REFINITIV

DELTA REPORT

10-K

OPBK - OP BANCORP

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	2933
CHANGES	464
DELETIONS	1105
ADDITIONS	1364

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022 December 31, 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 The Nasdaq Global Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES Yes ☐No☒

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 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 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the common stock held by non-affiliates of the Registrant, based on the closing price of the common stock as of June 30, 2023, the last business day of the Registrant's most recently completed second fiscal quarter, June 30, 2022 as reported on the NASDAQ The Nasdaq Global Market, was approximately $125,000,000. $101,500,000.

The number of shares outstanding of the Registrant's Common Stock as of March 10, 2023 March 22, 2024 was 15,343,548. 14,956,399.

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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, 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, including 1995. All statements that are not statements of historical fact are forward-looking, but such statements relating to include comments about the Company’s current business plans and expectations regarding future operating results. 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 may include, but are not limited to, 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 management's 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 effects of recent bank failures and media descriptions thereof, particularly with the impacts of such events on customer confidence in the Bank and 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;
- geopolitical developments, uncertainties or instability, catastrophic events, acts management's ability to assess and accurately estimate the risk of war or terrorism; losses in our credit portfolio and to establish and maintain adequate reserves to offset those risks;
- our ability to successfully manage keep pace with technological changes, including our credit risk ability to identify and address cyber-security risks, including those posed by the sufficiency increasing use of artificial intelligence, such as data security breaches, “denial of service” attacks, “hacking” and identity theft affecting us or third party vendors or service providers;
- economic, market and political factors that affect our allowance for loan losses; borrowers’ ability to repay and timely to perform their obligations under their borrowing obligations;
- geopolitical factors inside and outside the United States, including war and regional hostilities, acts of terrorism, civil unrest, riots, and demonstrations;
- factors government, quasi-governmental and extra-governmental actions in response to actual or expected 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 can impact have the performance effect of reducing our loan portfolio, including real estate values and customers’ ability to maintain compliance with their borrowing obligations or that affect their need for deposit liquidity in our primary market areas, the financial health of our commercial borrowers, and the success of construction projects that we finance; 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 and loans we hold for sale and our ability to raise additional capital, if necessary;
- the uncertainties related to the coronavirus pandemic including, but not limited to, the potential adverse effect of the pandemic necessary, on the economy, our employees and customers, and our financial performance; acceptable or economically efficient terms, or at all;
- 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;
- restraints on liquidity, earnings and other factors that impact the Bank’s ability of Open Bank to pay continue paying dividends to us, the Company, which could limit our liquidity; 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;
- a failure in the effectiveness and operation of the internal controls we have implemented maintain to address the risks inherent to the business of banking; 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; 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 effects of technological advances due to a lack of resources to invest in new technologies;
- risks related to potential acquisitions;
- 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 including the Dodd-Frank Act and others 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 the 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 not rely on any read all forward looking statements which represent our beliefs, assumptions and estimates only as in the context of the dates on which they were made, as foregoing and should not consider them to be reliable predictions of future events. 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

Item 1. Business.

Unless we state otherwise or the context otherwise requires, references in this prospectus Annual Report on Form 10-K (this "Report") to “we”, “our”, “us,” “ourselves,” “the company” and “the Company” refer to OP Bancorp, a California corporation, and its consolidated wholly-owned subsidiary, Open Bank, a California corporation, which is referred to as “Open Bank” or “the Bank”.

Our Company

We are began operations in 2005 as a California chartered banking association under the name First Standard Bank. In 2010, we rebranded the bank as “Open Bank” and in 2016, we incorporated OP Bancorp in California as a bank holding company with Open Bank as our sole subsidiary. We are headquartered in Los Angeles, California. California, and our common stock is quoted on The Nasdaq Global Market under the ticker symbol, "OPBK." Our commercial banking activities are operated through Open Bank, our wholly owned banking subsidiary. We offer The Bank offers commercial banking services to small and medium-sized businesses, their owners and retail customers with a focus on the Korean-American community. Having grown our branch and loan production office network, over the past ten years, we now operate through ten eleven full service branches located in the greater metropolitan area of Los Angeles, California, Orange, County, California, and Santa Clara Counties in California, the Dallas metropolitan area in Texas, Clark County California, and Carrollton, Texas, in Nevada, and four loan production offices in the Korean-American communities in Pleasanton, California, Atlanta, Georgia, Aurora, Colorado, and Lynnwood, Washington. We opened our tenth full service branch in Cerritos, located in Los Angeles County, California, in the first quarter of 2022. We anticipate opening our eleventh full service branch in Las Vegas, Nevada, in the second third quarter of 2023. We completed our initial public offering in March 2018 and our common stock is listed on the Nasdaq Global Market.

As of December 31, 2022 December 31, 2023, we had consolidated total assets of $2.09 billion $2.15 billion, total deposits of $1.89 billion $1.81 billion, total loans outstanding, (net net of $19.2 million $22.0 million of allowance for loan losses) credit losses, of $1.66 billion $1.74 billion, and total shareholders’ equity of $176.9 million $192.6 million.

We believe that we provide our customers with a high degree of service, convenience and the financial products we believe they need to achieve their financial objectives, by offering a customer-oriented product mix, competitive pricing, and convenient locations. Our lending activities are diversified and include commercial real estate, commercial and industrial, SBA, home mortgage, and consumer loans. We generally lend in markets where we have a physical presence through our branch and loan production offices. We attract retail deposits through our branch network which offers a wide range of deposit products for business and consumer banking customers. We offer a multitude of other products and services to our customers to complement our lending and deposit business.

We have a strong, values-based corporate culture rooted in personal community-based relationship banking that permeates throughout our entire organization. We strive to provide quality customer service that exceeds our customers’ expectations. We also heavily invest in our Korean-American communities through our annual contributions to the Open Stewardship Foundation. We believe that our customers value a banking partner who that is knowledgeable about their business needs with a willingness and commitment to reinvest back into the community. in our communities. We convey to assure our customers that banking with us indirectly provides them an opportunity to contribute to the their community. We believe our strategic approach creates opportunities for expanding our banking relationships with new and existing customers who value personalized attention, local decision making and view us as an alternative to the large-consolidated Korean-American financial institutions.

We established the Open Stewardship Foundation in 2011 to actively support civic organizations, schools and other eligible charitable non-profit organizations that provide public benefit services in the communities we serve. The Foundation operates through a board of directors that includes individuals who are members of our board of directors and executive management team, including our President and Chief Executive Officer and our Chairman of the Board. The Foundation board of directors reviews and approves award grants. We have committed to contribute annually 10% of our consolidated net income after taxes to the Foundation. Since inception, we have donated over $13.4 million $15.6 million to the Foundation, aiding over 211 228 local non-profits.

We plan to continue to leverage our experienced management team, our personal relationship, community banking focus in the attractive Korean-American communities in which we serve, and our diversified lending approach to drive future organic growth. While other institutions frequently enter new geographies through acquisitions, we have grown our geographic footprint through de novo branches, while remaining true to our business model. We have continued our organic growth while further diversifying our geographical concentration with our tenth full service branch opened in Cerritos, located in Los Angeles County, California, in the first quarter of 2022. We anticipate opening our eleventh full service branch in Las

Vegas, Nevada in the second third quarter of 2023. Although our growth has historically been organic, we are amenable to considering opportunistic strategic acquisitions to enhance our long-term growth strategy.

Our Strategies

Our vision is to be the leading Korean-American community-based commercial bank in the Korean-American communities we serve, to meet the financial needs of underserved small- and medium-sized businesses and individuals, and to give back to these communities.

Our more specific strategic initiatives are discussed below.

- ***Leverage our Franchise in the Korean-American Communities We Serve***. The Korean-American banking landscape has seen increased consolidation of among the larger Korean-American financial institutions that do business in our market areas. We believe that the customers at these larger institutions will look for an alternative banking experience tailored towards their specific financial objectives. We strive to be the most prominent alternative to the larger Korean-American financial institutions. We differentiate ourselves from our competitors by developing meaningful and personal relationships with our customers, and providing superior service. These qualities make Open Bank an attractive choice for small- to medium-sized businesses, professionals and individuals. Our strong financial performance and growth derives, in part, from small- and medium-sized businesses' and individuals' desire for quality, personal relationship banking, local and responsive decision making and flexible and competitive pricing of deposit and loan products. Our commitment to the Open Stewardship Foundation raises our profile and reinforces our position as a community partner committed to the success of the communities we serve.
- ***Focus on Organic Growth***. We intend to continue to grow organically. We believe the markets in which we operate currently provide meaningful opportunities to expand our commercial customer base and increase our market share. We also seek to offer our various banking products, including our deposit products, residential loan products and cash management services to our commercial loan and SBA borrowers, which we believe provides a basis for expanding our banking relationships. We believe we have built a scalable platform that will support our continual organic growth. Although we are currently focused on organic growth, we will also look for opportunistic strategic acquisitions that complement our commercial banking and the strong personal community-based relationship orientation of our franchise.
- ***Increase our Share of Lower-Cost Deposits***. We believe the quality of our deposit customer base and access to stable funding from reliable deposits are key components drivers of our success. We have a strong deposit base, characterized by a high level of core deposits, a high proportion of noninterest-bearing accounts and relatively low funding costs. As of December 31, 2022 December 31, 2023, deposits accounted for 98.3% 92.5% of total liabilities. Core deposits, which we define as all deposits excluding time deposits exceeding $250,000, accounted for 81.1% 76.0% of total deposits. Our cost of total deposits was 0.65% 2.70% for the year ended December 31, 2022 December 31, 2023. To generate new accounts we employ conventional marketing and advertising initiatives and leverage our community commitment activities. Small businesses are a significant source of low cost deposits and represent opportunities for future growth. We believe that small business owners value both our ability to provide convenience to the banking activities and access to local, responsive decision makers. Commercial accounts also generally have higher deposit balances and transaction volumes than individual deposit accounts. We believe that our convenient branch network, personal relationship-driven culture, diversified product offering, and flexible pricing allow us to accelerate deposit growth. We plan to continue investing in our franchise brand, our community reputation, employees, and product capabilities to further improve customer loyalty with a view toward growing our high quality deposit portfolio.
- ***Branch Expansion***. We intend to continue our strategy of opening and developing de novo branches particularly into Korean-American populated areas. We have pursued this growth strategy since the beginning of 2012 when we only had one branch location. As of December 31, 2022 December 31, 2023, we have ten eleven branches in total, and nine branches of which are in the greater metropolitan area areas of Los Angeles, California, Orange, County, California, and Santa Clara County, Counties in California, one branch in Carrollton, Texas, and one branch in Carrollton, Texas. We opened our tenth branch in Cerritos, located in Los Angeles County, California, in the first quarter of 2022. We anticipate opening our eleventh full service branch in Las Vegas, Nevada in the second quarter of 2023 and Nevada. We will continue to review future potential target areas for de novo expansion based on our ability to attract experienced bankers within such targeted regions. In addition, we currently operate four loan production offices located in Pleasanton, California, Atlanta, Georgia, Aurora, Colorado, and Lynwood, Washington. We will continue to look for additional markets to expand our loan production capabilities.
- ***Expand and Diversify our Commercial Lending***. We are committed to continuing to expand and grow our commercial loan portfolios, while maintaining what we believe are conservative underwriting standards. We

  expect to increase our commercial lending business in our expanding branch network, where we can continue

  to leverage our ability to develop personal, community-based relationships and leverage our quality service model into new opportunities. We believe we can leverage our personalized customer service, extensive knowledge of our local markets and high visibility community activities to attract and retain customers seeking alternatives to the larger Korean-American financial institutions.
- ***Preserve Our Asset Quality Through Disciplined Lending Practices***. Our approach to credit management uses well-defined policies and procedures, disciplined underwriting criteria and ongoing risk management. This approach has allowed us to maintain loan growth with a diversified portfolio of high quality assets. We have

implemented policies and procedures for credit underwriting and administration, which have enabled us to maintain strong asset quality while at the same time growing our banking business. We believe our credit culture supports accountable bankers, who maintain an ability to expand our customer base as well as make sound decisions. Our compensation philosophy and our corporate strategy and policies are designed to mitigate the risks associated with inappropriate lending activities, and we believe our credit quality is a direct result of these strategies. As of December 31, 2022 December 31, 2023, our ratio of nonperforming assets to total assets was 0.15% 0.28% and our ratio of nonperforming loans to total loans was 0.18% 0.34%.

Our Competitive Strengths

Our management team has identified the following competitive strengths that we believe will allow us to continue to achieve our principal objective of increasing shareholder value and generating consistent earnings growth through the organic and strategic expansion of our commercial banking franchise:

- ***Experienced Leadership and Management Team***. Our experienced executive management team and senior leaders have exhibited the ability to strengthen shareholder value by consistently growing profitably. The members of our executive management team have, on average, more than 28 30 years' experience working for large, billion-dollar-plus financial institutions in our markets during various economic cycles. The members of our executive team have been with Open Bank for an average of seven 8 years. Our executive management team has instilled a transparent and entrepreneurial culture that rewards leadership, innovation, and problem solving.
- ***Personal Relationship-Based Customer Service***. We strive to differentiate ourselves from our competition by providing the best "relationship-based" services to small- and medium-sized businesses and their owners and the residents in the Korean-American communities in which we operate. We accomplish this by striving to provide our customers with a superior level of personal and responsive service delivered by experienced bankers in a manner that timely meets our customers' financial objectives. Our management team's significant banking and lending experience in our markets gives us a unique understanding of the commercial banking needs of our customers, which allows us to tailor our products and services to meet our customers' financial objectives. To enhance our relationships with our customers and to identify and meet their particular needs, each customer is assigned a relationship officer (including our SBA borrowers). Approximately 57.9% 58.5% of our borrowers also have a deposit relationship with us, providing us with visibility into their liquidity profile and contributing to our ability to manage our asset quality.
- ***Strong Community Relationships***. A primary mission of Open Bank is to meet the financial services needs of underserved customers in our markets, and we strive to distinguish ourselves by giving back to these communities. In October 2011, we established the Open Stewardship Foundation to actively support local civic organizations, schools, and public services. We have committed to fund the Foundation in an amount equal to 10% of our annual consolidated net income after taxes. This commitment is in our annual operating budget each year. We believe that our community commitment distinguishes us from our competitors and enhances and expands business relationships within the Korean-American communities we serve. Since inception, we have donated over $13.4 million $15.6 million to the Foundation, aiding over 211 228 local non-profits. Our board and management team has strong ties and relationships within the Korean-American communities where we operate. The Foundation and our employees and board of directors are involved in community activities that enhance our relationships with a variety of industry leadership groups, including the Korean-American Federation of Los Angeles, the Korean-American Chamber of Commerce of Los Angeles, the Korean-American Manufacturers Association, the Korean-American CPA Society of Southern California, California KAGRO Association, and the Korean Real Estate Brokers Association of Southern California. Affiliation with these local organizations provide our management team with knowledge of local markets and industries, as well as market developments that may impact the evolving business environment in which we operate.
- ***Strong Risk Management Practices***. We place significant emphasis on risk management as an integral component of our organizational culture. We believe our comprehensive risk management system is designed to make sure that we have sound policies, procedures, and practices for the management of key risks under our risk framework (which includes market, operational, liquidity, interest rate sensitivity, credit, regulatory, legal and reputational risk) and that any exceptions to written policy are reported by senior management to our board of directors or audit committee. Our risk management practices are overseen by the chairman of our audit committee and the chairman of Open Bank's risk and compliance committees, who have more than 35 years of combined banking experience, and our chief risk officer, who has more than 20 years of banking experience. We believe that our enterprise risk management philosophy has been important in gaining and maintaining the confidence of our various constituencies, along with growing our business and footprint within our markets. We also believe our strong risk management practices are manifested in our asset quality metrics.
- ***Efficient and Scalable Platform with Capacity to Support Our Growth***. Our management team has built an efficient and scalable corporate infrastructure within our commercial banking franchise, including the areas of banking processes, technology, data processing, underwriting and risk management, which we believe will support our continued growth. While expanding our infrastructure, several departmental functions have been outsourced to gain the experience of outside professionals, while at the same time achieving more favorable economics and cost-effective solutions. Such outsourced areas include partial internal audit function, select loan review, interest rate risk management and stress testing. This outsourcing strategy is designed to control costs while adding enhanced controls and service levels. We believe that our scalable infrastructure will continue to allow us to efficiently and effectively manage our anticipated growth.

Market Area

We are headquartered in Los Angeles, California. We currently have one branch in the financial district of downtown Los Angeles financial district, one branch in the nearby fashion district, directly adjacent to downtown Los Angeles, and three branches in Koreatown. the Koreatown neighborhood. We also operate a branch two branches in Gardena and Cerritos, located in Los Angeles County, California, and a branch in Buena Park, located in Orange County, California. We opened our tenth full service branch in Cerritos, located in Los Angeles County, California, in the first quarter of 2022. In addition, we have one and a branch in northern California in Santa Clara and Clara. In addition, we operate one branch in Carrollton, Texas. We anticipate opening our eleventh full service Texas and one recently-opened branch in Las Vegas, Nevada in the second quarter of 2023. Nevada. The economic base of these areas is heavily dependent on small- and medium-sized businesses. We also operate loan production offices in Pleasanton, California, Atlanta, Georgia, Aurora, Colorado, and Lynnwood, Washington to support our SBA lending efforts.

Deposit Products

We offer customers traditional retail deposit products through our branch network and the ability to access their accounts through online and mobile banking platforms. We offer a variety of deposit accounts with a wide range of interest rates and terms such as demand, savings, money market and time deposits, with the goal of attracting a wide variety of customers, including small- to medium-sized businesses. We consider our core deposits, defined as all deposits except for time deposits exceeding $250,000, to be our primary and most valuable low-cost funding source for our lending business, and as of December 31, 2022 December 31, 2023, core deposits represented 81.1% 76.0% of our total deposits. We strive to retain an attractive deposit mix from both large and small customers and a broad market reach, which has resulted in our top 10 customers accounting for only 8.9% 6.6% of all deposits as of December 31, 2022 December 31, 2023. We believe our competitive pricing and products, convenient branch locations, and quality personal customer service enable us to attract and retain customer deposits. We employ conventional marketing and advertising initiatives and leverage our community commitment activities, including our Foundation, to generate new accounts. We typically require, depending on the circumstances and the type of relationship, our borrowers to maintain deposit accounts. Approximately 57.9% 58.5% of our borrowers have a deposit relationship with us. Interest rates, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market interest rates, liquidity requirements and our deposit growth goals. We utilize wholesale deposits to supplement our core retail deposits for funding purposes, including brokered accounts. As of December 31, 2022 December 31, 2023, wholesale deposits totaled $401.6 $335.5 million, or 21.3% 18.6% of total deposits. As of December 31, 2022 December 31, 2023, we had $1.89 billion $1.81 billion of deposits, and our cost of deposits was 0.65% 2.70% for the year ended December 31, 2022 December 31, 2023.

Lending Activities

Our lending strategy is to maintain a broadly diversified loan portfolio based on the type of customer (i.e., businesses versus individuals) individuals and across various business segments), type of loan product (e.g., commercial real estate, commercial and industrial loans, etc.), geographic location and industries in which our business customers are engaged (e.g.

(e.g., manufacturing, retail, hospitality,

etc.). We principally focus our lending activities on loans that we originate from borrowers located in our market areas. We serve the credit needs of high-quality business and individual borrowers in the communities that we serve.

We offer a variety of loans, including commercial real estate loans (including loans secured by owner occupied commercial properties), SBA loans, mortgage warehouse lines of credit and commercial and industrial loans to local manufacturing and industrial companies and other businesses. We also offer various consumer loans to individuals and professionals including consumers residential mortgage loans, unsecured term loans, and unsecured personal lines of credit. Lending activities originate from the relationships and efforts of our bankers, with an emphasis on providing banking solutions tailored to meet our customers' needs while maintaining our underwriting standards.

As of December 31, 2022 December 31, 2023 and 2021, 2022, our loan portfolio consists of the following:

	December 31,			
($ in thousands)	2022		2021	
Commercial real estate	$	842,208	$	701,450
SBA (1)		234,717		275,858
Commercial and industrial		116,951		162,543
Home mortgage		482,949		173,303
Consumer		1,467		865
Gross loans receivable	$	1,678,292	$	1,314,019

(1) Includes Paycheck Protection Program ("PPP") loans.

	December 31,			
($ in thousands)	2023		2022	
Commercial real estate	$	885,585	$	842,208
SBA		239,692		234,717
Commercial and industrial		120,970		116,951
Home mortgage		518,024		482,949
Consumer		1,574		1,467
Gross loans receivable	$	1,765,845	$	1,678,292

For additional information concerning our loan portfolio, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition —Loan Portfolio. Loans."

Concentrations of Credit Risk. Most of our lending activity is conducted with businesses and individuals in our market areas. As of December 31, 2022 December 31, 2023, our loan portfolio consists primarily of commercial real estate loans, which were $842.2 million $885.6 million and constituted 50.2% of our total loans, home mortgage loans, which were $482.9 million $518.0 million and constituted 28.8% 29.3% of our total loans, SBA loans, which were $234.7 million $239.7 million and constituted 14.0% 13.6% of our total loans, and commercial and industrial loans, including trade finance loans, which were $117.0 million $121.0 million and constituted 7.0% 6.9% of our total loans. Our commercial real estate loans are secured by first liens on real property. The remaining commercial and industrial loans are typically secured by general business assets, accounts receivable, inventory, real estate and/or the corporate guaranty of the borrower and personal guaranty of its principals. The geographic concentration subjects the loan portfolio to the general economic conditions within Southern California. The risks created by such concentrations have been considered by management in the determination of the adequacy of the allowance for loan credit losses. Management believes the allowance for loan credit losses is adequate to cover probable incurred estimated lifetime expected losses in our loan portfolio as of December 31, 2022 December 31, 2023.

Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program. Concentrations of commercial real estate exposures add a dimension of risk that compounds the risks inherent in individual loans. Interagency guidance on commercial real estate concentrations describe sound risk management practices, which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management has implemented these practices in order to monitor concentrations in commercial real estate in our loan portfolio.

Large Credit Relationships. As of December 31, 2022 December 31, 2023, the aggregate amount of loans to our 10 and 25 largest borrowers (including related entities) amounted to approximately $205.4 million $229.4 million, or 12.2% 13.0% of total loans, and $379.7 million $417.5 million, or 22.6% 23.6% of total loans, respectively.

Loan Underwriting and Approval. Historically, we believe we have made sound, high quality loans while recognizing that lending money involves a degree of business risk. We have loan policies designed to assist us in managing this business risk. These policies provide a general framework for our loan origination, monitoring and funding activities, as well as our incentive compensation programs, while recognizing that not all risks can be anticipated. anticipated or completely controlled. Open Bank's board of directors delegates loan authority, up to the board-approved limits, to its Loan & Credit Policy Committee, which is comprised of members of its board of directors. Our board of directors also delegates limited

lending authority to our internal management loan committee, which is

comprised of members of our executive management team. The objective of our approval process is to provide a disciplined, collaborative approach to larger credits while maintaining responsiveness to client needs.

Loan decisions are documented detailing the borrower's business, purpose of the loan, evaluation of the repayment source and the associated risks, evaluation of collateral, covenants and monitoring requirements, and the risk rating rationale. Our strategy for approving or disapproving loans is to follow conservative loan policies and apply consistent underwriting practices, which include, but are not limited to:

- maintaining close relationships among our customers and their designated banker to ensure ongoing credit monitoring and loan servicing;
- granting credit on a sound basis with full knowledge of the purpose and source of repayment for such credit;
- ensuring that primary and secondary sources of repayment are adequate in relation to the amount of the loan;
- developing and maintaining targeted levels of diversification for our loan portfolio as a whole and for loans within each category; and
- ensuring that each loan is properly documented and that any insurance coverage requirements are satisfied.

Managing credit risk is an enterprise-wide process. Our strategy for credit risk management includes well-defined, centralized credit policies, uniform underwriting criteria and ongoing risk monitoring and review processes for all credit exposures. Our processes emphasize early-stage review of loans, regular credit evaluations and management reviews of loans, which supplement the ongoing and proactive credit monitoring and loan servicing provided by our bankers. Our Chief Credit Officer provides company-wide credit oversight and periodically reviews all credit risk portfolios to ensure that the risk identification processes are functioning properly and that our credit standards are followed. In addition, a third-party loan review is performed to assist in the identification of problem assets and to confirm our internal risk rating of loans. We attempt to identify potential problem loans early in an effort to seek aggressive resolution of these situations before the loans become a loss, record any necessary charge-offs promptly and maintain adequate allowance levels for probable loan estimated lifetime expected losses inherent on a collective basis in the loan portfolio.

Our loan policies generally include other underwriting guidelines for loans collateralized by real estate. These underwriting standards are designed to determine the maximum loan amount that a borrower has the capacity to repay based upon the type of collateral securing the loan and the borrower's income. Such loan policies include maximum amortization schedules and loan terms for each category of loans collateralized by liens on real estate.

In addition, our loan policies provide guidelines for: personal guarantees; an environmental review; loans to employees, executive officers and directors; problem loan identification; maintenance of an adequate allowance for loan credit losses and other matters relating to lending practices.

Lending Limits. Our lending activities are subject to a variety of lending limits imposed by federal law. In general, the Bank is subject to a legal lending limit on loans to a single borrower based on the Bank's capital level. The dollar amounts of the Bank's lending limit increases or decreases as the Bank's capital increases or decreases. The Bank is able to sell participations in its larger loans to other financial institutions, which allows it to manage the risk involved in these loans and to meet the lending needs of its customers that require extensions of credit in excess of these limits.

As of December 31, 2022 December 31, 2023, the Bank's legal lending limit on loans to a single borrower was $53.0 million $57.2 million for secured loans and $31.8 million $34.3 million for unsecured loans. We rarely extend loans that approach these limits, and in the limited instances we do, we monitor these credits carefully so as to mitigate the disproportionate risks that could arise with lending relationships of this magnitude.

Our loan policies provide general guidelines for loan-to-value ratios that restrict the size of loans to a maximum percentage of the value of the collateral securing the loans, which percentage varies by the type of collateral. Our internal loan-to-value limitations follow limits established by applicable law.

We provide a variety of loans to meet our customers' needs. The section below discusses our general loan categories:

Commercial Real Estate Loans. We offer commercial real estate loans collateralized by real estate, which may be owner occupied or non-owner occupied real estate. Commercial real estate lending typically involves higher loan principal

amounts and the repayment is dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. We believe that our management team has extensive knowledge of our borrowers and the markets where we operate. We further believe that our management team takes a conservative approach to commercial

real estate lending, focusing on what we believe to be high quality credits with low loan-to-value ratios, income-producing properties with strong cash flow characteristics, and strong collateral profiles.

We require our commercial real estate loans to be secured by what we believe to be well-managed property with adequate margins, and we generally obtain a personal guarantee from responsible parties. Our commercial real estate loans are secured by professional office buildings, shopping centers, manufacturing facilities, and special purpose properties such as restaurants, retail operations and service stations. We originate both fixed- and adjustable-rate loans with terms up to 25 years. Fixed-rate loans have provisions that allow us to call the loan after five to seven years. Adjustable-rate loans are generally based on the prime rate and adjust with the prime rate. At December 31, 2022 As of December 31, 2023, approximately 78.9% 76.1% of the commercial real estate loan portfolio consisted of fixed rate loans. Loan amounts generally do not exceed 70% of the lesser of the appraised value or the purchase price depending on the property audits we utilize.

Our total commercial real estate loan portfolio totaled $842.2 million $885.6 million as of December 31, 2022 December 31, 2023. We had no nonperforming commercial real estate loans as of December 31, 2022 December 31, 2023.

Payments on loans secured by such properties are often dependent on the successful operation (in the case of owner occupied real estate) or management (in the case of non-owner occupied real estate) of the properties. Accordingly, repayment of these loans may be subject to adverse conditions in the real estate market or the economy to a greater extent than other types of loans. In underwriting commercial real estate loans, we seek to minimize these risks in a variety of ways, including giving careful consideration to the property's age, condition, operating history, future operating projections, current and projected market rental rates, vacancy rates, location and physical condition. The underwriting analysis also may include credit verification, reviews of appraisals, environmental hazard reports, the borrower's liquidity and leverage, management experience of the owners or principals, economic condition and industry trends.

