks disproportionately. These circumstances have at times adversely affected, and in the future are likely to continue to adve that the effects of these conditions will continue for events on bank stock prices can cause a much more pronounced and widesp specific risk profile.

These recent events may also result in potentially adverse changes to laws or regulations governing banks and bank h supervisory or enforcement activities, including higher capital requirements, which could have a material impact on our busin premiums above the recently increased levels or to issue additional special assessments.

Rising interest rates have decreased the value of a portion of the Bank's securities portfolio, and the Bank would reali

As a result of inflationary pressures and other general economic conditions, Federal Open Market Committee of the B interest rates over the last year. When interest rates increase, fixed-rate investment securities and loans held for sale tend to dec than purchasing debt securities that have a yield that is lower than those earning at a newly-increased market interest rate. This of our securities classified as available-for-sale, resulting in both a charge against earnings to reflect the adverse impacts on securi to maturity. These trends can be exacerbated if the Bank were required to sell such securities to meet liquidity needs, including in

The loss of the Bank's deposit clients or a substantial reduction in deposit balances could force us to fund our busines

The composition of our deposit base, and particularly the extent to which we expect near-term contraction our deposits periods of economic uncertainty. Our measures to mitigate the risks, including correspondent deposit relationships, may not be significant economic fluctuations, or customers' expectations about such events (whether or not those expectations material withdrawals. If our net interest margin depositors were to experience such conditions, the resulting demand for withdrawals ma This risk is particularly significant if the FDIC or other federal banking regulators were to withdraw or revise recently announ deposits. A reduction in liquidity, particularly if it were to occur rapidly or at excessive levels, would have a material adverse eff common stock.

We may be subject to greater than ordinary degrees of scrutiny from federal and state banking regulators.

In times of significant uncertainty surrounding the banking industry, federal and state banking regulators have tended t of deposits, the security of the banking system, and the integrity of the Federal Deposit Insurance Fund. These measures, as wel and other customers, and banking regulators charged with enforcing those regulations are not focused on the protection of sha adequacy of a bank's liquidity and the quality of its loan and deposit portfolios. We expect the recent failures of two regional b more carefully. While we believe we have taken appropriate measures to respond to current market conditions and trends, ou liquidity, reducing our loan-to-deposit ratio, increasing our reserves for credit losses, or both, or to take other measures to requirements in response to these conditions, we may experience further reductions to our net income or we may be required to

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Articles of Incorporation of OP Bancorp (incorporated herein by reference to Exhibit 3.1 to the Registrant's
3.2	Amended and Restated Bylaws of OP Bancorp (incorporated herein by reference to Exhibit 3.2 to the Regis 2018)
3.3	First Amendment to the Amended and Restated Bylaws of OP Bancorp (incorporated herein by reference t March 15, 2021)
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exc
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exch
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Secti
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Sectio
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be sigr

OP Bancorp

Date: August 9, 2023 November 13, 2023 By: ________

Date: August 9, 2023 November 13, 2023 By: ________

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CERTIFICATION PURSUANT TO
RULES 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXC
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANI

I, Min J. Kim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OP Bancorp (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a mater such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly pres the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures registrant, including its consolidated subsidiaries, is made known to us by others within those entities, part

(b) Designed such internal control over financial reporting, or caused such internal control over financial repor reliability of financial reporting and the preparation of financial statements for external purposes in accord

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this rep of the end of the period covered by this report based on such evaluation; and

(c)(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occur in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the r

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal con registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over fir record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant r

Date: August 9, 2023 November 13, 2023 By: __________

CERTIFICATION PURSUANT TO
RULES 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXC
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANI

I, Christine Y. Oh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OP Bancorp (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a mater such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly pres the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to registrant, including its consolidated subsidiaries, is made known to us by others within those entities, part

(b) Designed such internal control over financial reporting, or caused such internal control over financial repor reliability of financial reporting and the preparation of financial statements for external purposes in accord

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this rep of the end of the period covered by this report based on such evaluation; and

(c)(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occur in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the r

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal con registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over fir record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant r

Date: August 9, 2023 November 13, 2023 By: ____________

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSU
SECTION 906 OF THE SARBANES-OXLEY ACT (

In connection with the Quarterly Report of OP Bancorp (the "Company") on Form 10-Q for the period ending June 30, 20
hereof (the "Report"), I, Min J. Kim, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as a

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and resu

Date: August 9, 2023 November 13, 2023 By: ____________

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSU
SECTION 906 OF THE SARBANES-OXLEY ACT (

In connection with the Quarterly Report of OP Bancorp (the "Company") on Form 10-Q for the period ending June 30, 20
hereof (the "Report"), I, Christine Y. Oh, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 1

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and resu

Date: August 9, 2023 November 13, 2023 By: ____________

DISCLAIMER