SBA Loans. We offer SBA loans for qualifying businesses for loan amounts up to $5 million. The Bank primarily extends SBA loans known as SBA 7(a) loans and SBA 504 loans. SBA 7(a) loans are typically extended for working capital needs, purchase of inventory, purchase of machinery and equipment, debt refinance, business acquisitions, start-up financing or to purchase or construct owner-occupied commercial property. SBA 7(a) loans are typically term loans with maturities up to 10 years for loans not secured by real estate and up to 25 years for real estate secured loans. SBA loans are fully amortizing with monthly payments of principal and interest. SBA 7(a) loans are typically floating rate loans that are secured by business assets and/or real estate. Depending on the loan amount, each loan is typically guaranteed 75% to 85% 90% by the SBA, with a maximum gross loan amount to any one small business borrower of $5 million $5.0 million and a maximum SBA guaranteed amount of $3.75 million.

We are generally able to sell the guaranteed portion of the SBA 7(a) loans in the secondary market at a premium, while earning servicing fee income on the sold portion over the remaining life of the loan. In addition to the interest yield earned on the unguaranteed portion of the SBA 7(a) loans that are not sold, we recognize income from gains on sales and from loan servicing on the SBA 7(a) loans that are sold.

SBA 504 loans are typically extended for the purpose of purchasing owner-occupied commercial real estate or long-term capital equipment. SBA 504 loans are typically extended for up to 20 years or the life of the asset being financed. SBA 504 loans are financed as a participation loan between the Bank and the SBA through a Certified Development Company ("CDC"). Generally, the loans are structured to give the Bank a 50% first deed of trust ("TD"), the CDC a 40% second TD, and the remaining 10% is funded by the borrower. Interest rates for the first TD Bank loans are subject to normal bank commercial rates and terms and the second TD CDC loans are fixed for the life of the loans based on certain indices.

We originate SBA loans through our branch staff, loan production officers, marketing officers and through SBA brokers.

A provision in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") created the Paycheck Protection Program ("PPP"), which is administered by the SBA. The PPP is intended to provide loans to small businesses to pay expenses related to their employees, rent, mortgage interest and utilities. The loans may be forgiven conditioned upon the client providing applicable documentation evidencing their compliance with the terms of the program, including compliance regarding the use of funds. The Bank is an approved SBA lender and began accepting applications for the program on April 3, 2020.

The Paycheck Protection Program and Health Care Enhancement Act ("PPP / HCEA Act"), which was signed into law on April 24, 2020, authorized $310 billion of additional funding under the CARES Act for PPP loans to be issued by financial institutions through the SBA. Through December 31, 2021, the Company originated 2,930 loans with an aggregate loan balance of $154.5 million under the CARES Act and PPP / HCEA Act. During the year ended December 31, 2022, no PPP loan was funded and the PPP loans are included in the SBA—non-real estate in the Company's loan portfolio.

All of our SBA loans are originated through our SBA Loan Department. The SBA Loan Department is staffed by loan officers who provide assistance to qualified businesses. The Bank has been designated as an SBA Preferred Lender, which is the highest designation awarded by the SBA. This designation generally facilitates a more efficient marketing and approval process for SBA loans. We have attained SBA Preferred Lender status nationwide.

As of December 31, 2022 December 31, 2023, our SBA loan portfolio including SBA PPP loans of $442 thousand, totaled $234.7 million $239.7 million, of which $221.3 million $224.7 million was secured by real estate and $13.4 million $15.0 million was unsecured or secured by business assets. Our nonperforming SBA loans, as of December 31, 2022 December 31, 2023, were $1.5 million $3.6 million.

Commercial and Industrial Loans. We have significant expertise in the small- to medium-sized commercial and industrial lending market, including trade finance loans. We believe our success is the result of our product and market expertise, and our focus on delivering high-quality, customized and quick turnaround service for our clients. The high-quality nature of our services is due to our focus on maintaining an appropriate balance between prudent, disciplined underwriting, on the one hand, and flexibility in our decision making and responsiveness to our clients, on the other hand. This focus on quality has allowed us to grow our commercial and industrial loan portfolio, while maintaining strong asset quality.

We provide a mix of variable and fixed rate commercial and industrial loans. The loans are typically made to small- and medium-sized manufacturing, wholesale, retail and service businesses for various needs, including working capital needs, business expansions and for international trade financing. We extend commercial business loans on an unsecured and secured basis working capital, accounts receivable and inventory financing, machinery and equipment purchases, and other business purposes. Generally, short-term loans have maturities ranging from six months to one year, and “term loans” have maturities ranging from five to seven years. Loans are generally intended to finance current transactions and typically provide for periodic principal payments, with interest payable monthly. Term loans generally provide for floating interest rates, with monthly payments of both principal and interest. Repayment of secured and unsecured commercial loans substantially depends on the borrower’s underlying business, financial condition and cash flows, as well as the sufficiency of the collateral. Compared to real estate, the collateral may be more difficult to monitor, evaluate and sell. Where the borrower is a corporation, partnership or other entity, we typically require personal guarantees from significant equity holders.

Our trade finance unit supplies financial needs to many of our commercial and industrial loan customers. The unit provides, international letters of credit, SWIFT, and export advice. Our trade finance unit has a correspondent relationship with many of the largest banks in South Korea. All of our international letters of credit, SWIFT, and export advice are denominated in U.S. dollars.

The total commercial and industrial loan portfolio totaled $117.0 million at December 31, 2022$121.0 million as of December 31, 2023. OurWe had no nonperforming commercial and industrial loans were $279 thousand as of December 31, 2022December 31, 2023.

In general, commercial and industrial loans may involve increased credit risk and, therefore, typically yield a higher return. The increased risk in commercial and industrial loans derives from the expectation that such loans generally are serviced principally from the operations of the business, and those operations may not be successful. Any interruption or discontinuance of operating cash flows from the business, which may be influenced by events not under the control of the borrower, such as economic events and changes in governmental regulations, could materially affect the ability of the borrower to repay the loan. In addition, the collateral securing commercial and industrial loans generally includes moveable property, such as equipment and inventory, which may decline in value more rapidly than we anticipate, exposing us to increased credit risk. As a result of these additional complexities, variables and risks, commercial and industrial loans require extensive underwriting and servicing.

Mortgage Warehouse Lines of Credits. We offer mortgage warehouse lines of credit (“WHLOC”) for financing mortgage loans to non-bank third party mortgage originators (“TPO”). These loans are intended to finance 1 to 4-unit residential properties. Each advance against the WHLOC is collateralized by an executed mortgage note. TPO sells

mortgage notes on the secondary market to investors that may include banks, correspondents, aggregators or Government Sponsored Enterprise (“GSE”), with the proceeds of those secondary market sales flowing directly to Open Bank to repay that specific loan advance. Typically, the mortgage notes are sold to an investor within a short period of time and are subject to various curtailment schedules.

Home Mortgage Loans. We originate residential real estate loans collateralized by owner occupied and non-owner occupied properties located in our market areas enabling borrowers to purchase or refinance existing homes. We offer adjustable-rate mortgage loans with the interest rate fixed for the first five years, followed by rate adjustments each year with terms up to 30 years. The relative amount of adjustable-rate mortgage loans that can be originated at any time is largely determined by the demand for such loans in a competitive environment and the effect each has on our interest rate risk. We originate home loans directly through our retail branch network and through our correspondent lender network. We also purchase home mortgage loans from TPO based on the review of their underwriting and file quality as opportunities arise.

Loans collateralized by single-family residential real estate generally are originated in amounts of no more than 70% of the appraised value. In connection with such loans, we retain a valid lien on the real estate, obtain a title insurance policy that insures that the property is free from encumbrances and require hazard insurance.

Loan fees on these products, interest rates and other provisions of mortgage loans are determined by us on the basis of our own pricing criteria and competitive market conditions. The interest rates charged on our adjustable-rate loans are set at specified spreads based on LIBOR or SOFR rates.

While home mortgage loans are normally originated with up to 30-year terms, such loans typically remain outstanding for substantially shorter periods of time because borrowers often prepay their loans in full either upon sale of the underlying property pledged as security or upon refinancing the original loan. In addition, all of the mortgage loans in our loan portfolio contain due-on-sale clauses providing that the Bank may declare the unpaid amount due and payable upon the sale of the property securing the loan.

The total home mortgage loan portfolio totaled $482.9 million at December 31, 2022$518.0 million as of December 31, 2023. Our nonperforming single-family residential real estate loans, as of December 31, 2022December 31, 2023, were $1.3 million$2.5 million.

Consumer Loans. We offer unsecured lines of credit and term loans to high net worth individuals. Consumer loans are underwritten based on the individual borrower’s income, current debt level, and past credit history. The terms of consumer loans are up to seven years. Consumer loans entail greater risk than do residential real estate loans because they are unsecured. Consumer loan collections are dependent on the borrower’s continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws may limit the amount which can be recovered on such loans.

The total consumer loan portfolio totaled $1.5 million$1.6 million as of December 31, 2022December 31, 2023. We had no nonperforming consumer loans as of December 31, 2022December 31, 2023.

The procedures for underwriting consumer loans include an assessment of the applicant’s payment history and the applicant’s credit worthiness.

Loan Participations. When loans exceed our lending limit, we as the lead bank will sell a portion of the loan in order to remain within our lending limit. We also sell loan participations to reduce risk and manage credit concentrations in particular businesses and industries. Banks with which we participate are generally located in California. We do not participate in syndicated loans (loans made by a group of lenders who share or participate in a specific loan) with a larger regional financial institution as the lead lender.

Investment Activities

We manage our securities portfolio and cash to maintain adequate liquidity and to ensure the safety and preservation of invested principal, with a secondary focus on yield and returns. Some specific goals of our investment portfolio are as follows:

- provide a ready source of balance sheet liquidity, ensuring adequate availability of funds to meet fluctuations in loan demand, deposit balances and other changes in balance sheet volumes and composition;
- serve as a tool to manage asset-quality diversification of our assets; and
- provide a vehicle to help manage our interest rate risk profile pursuant to our established policies and maximize our overall return.

With the exception of U.S. government agency issues, no one type or segment of security exceeds 40% of the portfolio.

Open Bank's board of directors is responsible for the oversight of investment activities and has delegated the responsibility of monitoring our investment activities to the Asset/Liability Management Board Committee ("ALM"). Our investment policy is reviewed and approved annually by ALM and ratified by our board of directors.

ALM establishes risk limits and policy for conducting investment activities. ALM receives quarterly reports from management's Asset Liability Management Committee ("ALCO"), which approves investment strategies and meets monthly to review investment reports and monitor investment activities. ALCO receives investment related reports and any policy exceptions from the investment officer, who is appointed by ALM and responsible for ensuring compliance and implementation of investment policy guidelines. Day-to-day activities pertaining to the securities portfolio are conducted by the investment officer under the supervision of our Chief Executive Officer and Chief Financial Officer. We actively monitor our investments on an ongoing basis to identify any material changes in the securities. At lease quarterly we also review our securities for potential other-than-temporary impairment.

Limits for investment transactions are based on total transaction amount and require approval if they exceed designated thresholds. Investment transactions up to $10 million require Chief Executive Officer and Chief Financial Officer approval. Investment transactions that exceed $10 million, but up to $30 million, require ALCO approval and any investment transactions that exceed $30 million must be pre-approved by ALM.

Other Products and Services

We offer banking products and services that are competitively priced with a focus on convenience and accessibility. We offer a full suite of online banking solutions including access to account balances, online transfers, online bill payment and electronic delivery of customer statements, mobile banking solutions for iPhone and Android phones, including remote check deposit with mobile bill pay. We offer ATMs and banking by telephone, mail and personal appointment. We offer debit cards with no ATM surcharges or foreign ATM fees for checking customers. We also offer direct deposit, cashier's checks, person to person payments, wire transfer services and automated clearing house ("ACH") services.

We offer a full array of commercial cash management services designed to be competitive with banks of all sizes. Cash management services include balance reporting (including current day and previous day activity), transfers between accounts, wire transfer initiation, ACH origination and stop payments. Cash management deposit products consist of remote deposit capture, positive pay, zero balance accounts and sweep accounts.

We evaluate our services on an ongoing basis and will add or remove services based upon the perceived needs and financial requirements of our customers, competitive factors and our financial and other capabilities. Future services may also be significantly influenced by improvements and developments in technology and evolving state and federal laws and regulations.

Competition

In our primary markets in Southern California, we view the Korean-American direct banking market competition as comprised of eight banks divided into four segments: large publicly-traded banks (two banks), medium-sized banks (two publicly-traded banks, including Open Bank, and one locally-owned bank), a small locally-owned bank, and banks that are subsidiaries of Korean banks (two banks). Excluding two banks that are subsidiaries of Korean banks, all six banks, including Open Bank, are based in California.

In addition to Korean-American banks, we also compete with other banks in the region, particularly with Chinese-American banks in our market areas. In certain geographic markets where we currently operate, there is overlap between Chinese-American, Korean-American and other Asian-American banks for loan and deposit business. We aim to grow both organically and potentially through acquisitions in these markets.

The banking and financial services industry is highly competitive. The increasingly competitive environment is a result primarily of changes in regulation, changes in technology and product delivery systems, and the accelerating pace of consolidation among financial services providers. We compete for loan and deposit customers with other commercial banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market funds, credit unions, and other nonbank financial service providers. Many of these competitors, including the majority of the other Korean-American banks located in greater Los Angeles County, have a longer operating history, are much larger in total assets and capitalization, have greater access to capital markets and offer a broader range of financial services than we do.

Large commercial bank competitors have, among other advantages, the ability to finance wide-ranging and effective advertising campaigns and to allocate their investment resources to areas of highest yield and demand. Many of the major banks operating in our market area offer certain services, which we do not offer directly (but some of which we offer through correspondent institutions). By virtue of their greater total capitalization, such banks also have substantially higher lending limits (restricted to a percentage of our total shareholders' equity, depending upon the nature of the loan transaction) than us.

In addition to other banks, our competitors include savings institutions, credit unions, thrift and loan companies and numerous non-banking institutions, such as finance companies, leasing companies, insurance companies, brokerage firms, and investment banking firms located in our primary market area. In recent years, increased competition has also developed from specialized finance and non-finance companies that offer money market and mutual funds, wholesale finance, credit card, and other consumer finance services, including online banking services and personal finance software. We also face growing competition from so-called “online businesses” with few or no physical locations. Strong competition for deposit and loan products affects the rates of those products as well as the terms on which they are offered to customers.

To the extent that we are affected by more general competitive trends in the industry, those trends are focused towards increased consolidation and competition. Strong competitors, other than financial institutions, have entered banking markets with focused products targeted at highly profitable customer segments. Many of these competitors are able to compete across geographic boundaries and provide customers increasing access to meaningful alternatives to banking services in nearly all significant products. Mergers between financial institutions have placed additional pressure on banks within the industry to streamline their operations, reduce expenses, and increase revenues to remain competitive.

Technological innovations have also resulted in increased competition in the financial services industry. Such innovations have, for example, made it possible for non-depository institutions to offer customers automated transfer payment services that previously have been considered traditional banking products. In addition, many customers now expect a choice of several delivery systems and channels, including telephone, mail, home computer, ATMs, self-service branches and/or in store branches. In addition to other banks, the sources of competition for such high-tech products include savings associations, credit unions, brokerage firms, money market and other mutual funds, asset management groups, finance and insurance companies, and mortgage banking firms.

Information Technology Systems

We have made and continue to make significant investments in our information technology systems and staff for our banking and lending operations and cash management activities. We believe this investment will support our continued growth and enable us to enhance our capabilities to offer new products and overall customer experience, and to provide scale for future growth and acquisitions. We utilize a nationally recognized software vendor, and their support allows us to outsource our data processing. Our internal network and e-mail systems are outsourced to a third party and we have a back-up site at our Buena Park location. This back-up site provides for redundancy and disaster recovery capabilities.

The majority of our other systems including our electronic funds transfer, transaction processing and our online banking services are hosted by third-party service providers. The scalability of this infrastructure will support our growth strategy. In addition, the tested capability of these vendors to automatically switch over to standby systems should allow us to recover our systems and provide business continuity quickly in case of a disaster.

Coexistence Agreement between the Bank and Open Bank S.A.

We have not registered the trademark “Open Bank” under the trademark laws of the United States. Open Bank, S.A., a corporation organized and existing under the laws of Spain with its principal office located in Ciudad Grupo

Santander, Av. Catabria Boadilla del Monte Madrid Spain (“Open Bank S.A.”) originally registered the trademark “Open Bank” (U.S. Registration No. 3397518) in 2008 with the United States Patent and Trademark Office. Open Bank S.A. provides financial services in Spain and solicits financial services in the United States through the internet. Open Bank S.A. is not licensed to engage in banking services in the United States, California and, to our knowledge, in any other state in the United States. In February 2014, we entered into a Coexistence Agreement with Open Bank S.A. (the “Coexistence Agreement”), under which both parties agreed that we may use the name “Open Bank” in connection with banking and banking related services in the state of California and the cities of New York, Dallas, Atlanta, Chicago, Seattle and Fort Lee, New Jersey (the “Permitted Markets”). We agreed to limit all of the Bank’s marketing, advertising, publicity, soliciting and or media efforts using the “Open Bank” name to primarily the Korean-American community in the Permitted Markets. However, we have the right under the Coexistence Agreement to market through the internet. The Coexistence Agreement states that these limitations are not intended to mean that we should in any way engage in discriminatory tactics or policy or in any way discriminate against non-Korean-American customers or potential customers. Under the Coexistence Agreement, Open Bank S.A. retains the right to use and market its services in relation to its registered trademark in any state or territory in the United States. We further agreed not to challenge Open Bank, S.A.’s trademark registration or any future applications by Open Bank S.A. The Coexistence Agreement has no termination date and is perpetual. If Open Bank S.A. decides to become a licensed bank in California or in any of the other Permitted Markets, depending on its business and marketing plan, there could be confusion created by the use of the name “Open Bank” which could have a material adverse impact on our ability to build its brand in the Permitted Markets. In addition, if Open Bank, S.A. were to assert that we breached the Coexistence Agreement, Open Bank, S.A. could file for an injunction, seek to have the Bank change its name or seek monetary damages, all of which could have a material adverse impact on our financial condition and results of operations. There are no approval rights of either party for any of the actions or no actions that either party may take under the Coexistence Agreement. To our knowledge Open Bank, S.A. has not initiated any business or marketing activities in the United States other than on the worldwide interest through its website.

Human Capital Resources

We are an organization with a Our vision is to be known as a faith-based community bank focused on relationship banking. We have invested in developing a distinct corporate culture guided by a core set of values. These values underlie everything we do, including the way we engage with customers and vendors, collaborate with colleagues, do business and manage our resources. Our values are fostered by stewardship, integrity, teamwork, and excellence. We believe our commitment to our communities, culture and quality of our people have been catalysts of our success and will continue to propel our future.

We aim to recruit and retain a workforce that will embrace embraces our culture and values through our hiring process. We also believe that our overall capabilities, culture and opportunities for career growth will allow us to continue to attract talented and entrepreneurial commercial and retail bankers from larger Korean-American financial institutions.

We are dedicated to building and fostering an excellent relationship with our employees by promoting a healthy work environment, comprehensive total rewards package, open communications, and employee involvement.

We provide medical, dental, vision, life & disability, flexible spending accounts, and other supplemental benefits. We offer a 401(k) plan, which allows participants to contribute and invest a portion of each paycheck with a competitive employer match.

We support employees’ personal ambitions and professional development by providing on-the-job training and educational assistance, including reimbursement for eligible expenses associated with attending trainings or educational programs. Additionally, in an effort to foster diversity and inclusion, we have a formal Affirmative Action Plan and other training/outreach programs to ensure equal employment opportunity. We developed these components to recruit, retain, and reward top talent and remain an employer of choice by employees.

As of December 31, 2022 December 31, 2023, we had approximately 222 full-time equivalent employees, compared with 221 full-time equivalent employees. Of our workforce, 37% are male and 63% are female. employees as of December 31, 2022. Our executive team is comprised of three females and four males.

We consider our relationship with our employees to be good and have not experienced interruptions of operations due to labor disagreements.

Litigation

From time to time, we are party to claims and legal proceedings arising in the ordinary course of business. There are currently no claims or legal proceedings filed against us.

Corporate Information

Our principal executive office is located at 1000 Wilshire Boulevard, Suite 500, Los Angeles, California 90017, telephone number: (213) 892-9999. Our website address is www.myopenbank.com. The Company makes available, free of charge, through the Company's website, the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports. The Company makes these reports available through its website on the same day they appear on the SEC website.

Supervision and Regulation

General

We are extensively regulated under U.S. federal and state law. As a result, our growth and earnings performance may be affected not only by management decisions and general economic conditions, but also by federal and state statutes and by the regulations and policies of various bank regulatory agencies, including the California Department of Financial Protection and Innovation (the "DFPI"), the Federal Reserve, the FDIC and the Consumer Financial Protection Bureau (the "CFPB"). Furthermore, tax laws administered by the Internal Revenue Service and state taxing authorities, accounting rules developed by the FASB, securities laws administered by the SEC and state securities authorities, anti-money laundering laws enforced by the U.S. Department of the Treasury, or Treasury, and mortgage related rules, including with respect to loan securitization and servicing by the U.S. Department of Housing and Urban Development and agencies such as Fannie Mae and Freddie Mac, also impact our business. The effect of these statutes, regulations, regulatory policies and rules are significant to our financial condition and results of operations. Further, the nature and extent of future legislative, regulatory or other changes affecting financial institutions are impossible to predict with any certainty.

Federal and state banking laws impose a comprehensive system of supervision, regulation and enforcement on the operations of banks, their holding companies and affiliates. These laws are intended primarily for the protection of the FDIC's Deposit Insurance Fund and bank customers rather than shareholders. Federal and state laws, and the related regulations of the bank regulatory agencies, affect, among other things, the scope of business, the kinds and amounts of investments banks and bank holding companies may make, their reserve requirements, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, the ability to merge, consolidate and acquire, dealings with insiders and affiliates and the payment of dividends.

This supervisory and regulatory framework subjects banks and bank holding companies to periodic examination by their respective regulatory agencies, which results in examination reports and ratings that, while not publicly available, can affect the conduct and growth of their businesses. These examinations consider not only compliance with applicable laws and regulations, but also capital levels, asset quality and risk, management ability and performance, earnings, liquidity, and various other factors. The regulatory agencies have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies.

The following is a summary of the material elements of the supervisory and regulatory framework applicable to the Company and its subsidiary, the Bank. It does not describe all of the applicable statutes, regulations and regulatory policies, nor does it restate all of the requirements of those that are described. The descriptions are qualified in their entirety by reference to the particular statutory or regulatory provision.

Regulatory Capital Requirements

The Company and the Bank are is subject to a comprehensive capital framework (the "Capital Rules") adopted by Federal banking regulators (including the Federal Reserve and the FDIC). , and similar rules will apply to the Company once its total assets exceed $3 billion or if it engages in certain types of activities. The Capital Rules implement the Basel III framework for strengthening the regulation, supervision and risk management of banks, as well as certain provisions of the Dodd-Frank Act. The Capital Rules generally recognize three components, or tiers, of capital: common equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital. Common equity Tier 1 capital generally consists of retained earnings and common stock instruments (subject to certain adjustments), as well as accumulated other comprehensive income ("AOCI") except to the extent that the institution exercises a one-time irrevocable option to exclude certain components of AOCI. We exercised the opt-out election regarding the treatment of AOCI in part to avoid significant variations in our capital levels resulting in changes in the fair market value of our available-for-sale investment securities portfolio as interest rates fluctuate. Additional Tier 1 capital generally includes non-cumulative preferred stock and related surplus subject to certain adjustments and limitations. Tier 2 capital generally includes certain capital instruments (such as subordinated debt) and portions of the amounts of the allowance for credit losses, subject to certain requirements and deductions. The term "Tier 1 capital" means common equity Tier 1 capital plus additional Tier 1 capital, and the term "total capital" means Tier 1 capital plus Tier 2 capital.

The Capital Rules generally measure an institution's capital using four capital measures or ratios. The common equity Tier 1 capital ratio is the ratio of the institution's common equity Tier 1 capital to its total risk-weighted assets. The

Tier 1 risk-based capital ratio is the ratio of the institution's Tier 1 capital to its total risk-weighted assets. The total risk-based capital ratio is the ratio of the institution's total capital to its total risk-weighted assets. The Tier 1 leverage ratio is the ratio of the institution's Tier 1 capital to its average total consolidated assets. To determine risk-weighted assets, assets of an institution are generally placed into a risk category as prescribed by the regulations and given a percentage weight based on the relative risk of that category. An asset's risk-weighted value will generally be its percentage weight multiplied by the asset’s value as determined under generally accepted accounting principles. In addition, certain off-balance-sheet items are converted to balance-sheet credit equivalent amounts, and each amount is then assigned to one of the risk categories. An institution’s federal regulator may require the institution to hold more capital than would otherwise be required under the Capital Rules if the regulator determines that the institution’s capital requirements under the Capital Rules are not commensurate with the institution’s credit, market, operational or other risks.

To be adequately capitalized, both the Company and the Bank are required to have a common equity Tier 1 capital ratio of at least 4.5% or more, a Tier 1 leverage ratio of 4.0% or more, a Tier 1 risk-based ratio of 6.0% or more and a total risk-based ratio of 8.0% or more. In addition to the preceding requirements, both the Company and the Bank are required to maintain a “conservation buffer” consisting of common equity Tier 1 capital, which is at least 2.5% above each of the required minimum levels. An institution that does not meet the conservation buffer will be subject to restrictions on certain activities including payment of dividends, stock repurchases and discretionary bonuses to executive officers.

The Capital Rules set forth the manner in which certain capital elements are determined, including but not limited to, requiring certain deductions related to mortgage servicing rights and deferred tax assets. The Capital Rules permit holding companies with less than $15 billion in total assets as of December 31, 2009 (which includes the Company) to continue to include trust preferred securities issued prior to May 19, 2010 in Tier 1 capital, generally up to 25% of other Tier 1 capital.

The Capital Rules also prescribe the methods for calculating certain risk-based assets and risk-based ratios. Higher or more sensitive risk weights are assigned to various categories of assets, among which are credit facilities that finance the acquisition, development or construction of real property, certain exposures or credits that are 90 days past due or are nonaccrual, foreign exposures, certain corporate exposures, securitization exposures, equity exposures and in certain cases mortgage servicing rights and deferred tax assets.

Enforcement Powers of Federal and State Banking Agencies

The federal bank regulatory agencies have broad enforcement powers, including the power to terminate deposit insurance, impose substantial fines and other civil and criminal penalties, and appoint a conservator or receiver for financial institutions. Failure to comply with applicable laws and regulations could subject us and our officers and directors to administrative sanctions and potentially substantial civil money penalties. In addition, the appropriate federal bank regulatory agency may appoint the FDIC as conservator or receiver for a depository institution (or the FDIC may appoint itself, under certain circumstances) if any one or more of a number of circumstances exist, including, without limitation, the fact that the depository institution is undercapitalized and has no reasonable prospect of becoming adequately capitalized, fails to become adequately capitalized when required to do so, fails to submit a timely and acceptable capital restoration plan or materially fails to implement an accepted capital restoration plan. The DFPI also has broad enforcement powers over us, including the power to impose orders, remove officers and directors, impose fines and appoint supervisors and conservators.

The Company

General. As a bank holding company, the Company is subject to regulation, supervision and periodic examination by the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the “BHCA”). The Company is required to file with the Federal Reserve periodic reports of its operations and such additional information as the Federal Reserve may require. In accordance with Federal Reserve laws and regulations, the Company is required to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances where the Company might not be in a financial position to do so.

The Company is also a bank holding company within the meaning of Section 1280 of the California Financial Code. Consequently, the Company is subject to examination by, and may be required to file reports with, the DFPI.

Acquisitions, Activities and Change in Control. The BHCA generally requires the prior approval by the Federal Reserve for any merger involving a bank holding company, any bank holding company’s acquisition of more than 5% of a class of voting securities of an unaffiliated bank or bank holding company, or acquisition of all or substantially all of the

assets of a bank or bank holding company. In reviewing applications seeking approval of merger and acquisition transactions, the Federal Reserve considers, among other things, the competitive effect and public benefits of the transactions, the capital position and managerial resources of the combined organization, the risks to the stability of the U.S. banking or financial system, the convenience and needs of the communities to be served, including the applicant’s performance record under the Community Reinvestment Act of 1977, as amended (“CRA”), compliance with fair housing and other consumer protection laws, and the effectiveness in combating money laundering activities. In addition, failure to implement or maintain adequate compliance programs could cause bank regulators to not approve an acquisition where regulatory approval is required or prohibit an acquisition even if approval is not required.

Subject to certain conditions (including deposit concentration limits established by the BHCA and the Dodd-Frank Act), the Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state depository institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company. Furthermore, in accordance with the Dodd-Frank Act, bank holding companies must be well-capitalized and well-managed in order to complete interstate mergers or acquisitions. For a discussion of the capital requirements, see “—Regulatory“ -Regulatory Capital Requirements” above.

Federal law also prohibits any person or company from acquiring control of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. The Federal Reserve adopted a tiered framework of presumptions where the level of voting share ownership is assessed in combination with relationship-based factors to determine whether control exists. “Control” is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company, but may arise under certain circumstances between 5% and 24.99% ownership. The FDIC and the U.S. Department of Justice’s Antitrust Division recently sought public comment on their bank merger review guidelines, which suggests that the analytical framework that has guided the regulatory review of bank mergers or the manner in which the regulatory standards apply may change.

Under the California Financial Code, any proposed acquisition of control of the Bank must be approved by the Commissioner of the DFPI. The California Financial Code defines “control” as the power, directly or indirectly, to direct the Bank’s management or policies or to vote 25% or more of any class of the Bank’s outstanding voting securities. Additionally, a rebuttable presumption of control arises when any person (including a company) seeks to acquire, directly or indirectly, 10% or more of any class of the Bank’s outstanding voting securities.

Permitted Activities. The BHCA generally prohibits the Company from controlling or engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve prior to November 11, 1999 to be “so closely related to banking as to be a proper incident thereto.” This authority would permit the Company to engage in a variety of banking-related businesses, including the ownership and operation of a savings association, or any entity engaged in consumer finance, equipment leasing, the operation of a computer service bureau (including software development) and mortgage banking and brokerage. The BHCA generally does not place territorial restrictions on the domestic activities of nonbank subsidiaries of bank holding companies. The Federal Reserve has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve has reasonable grounds to believe that continuing such activity, ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities. These nonbanking activities include securities and insurance underwriting and sales, merchant banking and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines, by regulation or order, is either financial in nature or incidental to any such financial activity or that the Federal Reserve determines, by order, to be complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The Company has not elected to be a financial holding company, and we have not engaged in any nonbanking activities determined by the Federal Reserve to be financial in nature or incidental or complementary to activities that are financial in nature.

If the Company elects to become a financial holding company, the Company and the Bank must be well-capitalized, well-managed, and have a satisfactory CRA rating. If the Company were to become a financial holding company and the Federal Reserve subsequently determined that the Company, as a financial holding company, is not well-capitalized or well-managed, the Company would have a period of time during which to achieve compliance, but during the period of noncompliance, the Federal Reserve may place any limitations on the Company it believes to be appropriate. Furthermore, if the Company became a financial holding company and the Federal Reserve subsequently determined that the Bank, as a financial holding company subsidiary, has not received a satisfactory CRA rating, the Company would not be able to commence any new financial activities or acquire a company that engages in such activities.

Capital Requirements. Bank holding companies are required to maintain capital in accordance with Federal Reserve capital adequacy requirements, as affected by the Dodd-Frank Act and Basel III. For a discussion of capital requirements, see “—Regulatory “Regulatory Capital Requirements” above.

Source of Strength Doctrine. Federal Reserve policy historically required bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. The Dodd-Frank Act codified this policy as a statutory requirement. The Company is required to act as a source of strength to the Bank and to commit capital and financial resources to support the Bank, including at times when the Company may not be in a financial position to provide it. The Company must stand ready to use its available resources to provide adequate capital to the Bank during periods of financial stress or adversity. The Company must also maintain the financial flexibility and capital raising capacity to obtain additional resources to assist the Bank. The Company’s failure to meet its source of strength obligations may constitute an unsafe and unsound practice, a violation of the Federal Reserve’s regulations, or both. The source of strength doctrine most directly affects bank holding companies whose subsidiary bank fails to maintain adequate capital levels. In such situation, the subsidiary bank will be required by the bank’s federal regulator to take “prompt corrective action.” Any capital loans by a bank holding company to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such bank. In the event of the bank holding company’s bankruptcy, its commitment to a federal bank regulatory agency to maintain the capital of its subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Safe and Sound Banking Practices. Bank holding companies and their non-banking subsidiaries are prohibited from engaging in activities that represent unsafe and unsound banking practices or that constitute a violation of law or regulations. Under certain conditions the Federal Reserve may conclude that certain actions of a bank holding company, such as a payment of a cash dividend, would constitute an unsafe and unsound banking practice. The Federal Reserve also has the authority to regulate the debt of bank holding companies, including the authority to impose interest rate ceilings and reserve requirements on such debt. Under certain circumstances the Federal Reserve may require a bank holding company to file written notice and obtain its approval prior to purchasing or redeeming its equity securities, unless certain conditions are met.

Tie in Arrangements. Federal law prohibits a bank holding company, and any subsidiary banks, from engaging in certain tie in arrangements in connection with the extension of credit. Specifically, subject to certain exemptions, the Bank may not extend credit, lease or sell property, or furnish any services, or fix or vary the consideration for any of the foregoing on the condition that the customer must (i) obtain or provide additional credit, property or services from or to the Company or Bank, or (ii) refrain from obtaining other credit, property or services from competitors, except reasonable requirements to assure soundness of credit extended.

Dividend Payments, Stock Redemptions and Repurchases. The Company’s ability to pay dividends to its shareholders is affected by both general corporate law considerations and the policies of the Federal Reserve applicable to bank holding companies. It is the Federal Reserve’s policy that bank holding companies should generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization’s expected future needs and financial condition. It is also the Federal Reserve’s policy that bank holding companies should not maintain dividend levels that undermine their ability to be a source of strength to their banking subsidiaries. Additionally, in consideration of the current financial and economic environment, the Federal Reserve has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong. The Federal Reserve possesses enforcement powers over bank holding companies and their nonbank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. In addition, under the Capital Rules, institutions that seek to pay dividends must maintain a capital conservation buffer of 2.5% in common equity Tier 1 capital. See "—Regulatory Capital Requirements" above.

Bank holding companies must consult with the Federal Reserve before redeeming any equity or other capital instrument included in Tier 1 or Tier 2 capital prior to its stated maturity, if applicable, if such redemption could have a material effect on the level or composition of the organization's capital base. Bank holding companies experiencing financial weaknesses, or that are at significant risk of developing financial weaknesses, must consult with and inform the Federal Reserve before redeeming or repurchasing common stock or other regulatory capital instruments.

As a California corporation, the Company is subject to the limitations of California law, which allows a corporation to distribute cash or property to shareholders, including a dividend or repurchase or redemption of shares, if the corporation meets either a "retained earnings" test or a "balance sheet" test. Under the "retained earnings" test, the Company may make a distribution from retained earnings to the extent that its retained earnings exceed the sum of (a) the amount of the distribution plus (b) the amount, if any, of dividends in arrears on shares with preferential dividend rights. The Company may also make a distribution under the "balance sheet" test if, immediately after the distribution, the value of its assets equals or exceeds the sum of (a) its total liabilities plus (b) the liquidation preference of any shares which have a preference upon dissolution over the rights of shareholders receiving the distribution. Indebtedness is not considered a liability if the terms of such indebtedness provide that payment of principal and interest thereon are to be made only if, and to the extent that, a distribution to shareholders could be made under the balance sheet test. In addition, the Company may not make distributions if it is, or as a result of the distribution would be, likely to be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature. A California corporation may specify in its articles of incorporation that distributions under the retained earnings test or balance sheet test can be made without regard to the preferential rights amount. The Company's articles of incorporation do not address distributions under either the retained earnings test or the balance sheet test.

The Bank

General. The Bank is a California-chartered bank. The Bank's deposit accounts are insured by the FDIC's Deposit Insurance Fund ("DIF") to the maximum extent provided under federal law and FDIC regulations. The Bank is not a member of the Federal Reserve System. As a California-chartered non-member bank, the Bank is subject to the examination, supervision and regulation by the DFPI, the chartering authority for California banks, and by the FDIC.

Depositor Preference. In the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Brokered Deposit Restrictions. Well capitalized institutions are not subject to limitations on brokered deposits, while adequately capitalized institutions are able to accept, renew or roll over brokered deposits only with a waiver from the FDIC and subject to certain restrictions on the yield paid on such deposits. Undercapitalized institutions are generally

not permitted to accept, renew, or roll over brokered deposits. As of December 31, 2022 December 31, 2023, the Bank was eligible to accept brokered deposits without a waiver from FDIC.

Loans to One Borrower. With certain limited exceptions, the maximum amount that a California bank may lend to any borrower at any one time (including the obligations to the bank of certain related entities of the borrower) may not exceed 25% (and unsecured loans may not exceed 15%) of the bank's shareholders' equity, allowance for loan credit losses, and any capital notes and debentures of the bank.

Deposit Insurance. As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system whereby FDIC-insured depository institutions pay insurance premiums at rates based on their risk classification. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators. For deposit insurance assessment purposes, an insured depository institution is placed in one of four risk categories each quarter. An institution's assessment is determined by multiplying its assessment rate by its assessment base. The total base assessment rates range from 1.5 basis points to 40 basis points. The assessment base is calculated using average consolidated total assets minus average tangible equity capital.

Additionally, the Dodd-Frank Act increased the minimum designated reserve ratio of the DIF to 1.35% of the estimated amount of total insured deposits as of September 30, 2020, and eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. At least semi-annually, the FDIC updates its loss and income projections for the DIF and, if needed, may increase or decrease the assessment rates, following notice and comment on proposed rulemaking. In October 2022, the FDIC adopted a final rule to increase initial base deposit insurance assessment rate schedules uniformly by 2 basis points, beginning in the first quarterly assessment period of 2023. During the year ended December 31, 2022 December 31, 2023, the Bank paid $563 thousand $1.1 million in aggregate FDIC deposit insurance premiums.

Supervisory Assessments. California-chartered banks are required to pay supervisory assessments to the DFPI to fund its operations. The amount of the assessment paid by a California bank to the DFPI is calculated on the basis of the institution's total assets, including consolidated subsidiaries, as reported to the DFPI. During the year ended December 31, 2022 December 31, 2023, the Bank paid supervisory assessments to the DFPI totaling $145 $208 thousand.

Capital Requirements. Banks are generally required to maintain capital levels in excess of other businesses. For a discussion of capital requirements, see "—Regulatory Capital Requirements" above.

Dividend Payments. The primary source of funds for the Company is dividends from the Bank. Under the California Financial Code, the Bank is permitted to pay a dividend in the following circumstances: (i) without the consent of either the DFPI or the Bank's shareholders, in an amount not exceeding the lesser of (a) the retained earnings of the Bank; or (b) the net income of the Bank for its last three fiscal years, less the amount of any distributions made during the prior period; (ii) with the prior approval of the DFPI, in an amount not exceeding the greatest of: (a) the retained earnings of the Bank; (b) the net income of the Bank for its last fiscal year; or (c) the net income for the Bank for its current fiscal year; and (iii) with the prior approval of the DFPI and the Bank's shareholders (i.e., the Company) in connection with a reduction of its contributed capital.

The payment of dividends by any financial institution is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. In addition, in order to pay a dividend, the Capital Rules generally require that an institution maintains 2.5% in common equity Tier 1 capital. See "—Regulatory Capital Requirements" above. As described above, the Bank exceeded its minimum capital requirements under applicable regulatory guidelines as of December 31, 2022 December 31, 2023.

Transactions with Affiliates. The Bank is subject to certain restrictions imposed by federal law on "covered transactions" between the Bank and its "affiliates." The Company is an affiliate of the Bank for purposes of these restrictions. Covered transactions subject to the restrictions include extensions of credit to the Company, investments in the stock or other securities of the Company and the acceptance of the stock or other securities of the Company as collateral for loans made by the Bank. The Dodd-Frank Act enhanced the requirements for certain transactions with affiliates, including by expanding the definition of "covered transactions" and increasing the amount of time for which collateral requirements regarding covered transactions must be maintained.

Loans to Directors, Executive Officers and Principal Shareholders. The authority of the Bank to extend credit to its directors, executive officers and principal shareholders, including their immediate family members and corporations and other entities that they control, is subject to substantial restrictions and requirements under the Federal Reserve's Regulation O, as well as the Sarbanes-Oxley Act. These statutes and regulations impose limits on the amount of loans the Bank may make to directors and other insiders and require that: (i) the loans must be made on substantially the same terms, including interest rates and collateral, as prevailing at the time for comparable transactions with persons not affiliated with the Company or the Bank; (ii) the Bank must follow credit underwriting procedures at least as stringent as those applicable to comparable transactions with persons who are not affiliated with the Company or the Bank; and (iii) the loans must not involve a greater than normal risk of non-payment or include other features not favorable to the Bank. Furthermore, the Bank must periodically report all loans made to directors and other insiders to the bank regulators.

Safety and Soundness Standards/Risk Management. The federal banking agencies have adopted guidelines establishing operational and managerial standards to promote the safety and soundness of federally insured depository institutions. These guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings. These guidelines also require us to monitor cybersecurity and other information technology risks, including maintaining systems and policies that protect against both a direct financial loss and the risks of loss or compromise of customer and employee information. In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If a financial

institution fails to comply with any of the standards set forth in the guidelines, its primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If a financial institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the financial institution's rate of growth, require the financial institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal bank regulatory agencies, including cease and desist orders and civil money penalty assessments.

During the past decade, the bank regulatory agencies have increasingly emphasized the importance of sound risk management processes and strong internal controls when evaluating the activities of the financial institutions they supervise. Properly managing risks has been identified as critical to the conduct of safe and sound banking activities and has become even more important as new technologies, product innovation, and the size and speed of financial transactions have changed the nature of banking markets. The agencies have identified a spectrum of risks facing a banking institution including, but not limited to, credit, market, liquidity, operational, legal, and reputational risk. In particular, recent regulatory pronouncements have focused on operational risk, which arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses. New products and services, third-party risk management and cybersecurity are critical sources of operational risk that financial institutions are expected to address in the current environment. The Bank is expected to have active board and senior management oversight; adequate policies, procedures, and limits; adequate risk measurement, monitoring, and management information systems; and comprehensive internal controls.

Financial institutions also must comply with rules designed to improve information-sharing about cyber incidents that may affect the U.S. banking system.The rule requires financial institutions to notify their primary federal regulator of any significant computer-security incidents within 36 hours after they determine that a cyber-incident occurred. Notification is required for incidents that have materially affected (or are reasonably likely to materially affect) the viability of a financial institution's operations, its ability to deliver banking products and services, or the stability of the financial sector. We do not anticipate this rule to have a material impact on the operations of HCC and HBC at this time.

The SEC's new cybersecurity disclosure rules took effect on December 18, 2023, as a result of which public companies are required to report on Form 8-K certain information relating to material cybersecurity incidents within four business days of the determination that such incident was material to the Company. As a smaller reporting company, we are not required to comply with the Form 8-K disclosure requirements until June 15, 2024; however, we anticipate that we would disclose any material cybersecurity incident promptly after its discovery. Additionally, beginning in the annual report covering fiscal year ended December 31, 2023, public companies must report on Form 10-K any cybersecurity risks that have materially affected or are likely to materially affect the company, including the company's business strategy, financial condition and results of operation. This Report describes those risks herein and in the sections below entitled "Item 1A. Risk Factors" and "Item 1C. Cybersecurity."

State regulators also have been increasingly focused on privacy and cybersecurity standards and regulations. Recently, several states, notably including California where we conduct a substantial majority of our banking business, have adopted laws and/or regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many such states (including California) have also recently implemented or modified their data breach notification and data privacy requirements. We expect this trend of state-level activity in those areas to continue, and we continue to monitor relevant legislative and regulatory developments in California where nearly all our customers are located.

Branching Authority. California law permits California banks, such as the Bank, to establish an additional banking office with notice to the DFPI. Deposit-taking banking offices must also be approved by the FDIC, which considers a number of factors, including financial history, capital adequacy, earnings prospects, character of management, needs of the community and consistency with corporate power. The Dodd-Frank Act permits insured state banks to engage in interstate branching if the laws of the state where the new banking office is to be established would permit the establishment of the banking office if it were chartered by a bank in such state. Finally, we may also establish banking offices in other states by merging with banks or by purchasing banking offices of other banks in other states, subject to certain restrictions.

Community Reinvestment Act. The CRA is intended to encourage insured depository institutions, while operating safely and soundly, to help meet the credit needs of their communities. The CRA specifically directs the federal bank regulatory agencies, in examining insured depository institutions, to assess their record of helping to meet the credit needs of their entire community, including low and moderate income neighborhoods, consistent with safe and sound banking practices. The CRA further requires the agencies to take a financial institution's record of meeting its community credit needs into account when evaluating applications for, among other things, domestic branches, consummating mergers or acquisitions or holding company formations.

The federal banking agencies have adopted regulations which measure a bank's compliance with its CRA obligations on a performance based evaluation system. This system bases CRA ratings on an institution's actual lending service and investment performance rather than the extent to which the institution conducts needs assessments, documents community outreach or complies with other procedural requirements. The ratings range from "outstanding" to a low of "substantial noncompliance." The Bank had a CRA rating of "satisfactory" as of its most recent regulatory examination. In May 2022, the Federal Reserve, along with October 2023, the FDIC and other federal banking regulators adopted final rules that significantly expand the OCC, issued proposed amendments Bank's responsibilities under the CRA. The revised rules increase the emphasis on the Bank's lending in low- to moderate-income areas, including support for small businesses. As revised, the rules also modernize the CRA regulator's perspective on digital banking and on remote deposit-gathering, as well as focusing on consumer lending and community development. The goal of these regulatory framework, partly updates are to address changes that have occurred due promote a tailored approach based on an institution's size and business focus, as well as fostering financial inclusion and responding to recent and evolving trends within the rise in digital banking. Some of the key proposed revisions include clarification of eligible community development activities, adjustments to requirements and eligibility of activities outside of facility-based assessment areas, and new testing structures and data collection requirements, particularly for the largest banks. banking industry

Anti-Money Laundering and the Office of Foreign Assets Control Regulation. We are subject to federal laws aiming to counter money laundering and terrorist financing, as well as transactions with persons, companies and foreign governments sanctioned by the United States. These laws include, among others, the USA PATRIOT Act, the Bank Secrecy Act ("BSA"), and the Anti-Money Laundering Act ("AMLA"). These laws prohibit financial institutions from entering into specified financial transactions and account relationships and require them to use enhanced due diligence procedures in their dealings with certain types of high risk customers and implement a written customer identification program. Financial institutions must take certain steps to assist government agencies in detecting and preventing money laundering and report certain types of suspicious transactions. Regulatory authorities routinely examine financial institutions for compliance with these obligations, and failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

A comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws was adopted in January 2021. Among other things, it codified a risk-based approach to anti-money laundering compliance for financial institutions as set forth in AMLA, which requires financial institutions to develop standards for evaluating technology and internal processes for BSA compliance, expands enforcement-related and investigation-related authority, institutes BSA whistleblower initiatives and protections, and increases sanctions for certain BSA violations. Adopted as part of the 2021 reform, the Corporate Transparency Act (the "CTA") requires the creation of a national registry of beneficial ownership information. When the final CTA rules go into effect in 2024, they may impact the AMLA/BSA procedures and reporting requirements of financial institutions. The Bank has established policies and procedures that it believes comply with these requirements.

Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces economic and trade sanctions against targeted foreign countries and regimes under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. Financial institutions are responsible for, among other things, blocking accounts of and transactions with such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure of a financial institution to maintain and implement adequate anti-money laundering and OFAC programs, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution. The Bank has in place policies and procedures that are believed to comply with these laws.

Concentrations in Commercial Real Estate. Concentration risk exists when a financial institution deploys too many assets to a specific industry or segment of the economy with the potential to produce losses large enough to threaten its financial health. Concentration stemming from commercial real estate ("CRE") is one area of regulatory concern. The CRE Concentration Guidance provides supervisory criteria, including the following numerical indicators, to assist bank examiners in identifying banks with potentially significant commercial real estate CRE loan concentrations that may warrant greater supervisory scrutiny: (i) commercial real estate CRE loans exceeding 300% of capital and increasing 50% or more in the preceding three years; or (ii) construction and land development loans exceeding 100% of capital. The CRE Concentration Guidance does not limit banks' levels of commercial real estate CRE lending activities, but rather guides institutions in developing risk management practices and levels of capital that are commensurate with the level and nature of their commercial real estate CRE concentrations. Based on the Bank's loan portfolio, commercial real estate CRE loans were 275.8% 257.2% of risk based capital as of December 31, 2023 and increased 28.3% 24.0% in preceding three years as of December 31, 2022. years. The Bank continues to further enhance the monitoring and review process of the real estate loan portfolio.

Consumer Financial Services. We are subject to a number of federal and state consumer protection laws that extensively govern our relationship with our customers. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the

Servicemembers Civil Relief Act, the Military Lending Act, and these laws' respective state law counterparts, as well as state usury laws and laws regarding unfair and deceptive acts and practices. The consumer protection laws applicable to us, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, prohibit unfair, deceptive and abusive acts and practices ("UDAAP"), restrict our ability to raise interest rates and subject us to substantial regulatory oversight.

The consumer protection provisions of the Dodd-Frank Act and the examination, supervision and enforcement of those laws and implementing regulations by the CFPB have created a more intense and complex environment for consumer finance regulation. The CFPB has significant authority to implement and enforce federal consumer protection laws and new requirements for financial services products provided for in the Dodd-Frank Act, as well as the authority to identify and prohibit UDAAP. The review of products and practices to prevent UDAAP is a continuing focus of the CFPB, and of banking regulators more broadly. The ultimate impact of this heightened scrutiny is uncertain but could result in changes to pricing, practices, products and procedures. It could also result in increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties. In addition, the Dodd-Frank Act provides the CFPB with broad supervisory, examination and enforcement authority over various consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged legal violations and to impose significant penalties, as well as injunctive relief that prohibits lenders from engaging in allegedly unlawful practices. The CFPB also has the authority to obtain cease and desist orders providing for affirmative relief or monetary penalties. The CFPB has examination and enforcement authority over financial institutions with more than $10 billion in total consolidated assets. Banks and savings institutions with $10 billion or less in total consolidated assets, like the Bank, will continue to be examined by their applicable federal bank regulators.

The Dodd-Frank Act does not prevent states from adopting stricter consumer protection standards. Many states and local jurisdictions have consumer protection laws analogous, and in addition, to those listed above. State regulation of financial products and potential enforcement actions could also adversely affect our business, financial condition and results of operations. For example, on January 1, 2021, the DFPI was given broad jurisdiction and sweeping new authorities that closely resemble those of the CFPB. The DFPI stated that it intends to exercise its powers to protect consumers from unlawful, unfair, deceptive, and abusive practices in connection with consumer financial products or services. The DFPI also as a matter of state law can now enforce the Dodd-Frank Act's UDAAP provisions against any person offering or providing consumer financial products in the state of California. Going forward, financial institutions in California are likely to be faced with a powerful state financial services regulatory regime with expansive enforcement authority, and it is unclear how the DFPI and its enforcement activities will affect the Bank in the future.

Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual and statutory damages, restitution and attorneys' fees. Federal bank regulators, state and local attorneys general and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain additional remedies, including regulatory sanctions, customer rescission rights, and civil money penalties. Non-compliance with consumer protection requirements may also result in failure to obtain any required bank regulatory approval for merger or acquisition transactions we may wish to pursue or prohibition from engaging in such transactions even if approval is not required.

Mortgage and Mortgage-Related Products. Because abuses in connection with home mortgages were a significant factor contributing to the financial crisis, many rules issued by the CFPB and required by the Dodd-Frank Act address mortgage and mortgage-related products, their underwriting, origination, servicing and sales. The Dodd-Frank Act significantly expanded underwriting requirements applicable to loans secured by 1-4 family residential real property and

augmented federal law combating predatory lending practices. In addition to numerous disclosure requirements, the Dodd-Frank Act imposed new standards for mortgage loan originations on all lenders, including banks and savings associations, in an effort to strongly encourage lenders to verify a borrower's ability to repay, while also establishing a presumption of compliance for certain "qualified mortgages." The Dodd-Frank Act generally required lenders to retain an economic interest in the credit risk relating to loans that the lender sells if the loans do not comply with the ability-to-repay standards described below. The risk retention requirement generally is 5%, but could be increased or decreased by regulation. The Bank does not currently expect the CFPB's rules to have a significant impact on its operations, except for higher compliance costs.

Home Mortgage Servicing. Pursuant to the Dodd-Frank Act, the CFPB has implemented certain provisions of the Dodd-Frank Act relating to mortgage servicing through rulemaking. The servicing rules require servicers to meet certain benchmarks for loan servicing and customer service in general. Servicers must provide periodic billing statements and certain required notices and acknowledgments, promptly credit borrowers' accounts for payments received and promptly investigate complaints by borrowers. Servicers also are required to take additional steps before purchasing insurance to protect the lender's interest in the property. The servicing rules call for additional notice, review and timing requirements with respect to delinquent borrowers, including early intervention, ongoing access to servicer personnel and specific loss mitigation and foreclosure procedures. The rules provide for an exemption from most of these requirements for "small servicers" that service 5,000 or fewer mortgage loans which they or an affiliate originated or own.

Incentive Compensation Guidance. The Dodd-Frank Act requires the federal banking agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at regulated entities with at least $1 billion in total consolidated assets that encourage inappropriate risks by providing an executive officer, employee, director, or principal shareholder with excessive compensation, fees, or benefits that could lead to material financial loss to the entity. The federal bank regulatory agencies have issued comprehensive guidance intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of those organizations by encouraging excessive risk-taking. The incentive compensation guidance sets expectations for banking organizations concerning their incentive compensation arrangements and related risk-management, control and governance processes. The incentive compensation guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon three primary principles: (i) balanced risk-taking incentives; (ii) compatibility with effective controls and risk management; and (iii) strong corporate governance. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or take other actions. In addition, under the incentive compensation guidance, a banking organization's federal supervisor may initiate enforcement action if the organization's incentive compensation arrangements pose a risk to the safety and soundness of the organization. Further, the Capital Rules limit discretionary bonus payments to bank executives if the institution's regulatory capital ratios fail to exceed certain thresholds.

The scope and content of the U.S. banking regulators' policies on executive compensation are continuing to develop and may continue evolving in the near future. In August 2022, the SEC finalized the pay versus performance regulations, which require disclosure of information that shows the relationship between executive compensation actually paid and the company's financial performance in annual proxy statements The pay versus performance regulations are effective for fiscal years ending on or after December 16, 2022. Smaller reporting companies are subject to scaled reporting mechanism, and certain companies are exempt from the regulations. In October 2022, the SEC also adopted final rules on clawback of executive compensation, which direct the stock exchanges to establish listing standards requiring listed companies to develop and implement a policy providing for the recovery of erroneously awarded incentive-based compensation received by current or former executive officers. Under the new rules, companies will have to recover compensation in excess of what the executive officer should have received in the event the companies' financials are restated due to material noncompliance with securities laws. The rules apply to compensation paid in the three years leading up to restatement. While we are currently assessing the impact of the new incentive compensation regulations, we do not anticipate any material impact to our operations at this time.

Financial Privacy. The federal bank regulatory agencies have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is transmitted through financial services companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from

applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services.

The CFPB has recently announced its intention to embark on rulemaking about how much control consumers have over their financial data. California is also enacting legislation relating to data privacy and data protection, such as the California Consumer Privacy Act (the "CCPA"). The CCPA granted California consumers robust data privacy rights and control over their personal information, including the right to know, the right to delete, and the right to opt-out of the sale of their personal information. The CCPA was expanded by the California Privacy Rights Act of 2020 (the "CPRA"), which

took effect on January 1, 2023, and which provides further privacy rights to California residents and creates a new agency tasked with implementing regulations and conducting investigations and enforcement actions. The CPRA goes into effect on January 1, 2023.

Cybersecurity. The federal bank regulatory agencies have increased their focus on cybersecurity through guidance, examination and regulations. Financial institutions are required to design multiple layers of security controls to establish lines of defense and ensure that their risk management processes address the risk posed by compromised customer credentials and include security measures to authenticate customers accessing internet-based services of the financial institution. The management of a financial institution is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of operations in the event of a cyber-attack. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to a cyber-attack. If we fail to observe the regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties.

Effective May 1, 2022, financial Financial institutions are required to also must comply with the final rule issued by the federal bank regulatory agencies to improve sharing of information about cyber incidents that may affect the U.S. banking system. The rule requires financial institutions to notify their primary federal regulator of any significant computer-security incidents as soon as possible and no later than 36 hours after they determine that a cyber-incident occurred. Notification is required for incidents that have materially affected (or are reasonably likely to materially affect) the viability of a financial institution's operations, its ability to deliver banking products and services, or the stability of the financial sector. We do not anticipate this rule to have a material impact on our operations at this time.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states, including California, have adopted laws and/or regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many such states, including California, have also recently implemented or modified their data breach notification and data privacy requirements. We expect this trend of state-level activity in those areas to continue, and we continue to monitor relevant legislative and regulatory developments in California where many of our customers are located.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ a layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of our defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly.

Item 1A. Risk Factors.

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this report Report and other documents we file with the SEC. The following risks and uncertainties described below are those that we have identified as material. Events or circumstances arising from one or more of these risks could adversely affect our business, financial condition, operating results and prospects and the value and price of our common stock could decline. The risks identified below are not intended to be a comprehensive list of all risks we face. Additional risks and uncertainties not presently known to us, or that we may currently view as not material, may also adversely impact our business, financial condition, and results of operations.

Summary of Risk Factors

The following is a summary of the most significant risks and uncertainties that we believe could adversely affect our business, financial condition and results of operations. The summary should be read in conjunction with the more detailed risk factors set forth in this "Risk Factors" section and the other information contained in this report. Report.

Risks Related to Our Business

–

- Decline in general business and economic conditions

– Ongoing impact of Covid-19

– • Adverse economic conditions in Asia, particularly South Korea

– • Fluctuations in interest rates

– • Monetary Policy and the Federal Reserve
– • Losses on our securities portfolio, particularly from increases in interest rates
– • Liquidity risks
– Failure to successfully manage credit risks
– Uncertainty relating to replacement of LIBOR

Risks Related to Our Loans

–

• Negative changes in the economy affecting real estate values and liquidity
– • Commercial borrowers present risks
– • Small and medium business loans subject to greater risks from adverse business developments
– • Risks from non-qualified single family home mortgage lending business
– • Unreliability of loan appraisals used in real property loan decisions
– • Increased regulatory scrutiny of commercial real estate concentrations
– Underwriting practices may not forecast poor loan performance
– • Lack of seasoning of our loan portfolio due to recent growth over the last five years

Risks Related to our SBA Loan Program

–

• Dependence on U.S. federal government SBA loan program
– • Recognition of gains on sale of loans and servicing asset valuations subject to our assumptions we use
– • Credit risks from non-guaranteed portion of SBA loans we retain and do not sell
– • Credit risks from SBA loans we sell as a result of repurchase obligations

Risks Related to Our Deposits

–

• Concentrations of deposit relationships
– • Competition for deposits may increase cost of deposits negatively affecting our deposit growth

Risks Related to Management

–

• Success depends on the skills of our management and their retention
– • Competition for skilled and experienced senior level management employees

Risks Related to Credit Quality

–

• Our business ability to manage credit risk
– • Nonperforming assets demand management time to resolve and can affect our financial results
– • Allowance for loans credit losses may be insufficient to absorb potential losses in our loan portfolio
– Environmental liabilities on foreclosed real estate collateral
– Adverse effect of new accounting standards for loan losses which may increase our allowance

Risks Related to our Growth Strategy

–

• Inability to continue the growth of loans and deposits
– Risks related to acquisitions, including finding suitable targets and integration risks following completion
– • Limited ability to expand because of an existing license agreement for the use of "Open Bank"

– Risks of entering into new markets

– • Managing risks of opening new branches

– • Managing risks of adding new lines of business

Risks Related to Our Capital

–

• Increased regulatory requirements
– • Raising new capital
– • Commitment to contribute 10% of our after tax income to the Open Stewardship Foundation

Competition Risks

–

- Competition among financial institutions, many of whom are much larger, have greater capital, more advanced technology

– Modest size makes it more difficult to compete with larger financial institutions

– • Focus on marketing to the Korean-American geographic areas we serve

Other Business Risks

– Costs and effects of litigation, investigations or similar matters

– • Soundness of other financial institutions

– • Severe weather, natural disasters (including fire and earthquakes), wide spread disease or pandemics (including the COVID-19 pandemic), acts of war, and terrorism

– • Climate change could have material negative impact

Risks Related to Our Reputation

–

- Failure to maintain a favorable reputation with our customers and communities

– • Risks associated with cyberattacks, cybersecurity incidents, and loss or compromise of customer information

- Failure of our risk management framework

– System failures or breaches of our network security

– • Difficulties of our third-party providers, termination of their services, or their failure to comply with regulatory requirements

– Inaccurate information provided to us by customers or counterparts

– • Employee misconduct

Finance and Accounting Risks

–

- Reliance on risk management processes and analytical and forecasting models

– • Realization of our deferred tax assets

– • Changes in accounting standards

– • Failure to maintain effective controls

Legislative and Regulatory Risks

– Extensive government regulation that could limit or restrict our activities

– • Legislative and regulatory actions now or in the future increase our costs, impact our business and financial results

– • Federal and state regulatory exams

– Consumer protection laws and regulations

– • Complaints and allegations of discriminatory lending practices

– • Noncompliance with the Bank Secrecy Act and other anti-money laundering statutes and regulations

– Failure to comply with privacy, information security and data protection requirements

Risks Related to Our Common Stock

–

- Small trading volume

– • Volatile trading price of our common stock

– Investment in common stock is not an insured deposit

– • Equity research analysts interest in our common stock, unfavorable commentary or downgrade of our common stock

– • Changes in dividend policy

– Limitations on director liability for monetary damages for failure to exercise their fiduciary duty

– • Potential dilution from issuance of additional equity securities

– Issuance of preferred stock without further shareholder approval which may have rights and preferences over our common stock

– • Charter documents and California law may have an anti-takeover effect limiting changes of control

– • Reduced regulatory and reporting requirements as an “emerging growth company” a smaller reporting company

Risks Related to Our Business

A decline

Interruptions, cyber-attacks, fraudulent activity or other security breaches could have a material adverse effect on our business.

In the normal course of business, we collect, store, share, process and retain sensitive and confidential information regarding our customers. We devote significant resources and management focus to ensuring the integrity of our systems, against damage from fires or other natural disasters; power or telecommunications failures; acts of terrorism or wars or other catastrophic events; breaches, physical break-ins or errors resulting in interruptions and unauthorized disclosure of confidential information, through information security and business continuity programs. Notwithstanding, our facilities and systems are vulnerable to interruptions, external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, force majeure events, or other similar events.

As a bank, we are susceptible to fraudulent activity that may be committed against us or our customers, which may result in financial losses or increased costs to us or our customers, disclosure or misuse of our information or our customer's information, misappropriation of assets, privacy breaches against our customers, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Reported incidents of fraud and other financial crimes have increased throughout the United States and globally. Increased use of the Internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and operations, coupled with the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others increases our security risks. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers continue to engage in attacks against large financial institutions. These attacks include denial of service attacks designed to disrupt external customer facing services, and ransomware attacks designed to deny organizations access to key internal resources or systems. While we have policies and procedures designed to prevent such losses, there can be no assurance that such losses will not occur. We are not able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. We employ detection and response mechanisms designed to contain and mitigate security incidents, but early detection may be thwarted by sophisticated attacks and malware designed to avoid detection. The payment methods that we offer are subject to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems where we may be liable for losses. Breaches of information security also may occur through intentional or unintentional acts by those having access to our systems or our customers' or counterparties' confidential information, including employees.

The access by unauthorized persons to, or the improper disclosure by us of, confidential information regarding our customers or our own proprietary information, software, methodologies and business secrets, failures or disruptions in our communications, information and technology systems, or our failure to adequately address them, could negatively affect our customer relationship management, general ledger, deposit, loan or other systems. We cannot assure that such breaches, failures or interruptions will not occur or, if they do occur, that they will be adequately addressed by us or the third parties on which we rely. Our insurance may not fully cover all types of losses. The occurrence of any failures or interruptions of our communications, information and technology systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny or expose us to civil litigation and economic conditions and possible financial liability, any regulatory responses to such conditions of which could have a material adverse effect on our business, financial position and condition or results of operations.

Our business and operations are sensitive We could be required to general business and economic conditions provide notices of security breaches. Such failures could result in increased regulatory scrutiny, legal liability, a loss of confidence in the United States, generally, and particularly the state security of California and the Los Angeles-Long Beach-Anaheim, California Metropolitan Statistical Areas. Unfavorable or uncertain economic and market conditions could lead to credit quality concerns related to borrower repayment ability and collateral protection as well as reduced demand for the our systems, our payment cards, products and services, we offer. Geopolitical developments, such as existing and potential trade wars and other events beyond our control, can increase levels of political and economic unpredictability globally and increase the volatility of global financial markets. Concerns about the performance of international economies, especially in Europe and emerging markets, and economic conditions in Asia, particularly the economies of China, South Korea and Japan, can impact the economy and financial markets here in the United States. If the national, regional and local economies experience worsening economic conditions, including high levels of unemployment, our growth and profitability could be constrained. Weak economic conditions are characterized by, among other indicators, inflation, deflation, elevated levels of unemployment, fluctuations in debt and equity capital markets, increased delinquencies on mortgage, commercial and consumer loans, residential and commercial real estate price declines, and lower home sales and commercial activity. Economic pressure on consumers and uncertainty regarding continuing economic improvement may result in changes in consumer and business spending, borrowing and saving habits.

The ongoing global COVID-19 outbreak could harm our business and results of operations, and such effects will depend on future developments, which are highly uncertain and are difficult to predict.

Our business is dependent on the willingness and ability of our customers to conduct banking and other financial transactions. The ongoing COVID-19 global and national health emergency caused significant disruption in the United States and international economies and financial markets and continues to cause illness, quarantines, reduced attendance at events and reduced travel, reduced commercial and financial activity, and overall economic and financial market instability. While the level of disruption caused by, and the economic impact of, COVID-19 has lessened in 2022, there is no assurance that the pandemic will not worsen again, including as a result of the emergence of new strains of the virus. Any worsening of the pandemic and its negative effects on the economy our brand which could further impact our business, our provision and allowance for credit losses, and the value of certain assets that we carry on our balance sheet such as goodwill. Our customers, business partners, and third-party providers, including those who perform critical services for our business, may also be adversely affected. The ultimate risk posed by the COVID-19 pandemic remains highly uncertain; however, COVID-19 poses have a material risk to adverse effect on our business, financial condition and results of operations.

We may not keep pace with the rapid technological developments in the financial services industry. Fraudulent and other illegal activity involving our products, services and systems could adversely affect our financial position and results of operations.

The financial services industry is subject to rapid technological changes, of which we cannot predict the effects on our business. We expect that new services and technologies applicable to our industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently utilize in our products and services. These rapid changes increase cybersecurity risks to our Company and our third-party vendors and service providers, including the risk of security breaches, “denial of service” attacks, “hacking” and identity theft. Criminals are using increasingly sophisticated methods to engage in illegal activities, including through the use of deposit account products and customer information and may also see their effectiveness enhanced by the use of artificial intelligence. A single significant incident of fraud, or increases in the overall level of fraud, involving our products and services could result in reputational damage to us. Such damage could reduce the use and acceptance of our products and services or lead to greater regulation that would increase our compliance costs. Fraudulent activity could also result in the imposition of regulatory sanctions, including significant monetary fines, which could adversely affect our business, results of operations and financial condition. To address the challenges that we face with respect to fraudulent activity, we maintain certain risk control policies and procedures, both internally and with respect to our third-party vendors and service providers, that make it more difficult for to fraudulently obtain and use our products and services. However, our inability to keep pace with technological changes, including our ability to identify and address cybersecurity risks, may significantly affect our financial position and results of operation.

Adverse conditions in Asia and elsewhere could adversely affect our business.

Although we believe we have minimal exposure to customers that have direct economic ties to South Korea and other countries in Asia, we are still likely to feel the effects of adverse economic and political conditions in South Korea and Asia, including the effects of rising inflation or slowing growth and volatility in the real estate and stock markets in South Korea and other regions. U.S. and global economic policies, military tensions in North Korea, and unfavorable global economic conditions may adversely impact the South Korean and other Asian economies. In addition, pandemics and other public health crises or concerns over the possibility of such crises could create economic and financial disruptions in the region. The coronavirus pandemic has had a material adverse effect on the Asian economies. A significant deterioration of economic conditions in Asia, and in South Korea in particular, could expose us to, among other things, economic and transfer risk, and we could experience an outflow of deposits by those of our customers with connections to Asia. Transfer risk may result when an entity is unable to obtain the foreign exchange needed to meet its obligations or to provide liquidity. This may adversely impact the recoverability of investments with, or loans made to, such entities. Adverse economic conditions in Asia, and in South Korea in particular, may also negatively impact asset values and the profitability and liquidity of our customers who operate in this region.

Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market purchases and sales of U.S. government securities, adjustments of the discount rate and changes in banks’ reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits. The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

Fluctuations in interest rates may reduce net interest income and otherwise negatively impact our financial condition and results of operations.

Shifts in short-term interest rates may reduce net interest income, which is the principal component of our earnings. Net interest income is the difference between the amounts received by us on our interest-earning assets and the interest paid by us on our interest-bearing liabilities. When interest rates rise, the rate of interest we receive on our assets, such as loans, rises more quickly than the rate of interest that we pay on our interest-bearing liabilities, such as deposits, which may cause our profits to increase. When interest rates decrease, the rate of interest we receive on our assets, such as loans, declines more quickly than the rate of interest that we pay on our interest-bearing liabilities, such as deposits, which may cause our profits to decrease. The impact on earnings is more adverse when the slope of the yield curve flattens, that is, when short-term interest rates increase more than long-term interest rates or when long-term interest rates decrease more than short-term interest rates.

Changes in interest rates could influence our ability to originate loans and deposits. Historically, there has been an inverse correlation between the demand for loans and interest rates. Loan origination volume usually declines during periods of rising or high interest rates and increases during periods of declining or low interest rates. For example, mortgage production historically, including refinancing activity, declines in rising interest rate environments.

Changes in interest rates can also affect the level of loan refinancing activity, which impacts the amount of prepayment penalty income we receive on loans we hold. Because prepayment penalties are recorded as interest income when received, the extent to which they increase or decrease during any given period could have a significant impact on the level of net interest income and net income we generate during that time. A decrease in our prepayment penalty income resulting from any change in interest rates or as a result of regulatory limitations on our ability to charge prepayment penalties could therefore adversely affect our net interest income, net income or results of operations.

An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in nonperforming assets and a reduction of income recognized, which could have a material

adverse effect on our results of operations and cash flows. Further, when we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. Subsequently, we continue to have a cost to

fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonperforming assets would have an adverse impact on net interest income.

Changes in interest rates also can affect the value of loans, securities and other assets. Rising interest rates will result in a decline in value of the fixed-rate debt securities we hold in our investment securities portfolio. The unrealized losses resulting from holding these securities would be recognized in accumulated other comprehensive income and reduce total shareholders’ equity. Unrealized losses do not negatively impact our regulatory capital ratios. However, tangible common equity and the associated ratios would be reduced. If debt securities in an unrealized loss position are sold, such losses become realized and will reduce our regulatory capital ratios.

We could recognize losses on securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities acquired by us are generally subject to decreases in market value when interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities or our own analysis of the value of the security, defaults by the issuer or individual mortgagors with respect to the underlying securities, or instability in the credit markets. Any of the foregoing factors could cause other-than-temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other-than-temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have a material adverse effect on our business, financial condition and results of operations.

Liquidity risks could affect operations and adversely affect our business, financial condition, and results of operations.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and/or investment securities and through other sources could have a substantial negative effect on our liquidity. Our most important source of funds consists of our customer deposits. Such deposit balances can decrease when customers perceive alternative investments, such as money market funds, bonds and the stock market, as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments, we could lose a relatively low cost source of funds, which would require us to seek wholesale funding alternatives in order to continue to grow, thereby increasing our funding costs and reducing our net interest income and net income.

Other primary sources of funds consist of cash from operations, investment maturities and sales, and sale of loans. Additional liquidity is provided by our ability to borrow from the Federal Reserve Bank of San Francisco and the Federal Home Loan Bank of San Francisco. We also may borrow from third-party lenders from time to time. Our access to funding sources in amounts adequate to finance or capitalize our activities or on terms that are acceptable to us could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry.

Any decline in available funding could adversely impact our ability to continue to implement our strategic plan, including our ability to originate loans, invest in securities, meet our expenses, or to fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse effect on our liquidity, business, financial condition and results of operations.

We may be adversely affected by the uncertainty relating

A decline in general business and economic conditions and any regulatory responses to LIBOR calculation process and potential phasing out of LIBOR.

The Financial Conduct Authority in the United Kingdom, which regulates LIBOR, will not guarantee the continuation of LIBOR after 2021. The Federal Reserve selected a new index calculated by short-term repurchase agreements, backed by Treasury securities ("SOFR") to replace LIBOR. SOFR differs in its methodology from LIBOR in that it is backward looking and is likely to be lower than LIBOR and less likely to correlate with the funding costs of financial institutions. Whether or not SOFR attains market acceptance as a LIBOR replacement tool remains in question; however, in 2021 we began transitioning to SOFR for our instruments indexed to LIBOR. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates and the value of LIBOR-based loans, and to a lesser extent, securities in our portfolio. In addition, there is a risk that we may not complete our full transition to alternative indices or reference rates by the time LIBOR is no longer available. Once LIBOR rates are no longer available, we may be subject to disputes or litigation with customers and creditors over the appropriateness or comparability to LIBOR of the substitute indices, which such conditions could have an a material adverse effect on our business, financial condition position and results of operations.

Our business and operations are sensitive to general business and economic conditions in the United States, generally, and particularly the state of California and the Los Angeles-Long Beach-Anaheim, California Metropolitan Statistical Areas. Unfavorable or uncertain economic and market conditions could lead to credit quality concerns related to borrower repayment ability and collateral protection as well as reduced demand for the products and services we offer.

Geopolitical developments, such as existing and potential trade wars and other events beyond our control, can increase levels of political and economic unpredictability globally and increase the volatility of global financial markets. Concerns about the performance of international economies, especially in Europe and emerging markets, and economic conditions in Asia, particularly the economies of China, South Korea and Japan, can impact the economy and financial markets here in the United States. If the national, regional and local economies experience worsening economic conditions, including high levels of unemployment, our growth and profitability could be constrained. Weak economic conditions are characterized by, among other indicators, inflation, deflation, elevated levels of unemployment, fluctuations in debt and equity capital markets, increased delinquencies on mortgage, commercial and consumer loans, residential and commercial real estate price declines, and lower home sales and commercial activity. Economic pressure on consumers and uncertainty regarding continuing economic improvement may result in changes in consumer and business spending, borrowing and saving habits.

Risks Related to Our Loans

Because a significant portion of our loan portfolio is comprised of real estate loans, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing our real estate loans and result in loan and other losses.

At December 31, 2022 December 31, 2023, approximately 92.1%92.2% of our loan portfolio was comprised of loans with real estate as a primary or secondary component of collateral. As a result, adverse developments affecting real estate values in our market areas could increase the credit risk associated with our real estate loan portfolio. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. Real estate values and real estate markets are generally affected by changes in national, regional or local economic conditions, the rate of unemployment, fluctuations in interest rates and the availability of loans to potential purchasers, changes in tax laws and other governmental statutes, regulations and policies and acts of nature, such as earthquakes and other natural disasters. Adverse changes affecting real estate values and the liquidity of real estate in one or more of our markets could increase the credit risk associated with our loan portfolio, significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses, which could result in losses that would adversely affect profitability. Such declines and losses would have a material adverse effect on our business, financial condition and results of operations.

Many of our loans are to commercial borrowers, which have a higher degree of risk than other types of loans.

At December 31, 2022

As of December 31, 2023, we had $1.19 billion$1.25 billion of commercial loans, consisting of $842.2 million$885.6 million of commercial real estate loans, $234.7 million$239.7 million of SBA loans, and $117.0 million$121.0 million of commercial and industrial loans, including trade finance loans, for which real estate is not the primary source of collateral. Commercial loans represented 71.1%70.6% of our total loan portfolio at December 31, 2022 as of December 31, 2023. Commercial loans are often larger and involve greater risks than other types of lending. Because payments on such loans are often dependent on the successful operation or development of the property or business involved, repayment of such loans is often more sensitive than other types of loans to adverse conditions in the real estate market or the general business climate and economy. Accordingly, a downturn in the real estate market and a challenging business and economic environment may increase our risk related to commercial loans, particularly commercial real estate loans. Unlike home mortgage loans, which generally are made on the basis of the borrowers' ability to make repayment from their employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial loans typically are made on the basis of the borrowers' ability to make repayment from the cash flow of the commercial venture. Our commercial and industrial loans are primarily made based on the identified cash flow of the borrower and secondarily on the collateral underlying the loans. Most often, collateral consists of accounts receivable, inventory and equipment. Inventory and equipment may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. Accounts receivable may be uncollectable. If the cash flow from business operations is reduced, the borrower's ability to repay the loan may be impaired. Due to the larger average size of each commercial loan as compared with other loans such as residential loans, as well as collateral that is generally less readily-marketable, losses incurred on a small number of commercial loans could have a material adverse effect on our business, financial condition and results of operations.

The small- and medium-sized businesses that we lend to may have fewer resources to weather adverse business developments, which may impair a borrower's ability to repay a loan, and such impairment could adversely affect our business, financial condition and results of operations.

We target our business development and marketing strategy primarily to serve the banking and financial services needs of small- to medium-sized businesses. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities, frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, often need significant additional capital to expand or compete and may experience substantial volatility in operating results, any of which may impair a borrower's ability to repay a loan. In addition, the success of a small- and medium-sized business often depends on the management talents and efforts of one or two people or a small group of people, and the death, disability or resignation of one or more of these people could have a material adverse impact on the business and its ability to repay its loan. If general economic conditions negatively impact the markets in which we operate and our borrowers are otherwise affected by adverse business developments, our business, financial condition and results of operations may be adversely affected.

Our single family residential loan product consists primarily of non-qualified single family home mortgage loans which may be considered less liquid and more risky.

As of December 31, 2022 December 31, 2023, our single family home mortgage loan portfolio amounted to $482.9 million$518.0 million or 28.8%29.3% of our total loan portfolio. As of December 31, 2022 December 31, 2023, most of our single family home mortgage loans were non-qualified mortgage loans, and our non-qualified single family home mortgage loans had an average loan-to-value of 58%57%. We originated $150.2 million$65.0 million and $57.6 million $150.2 million of single family home mortgage loans for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. We also purchased $11.2 million$185.8 million and $48.9 million of single family home mortgage loans from TPO for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

The non-qualified single-family home mortgage loans that we originate are designed to assist mainly Korean-Americans who have recently immigrated to the United States and those Korean-Americans without sufficient documentation to qualify for a traditional home mortgage loan and as such are willing to provide higher down payment amounts and pay higher interest rates and fees in return for reduced documentation requirements. Non-qualified single-family home mortgage loans are considered to have a higher degree of risk and are less liquid than qualified single-family home mortgage loans because non-qualified loans are not able to be securitized and can only be sold directly to other financial institutions. Qualified loans require a minimum of two years of tax returns for borrowers to demonstrate their ability to repay the loan and other standard documentation to qualify for securitization. For non-qualified loans we do not require the standard documentation required for qualified loans. For example, we will typically require only one year of tax returns and only pay-stub verification of employment. We attempt to address this enhanced risk through our underwriting process, including requiring larger down payments and, in some cases, interest reserves.

Increased scrutiny by regulators of commercial real estate concentrations could restrict our activities and impose financial requirements or limits on the conduct of our business.

Banking regulators are giving commercial real estate lending greater scrutiny, and may require banks with higher levels of commercial real estate loans to implement improved underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital levels as a result of commercial real estate lending growth and exposures. Therefore, we could be required to raise additional capital or restrict our future growth as a result of our higher level of commercial real estate loans.

Our use of appraisals in deciding whether to make a loan on or secured by real property does not ensure the value of the real property collateral.

In considering whether to make a loan secured by real property we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is conducted, and an error in fact or judgment could adversely affect the reliability of an appraisal. In addition, events occurring after the initial appraisal may cause the value of the real estate to decrease. As a result of any of these factors the value of collateral securing a loan may be less than estimated, and if a default occurs, we may not recover the outstanding balance of the loan.

We may suffer losses in our loan portfolio despite our underwriting practices.

We mitigate the risks inherent in our loan portfolio by adhering to sound and proven underwriting practices, managed by experienced and knowledgeable credit professionals. These practices include analysis of a borrower's prior credit history, financial statements, tax returns, and cash flow projections, valuations of collateral based on reports of independent appraisers and verifications of liquid assets. Although we believe that our underwriting criteria is appropriate for the various kinds of loans we make, we may incur losses on loans that meet our underwriting criteria, and these losses may exceed the amounts set aside as reserves in our allowance for loan credit losses.

Lack of seasoning of our loan portfolio could increase risk of credit defaults in the future.

As a result of the organic growth of our loan portfolio over the past five years, a large portion of our loans and of our lending relationships are of relatively recent origin. In general, loans do not begin to show signs of credit deterioration or default until they have been outstanding for some period of time, a process referred to as "seasoning." As a result, a portfolio of older loans will usually behave more predictably than a newer portfolio.

Because a large portion of our portfolio is relatively new, the current level of delinquencies and defaults may not represent the level that may prevail as the portfolio becomes more seasoned. If delinquencies and defaults increase, we may be required to increase our provision for loan credit losses, which could materially and adversely affect our business, financial condition and results of operations. For information about the average age of our loans, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Financial Condition-Nonperforming Loans."

Risks Related to our SBA Loan Program

SBA lending is an important part of our business. Our SBA lending program is dependent upon the U.S. federal government, and we face specific risks associated with originating SBA loans.

Our SBA lending program is dependent upon the U.S. federal government. As an approved participant in the SBA Preferred Lender's Program (an "SBA Preferred Lender"), we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender's SBA Preferred Lender status. If we lose our status as an SBA Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders, and as a result we could experience a material adverse effect to our financial results. Any changes to the SBA program, including but not limited to changes to the level of guarantee provided by the federal government on SBA loans, changes to program specific rules impacting volume eligibility under the guaranty program, as well as changes to the program amounts authorized by Congress may also have a material adverse effect on our business. In addition, any default by the U.S. government on its obligations or any prolonged government shutdown could, among other things, impede our ability to originate SBA loans or sell such loans in the secondary market, which could have a material adverse effect on our business, financial condition and results of operations.

The SBA's 7(a) Loan Program is the SBA's primary program for helping start-up and existing small businesses, with financing guaranteed for a variety of general business purposes. Generally, we sell the guaranteed portion of our SBA 7(a) loans in the secondary market. These sales result in premium income for us at the time of sale and create a stream of future servicing income, as we retain the servicing rights to these loans. For the reasons described above, we may not be able to continue originating these loans or sell them in the secondary market. Furthermore, even if we are able to continue to originate and sell SBA 7(a) loans in the secondary market, we might not continue to realize premiums upon the sale of the guaranteed portion of these loans or the premiums may decline due to economic and competitive factors. When we originate SBA loans, we incur credit risk on the non-guaranteed portion of the loans, and if a customer defaults on a loan, we share any loss and recovery related to the loan pro-rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us. Generally, we do not maintain reserves or loss allowances for such potential claims and any such claims could materially and adversely affect our business, financial condition and results of operations.

The laws, regulations and standard operating procedures that are applicable to SBA loan products may change in the future. We cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies and especially our organization, changes in the laws, regulations and procedures applicable to SBA loans could adversely affect our ability to operate profitably.

The recognition of gains on the sale of SBA loans and servicing asset valuations reflect certain assumptions.

We expect that gains on the sale of U.S. government guaranteed loans will comprise a significant component of our revenue. The gain on such sales recognized for the years ended December 31, 2022December 31, 2023 and 2021 2022 was $11.9 million$7.8 million and $11.0 million $11.9 million, respectively. The determination of these gains is based on assumptions regarding the value of unguaranteed

loans retained, servicing rights retained and deferred fees and costs, and net premiums paid by purchasers of the guaranteed portions of U.S. government guaranteed loans. The value of retained unguaranteed loans and servicing rights are determined based on market derived factors such as prepayment rates, current market conditions and recent loan sales. Deferred fees and costs are determined using internal analysis of the cost to originate loans. Significant errors in assumptions used to compute gains on sale of loans or servicing asset valuations could result in material revenue misstatements, which may have a material adverse effect on our business, results of operations and profitability. In addition, while such valuations are subject to validation by an independent third party we believe these valuations reflect fair value, if they do not, then our business, financial condition and results of operations may be materially and adversely affected.

The non-guaranteed portion of SBA loans that we retain on our balance sheet as well as the guaranteed portion of SBA loans that we sell could expose us to various credit and default risks.

We originated$141.5 million of SBA loans for the year ended December 31, 2023, compared to $192.1 million of SBA loans for the year ended December 31, 2022, compared to $304.9 million of SBA loans, including SBA PPP loans of $88.1 million, for the year ended December 31, 2021. We sold $181.9 million$145.0 million of SBA loans for the year ended December 31, 2022 December 31, 2023, compared to $110.3 million $181.9 million for the year ended December 31, 2021 December 31, 2022, of the guaranteed portion of our SBA loans. We generally retain the non-guaranteed portions of the SBA loans that we originate. As of December 31, 2022 December 31, 2023, we held $279.1 million$241.5 million of SBA loans on our balance sheet, of which $234.3 million$239.7 million, or 84%99%, consisted of the non-guaranteed portion of SBA loans of which $442 thousand consisted of the 100% guaranteed SBA PPP loans of SBA loans, and, of which $44.3 million$1.8 million, or 16%1%, consisted of the guaranteed portion of SBA loans which we intend to sell in 2023. The non-guaranteed portion of SBA loans have a higher degree of credit risk and risk of loss as compared to the guaranteed portion of such loans. We generally retain the non-guaranteed portions of the SBA loans that we originate and sell, and to the extent the borrowers of such loans experience financial difficulties, our financial condition and results of operations would be materially and adversely impacted.

When we sell the guaranteed portion of SBA loans in the ordinary course of business, we are required to make certain representations and warranties to the purchaser about the SBA loans and the manner in which they were originated. Under these agreements, we may be required to repurchase the guaranteed portion of the SBA loan if we have breached any of these representations or warranties, in which case we may record a loss. In addition, if repurchase and indemnity demands increase on loans that we sell from our portfolio, our business, financial condition and results of operations could be materially and adversely affected.

Risks Related to Our Deposits

Our deposit portfolio includes significant concentrations and a large percentage of our deposits is attributable to a relatively small number of clients.

As a commercial bank, we provide services to a number of clients whose deposit levels vary considerably and have some seasonality. Our 10 largest retail depositor relationships accounted for approximately 8.9%6.6% of our deposits as of December 31, 2022December 31, 2023. Our largest retail depositor relationship accounted for approximately 1.3% of our deposits as of December 31, 2022December 31, 2023. These deposits can and do fluctuate substantially. The depositors are not concentrated in any industry or business. Our largest wholesale depositor relationship accounted for approximately 7.5%8.9% of our deposits as of December 31, 2022 December 31, 2023. The loss of any combination of these depositors, or a significant decline in the deposit balances due to ordinary course fluctuations related to these customers' businesses, would adversely affect our liquidity and require us to raise deposit rates to attract new deposits, purchase federal funds or borrow funds on a short-term basis to replace such deposits. Depending on the interest rate environment and competitive factors, low cost deposits may need to be replaced with higher cost funding, resulting in a decrease in net interest income and net income. While these events could have a material impact on our results, we expect, in the ordinary course of business, that these deposits will fluctuate and believe we are capable of mitigating this risk, as well as the risk of losing one of these depositors, through additional liquidity, and business generation in the future. However, should a significant number of these customers leave, it could have a material adverse effect on our business, financial condition and results of operations.

Intense competition among U.S. banks for customer deposits, may increase our cost of retaining current deposits or procuring new deposits, and may otherwise negatively affect our ability to grow our deposit base.

Any changes we make to the rates offered on our deposit products to remain competitive with other financial institutions may adversely affect our profitability and liquidity. Interest-bearing accounts earn interest at rates established by management based on competitive market factors. The demand for the deposit products we offer may also be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences, reductions in consumers'

disposable income, regulatory actions that decrease customer access to particular products, or the availability of competing products.

Risks Related to our Management

We are highly dependent on our management team, and the loss of our senior executive officers or other key employees could harm our ability to implement our strategic plan, impair our relationships with customers and adversely affect our business, results of operations and growth prospects.

Our success depends, in large degree, on the skills of our management team and our ability to retain, recruit and motivate key officers and employees. Our senior management team has significant industry experience, and their knowledge and relationships would be difficult to replace. Further, we believe that our focus on particular aspects of our communities, including the Korean culture and language and our Christian leadership principles, would call for any replacements to embody these same traits, which may make it more difficult to replace management team members and other employees who leave the Company or who retire. Leadership changes occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit additional qualified personnel. Competition for senior executives and skilled personnel in the financial services and banking industry is intense, which means the cost of hiring, incentivizing and retaining talent may continue to increase. We need to continue to attract and retain key employees and to recruit qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. In addition, as a provider of relationship-based commercial banking services, we must attract and retain qualified banking personnel to continue to grow our business, and competition for such personnel can be intense. Our ability to effectively compete for senior executives and other qualified personnel by offering competitive compensation and benefit arrangements may be restricted by applicable banking laws and regulations. In addition, to attract and retain personnel with appropriate skills and knowledge to support our business, we may offer a variety of benefits, which could reduce our earnings. The loss of the services of any senior executive and, in particular, Ms. Min Kim, our President and Chief Executive Officer, or other key personnel, or the inability to recruit and retain qualified personnel in the future, could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our Credit Quality

Our business depends on our ability to successfully manage credit risk.

The operation of our business requires us to manage credit risk. As a lender, we are exposed to the risk that our borrowers will be unable to repay their loans according to their terms, and that the collateral securing repayment of their loans, if any, may not be sufficient to ensure repayment. In addition, there are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting, risks resulting from changes in economic and industry conditions and risks inherent in dealing with individual borrowers. To manage credit risk successfully, we must, among other things, maintain disciplined and prudent underwriting standards and ensure that our bankers follow those standards. The weakening of these standards for any reason, such as an attempt to attract higher yielding loans, a lack of discipline or diligence by our employees in underwriting and monitoring loans, the inability of our employees to adequately adapt policies and procedures to changes in economic or any other conditions affecting borrowers and the quality of our loan portfolio, may result in loan defaults, foreclosures and additional charge-offs and may necessitate that we significantly increase our allowance for loan credit losses, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have a material adverse effect on our business, financial condition and results of operations.

Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition, and could result in further losses in the future.

As of December 31, 2022 December 31, 2023, our nonperforming loans (which consist of nonaccrual loans, loans past due 90 days or more and still accruing interest and loans modified under troubled debt restructurings) totaled $3.1 million$6.1 million, or 0.18%0.34% of our gross loans, and 0.15%0.28% of total assets. We did not have other real estate owned ("OREO") as of December 31, 2022 December 31, 2023.

Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on nonaccrual loans or other real estate owned, thereby adversely affecting our net interest income, net income and returns on assets and equity, and our loan administration costs increase, which together with reduced interest income adversely affects our efficiency ratio. When we take collateral in foreclosure and similar proceedings, we are required to mark the collateral to its then-fair market value, which may result in a loss. These nonperforming loans and other real estate owned also increase our risk profile and the level of capital our regulators believe is appropriate for us to maintain in light of such risks. The resolution of nonperforming assets requires significant time commitments from management and can be detrimental to the performance of their other responsibilities. If we experience increases in nonperforming loans and nonperforming assets, our net interest income may be negatively impacted and our loan administration costs could increase, each of which would have an adverse effect on our net income and related ratios, such as return on assets and equity.

Our allowance for loan credit losses may prove to be insufficient to absorb potential losses in our loan portfolio.

We maintain an allowance for loan credit losses for probable incurred losses in our loan portfolio. The allowance is established through a provision for loan credit losses based on management's evaluation of the risks inherent in the loan portfolio and the general economy. The allowance is also appropriately increased for new loan growth. The allowance is based upon a number of factors, including the size of the loan portfolio, asset classifications, economic trends, industry experience and trends, industry and geographic concentrations, estimated collateral values, management's assessment of the credit risk inherent in the portfolio, historical loan loss experience and loan underwriting policies. The allowance is only an estimate of the probable incurred losses in the loan portfolio and may not represent actual losses realized over time, either of losses in excess of the allowance or of losses less than the allowance.

In addition, we evaluate all loans identified as impaired loans and allocate an allowance based upon our estimation of the potential loss associated with those problem loans. While we strive to carefully manage and monitor credit quality and to identify loans that may be deteriorating, at any time there are loans included in the portfolio that may result in losses, but that have not yet been identified as nonperforming or potential problem loans. Through established credit practices, we attempt to identify deteriorating loans and adjust the allowance for loan credit losses accordingly. However, because future events are uncertain and because we may not successfully identify all deteriorating loans in a timely manner, there may be loans that deteriorate in an accelerated time frame. We cannot be sure that we will be able to identify deteriorating loans before they become nonperforming assets, or that we will be able to limit losses on those loans that have been so identified.

Although management believes that the allowance for loan credit losses is adequate to absorb probable incurred losses on any existing loans that may become uncollectible, we may be required to take additional provisions for loan credit losses in the future to further supplement the allowance for loan credit losses, either due to management's decision to do so or because our banking regulators require us to do so. Our bank regulatory agencies will periodically review our allowance for loan credit losses and the value attributed to nonaccrual loans or to real estate acquired through foreclosure and may require us to adjust our determination of the value for these items. These adjustments could have a material adverse effect on our business, financial condition and results of operations.

Environmental liabilities could materially and adversely affect our business and financial condition.

In the course of our business, we may foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clear up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, as the owner or former owner of any contaminated site, we may be subject to common law claims by third parties based on damages, and costs resulting from environmental contamination emanating from the property. If we ever become subject to significant environmental liabilities, our business, financial condition and results of operations could be materially and adversely affected.

New accounting standards may require us to increase our allowance for loan and lease losses.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 replaces the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on the financial assets measured at amortized cost, including but not limited to loan receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. For all other assets within the scope of CECL, a cumulative-effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective. In November 2018 and April 2019, the FASB issued ASUs that provided codification improvements and clarification to Topic 326. These ASUs will change the current method of providing allowances for loan losses, which could require us to increase our allowance for loan and lease losses, and will likely increase the types of data we need to collect and review to determine the appropriate level of the allowance for loan and lease losses.

The new CECL standard is effective for public business entities for fiscal years after December 15, 2019, including interim periods within those fiscal years. In October 2019, FASB agreed to delay implementation of the CECL standard for certain companies, including those companies that qualify as smaller reporting companies under SEC rules, until January 1, 2023. We are qualified as a smaller reporting company based upon the current SEC definition and adopted CECL on January 1, 2023. Since the magnitude of the anticipated change in the allowance for credit losses will be impacted by economic conditions and trends in our portfolio at the time of adoption, the quantitative impact cannot yet be reasonably determined, but we expect to increase our allowance for loan losses approximately by 10% to 15% as a result of the implementation of CECL.

Risks Related to our Growth Strategy

We may not be able to continue growing our business, particularly if we cannot increase loans and deposits through organic growth.

We have grown our consolidated assets to $2.15 billion as of December 31, 2023 from $2.09 billion as of December 31, 2022 from $1.73 billion as of December 31, 2021. Our deposits have grown to $1.81 billion as of December 31, 2023 from $1.89 billion as of December 31, 2022 from $1.53 billion as of December 31, 2021. Our ability to continue to grow successfully will depend to a significant extent on our capital resources. It also will depend, in part, upon our ability to attract deposits and grow our loan portfolio and investment opportunities and on whether we can continue to fund growth while maintaining cost controls and asset quality, as well on other factors beyond our control, such as national, regional and local economic conditions and interest rate trends.

There is risk related to acquisitions.

We plan to continue to grow our business organically. However, from time to time, we may consider opportunistic strategic acquisitions that we believe support our long-term business strategy. When considering acquisition opportunities we face significant competition from numerous other financial services institutions, many of which will have greater financial resources than we do. Accordingly, attractive acquisition opportunities may not be available to us. There can be no assurance that we will be successful in identifying or completing any future acquisitions. Acquisitions of financial institutions involve operational risks and uncertainties and acquired companies may have unforeseen liabilities, exposure to asset quality problems, key employee and customer retention problems and other problems that could negatively affect our organization. We may not be able to complete future acquisitions and, if we do complete such acquisitions, we may not be able to successfully integrate the operations, management, products and services of the entities that we acquire and eliminate redundancies. The integration process could result in the loss of key employees or disruption of the combined entity's ongoing business or inconsistencies in standards, controls, procedures, and policies that adversely affect our ability to maintain relationships with customers and employees or achieve the anticipated benefits of the transaction. The integration process may also require significant time and attention from our management that they would otherwise direct at servicing existing business and developing new business. We may not be able to realize any projected cost savings, synergies or other benefits associated with any such acquisition we complete. We cannot determine all potential events, facts and circumstances that could result in loss or give assurances that our investigation or mitigation efforts will be sufficient to protect against any such loss.

Our ability to expand our business or make strategic acquisitions outside of California may be limited by our license agreement that restricts our ability to use the name "Open Bank."

The intellectual property rights to the use of our name "Open Bank" will continue to be one of the components of our strategy to build a relationship community bank focused on the Korean-American population base. We have not registered the trademark "Open Bank" under the trademark laws of the United States. Open Bank, S.A., a corporation organized and existing under the laws of Spain with its principal office located in Ciudad Grupo Santander, Av. Catabria Boadilla del Monte Madrid Spain ("Open Bank S.A.") originally registered the trademark "Open Bank" (U.S. Registration No. 3397518) in 2008 with the United States Patent and Trademark Office. Open Bank S.A. provides financial services in Spain and solicits financial services in the United States through the internet. Open Bank S.A. is not licensed to engage in banking services in the United States or California and to our knowledge in any other state in the United States. In February 2014, we entered into a Coexistence Agreement with Open Bank S.A. (the "Coexistence Agreement"), under which both parties agreed that we may use the name "Open Bank" in connection with banking and banking related services in the state of California and the cities of New York, Dallas, Atlanta, Chicago, Seattle and Fort Lee, New Jersey (the "Permitted Markets"). We agreed to limit all of the Bank's marketing, advertising, publicity, soliciting and or media efforts using the "Open Bank" name to primarily the Korean-American community in the Permitted Markets, however, we have the right under the Coexistence Agreement to market through the internet. The Coexistence Agreement states that these limitations are not intended to mean that we should in any way engage in discriminatory tactics or policy or in any way discriminate against non-Korean-American customers or potential customers. Under the Coexistence Agreement, Open Bank S.A. retains the right to use and market its services in relation to its registered trademark in any state or territory in the United States. The Bank further agreed not to challenge Open Bank, S.A.'s trademark registration or any future applications by Open Bank S.A. The Coexistence Agreement has no termination date and is perpetual. If Open Bank S.A. decides to become a licensed bank in California or in any of the other Permitted Markets, depending on its business and marketing plan, there could be confusion created by the use of the name "Open Bank" which could have a material adverse impact on our ability to build our brand in the Permitted Markets. In addition, if Open Bank, S.A. were to assert that we breached the Coexistence Agreement, Open Bank, S.A. could file for an injunction, seek to have us change our name or seek monetary damages, all of which could have a material adverse impact on our financial condition and results of operations. There are no approval rights of either party for any of the actions or omissions that either party may take under the Coexistence Agreement.

The Coexistence Agreement will limit our potential geographic expansion to the Permitted Markets. Those limitations could affect our overall growth over the long term. To our knowledge, Open Bank S.A. had not undertaken any actions to engage in any business or marketing activities in the United States other than have a presence on the internet through their website.

As we expand our business outside of California markets, we will encounter risks that could adversely affect us.

We primarily operate in California markets with a concentration of Korean-American individuals and businesses. However, one of our strategies is to expand beyond California into other domestic markets that have concentrations of Korean-American individuals and businesses. For example, we have loan production operations in Atlanta, Georgia, Aurora, Colorado, and Lynnwood and Seattle, Washington, and a full service branch with a commercial lending center in Carrollton, Texas, all of which have relatively high concentrations of Korean-American individuals and businesses. In the course of this expansion, we will encounter significant risks and uncertainties that could have a material adverse effect on our operations. These risks and uncertainties include increased expenses and operational difficulties arising from, among other things, our ability to attract sufficient business in new markets, to manage operations in noncontiguous market areas, to comply with all of the various local laws and regulations, and to anticipate events or differences in markets in which we have no current experience.

We must effectively manage our branch growth strategy.

We seek to expand our franchise safely and consistently. A successful growth strategy requires us to manage multiple aspects of our business simultaneously, such as following adequate loan underwriting standards, balancing loan and deposit growth without increasing interest rate risk or compressing our net interest margin, maintaining sufficient capital, maintaining proper systems and controls, and recruiting, training and retaining qualified professionals. We also may experience a lag in profitability associated with new branch openings. As part of our general growth strategy we may expand into additional communities or attempt to strengthen our position in our current markets by opening new offices, subject to any regulatory constraints on our ability to open new offices. To the extent that we are able to open additional offices, we are likely to experience the effects of higher operating expenses relative to operating income from the new operations for a period of time which would have a material adverse effect on our levels of reported net income, return on average equity and return on average assets.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may implement or may acquire new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and new products and services we may invest significant time and resources. We may not achieve target timetables for the introduction and development of new lines of business and new products or services and price and profitability targets may not prove feasible. External factors, such as regulatory compliance obligations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Capital

We are subject to more stringent capital requirements.

The failure to meet applicable regulatory capital requirements could result in one or more of our regulators placing limitations or conditions on our activities, including our growth initiatives, or restricting the commencement of new activities, and could affect customer and investor confidence, our costs of funds and FDIC insurance costs, our ability to pay dividends on our common stock, our ability to make acquisitions, and could materially adversely affect our business, financial condition and results of operations.

We may need to raise additional capital in the future, and if we fail to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, our financial condition, liquidity and results of operations, as well as our ability to maintain regulatory compliance, would be adversely affected.

We face significant capital and other regulatory requirements as a financial institution. Although management believes that the Company has sufficient capital to fund operations and growth initiatives for at least the next twenty-four months based on our estimated future operations, we may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs. Our ability to raise additional capital depends on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities, and on our financial condition and performance. Any occurrence that may limit our access to the capital markets may adversely affect our capital costs and our ability to raise capital. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. We, therefore, may not be able to raise additional capital if needed or on terms acceptable to us.

We are committed to contribute 10% of our consolidated after tax net income to the Open Stewardship Foundation.

The Open Stewardship Foundation ("Foundation") is our platform for our community outreach activities. We support the Foundation through our commitment formalized in the Bank's bylaws to donate an amount equal to 10% of our consolidated after tax net income to the Foundation, subject to legal and regulatory restrictions. This commitment, therefore, reduces our net income and our ability to build capital through our retained earnings.

Competition

Competitive Risks

We face strong competition from financial services companies and other companies that offer commercial banking services, which could harm our business.

Our operations consist of offering commercial banking services to generate both interest and noninterest income. Many of our competitors offer the same, or a wider variety of, banking and related financial services within our market areas. These competitors include national banks, regional banks and other community banks. We also face competition from many other types of financial institutions, including savings and loan institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In addition, a number of out-of-state financial intermediaries have opened production offices or otherwise solicit deposits in our market areas. Additionally, we face growing competition from so-called "online businesses" with few or no physical locations, including online banks, lenders and consumer and commercial lending platforms, as well as automated retirement and investment service providers. Many of these competing institutions have much greater financial and marketing resources than we have. Due to their size, many competitors can achieve larger economies of scale and may offer a broader range of products and services than we can. If we are unable to offer competitive products and services, our business may be negatively affected. Some of the financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on bank holding companies and federally insured financial institutions or are not subject to increased supervisory oversight arising from regulatory examinations. As a result, these non-bank competitors have certain advantages over us in accessing funding and in providing various services and they may be subject to lower regulatory costs.

New technology and other changes are allowing parties to effectuate financial transactions that previously required the involvement of banks. For example, consumers can maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as

"disintermediation, "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and access to lower cost deposits as a source of funds could have a material adverse effect on our business, financial condition and results of operations.

Increased competition in our markets may result in reduced loans, deposits and commissions and brokers' fees, as well as reduced net interest margin and profitability. Ultimately, we may not be able to compete successfully against current and future competitors. If we are unable to attract and retain banking and mortgage loan customers and expand our sales market for such loans, we may be unable to continue to grow our business, and our financial condition and results of operations may be materially and adversely affected.

Our modest size makes it more difficult for us to compete.

Our modest size makes it more difficult for us to compete with other financial institutions which are generally larger and can more easily afford to invest in the marketing and technologies needed to attract and retain customers. Because our principal source of income is the net interest income we earn on our loans and investments after deducting interest paid on deposits and other sources of funds, our ability to generate the revenues needed to cover our expenses and finance such investments is limited by the size of our loan and investment portfolios. Accordingly, we are not always able to offer new products and services as quickly as our competitors. As a smaller institution, we are also disproportionately affected by the continually increasing costs of compliance with new banking and other regulations.

We focus on marketing our services to a limited segment of the population and any adverse change impacting such segment is likely to have an adverse impact on us.

Our marketing focuses primarily on the banking needs of small- and medium-sized businesses, professionals and residents in the Korean-American communities that we serve. This demographic concentration makes us more prone to circumstances that particularly affect this segment of the population. As a result, our financial condition and results of operations are subject to changes in the economic conditions affecting these communities. Our success depends upon the business activity, population, income levels, deposits and real estate activity in these communities. Although our customers' business and financial interests may extend well beyond these communities, adverse economic conditions that affect these communities could reduce our growth rate, affect the ability of our customers to repay their loans to us and generally affect our financial condition and results of operations. Because of our geographic concentration, we are less able than regional or national financial institutions to diversify our credit risks across multiple markets.

We have a continuing need for technological change, and we may not have the resources to effectively implement new technology or we may experience operational challenges when implementing new technology.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations.

Many of our competitors have substantially greater resources to invest in technological improvements than we do. We may not be able to effectively implement new, technology-driven products and services or be successful in marketing these products and services to our customers which would put us at a competitive disadvantage. In addition, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may also cause service interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. Failure to successfully keep pace with technological change affecting the financial services industry and avoid interruptions, errors and delays could have a material adverse effect on our business, financial condition or results of operations.

We expect that new technologies and business processes applicable to the consumer credit industry will continue to emerge, and these new technologies and business processes may be better than those we currently use. Because the pace of technological change is high and our industry is intensely competitive, we may not be able to sustain our investment in new technology as critical systems and applications become obsolete or as better ones become available. A failure to maintain current technology and business processes could cause disruptions in our operations or cause our products and services to be less competitive, all of which could have a material adverse effect on our business, financial condition and results of operations.

Other Risks Related to Our Business

The costs and effects of litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect our business, operating results and financial condition.

We may from time to time become involved in a variety of litigation, investigations or similar matters arising out of our business. It is inherently difficult to assess the outcome of these matters, and we may not prevail in any proceedings or litigation. Any claims and lawsuits, and the disposition of such claims and lawsuits, whether through settlement or litigation, could be time-consuming and expensive to resolve, divert management attention from executing our business plan, and lead to attempts on the part of other parties to pursue similar claims. Any claims asserted against us, regardless of merit or eventual outcome may harm our reputation. Any adverse determination related to pending or other litigation could have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by the soundness of other financial institutions.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty, and other relationships. We have exposure to different industries and counterparties, and through transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks,

and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. These losses or defaults could have a material adverse effect on our business, financial condition and results of operations.

Severe weather, natural disasters, pandemics, acts of war or terrorism and other external events could significantly impact our business.

Severe weather, natural disasters (including fires and earthquakes), wide spread disease or pandemics (including the COVID-19 pandemic), acts of war or terrorism and other adverse external events could have a significant impact on our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause us to incur additional expenses. For example, our primary market areas in Southern California are subject to earthquakes and fires. Operations in our market areas could be disrupted by both the evacuation of large portions of the population as well as damage to and/or lack of access to our banking and operation facilities. Although management has established disaster recovery policies and procedures, the occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations.

Climate change could have a material negative impact on the Company and our customers.

The Company’s business, as well as the operations and activities of our clients, could be negatively impacted by climate change. Climate change presents both immediate and long-term risks to the Company and its clients, and these risks are expected to increase over time. Climate change presents multi-faceted risks, including: operational risk from the physical effects of climate events on the Company and its clients’ facilities and other assets; credit risk from borrowers with significant exposure to climate risk; transition risks associated with the transition to a less carbon-dependent economy; and reputational risk from stakeholder concerns about our practices related to climate change, the Company’s carbon footprint, and the Company’s business relationships with clients who operate in carbon-intensive industries.

Federal and state banking regulators and supervisory authorities, investors, and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change both directly and with respect to their clients, which may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities. Given that climate change could impose systemic risks upon the financial sector, either via disruptions in economic activity resulting from the physical impacts of climate change or changes in policies as the economy transitions to a less carbon-intensive environment, the Company may face regulatory risk of increasing focus on the Company’s resilience to climate-related risks, including in the context of stress testing for various climate stress scenarios. Ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices may result in higher regulatory, compliance, credit, and reputational risks and costs.

Risks Related to Our Reputation and Operations

Our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially adversely affect our business and the value of our common stock.

We are a community bank, and our reputation is one of the most valuable components of our business. Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, and questionable or fraudulent activities of our customers. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental regulation. If our reputation is negatively affected, by the actions of our employees or otherwise, our business and, therefore, our operating results and the value of our common stock may be materially adversely affected.

Our risk management framework may not be effective in mitigating risks and/or losses to us.

Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate and compliance. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate any risk or loss to us. If our risk management framework is not effective, we could suffer unexpected losses and our business, financial condition, results of operations or growth prospects could be materially and adversely affected. We may also be subject to potentially adverse regulatory consequences.

System failure or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities.

In the normal course of business, we directly or through third parties collect, store, share, process and retain sensitive and confidential information regarding our customers. We devote significant resources and management focus to ensuring the integrity of our systems, against damage from fires or other natural disasters; power or telecommunications failures; acts of terrorism or wars or other catastrophic events; breaches, physical break-ins or errors resulting in interruptions and unauthorized disclosure of confidential information, through information security and business continuity programs. Notwithstanding, our facilities and systems, and those of third party service providers, are vulnerable to interruptions, external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, force majeure events, or other similar events. We outsource certain aspects of our data processing and other operational functions to certain third-party providers. If our third-party providers encounter difficulties including those resulting from breach, breakdowns or other disruptions in communication services, cyber-attacks and security breaches or if we otherwise have difficulty in our ability to deliver products and services to our customers and otherwise conduct business operations and could have a material adverse effect on our business, financial condition and results of operations.

As a bank, we are susceptible to fraudulent activity that may be committed against us or our customers, which may result in financial losses or increased costs to us or our customers, disclosure or misuse of our information or our customer's information, misappropriation of assets, privacy breaches against our customers, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Reported incidents of fraud and other financial crimes have increased through the U.S. We have also experienced losses due to apparent fraud and other financial crimes. Increased use of the Internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and operations, coupled with the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others increases our security risks. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers continue to engage in attacks against large financial institutions. These attacks include denial of service attacks designed to disrupt external customer facing services, and ransomware attacks designed to deny organizations access to key internal resources or systems. While we have policies and procedures designed to prevent such losses, there can be no assurance that such losses will not occur. We are not able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. We employ detection and response mechanisms designed to contain and mitigate security incidents, but early detection may be thwarted by sophisticated attacks and malware designed to avoid detection. Further, our cardholders use their debit and credit cards to make purchases from third parties or through third party processing services. As such, we are subject to risk from data breaches of such third party's information systems or their payment processors. The payment methods that we offer also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems where we may be liable for losses. Breaches of information security also may occur through intentional or unintentional acts by those having access to our systems or our customers' or counterparties' confidential information, including employees.

The access by unauthorized persons to, or the improper disclosure by us of, confidential information regarding our customers or our own proprietary information, software, methodologies and business secrets, failures or disruptions in our communications, information and technology systems, or our failure to adequately address them, could negatively affect our customer relationship management, general ledger, deposit, loan or other systems. We cannot assure that such breaches, failures or interruptions will not occur or, if they do occur, that they will be adequately addressed by us or the third parties on which we rely. Our insurance may not fully cover all types of losses. The occurrence of any failures or interruptions of our communications, information and technology systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, financial condition or results of operations. We could be required to provide notices of security breaches. Such failures could result in increased regulatory scrutiny, legal liability, a loss of confidence in the security of our systems, our payment cards, products and services, and negative effects on our brand which could have a material adverse effect on our business, financial condition and results of operations.

Our operations could be interrupted if our third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.

We depend to a significant extent on relationships with third party service providers. Specifically, we utilize third party core banking services and receive credit card and debit card services, branch capture services, Internet banking services and services complementary to our banking products from various third party service providers. These types of third party relationships are subject to increasingly demanding regulatory requirements where we must maintain and continue to enhance our due diligence and ongoing monitoring and control over our third party vendors. We may be required to renegotiate our agreements to meet these enhanced requirements, which could increase our costs. If our service providers experience difficulties or terminate their services and we are unable to replace them, our operations could be interrupted. It may be difficult for us to timely replace some of our service providers, which may be at a higher cost due to the unique services they provide. A third party provider may fail to provide the services we require, or meet contractual requirements, comply with applicable laws and regulations, or suffer a cyber-attack or other security breach. We expect that our regulators will hold us responsible for deficiencies of our third party relationships which could result in enforcement actions, including civil money penalties or other administrative or judicial penalties or fines, or customer remediation, any of which could have a material adverse effect on our business, financial condition or results of operations.

We depend on the accuracy and completeness of information provided by customers and counterparties and any misrepresented information could adversely affect our business, financial condition and results of operations.

In deciding whether to extend credit or to enter into other transactions with customers and counterparties, we rely on information furnished to us by or on behalf of such customers and counterparties, including financial statements and other financial information. Some of the information regarding customers provided to us is also used in our proprietary credit decision making and scoring models, which we use to determine whether to do business with customers and the risk profiles of such customers which are subsequently utilized by counterparties who lend us capital to fund our operations. We also rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. While we have a practice of seeking to independently verify some of the customer information that we use in deciding whether to extend credit or to agree to a loan modification, including employment, assets, income and credit score, not all customer information is independently verified, and if any of the information that is independently verified (or any other information considered in the loan review process) is misrepresented and such misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the applicant, another third party or one of our employees, we generally bear the risk of loss associated with the misrepresentation. We may not detect all misrepresented information in our originations or from service providers we engage to assist in the approval process. Any such misrepresented information could have a material adverse effect on our business, financial condition and results of operations.

Employee misconduct could expose us to significant legal liability and reputational harm.

We are vulnerable to reputational harm because we operate in an industry in which integrity and the confidence of our customers are of critical importance. Our employees could engage in fraudulent, illegal, wrongful or suspicious activities, and/or activities resulting in consumer harm that adversely affects our customers and/or our business. The precautions we take to detect and prevent such misconduct may not always be effective and regulatory sanctions and/or penalties, serious harm to our reputation, financial condition, customer relationships and ability to attract new customers. In addition, improper use or disclosure of confidential information by our employees, even if inadvertent, could result in serious harm to our reputation, financial condition and current and future business relationships. If our internal controls against operational risks fail to prevent or detect an occurrence of such employee error or misconduct, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations.

Finance and Accounting Risks

Our accounting estimates and risk management processes rely on analytical and forecasting models.

Processes that management uses to estimate our probable credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depend upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are accurate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation.

If the models that management uses for interest rate risk and asset liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models that management uses for determining our probable credit losses are inadequate, the allowance for loan credit losses may not be sufficient to support future charge offs. If the models that management uses to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in management's analytical or forecasting models could have a material adverse effect on our business, financial condition and results of operations.

We have significant deferred tax assets and we cannot assure that it will be fully realized.

Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between the carrying amounts and tax basis of assets and liabilities computed using enacted tax rates. We regularly assess available positive and negative evidence to determine whether it is more likely than not that our net deferred tax asset will be realized. Realization of a deferred tax asset requires us to apply significant judgment and is inherently speculative because it requires estimates that cannot be made with certainty. As of December 31, 2022,December 31, 2023 we had net deferred tax assets of $14.3 million $$13.3 million. If we were to determine at some point in the future that we will not achieve sufficient future taxable income to realize our net deferred tax asset, we would be required, under U.S. generally accepted accounting principles, to establish a full or partial valuation allowance which would require us to incur a charge to operations for the period in which the determination was made.

Changes in accounting standards could materially impact our financial statements.

From time to time, the FASB or the SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes may result in us being subject to new or changing accounting and reporting standards. In addition, the bodies that interpret the accounting standards (such as banking regulators or outside auditors) may change their interpretations or positions on how these standards should be applied. These changes may be beyond our control, can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, or apply an existing standard differently, also retrospectively, in each case resulting in our needing to revise or restate prior period financial statements. Restating or revising our financial statements may result in reputational harm or may have other adverse effects on us.

Failure to maintain effective internal controls over financial reporting could have a material adverse effect on our business and stock price.

As a public company with SEC reporting obligations, we are required to document and test our internal control procedures to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which require annual assessments by management of the effectiveness of our internal control over financial reporting. We are an emerging growth company, and are therefore exempt from the auditor attestation requirement of Section 404(b) of Sarbanes-Oxley until such time as we no longer qualify as an emerging growth company. Regardless of whether we qualify as an emerging growth company, we still need to implement and maintain substantial internal control systems and procedures in order to satisfy the reporting requirements under the Exchange Act and applicable requirements.

During the course of our assessment, we may identify deficiencies that we are unable to remediate in a timely manner. Testing and maintaining our internal control over financial reporting may also divert management's attention from other matters that are important to the operation of our business. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of Sarbanes-Oxley. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of the completion of our evaluation, testing and remediation actions or their effect on our operations. Moreover, any material weaknesses or other deficiencies in our internal control over financial reporting may impede our ability to file timely and accurate reports with the SEC. Any of the above could cause investors to lose confidence in our reported financial information or our common stock listing on NASDAQ The Nasdaq Global Market to be suspended or terminated, which could have a negative effect on the trading price of our common stock. In addition, we could become subject to investigations by the

SEC, the Board of Governors of the Federal Reserve System, the FDIC, the DFPI or other regulatory authorities, which could require additional financial and management resources. These events could have a material adverse effect on our business, financial condition and results of operations.

Legislative and Regulatory Risks

We are subject to extensive government regulation that could limit or restrict our activities, which in turn may adversely impact our ability to increase our assets and earnings.

We operate in a highly regulated environment and are subject to supervision and regulation by a number of governmental regulatory agencies, including the Federal Reserve, the FDIC and the DFPI. Regulations adopted by these agencies, which are generally intended to provide protection for depositors and customers rather than for the benefit of shareholders, govern a comprehensive range of matters relating to ownership and control of our shares, our acquisition of other companies and businesses, permissible activities, maintenance of adequate capital levels, and other aspects of our operations. These bank regulators possess broad authority to prevent or remedy unsafe or unsound practices or violations of law. The laws and regulations applicable to the banking industry could change at any time, and we cannot predict the effects of these changes on our business, profitability or growth strategy. Increased regulation could increase our cost of compliance and adversely affect profitability. Moreover, certain of these regulations contain significant punitive sanctions for violations, including monetary penalties and limitations on a bank's ability to implement components of its business plan, such as expansion through mergers and acquisitions or the opening of new branch offices. In addition, changes in regulatory requirements may add costs associated with compliance efforts. Furthermore, government policy and regulation, particularly as implemented through the Federal Reserve System, significantly affect credit conditions. Negative developments in the financial industry and the impact of new legislation and regulation in response to those developments could negatively impact our business operations and adversely impact our financial performance. In addition, adverse publicity and damage to our reputation arising from the failure or perceived failure to comply with legal, regulatory or contractual requirements could affect our ability to attract and retain customers.

Legislative and regulatory actions taken now or in the future may increase our costs and impact our business, governance structure, financial condition or results of operations. Proposed legislative and regulatory actions, including changes to financial regulation, may not occur on the timeframe that is expected, or at all, which could result in additional uncertainty for our business.

New proposals for legislation continue to be introduced in the U.S. Congress that could further substantially increase regulation of the financial services industry, impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices, including in the areas of compensation, interest rates, financial product offerings and disclosures, and have an effect on bankruptcy proceedings with respect to consumer residential real estate mortgages, among other things. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Presently, in addition to refining existing regulations implemented after the 2007-2008 financial crisis, the banking regulators are also focusing their attention on certain policy areas, such as climate risk, digital currencies, and technological innovation. This new focus may require us to invest significant management attention and resources to evaluate and make any changes required by the legislation and accompanying rules.

Future regulatory or legislative changes, including to laws applicable to the financial industry and the U.S. corporate tax code, may impact the profitability of our business activities, require more oversight or change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations to comply, and could have a material adverse effect on our business, financial condition and results of operations. In addition, any proposed legislative or regulatory changes, including those that could benefit our business, financial condition and results of operations, may not occur on the timeframe that is proposed, or at all, which could result in additional uncertainty for our business.

Federal and state regulators periodically examine our business, and we may be required to remediate adverse examination findings.

The Federal Reserve, the FDIC, and the DFPI periodically examine our business, including our compliance with laws and regulations. If, as a result of an examination, a banking agency were to determine that our financial condition,

capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, they may take a number of different remedial actions as they deem appropriate. These actions include the power to (i) enjoin "unsafe or unsound" practices, (ii) require correction of any conditions resulting from any violation or practice, (iii) issue an administrative order that can be judicially enforced, (iv) direct an increase in our capital, (v) restrict our growth, (vi) assess civil money penalties, and (vii) fine or remove officers and directors. If it is determined that such conditions cannot be corrected or there is an imminent risk of loss to depositors, the regulatory agencies may terminate our deposit insurance and place us into receivership or conservatorship. Any regulatory action against us could have an adverse effect on our business, financial condition and results of operations.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations prohibit discrimination and impose other requirements on financial institutions. The U.S. Department of Justice and other federal agencies, including the FDIC and the CFPB, are responsible for enforcing these laws and regulations. A successful challenge to an institution's performance under the Community Reinvestment Act, fair lending and other compliance laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity and restrictions on expansion. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. The costs of defending, and any adverse outcome from, any such challenge could damage our reputation or could have a material adverse effect on our business, financial condition and results of operations.

Regulatory agencies and consumer advocacy groups are becoming more aggressive in asserting claims that the practices of lenders and loan servicers result in a disparate impact on protected classes.

Antidiscrimination statutes, such as the Fair Housing Act and the Equal Credit Opportunity Act ("ECOA"), prohibit creditors from discriminating against loan applicants and borrowers based on certain characteristics, such as race, religion and national origin, among others. Various federal regulatory agencies and departments, including the U.S. Department of Justice and the CFPB, take the position that these laws apply not only to intentional discrimination, but also to neutral practices that have a disparate impact on a group that shares a characteristic that a creditor may not consider in making credit decisions (i.e., creditor or servicing practices that have a disproportionate negative effect on a protected class of individuals). These regulatory agencies, as well as consumer advocacy groups and plaintiffs' attorneys, are focusing greater attention on "disparate impact" claims. Regulatory agencies and private plaintiffs are expected to apply the "disparate impact" theory to both the Fair Housing Act and ECOA in the context of mortgage lending and servicing,

among others. To the extent that the "disparate impact" theory continues to apply, it may significantly increase our administrative burdens, compliance requirements and potential liability for failures to comply.

In addition to reputational harm, violations of ECOA and the Fair Housing Act can result in actual damages, punitive damages, injunctive or equitable relief, attorneys' fees and civil money penalties.

We face a risk of noncompliance and enforcement action with the BSA and other anti-money laundering statutes and regulations.

The BSA, the USA Patriot Act and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and to file reports such as suspicious activity reports and currency transaction reports. We are required to comply with these and other anti-money laundering requirements. The federal banking agencies and Financial Crimes Enforcement Network are authorized to impose significant civil money penalties for violations of those requirements and have recently engaged in coordinated enforcement efforts against banks and other financial services providers with the U.S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a material adverse effect on our business, financial condition and results of operations.

Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information.

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by these laws. For example, our business is subject to the Gramm-Leach-Bliley Act of 1999 which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with nonaffiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to "opt out" of any information sharing by us with nonaffiliated third parties (with certain exceptions); and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing safeguards appropriate based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Moreover, state and federal legislators and regulators in the United States are increasingly adopting or revising data privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer or employee information.

Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting customer or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial condition and results of operations. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Common Stock

The trading volume in our common stock is less than that of other larger financial services companies.

Although our common stock is listed for trading on the The Nasdaq Global Market its trading volume is generally less than that of other, larger financial services companies, and investors are not assured that a liquid market will exist at any given time for our common stock. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace at any given time of willing buyers and sellers of our common stock. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of our common stock, significant sales of our common stock, or the expectation of these sales, could cause our stock price to fall.

The trading price of our common stock could be volatile.

The market price of our common stock may be volatile and could be subject to wide fluctuations in price in response to various factors, some of which are beyond our control. These factors include, among other things:

- actual or anticipated variations in our quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry generally;
- perceptions in the marketplace regarding us and/or our competitors;
- fluctuations in the stock price and operating results of our competitors;
- domestic and international economic factors unrelated to our performance;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- new technology used, or services offered, by competitors; and
- changes in government regulations.

In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

An investment in our common stock is not an insured deposit.

An investment in our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described herein, and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you could lose some or all of your investment.

If equity research analysts do not publish research or reports about our business, or if they do publish such reports but issue unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline.

The trading market for our common stock could be affected by whether equity research analysts publish research or reports about us and our business. We cannot predict at this time whether any research analysts will publish research and reports on us and our common stock. If one or more equity analysts do cover us and our common stock and publish research reports about us, the price of our stock could decline if one or more securities analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

If any of the analysts who elect to cover us downgrades our stock, our stock price could decline rapidly. If any of these analysts ceases coverage of us, we could lose visibility in the market, which in turn could cause our common stock price or trading volume to decline and our common stock to be less liquid.

Our dividend policy and/or share repurchase program may change without notice, and our future ability to pay dividends or repurchase or redeem shares is subject to restrictions.

Since 2019, our board of directors have declared quarterly cash dividends on our common stock and have approved stock repurchase programs that authorized the repurchase of up to 1,870,0002,620,000 shares of common stock. As of December 31, 2022December 31, 2023, we repurchased an aggregate of 1.6 million2,020,000 shares at an average price of $8.588.60% per share. However, we have no obligation to continue doing so and may change our dividend policy and/or share repurchase program at any time without notice to holders of our common stock. Holders of our common stock are only entitled to receive such cash dividends, as our board of directors, in its discretion, may declare out of funds legally available for such payments. Furthermore, consistent with our strategic plans, growth initiatives, capital availability, projected liquidity needs, and other factors, we have made, and will continue to make, capital management decisions and policies that could adversely affect the amount of dividends paid to holders of our common stock and the maintenance of share repurchase program.

We are a separate and distinct legal entity from our subsidiary, the Bank. We receive substantially all of our revenue from dividends from the Bank, which we use as the principal source of funds to pay our expenses. Various federal and/or state laws and regulations limit the amount of dividends that the Bank may pay us. Such limits are also tied to the earnings of our subsidiary. If the Bank does not receive regulatory approval or if the Bank's earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, our ability to pay our expenses and our business, financial condition or results of operations could be materially and adversely impacted.

As a bank holding company, we are subject to regulation by the Federal Reserve. The Federal Reserve has indicated that bank holding companies should carefully review their dividend policy in relation to the organization's overall asset quality, current and prospective earnings and level, composition and quality of capital. The guidance provides that we inform and consult with the Federal Reserve prior to declaring and paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in an adverse change to our capital structure, including interest on our debt obligations. If required payments on our debt obligations are not made or are deferred, or dividends on any preferred stock we may issue are not paid, we will be prohibited from paying dividends on our common stock.

The Capital Rules also introduced a new capital conservation buffer on top of the minimum risk-based capital ratios. Failure to maintain a capital conservation buffer above certain levels will result in restrictions on the Bank's ability to make dividend payments, repurchases, redemptions or other capital distributions. These requirements, and any other new regulations or capital distribution constraints, could adversely affect the ability of the Bank to pay dividends to the Company and, in turn, affect our ability to pay dividends on our common stock.

We have limited the circumstances in which our directors will be liable for monetary damages.

We have included in our articles of incorporation a provision to eliminate the liability of directors for monetary damages to the maximum extent permitted by California law. The effect of this provision will be to reduce the situations in which we or our shareholders will be able to seek monetary damages from our directors. Our bylaws also have a provision providing for indemnification of our directors and executive officers and advancement of litigation expenses to the fullest extent permitted or required by California law, including circumstances in which indemnification is otherwise discretionary. Also, we have entered into agreements with our officers and directors in which we similarly agreed to provide indemnification that is otherwise discretionary.

Future equity issuances could result in dilution, which could cause our common stock price to decline.

We are generally not restricted from issuing additional shares of our common stock, up to the 50 million shares of voting common stock and 10 million shares of preferred stock authorized in our articles of incorporation (subject to Nasdaq shareholder approval rules), which in each case could be increased by a vote of a majority of our shares. We may issue additional shares of our common stock in the future pursuant to current or future equity compensation plans, upon conversions of preferred stock or debt, upon exercise of warrants or in connection with future acquisitions or financings. If we choose to raise capital by selling shares of our common stock for any reason, the issuance could have a dilutive effect on the holders of our common stock and could have a material negative effect on the market price of our common stock.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.

Although there are currently no shares of our preferred stock issued and outstanding, our articles of incorporation authorize us to issue up to 10 million shares of one or more series of preferred stock. Our board of directors also has the power, without shareholder approval (subject to Nasdaq shareholder approval rules), to set the terms of any series of preferred stock that may be issued, including voting rights, dividend rights, preferences over our common stock with respect to dividends or in the event of a dissolution, liquidation or winding up and other terms. In the event that we issue preferred stock in the future that has preference over our common stock with respect to payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of the holders of our common stock or the market price of our common stock could be adversely affected. In addition, the ability of our board of directors to issue shares of preferred stock without any action on the part of our shareholders (subject to Nasdaq shareholder approval rules) may impede a takeover of the Company and prevent a transaction perceived to be favorable to our shareholders.

Provisions in our charter documents and California law may have an anti-takeover effect, and there are substantial regulatory limitations on changes of control of bank holding companies.

Our articles of incorporation and bylaws contain a number of provisions relating to corporate governance and rights of shareholders that might discourage future takeover attempts. As a result, shareholders who might desire to participate in such transactions may not have an opportunity to do so. In addition, these provisions will also render the removal of our board of directors or management more difficult. Our bylaws provide that shareholders seeking to make nominations of candidates for election as directors, or to bring other business before an annual meeting of the shareholders, must provide timely notice of their intent in writing and follow specific procedural steps in order for nominees or shareholder proposals to be brought before an annual meeting.

The California General Corporation Law, or the CGCL, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial by our shareholders.

Under the California Financial Code, no person shall, directly or indirectly, acquire control of a California state bank or its holding company unless the DFPI has approved such acquisition of control. A person would be deemed to have acquired control of the Company if such person, directly or indirectly, has the power (i) to vote 25% or more of the voting power of the Company or (ii) to direct or cause the direction of the management and policies of the Company. For purposes of this law, a person who directly or indirectly owns or controls 10% or more of our outstanding common stock would be presumed to control the Company.

Federal regulators generally would prohibit any company that is not engaged in financial activities and activities that are permissible for a bank holding company or a financial holding company from acquiring control of the Company. “Control” is generally defined as ownership of 25% or more of the voting stock or other exercise of a controlling influence. In addition, any existing bank holding company would need the prior approval of the Federal Reserve before acquiring 5% or more of our voting stock. The Change in Bank Control Act of 1978, as amended, prohibits a person or group of persons from acquiring control of a bank holding company unless the Federal Reserve has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as the Company, could constitute acquisition of control of the bank holding company.

The foregoing provisions of California and federal law could make it more difficult for a third party to acquire a majority of our outstanding voting stock, by discouraging a hostile bid, or delaying, preventing or deterring a merger, acquisition or tender offer in which our shareholders could receive a premium for their shares, or effect a proxy contest for control of our company or other changes in our management.

We are an “emerging growth a smaller reporting company” and the reduced regulatory and reporting requirements applicable to emerging growth smaller reporting companies may make our common stock less attractive to investors.

We are permitted to comply with, and we generally elect to comply with, certain reduced reporting requirements for “smaller reporting companies” within the meaning of the rules of the SEC. These rules, among other things, limit our obligation to report on certain matters, including an “emerging growth company,” as described audit of our reports on internal control over financial reporting, reduced burdens for certain aspects of executive compensation reporting, and a reduction in our obligation to file current reports on Form 8-K pertaining to material cybersecurity incidents. These same rules also afford us certain expanded timelines for filing quarterly and annual reports with the JOBS Act. SEC. For as long as we continue to be an emerging growth meet the standards as a smaller reporting company, we may take advantage of these reduced regulatory and reporting requirements that are otherwise generally applicable to public companies. These include, without limitation, not being required to comply with the auditor attestation requirements of Section

404(b) of the Sarbanes-Oxley Act, reduced financial reporting requirements, reduced disclosure obligations regarding executive compensation, and exemptions from the requirements of holding non-binding advisory votes on executive compensation and golden parachute payments. requirements. We cannot predict if investors will find our common stock less attractive because of our reliance on certain of these exemptions. If some investors find our common stock less attractive as a result, then there may be a less active trading market for our common stock, our stock price may be more volatile and the price of our common stock may decline.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Risk Management and Strategy

We believe that our cybersecurity program provides effective protection of client information and of our operating systems from known and reasonably expected risks, while also promoting the timely detection of, and defense against, cyberattacks and other unauthorized access to our information technology (“IT”) systems. In order to accomplish these goals, we maintain up-to-date information security and monitoring controls, which we believe mitigates cybersecurity risks and threats while optimizing the utility of our systems. At the same time, cyberattacks are increasingly common, sophisticated and destructive, and several large, highly sophisticated financial institutions have been successfully targeted in recent years, leading to significant losses of client data, denials and loss of online banking and other data services, and other critical functions that have become essential to modern banking. These events also have carried significant reputational risk for the successfully targeted institutions. In order to mitigate these risks, our Information Security Officer ("ISO") is responsible for our cybersecurity programs and for the detection of and response to any identified threats and incidents. That individual also reports regularly to our Board of Directors, oversees certain policies and procedures that are intended to guard against, detect, and respond to potential breaches of our IT systems. Although the SEC’s new cybersecurity reporting requirements do not require us to file a Form 8-K announcing the occurrence of material cybersecurity incidents, that obligation will apply to the Company with respect to material incidents discovered after June 15, 2024, and we are adapting our disclosure procedures to assure the timely compliance with the Company’s obligations under Item 1.05 of Form 8-K once that requirement becomes applicable to the Company. In the meantime, we continue to evaluate and monitor cybersecurity risks to assess whether any detected incident would be material to investors and, in such an event, we would make a timely report of a material incident under Item 7.01 or Item 8.01 of Form 8-K.

Managing Material Risks & Integrated Overall Risk Management

We have strategically integrated cybersecurity risk management into our broader risk management framework to promote a company-wide culture of cybersecurity risk management. Our procedures and security program are the guiding policies over our cybersecurity risk management. Additionally, our IT team uses the best currently available tools to help protect against cybercriminals. We leverage the latest encryption practices and cyber technologies on our systems, devices, and third-party connections and further review vendor encryption to ensure proper information security safeguards are maintained. Our employees are responsible for complying with our cybersecurity standards and complete training to understand the behaviors and technical requirements necessary to keep information secure.

Engaging Third Parties for Risk Management

We recognize the complexity and evolving nature of cybersecurity threats, which is why we engage a range of external experts, including cybersecurity consultants, in evaluating and testing our risk management systems. Our IT security team partners with third-parties to perform annual penetration testing, vulnerability scanning, and monitoring of any potentially suspicious activity across the Company.

Oversight of Third-party Risk

We also maintain a third party risk management program that applies to all third-party vendor relationships. Our Board of Directors has ultimate responsibility for providing oversight for third-party risk management and holding management accountable. The Board provides clear guidance to regarding strategic goals and acceptable risk appetite with respect to third-party relationships. The Board reviews this policy on at least an annual basis to assure that we implement procedures and practices have been established by management. Our chief risk officer is responsible for development and implementation of third-party risk management policies, procedures, and practices, commensurate with the Company’s strategic goals, risk appetite and the level of risk and complexity of its third-party relationships. This individual regularly reports to the Board of Directors regarding third-party risk management activities. The Company’s internal audit staff also determines the frequency and scope of audits to examine the effectiveness of our third party risk management program.

The Company recognizes that not all third-party relationships present the same level of risk, and therefore not all third-party relationships require the same level, degree or type of oversight or risk management. As part of its risk management program, management analyzes the specific risks associated with each third-party relationship, including but not limited to, cybersecurity and information security related risks.

Risks from Cybersecurity Threats

We have not encountered cybersecurity risks or threats that have materially impaired our business strategy, results of operations, or financial condition.

Governance

The Board recognizes the importance of managing risks associated with cybersecurity threats. The Board has established robust oversight procedures to promote effective governance in managing cybersecurity risks because of the significance of these threats to our operational integrity and shareholder confidence.

Board of Directors Oversight

The Board Risk and Compliance Committee ("BRCC") is central to the Board’s oversight of cybersecurity risks. The BRCC currently oversees various risk areas such as regulatory compliance, CRA, BSA/AMLA, enterprise risk management, cybersecurity, technology, and third-party risk management. The committee ensures that the Board maintains appropriate expertise to assure the appropriate management of cybersecurity risk. The BRCC reports periodically to the Board on the effectiveness of cybersecurity risk management processes and cybersecurity risk trends. The Board also receives specific reports from senior management with oversight responsibility for cybersecurity risks within the Company. These reports include risk assessments of cybersecurity and related risks, as well as the company's vulnerability to those risks. The BRCC reviews an annual evaluation of the company's cybersecurity posture and the effectiveness of its risk management strategies, identifying areas for improvement and ensuring the cybersecurity efforts are integrated with the overall risk management framework.

Management's Role in Managing Risk

The ISO plays a pivotal role in informing the BRCC on cybersecurity risks. Jointly with the Chief Risk Officer, the ISO reports quarterly to the BRCC on a range of topics, including:

- Current cybersecurity landscape and risks;
- Status of ongoing cybersecurity incidents, threats and strategies;
- Internal and external test result and remediation efforts;
- Enforcement of ongoing awareness training on information security;
- Cybersecurity incident reporting and post-incident reviews; and
- Compliance with regulatory requirements and evolving industry trends.

The ISO reports to the BRCC on the status and impact of any information security related developments and strategic initiatives, and depending on the severity of the situation, directly to the Board of Directors. In addition to regular meetings, the BRCC, the ISO, Chief Risk Officer, Chief Information Officer, and Chief Executive Officer maintain an ongoing dialogue regarding emerging or potential cybersecurity risks that we face, particularly as a financial institution.The Company's Management Risk and Compliance Committee also reports directly to the BRCC regarding our risk management initiatives. The BRCC also receives quarterly reports from the Executive IT Committee and IT department in order to say informed on all aspects of cybersecurity risk affecting the Company.

Risk Management Personnel

Primary responsibility for assessing, monitoring and managing our cybersecurity risks rests with the ISO, who has extensive cybersecurity program management experience working in various information security roles, including teaching as an information security instructor at a University.The ISO holds various information security qualifications, such as a doctoral degree in information technology and cyber security and holds the Certified Information Systems Security Professional ("CISSP") certification. The ISO and Chief Risk Officer are responsible for managing the disclosure and communications related to cybersecurity incidents. Our Chief Risk Officer chairs the Management Compliance and Risk Committee independently and has more than 20 years of experience in compliance and risk management.

Monitoring Cybersecurity Incidents

The company utilizes various industry-leading systems to provide 24/7 threat detection and response capability, many of which provide proactive measures to shut threats down before they can harm the organization.Additionally, the company's incident response team periodically performs proactive measures, searching for potential indicators of threats, compromise, and bad actors on our network. Endpoint and network detection tools alert IT staff of security events that warrant further analysis. The ISO is kept abreast of all active investigations. If an incident is identified, we attempt to contain the threat is immediately, such as if systems could be taken offline to stop the spread of an attack. Eradication of an attacker's artifacts, such as user accounts and malicious code, would then be performed. The Company maintains Business Continuity and Disaster Recovery plans, processes, and technology to restore systems affected by a cybersecurity incident. The ISO may determine that an incident has the potential to be materially relevant and would escalate that determination to the executive management, including Chief Executive Officer, Chief Risk Officer, Chief Information Officer, Chief Financial Officer, and other leaders and advisors of the Company. In addition, we maintain insurance that we believe is customary against certain insurable cybersecurity risks. However, certain aspects of cybersecurity risks are not insurable, and the availability, extent, and cost of coverage may limit our recourse to these sources of risk mitigation.

Reporting to Board of Directors

The ISO, in his capacity as such, regularly reports to management and the BRCC on all aspects related to cybersecurity risks and incidents. This ensures that the highest levels of management are kept informed of our cybersecurity and the potential risks we face. In the event of certain cybersecurity matters which present increasing concern, our policies require escalating these cybersecurity and risk management decisions to the full Board.

Item 2. Properties.

Corporate Offices

Our corporate offices are located at 1000 Wilshire Blvd., Los Angeles, California 90017 on the fifth floor of a twenty-two story Class-A type office building. Our corporate office space consists of 19,072 square feet and is subject to a lease which expires in January 2030. The current monthly rent for the fifth floor is $41,430 $42,720 and is subject to 3.1% annual increases until the lease expires.

Branch Offices

Office	Location
Wilshire Office	1000 Wilshire Blvd., Suite 100 Los Angeles, CA 90017
Fashion District Office	747 East 10th Street, 3rd Floor Suite 310 Los Angeles, CA 90021
Aroma Office	3680 Wilshire Blvd., Suite 101 Los Angeles, CA 90010
Olympic Office	3030 West Olympic Blvd., Suite 110 Los Angeles, CA 90006
Western Office	550 South Western Avenue Los Angeles, CA 90020
Gardena Office	15435 South Western Avenue, Suite 100-D Gardena, CA 90249
Buena Park Office	5141 Beach Blvd., Building 2 Suite E Buena Park, CA 90621
Santa Clara Office	2998 East El Camino Real Santa Clara, CA 95051
Carrollton Office	2540 Old Denton Road, Suite 314 Carrollton, TX 75006
Cerritos Office	11811 South Street Cerritos, CA 90703
Spring Mountain Office *	5599 Spring Mountain Road, Suite 100 Las Vegas, Nevada 89146

** We anticipate the Spring Mountain Office to initiate operations in the second quarter of 2023.*

Wilshire Office. The Wilshire Office is located on the first floor at 1000 Wilshire Blvd, Los Angeles, California, where our corporate offices are also located. The office consists of 11,115 square feet and is subject to a lease which expires in January 2030. The current monthly rent is $23,453 $24,171 and is subject to 3.0% annual increases until the lease expires.

Fashion District Office. The Fashion District Office is located on the third floor in a four-story multi-tenant multi-use stand-alone building in Downtown, Los Angeles, California. The office consists of approximately 2,189 square foot and is subject to a lease which expires in June 2027. The current monthly rent is $5,963 $6,142 and is subject to 3.0% annual increases until the lease expires. We have reserved the right to extend the term of the lease for two additional periods of five years.

Aroma Office. In June 2013, we leased approximately 2,734 square feet on the ground floor in a five-story multi-tenant multi-use stand-alone building located in Koreatown, Los Angeles, California. We extended the lease for a period of five years until March 2028. The current monthly rent is $8,708 $8,960 and is subject to annual increases equal to the Consumer Price Index (CPI), not to exceed 3.0%, until the lease expires in May 2023. expires. We have reserved the right to extend the term of the lease for two an additional periods period of five years.

Olympic Office. In April 2014, we leased approximately 3,800 square feet in a one-story shopping strip building. The current monthly rent is $10,322 $11,635 and is subject to annual CPI adjustments until the lease expires in March 2024. 2029. We have reserved the right to extend the term of the lease for two an additional periods period of five years.

Western Office. In June 2015, we leased a building with approximately 12,450 square feet. The current monthly rent is $49,072 $50,544 and is subject to 3.0% annual increases until the lease expires in May 2025. We have reserved the right to extend the term of the lease for two additional periods of five years each. The office utilizes approximately 4,000 square feet, and the remaining space, including the common area, is being used by two other departments.

Gardena Office. The Gardena Office is located on the first floor in a two-story multi-tenant, multi-use, stand-alone building. The office consists of approximately 1,520 square feet and is subject to a lease which expires on August, 2027. The current monthly rent payment is $5,320 $5,479 and is subject to 3.0% annual increases until the lease expires.

Buena Park Office. The Buena Park Office is located on a Class-A shopping strip building. The office consists of approximately 3,047 square feet and is subject to a lease which expires on March 2023. We extended the lease for a period of five years until March 2028. The current monthly rent is $11,860 $13,358 and is subject to annual CPI adjustments until the lease expires. We have reserved the right to extend the term of the lease for an additional period of five years.

Santa Clara Office. In August 2017, we leased approximately 2,678 square feet in a building. The current monthly rent is $10,388 $10,790 and is subject to annual increases of 3.0% until the lease expires in August 2027. We have reserved the right to extend the term of the lease for two additional periods of five years each.

Carrollton Office. In September 2018, we leased approximately 5,532 square feet in a commercial shopping center. The monthly rent is fixed at $16,135 until April 2024 and is subject to increase to $18,440 per month thereafter for the next five years until the lease expires in April 2029. We have reserved the right to extend the term of the lease for two additional periods of five years each.

Cerritos Office. In September 2021, we leased approximately 2,750 square feet on the ground floor in a commercial shopping center. The monthly rent is fixed at $6,875 until October 2026 and is subject to increase to $7,563 per month thereafter until the lease expires in October 2031. We have reserved the right to extend the term of the lease for two additional periods of five years each.

Spring Mountain Office. In December 2022, we leased approximately 2,650 square feet on the corner space of a building located in a newly-built commercial shopping center. The monthly rent is fixed at $10,000 until December 2024 and is subject to annual increases of 3.0% until the lease expires in December 2032. We have reserved the right to extend the term of the lease for two additional periods of five years each.

Loan Production Offices

We maintain loan production offices in Pleasanton, California; Atlanta, Georgia; Aurora, Colorado; and Lynnwood, Washington.

Item 3. Legal Proceedings.

In the normal course of business, we are subject to legal proceedings or claims. Management has reviewed all legal claims against us and possible loss contingencies, and does not expect the amounts to be material to any of the consolidated financial statements.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the NASDAQ The Nasdaq Global Market under the symbol “OPBK.” As of December 31, 2022 March 1, 2024, we had 160 163 record holders of our common stock, not including beneficial owners whose shares are held in record names of brokers or other nominees.

Dividends

On OP Bancorp maintains a policy of returning capital to shareholders in a manner, and at times and amounts, that provide for what we believe is an optimum balance between preserving liquidity and capital to assure compliance with applicable regulatory requirements and state laws, on the one hand, while providing an attractive total return to shareholders after giving effect to fluctuations in our stock price.

Consistent with this policy, on July 28, 2022, the Company increased a quarterly cash dividend to $0.12 from $0.10 per share from $0.10 to $0.12 per share ($0.48 per share on an annualized basis and an annual yield of 4.3% 4.4% based on a common share price of $11.16 $10.95 per share at December 31, 2022 as of December 31, 2023). We believe that the proposed current level of dividends is reasonable based on our review of our overall risk profile, and an evaluation of our current and anticipated capital, asset quality, earnings, liquidity and sensitivity position. However, the amount of dividends to be paid will be subject to our capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. We cannot assure you that we will pay dividends in the future, or that any such dividends will not be reduced or eliminated in the future.
As a holding company, our ability to pay cash dividends is affected by the ability of our bank subsidiary, the Bank, to pay cash dividends. The ability of the Bank (and our ability) to pay cash dividends in the future and the amount of any such cash dividends is and could be in the future further influenced by bank regulatory requirements and approvals and capital guidelines.

For information on the statutory and regulatory limitations on the ability of the Company to pay dividends and on the Bank to pay dividends to the Company see “Item 1 — Business — Supervision and Regulation —The Company– — The Company — Dividend Payments, Stock Redemptions, and Repurchases” and “–“— The Bank–Bank — Dividend Payments.”

Securities Authorized for Issuance Under Equity Compensation Plans

For information on the Securities Authorized for Issuance under the Company’s Equity Compensation Plan see “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters – — Securities Authorized for Issuance Under Equity Compensation Plans.”

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not purchase any On August 24, 2023, our Board of Directors approved a new stock repurchase program authorizing the Company to repurchase up to 750,000 shares of our its common stock, or other securities which is approximately 5% of its outstanding shares. The following table summarizes share repurchase activities of the stock repurchase program during the quarter ended December 31, 2022 December 31, 2023.

Purchase date	Total Number of Shares Purchased	Average Price Paid per Share		Total Number of Shares Purchased as Publicly Announced Program	Approximate Number of Shares that May Yet Be Purchased Under the Program
October 1, 2023 - October 31, 2023	150,000	$	8.72	150,000	600,000
November 1, 2023 - November 30, 2023	—		—	—	600,000
December 1, 2023 - December 31, 2023	—		—	—	600,000
	150,000	$	8.72	150,000	600,000

Item 6. [Reserved]

Item 7. 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 conjunction with our historical financial statements and the related notes thereto contained in this Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the sections titled "Cautionary Note Regarding Forward-Looking Statements" and "Risk "Item 1A. Risk Factors" for a discussion of forward-looking statements and important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview OVERVIEW

We are a bank holding company headquartered in Los Angeles, California. Our commercial community banking activities are operated through Open Bank, our banking subsidiary. We offer commercial banking 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 our loan portfolio and the fee income we receive in connection with our deposits, and the sale and service of SBA loans. Our major operating expenses are the interest we pay on deposits, the salaries and related benefits we pay our management and staff, and the rent we pay on our leased properties. We rely primarily on locally-generated deposits, mostly from the Korean-American market within California, to fund our loan activities. We currently operate eight branches in Los Angeles County and Orange County, Counties in California, one branch in Santa Clara, County, California, one branch in Carrollton, Texas and one branch in Carrollton, Texas. Las Vegas, Nevada. We have four loan production offices in Pleasanton, California, Atlanta, Georgia, Aurora, Colorado, and Lynnwood, Washington.

We adopted Accounting Standards Update ("ASU") 2016-13,which replaced the current incurred loss accounting model with the Current Expected Credit Losses approach. 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 and recorded a deferred tax assets of $624 thousandand a decrease to opening retained earnings of $1.5 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 interest rates in the United States, began a series of upward adjustments to the "discount rate" for short-term borrowings in response to perceived increases in inflationary pressures. Financial institutions and markets promptly followed these adjustments, significantly increasing interest rate pricing on loans and deposits. While such adjustments are commonplace and tend to affect the banking industry as a whole, the pace and degree of these adjustments were nearly unprecedented, resulting in banks, including the Bank, experiencing substantial pressure on multiple fronts. In particular, banks were forced to increase interest rates paid on deposits in order to meet competitive pressures from other financial institutions, as well as from treasury securities and other investment opportunities that offered greater earning capabilities for those customers. These increases correspondingly increased the Bank's cost of funds and exerted downward pressure on our net interest margins.

The increases in market interest rates also were reflected in loan pricing, which had multiple effects, including a reduction in borrowing (and thus a reduction in interest paid to banks) by customers that had the ability to avoid or defer additional indebtedness, a decline in the origination of new loans, and an increase in credit risk as borrowers who faced rising interest rates found it more difficult to comply with their loan obligations. The combination of these factors has exerted downward pressure on our fee income, the volume of our interest-earning assets and our net interest income.

Lastly, as a result of the prolonged low-interest-rate environment that had prevailed for years prior to the more recent market rate increases, the Bank, like most other financial institutions, had invested in treasury securities and other relatively low-yielding but stable instruments as a means to preserve liquidity, accepting the lower returns as a trade-off for a perceived lower risk profile. However, the rapidity of the Federal Reserve's rate increases resulted in a dramatic loss of value for bonds that were paying at lower interest rates as investors eschewed those investments for higher-yielding fixed- and adjustable-rate debt securities. These forces even resulted in the closure of three large U.S. banks, including two banks with extensive operations in our market area, when customers alarmed at the apparent instability in the banking sector quickly demanded 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 December 31, 2022 December 31, 2023 compared to as of 2021 2022

- Total assets were $2.09 billion $2.15 billion, an increase of $367.8 million $53.2 million, or 21.3% 2.5%, from $1.73 billion $2.09 billion.

- Gross loans were $1.68 billion $1.77 billion, an increase of $364.3 million $87.6 million, or 27.7% 5.2%, from $1.31 billion $1.68 billion.
- Total deposits were $1.89 billion $1.81 billion, an increase a decrease of $351.7 million $78.2 million, or 22.9% 4.1%, from $1.53 billion $1.89 billion.
- Shareholders' equity was $176.9 million $192.6 million, an increase of $11.7 million $15.7 million, or 7.1% 8.9%, from $165.2 million $176.9 million.

For the year ended December 31, 2023 compared to 2022

- Net interest income decreased to $68.7 million, a decrease of $8.2 million, or 10.7%, from $76.9 million.
- Net income was $23.9 million or $1.55 per diluted common share, a decrease of $9.4 million, or 28.2%, from $33.3 million or $2.14 per diluted common share.

For the year ended December 31, 2022 compared to 2021

- Net interest income increased to $76.9 million, an increase of $15.9 million, or 26.0%, from $61.0 million.
- Net income was $33.3 million or $2.14 per diluted common share, an increase of $4.5 million, or 15.5%, from $28.8 million or $1.88 per diluted common share.

- Net interest income increased to $76.9 million, an increase of $15.9 million, or 26.0%, from $61.0 million.

For the year ended December 31, 2021 compared to 2020

- Net income was $28.8 million or $1.88 per diluted common share, an increase of $15.7 million, or 119.7%, from $13.1 million or $0.85 per diluted common share.
- Net interest income increased to $61.0 million, an increase of $15.7 million, or 34.5%, from $45.4 million.

Selected Financial Data SELECTED FINANCIAL DATA

	As of or For the Year Ended December 31,		
($ in thousands, except share and per share data)	2022	2021	2020
Income Statement Data:			
Interest income	$ 88,212	$ 64,158	$ 53,656
Interest expense	11,301	3,132	8,292
Net interest income	76,911	61,026	45,364
Provision for loan losses	2,976	522	5,961
Noninterest income	17,619	16,017	10,771
Noninterest expense	44,830	35,865	31,940
Income before income taxes	46,724	40,656	18,234
Income tax expense	13,414	11,816	5,107
Net income	33,310	28,840	13,127
Per Share Data:			
Basic income per share	$ 2.15	$ 1.89	$ 0.85
Diluted income per share	$ 2.14	$ 1.88	$ 0.85
Book value per share	$ 11.59	$ 10.92	$ 9.55
Shares of common stock outstanding	15,270,344	15,137,808	15,016,700
Performance Ratios:			
Return on average assets	1.74 %	1.83 %	1.03 %
Return on average equity	19.57 %	18.90 %	9.35 %
Yield on total loans	5.25 %	4.94 %	4.91 %
Yield on average earning assets	4.79 %	4.23 %	4.40 %
Cost of average interest bearing liabilities	1.22 %	0.42 %	1.18 %
Cost of deposits	0.65 %	0.22 %	0.75 %
Net interest margin	4.18 %	4.02 %	3.72 %
Efficiency ratio (1)	47.42 %	46.55 %	56.90 %
Balance Sheet Data:			
Gross loans receivable	$ 1,678,292	$ 1,314,019	$ 1,099,736
Loans held for sale	44,335	89,428	26,659
Allowance for loan losses	19,241	16,123	15,352
Total assets	2,094,497	1,726,691	1,366,826

Deposits	1,885,771	1,534,066	1,200,090
Shareholders' equity	176,916	165,222	143,366
Asset Quality Data:			
Net charge-offs to average gross loans receivable	0.00 %	0.02 %	0.00 %
Nonperforming loans to gross loans receivable	0.18 %	0.24 %	0.09 %
Allowance for loan losses to nonperforming loans	624.51 %	503.84 %	1558.58 %
Allowance for loan losses to gross loans receivable	1.15 %	1.23 %	1.40 %
Balance Sheet and Capital Ratios:			
Gross loans receivable to deposits	89.00 %	85.66 %	91.64 %
Noninterest-bearing deposits to deposits	37.20 %	50.50 %	43.56 %
Average equity to average total assets	8.88 %	9.71 %	11.06 %
Leverage ratio	9.38 %	9.58 %	10.55 %
Common equity tier 1 ratio	11.87 %	12.42 %	13.56 %
Tier 1 risk-based capital ratio	11.87 %	12.42 %	13.56 %
Total risk-based capital ratio	13.06 %	13.66 %	14.81 %

	Year Ended December 31,		
($ in thousands, except share and per share data)	2023	2022	2021
Income Statement Data:			
Interest income	$ 121,665	$ 88,212	$ 64,158
Interest expense	52,978	11,301	3,132
Net interest income	68,687	76,911	61,026
Provision for credit losses	1,651	2,976	522
Noninterest income	14,181	17,619	16,017
Noninterest expense	47,726	44,830	35,865
Income before income taxes	33,491	46,724	40,656
Income tax expense	9,573	13,414	11,816
Net income	23,918	33,310	28,840
Per Share Data:			
Basic income per share	$ 1.55	$ 2.15	$ 1.89
Diluted income per share	1.55	2.14	1.88
Book value per share	12.84	11.59	10.92
Shares of common stock outstanding	15,000,436	15,270,344	15,137,808
Performance Ratios:			
Return on average assets	1.13 %	1.74 %	1.83 %
Return on average equity	13.05	19.57	18.90
Yield on total loans	6.33	5.25	4.94
Yield on average earning assets	5.96	4.79	4.23
Cost of average interest-bearing liabilities	4.10	1.22	0.42
Cost of deposits	2.70	0.65	0.22
Net interest margin	3.37	4.18	4.02
Efficiency ratio(1)	57.59	47.42	46.55

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

Loan Payment Deferrals Related to the COVID-19 Pandemic

	As of December 31,	
($ in thousands)	2023	2022
Balance Sheet Data:		
Gross loans	$ 1,765,845	$ 1,678,292
Loans held for sale	1,795	44,335

Allowance for credit losses	21,993	19,241
Total assets	2,147,730	2,094,497
Total deposits	1,807,558	1,885,771
Shareholders' equity	192,626	176,916
Asset Quality Data:		
Nonperforming loans to gross loans	0.34 %	0.18 %
Allowance for credit losses to nonperforming loans	362	625
Allowance for credit losses to gross loans	1.25	1.15
Balance Sheet and Capital Ratios:		
Gross loans to deposits	97.69 %	89.00 %
Noninterest-bearing deposits to deposits	28.92	37.20
Average equity to average total assets	8.62	8.88
Leverage ratio	9.57	9.38
Common equity tier 1 ratio	12.52	11.87
Tier 1 risk-based capital ratio	12.52	11.87
Total risk-based capital ratio	13.77	13.06

In early 2020, we began providing payment deferrals of up to 12 months for our commercial and consumer borrowers who had been adversely impacted by the COVID-19 pandemic and had not been delinquent over 30 days on payments at the time of the borrowers' deferral requests. For the loans modified under this program, in accordance with the provisions of Section 4013 of the CARES Act and the interagency statement issued by bank regulatory agencies, we elected to not apply troubled debt structuring classification to borrowers who were current as of December 31, 2019. As of December 31, 2022, we had no loan in deferment status, compared to total outstanding loans remaining in deferment status of $5.0 million, or 0.4% of the total portfolio, as of December 31, 2021.

Paycheck Protection Program

Beginning in April 2020, we accepted applications under the PPP administered by the SBA under the CARES Act, as amended by the Economic Aid Act enacted on December 27, 2020 and have originated loans to qualified small businesses. Under the terms of the program, loans funded through the PPP are eligible to be forgiven if certain requirements are met, including using the funds for certain costs relating to payroll, healthcare and qualifying mortgage interest, rent and utility payments. To the extent not forgiven, loans are subject to terms of the program. Since the PPP's inception through December 31, 2022, we have funded $154.5 million, and $154.0 million of principal forgiveness has been provided on qualifying PPP loans. As of December 31, 2022, there were unamortized net deferred fees and unaccreted discounts of $8 thousand to be recognized over the estimated life of the loan as a yield adjustment on the loans. If a loan is paid off or forgiven by the SBA prior to its projected estimated life, the remaining unamortized deferred fees will be recognized as interest income in that period.

Critical Accounting Policies and Estimates

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and conform to general practices within the industry in which we operate. To prepare financial statements in conformity with GAAP, management makes estimates, assumptions and judgments based on available information. These estimates, assumptions and judgments affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements and, as this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the financial statement. In particular, management has identified several accounting policies that, due to the estimates, assumptions and judgments inherent in those policies, are critical in understanding our financial statements.

The following is a discussion of the critical accounting policies and significant estimates that require us to make complex and subjective judgments. Additional information about these policies can be found in the "Notes to Consolidated Financial Statements, Note 1. Business and Summary of Significant Accounting Policies."

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. 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 due to 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.

Allowance for Loan Credit Losses

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. We make critical accounting estimates, including the judgments made in the application of significant accounting policies, sensitivity to change, and the likelihood of materially different reported results if different assumptions were used.

In order to quantify the credit risk impact of other trends and changes within the loan losses (“ALL”) is a valuation allowance for probable incurred credit losses. Loan losses are charged against the ALL when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited portfolio, we utilize qualitative adjustments to the ALL. Management estimates 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 ALL balance required using past loan factors listed below. The Credit Risk Matrix and the possible scenarios enable the Bank to qualitatively adjust the loss experience, 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 portfolio, information about specific borrower situations loan portfolio;
- Changes in the experience, ability, and estimated collateral values, economic conditions, depth of lending management and other factors. Allocations 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 ALL may be made for specific loans, but credit review function;
- Changes in the entire allowance is available for any loan that, in management's judgment, should be charged off.

The ALL is maintained at a level that management believes is appropriate to provide for known and inherent incurred loan losses as value of the date of the Consolidated Balance Sheets and we have established methodologies underlying collateral for the determination of its adequacy. The methodologies are set forth in a formal policy and take into consideration the need for an overall general valuation allowance as well as specific allowances loans that are determined on an individual loan basis. not collateral-dependent;

- The evaluation is inherently subjective, existence, growth, and effect of any concentrations of credit, and
- The effect of other external factors, such as it requires estimates that are susceptible to significant revision the regulatory, legal and technological environments; competition; and events such as more information becomes available. While management uses available information to recognize losses on loans, changes in economic or other conditions may necessitate revision of the estimate in future periods. natural disasters.

Results of Operations RESULTS OF OPERATIONS

Net Income

We reported net income for the year ended December 31, 2023 of $23.9 million, a decrease of $9.4 million, or 28.2%, compared to net income of $33.3 million for the same period of 2022. The decrease was primarily due to a $8.2 million decrease in net interest income, a $3.4 million decrease in noninterest income and a $2.9 million increase in noninterest expense, offset by a $3.8 million decrease income tax expense and a $1.3 million decrease in provision for credit losses.

We reported net income for the year ended December 31, 2022 of $33.3 million, and increase of $4.5 million, or 15.5%, compared to net income of $28.8 million for the same period of 2021. The increase was primarily due to a $15.9 million $15.9

million increase in net interest income, partially offset by a $9.0 million increase in noninterest expense and a $2.5 million increase in provision for loan credit losses.

We reported net income for the year ended December 31, 2021 of $28.8 million, compared to net income of $13.1 million for the same period of 2020. The increase was primarily due to a $15.7 million increase in net interest income and $5.4 million decrease in provision for loan losses, partially offset by a $6.7 million increase in provision for income taxes.

Year Ended December 31,		
Year Ended December 31,		
Year Ended December 31,		
Year Ended December 31,	Change 2023 vs. 2022	Change 2022 vs. 2021

($ in thousands)	($ in thousands)	2022	Change	2021	Change	2020
Interest income						
Interest income						
Interest income	Interest income	$ 88,212	$ 24,054	$ 64,158	$ 10,502	$ 53,656
Interest expense	Interest expense	11,301	8,169	3,132	(5,160)	8,292
Net interest income	Net interest income	76,911	15,885	61,026	15,662	45,364
Provision for (reversal of) loan losses		2,976	2,454	522	(5,439)	5,961
Provision for credit losses						
Noninterest income	Noninterest income	17,619	1,602	16,017	5,246	10,771
Noninterest expense	Noninterest expense	44,830	8,965	35,865	3,925	31,940
Income before income tax expense	Income before income tax expense	46,724	6,068	40,656	22,422	18,234
Income tax expense	Income tax expense	13,414	1,598	11,816	6,709	5,107
Net income	Net income	$ 33,310	$ 4,470	$ 28,840	$ 15,713	$ 13,127

Net Interest Income

The management of interest income and expense is fundamental to our financial performance. Net interest income, the difference between interest income and interest expense, is the largest component of the Company's our total revenue. Management closely monitors both total net interest income and the net interest margin (net interest income divided by average earning assets). We seek to maximize net interest income without exposing the Company us to an excessive level of interest rate risk through our asset and liability policies. Interest rate risk is managed by monitoring the pricing, maturity and repricing options of all classes of interest-bearing assets and liabilities. Our net interest margin is also adversely impacted by the reversal of interest on nonaccrual loans and the reinvestment of loan payoffs into lower yielding investment securities and other short-term investments.

The following table presents, for the periods indicated, information about: (i) weighted average balances, the total dollar amount of interest income from interest-earning assets and the resultant average yields, (ii) average balances, the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rates, (iii) net interest income, (iv) the interest rate spread, and (v) the net interest margin.

		Year Ended December 31,												
		2022			2021									
		Year Ended December 31,												
		Year Ended December 31,												
		Year Ended December 31,												
		2023										2023		
($ in thousands)	($ in thousands)	Average Balance	Interest and Fees	Yield / Rate	Average Balance	Interest and Fees	Yield / Rate	($ in thousands)	Average Balance	Interest and Fees	Yield / Rate	Average Balance		
Interest-earning assets:	Interest-earning assets:													
Interest-bearing deposits in other banks														
Interest-bearing deposits in other banks														

Interest-bearing deposits in other banks	Interest-bearing deposits in other banks	$ 79,482		$ 1,399	1.76 %	$ 132,090	$ 170	0.13 %	$ 78,676	$	$ 4,040	5.14	5.14 %	$ 79,482	$ $
Federal funds sold and other investments (1)	Federal funds sold and other investments (1)	11,810		598	5.06	10,755	455	4.23							
Available-for-sale debt securities	Available-for-sale debt securities	170,479		3,351	1.97	108,346	1,085	1.00							
Total investments	Total investments	261,771		5,348	2.04	251,191	1,710	0.68							
Commercial real estate loans	Commercial real estate loans	777,776		37,861	4.87	672,045	30,645	4.56							
SBA loans	SBA loans	321,757		24,073	7.48	355,114	21,760	6.13							
Commercial and industrial loans	Commercial and industrial loans	142,630		7,217	5.06	114,628	4,463	3.89							
Home mortgage loans	Home mortgage loans	334,984		13,660	4.08	122,465	5,520	4.51							
Consumer & other loans	Consumer & other loans	1,071		53	4.95	1,095	60	5.51							
Loans (2)	Loans (2)	1,578,218	1,578,218	82,864	5.25	1,265,347	62,448	4.94							
Total interest-earning assets	Total interest-earning assets	1,839,989		88,212	4.79	1,516,538	64,158	4.23							
Noninterest-earning assets	Noninterest-earning assets	76,883				55,201									
Total assets	Total assets	$1,916,872				$1,571,739									
Total assets															
Total assets															
Interest-bearing liabilities:	Interest-bearing liabilities:														
Interest-bearing liabilities:															
Interest-bearing liabilities:															
Money market deposits and others															
Money market deposits and others															
Money market deposits and others	Money market deposits and others	$ 475,414		$ 5,305	1.12 %	$ 362,900	$ 1,134	0.31 %	$374,116	$	$13,830	3.70	3.70 %	$ 475,414	$ $
Time deposits	Time deposits	445,169		5,905	1.33	378,585	1,998	0.53							
Total interest-bearing deposits	Total interest-bearing deposits	920,583		11,210	1.22	741,485	3,132	0.42							
Borrowings	Borrowings	2,089		91	4.36	1,988	—	—							
Total interest-bearing liabilities	Total interest-bearing liabilities	922,672		11,301	1.22	743,473	3,132	0.42							

Noninterest-bearing liabilities:	Noninterest-bearing liabilities:								
Noninterest-bearing deposits	Noninterest-bearing deposits	796,175			656,130				
Noninterest-bearing deposits									
Noninterest-bearing deposits									
Other noninterest-bearing liabilities									
Other noninterest-bearing liabilities									
Other noninterest-bearing liabilities	Other noninterest-bearing liabilities	27,829			19,558				
Total noninterest-bearing liabilities	Total noninterest-bearing liabilities	824,004			675,688				
Total noninterest-bearing liabilities									
Total noninterest-bearing liabilities									
Shareholders’ equity									
Shareholders’ equity									
Shareholders’ equity	Shareholders’ equity	170,196			152,578				
Total liabilities and shareholders’ equity	Total liabilities and shareholders’ equity	$1,916,872			$1,571,739				
Total liabilities and shareholders’ equity									
Total liabilities and shareholders’ equity									
Net interest income / interest rate spreads									
Net interest income / interest rate spreads									
Net interest income / interest rate spreads	Net interest income / interest rate spreads		$76,911	3.57 %		$61,026	3.81 %	$ 68,687	1.86 / 1.86 %
Net interest margin	Net interest margin			4.18 %			4.02 %	Net interest margin	3.37 %
Cost of deposits	Cost of deposits			0.65 %			0.22 %		
Cost of deposits									
Cost of deposits									2.70 %
Cost of funds	Cost of funds			0.66 %			0.22 %	Cost of funds	2.78 %

(1) Includes income and average balances for Federal Home Loan Bank (“FHLB”) and Pacific Coast Bankers Bank (“PCBB”)stock, CRA qualified mutual fund, term federal funds, interest-earning time deposits and other miscellaneous interest-earning assets.

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

	Year Ended December 31,	
	2021	2020
	Year Ended December 31,	

		Year Ended December 31,					
		2022					
($ in thousands)	($ in thousands)	Average Balance	Interest and Fees	Yield / Rate	Average Balance	Interest and Fees	Yield / Rate
Interest-earning assets:	Interest-earning assets:						
Interest-bearing deposits in other banks	Interest-bearing deposits in other banks	$ 132,090	$ 170	0.13 %	$ 81,997	$ 281	0.34 %
Federal funds sold and other investments (1)	Federal funds sold and other investments (1)	10,755	455	4.23	9,853	369	3.74
Available-for-sale debt securities	Available-for-sale debt securities	108,346	1,085	1.00	73,410	1,177	1.60
Total investments	Total investments	251,191	1,710	0.68	165,260	1,827	1.10
Commercial real estate loans	Commercial real estate loans	672,045	30,645	4.56	636,809	30,616	4.81
SBA loans	SBA loans	355,114	20,760	6.13	200,110	11,231	5.61
Commercial and industrial loans	Commercial and industrial loans	114,628	4,463	3.89	93,490	3,887	4.16
Home mortgage loans	Home mortgage loans	122,465	5,520	4.51	122,195	5,977	4.89
Consumer & other loans	Consumer & other loans	1,095	60	5.51	2,102	118	5.61
Loans (2)	Loans (2)	1,265,347	61,448	4.94	1,054,706	51,829	4.94
Total interest-earning assets	Total interest-earning assets	1,516,538	63,158	4.23	1,219,966	53,656	4.40
Noninterest-earning assets	Noninterest-earning assets	55,201			49,224		
Total assets	Total assets	$1,571,739			$1,269,190		
Interest-bearing liabilities:	Interest-bearing liabilities:						

Year Ended December 31,

Interest-bearing deposits in other banks

Interest-bearing deposits in other banks

					2022		
($ in thousands)	Average Balance		Interest and Fees	Yield / Rate		Average Balance	Interest and Fees
	$ 79,482	$	$ 1,399	1.76	1.76 %	$ 132,090	$ $ 170 0.

Total assets

Total assets

Interest-bearing liabilities:

Interest-bearing liabilities:

Money market deposits and others

Money market deposits and others

Money market deposits and others	Money market deposits and others	$ 362,900	$ 1,134	0.31 %	$ 307,316	$ 2,174	0.71 %	$ 475,414	$	$ 5,305	1.12	1.12 %	$ 362,900	$ $ 1,134 0.
Time deposits	Time deposits	378,585	1,998	0.53	391,667	6,118	1.56							
Total interest-bearing deposits	Total interest-bearing deposits	741,485	3,132	0.42	698,983	8,292	1.19							
Borrowings	Borrowings	1,988	—	—	5,505	—	—							
Total interest-bearing liabilities	Total interest-bearing liabilities	743,473	3,132	0.42	704,488	8,292	1.18							
Noninterest-bearing liabilities:	Noninterest-bearing liabilities:													
Noninterest-bearing deposits	Noninterest-bearing deposits	656,130			406,401									
Noninterest-bearing deposits														
Noninterest-bearing deposits														
Other noninterest-bearing liabilities														
Other noninterest-bearing liabilities														
Other noninterest-bearing liabilities	Other noninterest-bearing liabilities	19,558			17,889									
Total noninterest-bearing liabilities	Total noninterest-bearing liabilities	675,688			424,290									
Total noninterest-bearing liabilities														
Total noninterest-bearing liabilities														
Shareholders' equity														
Shareholders' equity														
Shareholders' equity	Shareholders' equity	152,578			140,412									
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	$1,571,739			$1,269,190									
Total liabilities and shareholders' equity														
Total liabilities and shareholders' equity														
Net interest income / interest rate spreads														
Net interest income / interest rate spreads														
Net interest income / interest rate spreads	Net interest income / interest rate spreads		$60,026	3.81 %		$45,364	3.22 %			$ 76,911	3.57	3.57 %		

Net interest margin	4.02 %	3.72 %	4.18 %
Cost of deposits	0.22 %	0.75 %	0.65 %
Cost of funds	0.22 %	0.75 %	0.66 %

(1) Includes income and average balances for Federal Home Loan Bank ("FHLB") and Pacific Coast Bankers Bank ("PCBB")stock, CRA qualified mutual fund, term federal funds, interest-earning time deposits and other miscellaneous interest-earning assets.

(2) 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 interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following tables set forth the effects of changing rates and volumes on our net interest income during the period shown. Information is provided with respect to (i) effects on interest income attributable to changes in volume (change in volume multiplied by prior rate) and (ii) effects on interest income attributable to changes in rate (changes in rate multiplied by prior volume). Change applicable to both volume and rate have been allocated to volume and rate ratably.

	Year Ended December 31, 2022 vs 2021 Increases (Decreases) Due to Change in			Year Ended December 31, 2023 vs 2022 Increases (Decreases) Due to Change in		
($ in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Interest-bearing deposits in other banks	$ (497)	$1,726	$ 1,229			
Federal funds sold and other investments	78	65	143			
Available-for-sale debt securities	923	1,343	2,266			
Total investments	504	3,134	3,638			
Commercial real estate loans	4,983	2,233	7,216			
SBA loans	(3,276)	5,589	2,313			

Commercial and industrial loans	Commercial and industrial loans	734	2,020	2,754
Home mortgage loans	Home mortgage loans	8,602	(462)	8,140
Consumer & other loans	Consumer & other loans	(1)	(6)	(7)
Total loans	Total loans	11,042	9,374	20,416
Total interest-earning assets	Total interest-earning assets	11,546	12,508	24,054
Interest-bearing liabilities:	**Interest-bearing liabilities:**			
Money market deposits and others	Money market deposits and others	1,159	3,012	4,171
Money market deposits and others				
Money market deposits and others				
Time deposits	Time deposits	669	3,238	3,907
Total interest-bearing deposits	Total interest-bearing deposits	1,828	6,250	8,078
Borrowings	Borrowings	2	89	91
Total interest-bearing liabilities	Total interest-bearing liabilities	1,830	6,339	8,169
Net interest income	Net interest income	$9,716	$6,169	$15,885

		Year Ended December 31,							
		2021 vs 2020							
		Increases (Decreases) Due to Change in							
		Year Ended December 31,							
		Year Ended December 31,							
		Year Ended December 31,							
		2022 vs 2021					**2022 vs 2021**		
		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-bearing deposits in other banks									
Interest-bearing deposits in other banks									

Interest-bearing deposits in other banks	Interest-bearing deposits in other banks	$ 118	$ (229)	$ (111)
Federal funds sold and other investments	Federal funds sold and other investments	49	37	86
Available-for-sale debt securities	Available-for-sale debt securities	444	(536)	(92)
Total investments	Total investments	611	(728)	(117)
Commercial real estate loans	Commercial real estate loans	1,650	(1,622)	28
SBA loans	SBA loans	8,959	1,569	10,528
Commercial and industrial loans	Commercial and industrial loans	851	(275)	576
Home mortgage loans	Home mortgage loans	13	(469)	(456)
Consumer & other loans	Consumer & other loans	(56)	(1)	(57)
Total loans	Total loans	11,417	(798)	10,619
Total interest-earning assets	Total interest-earning assets	12,028	(1,526)	10,502
Interest-bearing liabilities:	**Interest-bearing liabilities:**			
Money market deposits and others	Money market deposits and others	261	(1,301)	(1,040)
Money market deposits and others				
Money market deposits and others				
Time deposits	Time deposits	(162)	(3,958)	(4,120)
Total interest-bearing deposits	Total interest-bearing deposits	99	(5,259)	(5,160)
Borrowings	Borrowings	—	—	—
Total interest-bearing liabilities	Total interest-bearing liabilities	99	(5,259)	(5,160)
Net interest income	Net interest income	$11,929	$3,733	$15,662

2023 Compared to 2022

Net interest income decreased $8.2 million, or 10.7%, to $68.7 million for the year ended December 31, 2023 from $76.9 million for the same period of 2022, primarily due to higher interest expense on deposits, partially offset by higher interest income on loans and investments.

Interest expense on deposits increased $38.2 million to $49.4 million for the year 2023, compared with $11.2 million for the same period of 2022. The increase was primarily due to a 32.1% increase in average balance of interest-bearing deposits and a 285 basis point increase in average cost of interest-bearing deposits driven by the Federal Reserve's rate increases.

Average balance of interest-bearing deposits increased $295 million or 32.1% compared with the same period of 2022 because a $167 million increase in average balance of loans and a $182 million decrease in noninterest-bearing deposits for the year 2023 were primarily funded through the increase in interest-bearing deposits. Average cost of interest-bearing deposits increased a 285 basis point to 4.1% for the year ended December 31, 2023, from 1.2% for the same period of 2022, primarily due to the Federal Reserve's rate increases.

Interest income on total investments, including interest-bearing deposits in other banks and available-for-sale debt securities, increased $5.9 million primarily due to a 175 basis point increase in average yield on total investments to 3.79% for the year 2023 from 2.04% for the same period of 2022 driven by the Federal Reserve's rate increases and higher yields on securities purchased in 2023.

Interest income on loans increased $27.6 million to $110.5 million for the year 2023 compared with $82.9 million for the year 2022, primarily due to a $167 million increase in average balance of loans and a 108 basis point increase in average yield on loans.

Net interest margin was 3.37% for the year ended December 31, 2023, a 81 basis point decrease from 4.18% for the same period of 2022, primarily due to a 171 basis point decrease in net interest spread from the higher increase in average cost of interest-bearing deposits compared to the increase in average yield on loans and investments.

2022 Compared to 2021

Net interest income increased $15.9 million, or 26.0%, to $76.9 million for the year ended December 31, 2022 from $61.0 million for the same period of 2021, primarily due to higher interest income on loans. A $20.4 million increase in interest income on loans for the year ended December 31, 2022, compared with the same period of 2021, was primarily due to higher average loan balance from loan growth in home mortgage loans, commercial real estate loans, and C&I loans and rate increases in SBA loans, C&I loans and commercial real estate loans.

Average yield on interesting-bearing deposits in other banks was 1.76% for the year ended December 31, 2022, a 163 basis point increase from 0.13% for the same period of 2021, primarily due to the Federal Reserve's rate increases. Average yield on available-for-sale debt securities was 1.97% for the year ended December 31, 2022, a 97 basis point increase from 1.00% for the same period of 2021, primarily due to purchases of securities that earn higher yields than existing investment portfolio.

Average loan yield was 5.25% for the year ended December 31, 2022, a 31 basis point increase from 4.94% for the same period of 2021. The increase was primarily due to higher average loan balance from loan growth of $212.5 million, $105.7 million and $28.0 million in home mortgage loans, commercial real estate loans, and C&I loans, respectively, and rate increases of 135 basis points in SBA loans, 117 basis points in C&I loans, and 31 basis points in commercial real estate loans.

Average cost of interest-bearing deposits was 1.22% for the year ended December 31, 2022, an 80 basis point increase from 0.42% for the same period of 2021, primarily due to the Federal Reserve's rate increases. Average cost of deposits was 0.65% for the year ended December 31, 2022, a 43 basis point increase from 0.22% for the same period of 2021, primarily due to the Federal Reserve's rate increases, partially offset by higher average balance of noninterest-bearing deposits.

Net interest margin was 4.18% for the year ended December 31, 2022, a 16 basis point increase from 4.02% for the same period of 2021, primarily due to a 56 basis point increase in average yield on interest-earning assets.

2021 Compared to 2020

Net interest income for the year ended December 31, 2021 was $61.0 million compared to $45.4 million for the year ended December 31, 2020, an increase of $15.7 million, or 34.5%. This increase was primarily due to a $10.5 million increase in interest income from SBA loans, a $155.0 million increase in average SBA loan balance and a $5.2 million decrease in interest expense.

Total interest income was $64.2 million in 2021, compared to $53.7 million in 2020, an increase of $10.5 million, or 19.6%. This increase was primarily due to an increase in interest earned on SBA loans.

Interest and fees on loans was $62.4 million in 2021, compared to $51.8 million in 2020, an increase of $10.6 million, or 20.5%. This increase in interest income on loans was primarily due to a $155.0 million increase in average loan balance resulting from the purchase of loan portfolio from the Hana Small Business Lending, ("Hana") and PPP originations.

Interest income on total investments was $1.7 million in 2021, compared to $1.8 million in 2020. Interest income on securities available for sale decreased $92 thousand, or 7.8%, to $1.1 million in 2021, compared to $1.2 million in 2020. The decrease was primarily due to a 60 basis point decrease in the average yield, partially offset by a 52.0% increase in the average balance of securities available for sale. Interest income on federal funds sold and other investments decreased $25 thousand, or 3.8%, to $625 thousand in 2021 from $650 thousand in 2020, due to a 27 basis point decrease in the average yield on the federal funds sold and other investments, partially offset by a 55.5% increase in the average balance of federal funds sold and other investments held by the Company.

Total interest expense was $3.1 million in 2021, compared to $8.3 million in 2020, a decrease of $5.2 million, or 62.2%. The decrease was primarily due to a 77 basis point decrease in the average rate paid on interest-bearing deposits as a result of the downward adjustments of the Company's rates paid on interest-bearing deposits in response to the rate decreases by the Federal Reserve. The average balance of interest-bearing liabilities increased $39.0 million to $743.5 million at December 31, 2021 from $704.5 million at December 31, 2020.

Provision for Loan Credit Losses

Credit risk is inherent in the business of making loans. We establish an allowance for loan credit losses both on loans and off-balance sheet commitments through charges to earnings, which are shown in the statements of operations as the provision for loan credit losses. Specifically identifiable and quantifiable known losses are promptly charged off against the allowance. The provision for loan credit losses is determined by conducting a quarterly evaluation of the adequacy of our allowance for loan credit losses and charging the shortfall or excess, if any, to the current quarter's expense. This has the effect of creating variability in the amount and frequency of charges to earnings. The provision for loan credit losses and level of allowance for each period are dependent upon many factors, including loan growth, net charge-offs, changes in the composition of the loan portfolio, delinquencies, management's assessment of the quality of the loan portfolio, the valuation of problem loans and the general economic conditions in our market area.

2023 Compared to 2022

The provision for credit losses was $1.7 million for the year ended December 31, 2023, compared to $3.0 million for the same period of 2022. The $1.7 million in the provision for credit losses was mainly composed of a $735 thousand increase in qualitative reserves and a $754 thousand increase in net charge-offs for the year 2023. The qualitative reserves were primarily due to upward adjustments to qualitative factors based on deteriorating economic and business conditions in 2023 compared to 2022 and an increasing trend in nonperforming and classified loans in our loan portfolio. There was no change in quantitative reserves in 2023 as a $450 thousand increase in reserves from loan growth in 2023 was offset by an equivalent release of reserves from decreases in historical loss factors.

2022 Compared to 2021

The provision for loan losses was $3.0 million for the year ended December 31, 2022, compared to $522 thousand for the same period of 2021. The changes in quantitative reserves from loan growth in real estate and home mortgage loans accounted for an increase of $5.8 million in the provision for loan losses for the year ended December 31, 2022. The changes in quantitative reserves included a $205 thousand decrease in the provision for accrued interest receivables on deferred loans. The changes in qualitative factors, primarily due to improvements in economic conditions and commercial real estate concentration, accounted for a decrease of $2.8 million in the provision for loan losses for the year ended December 31, 2022.

2021 Compared to 2020

The provision for loan losses was $522 thousand for the year ended December 31, 2021, compared to $6.0 million for the year ended December 31, 2020. Management evaluated the qualitative and quantitative factors on all loan types to reflect the COVID-19 pandemic's prolonged potential adverse impacts on national, state, and local economic and business conditions. The changes in qualitative factors accounted for a decrease of $1.1 million, and the changes in quantitative factors accounted for an increase of $1.5 million in the provision for loan losses for the year ended December 31, 2021.

The changes in quantitative factors included a $439 thousand decrease in the provision for accrued interest receivables on deferred loans.

The allowance for loan losses as a percentage of gross loans was 1.15% and 1.23% as of December 31, 2022 and 2021, respectively.

Noninterest Income

While interest income remains the largest single component of total revenues, noninterest income is also an important component. A portion of our noninterest income is associated with SBA lending activity, consisting of gains on the sale of loans sold in the secondary market and servicing income from loans sold with servicing retained. Other sources of noninterest income include service charges on deposit.

2023 Compared to 2022

The following table sets forth the various components of our noninterest income for the years ended December 31, 2023 and 2022:

	Year Ended December 31,			
($ in thousands)	2023	2022	$ Change	% Change
Noninterest income:				
Service charges on deposit	$ 2,123	$ 1,675	$ 448	26.7 %
Loan servicing fees, net of amortization	2,449	2,416	33	1.4
Gain on sale of loans	7,843	12,285	(4,442)	(36.2)
Other income	1,766	1,243	523	42.1
Total noninterest income	$ 14,181	$ 17,619	$ (3,438)	(19.5)%

Noninterest income for the year ended December 31, 2023 was $14.2 million, a decrease of $3.4 million, or 19.5%, compared to $17.6 million for the same period of 2022, primarily due to a decrease in gain on sale of loans.

Gain on sale of loans was $7.8 million for the year ended December 31, 2023, compared to $12.3 million for the same period of 2022, a decrease of $4.4 million or 36.2%. The decrease was primarily due to a lower sold amount in SBA loans and a lower average sales premium. We sold $145.0 million of SBA loans with an average premium of 6.65% for the year ended December 31, 2023, compared to a sale of $181.9 million of SBA loans with an average premium of 7.45% in the same period of 2022.

Other income was $1.8 million for the year ended December 31, 2023, compared to $1.2 million, an increase of $523 thousand or 42.1%, primarily due to a $479 thousand increase in a holding gain on our equity in equity investments. Equity investments had an unrealized holding gain of $48 thousand as of December 31, 2023 compared to an unrealized holding loss of $431 thousand as of December 31, 2022.

Service charges on deposit was $2.1 million for the year ended December 31, 2023, compared to $1.7 million for the same period of 2022, an increase of $448 thousand or 26.7%, primarily due to an increase in deposit analysis fees from an increase in the number of analysis accounts.

2022 Compared to 2021

The following table sets forth the various components of our noninterest income for the years ended December 31, 2022 and 2021:

	Year Ended December 31,			
($ in thousands)	2022	2021	$ Change	% Change
Noninterest income:				
Service charges on deposit	$ 1,675	$ 1,562	$ 113	7.2 %
Loan servicing fees, net of amortization	2,416	1,953	463	23.7
Gain on sale of loans	12,285	11,313	972	8.6
Other income	1,243	1,189	54	4.5
Total noninterest income	$ 17,619	$ 16,017	$ 1,602	10.0 %

Noninterest income for the year ended December 31, 2022 was $17.6 million, an increase of $1.6 million, or 10.0%, compared to $16.0 million for the same period of 2021.

Loan servicing fees, net of amortization, were $2.4 million, for the year ended December 31, 2022, compared to $2.0 million for the same period of 2021. The increase was primarily due to an increase in loan servicing portfolio and lower amortization of loan servicing fees as a result of lower SBA loan payoffs. Our total SBA loan servicing portfolio was $702.1 million as of December 31, 2022, compared to $667.0 as of the same period of 2021.

Gain on sale of loans was $12.3 million for the year ended December 31, 2022, compared to $11.3 million for the same period of 2021, an increase of $1.0 million or 8.6%. The increase was primarily due to higher sales volume partially offset by lower average premium on loan sales. We sold $181.9 million of SBA loans with an average premium of 7.45% for the year ended December 31, 2022, compared to a sale of $110.3 million of SBA loans with an average premium of 11.04% in the same period of 2021.

2021 Compared to 2020

The following table sets forth the various components of our noninterest income for the years ended December 31, 2021 and 2020:

	Year Ended December 31,			
($ in thousands)	2021	2020	$ Change	% Change
Noninterest income:				
Service charges on deposit	$ 1,562	$ 1,431	$ 131	9.2 %
Loan servicing fees, net of amortization	1,953	1,856	97	5.2
Gain on sale of loans	11,313	6,092	5,221	85.7
Other income	1,189	1,392	(203)	(14.6)
Total noninterest income	$ 16,017	$ 10,771	$ 5,246	48.7 %

Noninterest income for the year ended December 31, 2021 was $16.0 million, an increase of $5.2 million, or 48.7%, compared to $10.8 million for the year ended December 31, 2020.

Income from service charges on deposit accounts was $1.6 million for 2021, compared to $1.4 million for 2020, an increase of $131 thousand, or 9.2%. The increase was primarily due to higher account analysis charges and wire transaction fees, partially offset by lower overdraft charges in the year ended December 31, 2021, compared to the same period in 2020.

Total gain on sale of loans was $11.3 million in the year ended December 31, 2021, compared to $6.1 million for the same period of 2020, an increase of $5.2 million or 85.7%. Gain on sale of SBA loans totaled $11.0 million in the year ended December 31, 2021, compared to $5.9 million for the same period of 2020. We sold $110.3 million of SBA loans with an average premium of 11.0% in the year ended December 31, 2021, compared to the sale of $85.0 million of SBA loans with an average premium of 8.8% in the same period of 2020. We originated $304.9 million of SBA loans, including $88.1 million of SBA PPP loans, in 2021, compared to $204.1 million of SBA loans, including $66.3 million of SBA PPP loans, in 2020. Gain on sale of other loans for both periods were immaterial.

Other income for 2021 were $1.2 million, compared to $1.4 million for 2020, a decrease of $203 thousand, or 14.6%. The decrease was primarily due to a $187 thousand decrease in fair value of equity investment in a mutual fund that the Company invested for CRA purposes.

Noninterest Expense

2023 Compared 2022

The following table sets forth the major components of our noninterest expense for the years ended December 31, 2023 and 2022:

($ in thousands)	Year Ended December 31, 2023	Year Ended December 31, 2022	$ Change	% Change
Noninterest expense:				
Salaries and employee benefits	$ 29,593	$ 27,189	$ 2,404	8.8 %
Occupancy and equipment	6,490	5,964	526	8.8
Data processing and communication	2,109	2,085	24	1.2
Professional fees	1,571	1,620	(49)	(3.0)
FDIC insurance and regulatory assessments	1,457	813	644	79.2
Promotion and advertising	614	543	71	13.1
Directors' fees	680	682	(2)	(0.3)
Foundation donation and other contributions	2,400	3,393	(993)	(29.3)
Other expenses	2,812	2,541	271	10.7
Total noninterest expense	$ 47,726	$ 44,830	$ 2,896	6.5 %

Noninterest expense for the year ended December 31, 2023 was $47.7 million, compared with $44.8 million for the same period of 2022, an increase of $2.9 million or 6.5%.

Salaries and employee benefits for the year ended December 31, 2023 was $29.6 million, compared to $27.2 million for the same period of 2022, an increase of $2.4 million, or 8.8%. The increase was primarily due to a $1.0 million increase from a 17.2 increase in average number of full-time employees to 224.4 in 2023 from 207.2 in 2022, and a $850 thousand decrease in loan origination costs as a result of lower loan originations in 2023.

Occupancy and equipment for the year ended December 31, 2023 was $6.5 million, compared to $6.0 million for the same period of 2022, an increase of $526 thousand, or 8.8%. The increase was primarily due to the opening of Spring Mountain Office in Las Vegas, Nevada and two renewed leases for branches in California.

FDIC insurance and regulatory assessments for the year ended December 31, 2023 was $1.5 million, compared to $813 thousand, an increase of $644 thousand, or 79.2%. The increase was primarily due to our deposit growth from the same period of 2022 and an increase in FDIC assessment fees in 2023.

Foundation donations and other contributions for the year ended December 31, 2023 was $2.4 million, compared to $3.4 million, a decrease of $993 thousand, or 29.3%. The decrease was primarily due to lower donation accruals for Open Stewardship Foundation as a result of lower net income.

2022 Compared to 2021

The following table sets forth the major components of our noninterest expense for the years ended December 31, 2022 and 2021:

($ in thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021	$ Change	% Change
Noninterest expense:				
Salaries and employee benefits	$ 27,189	$ 21,253	$ 5,936	27.9 %
Occupancy and equipment	5,964	5,213	751	14.4
Data processing and communication	2,085	2,000	85	4.3
Professional fees	1,620	1,192	428	35.9
FDIC insurance and regulatory assessments	813	583	230	39.5
Promotion and advertising	543	684	(141)	(20.6)
Directors' fees	682	593	89	15.0
Foundation donation and other contributions	3,393	2,890	503	17.4
Other expenses	2,541	1,457	1,084	74.4
Total noninterest expense	$ 44,830	$ 35,865	$ 8,965	25.0 %

Noninterest expense for the year ended December 31, 2022 was $44.8 million, compared with $35.9 million for the same period of 2021, an increase of $9.0 million, or 25.0%.

Salaries and employee benefits expense for the year ended December 31, 2022 was $27.2 million, compared to $21.3 million for the same period of 2021, an increase of $5.9 million, or 27.9%. The increase was primarily due to increased salaries as a result of additional employees to support continued growth of the Company. The average number of full-time equivalent employees was 207.2 in 2022 compared to 181.5 in 2021.

Professional fees for the year ended December 31, 2022 was $1.6 million, compared to $1.2 million for the same period of 2021, an increase of $428 thousand, or 35.9%. The increase was primarily due to increases in accounting fees and other consulting fees.

Occupancy and equipment expense for the year ended December 31, 2022 was $6.0 million, compared to $5.2 million for the same period of 2021, an increase of $751 thousand, or 14.4%. The increase was primarily due to a new branch opened in the first quarter of 2022 and increased equipment expense to support our continued growth.

Foundation donation and other contributions for the year ended December 31, 2022 were $3.4 million, compared to $2.9 million for the same period of 2021, an increase of $503 thousand, or 17.4%. The increase was primarily due to higher donation accruals for Open Stewardship Foundation as a result of higher net income.

Other expenses for the year ended December 31, 2022 were $2.5 million, compared to $1.5 million for the same period of 2021, an increase of $1.1 million, or 74.4%. The increase were primarily due to an increase in business development expense.

2021 Compared to 2020

The following table sets forth the major components of our noninterest expense for the years ended December 31, 2021 and 2020:

	Year Ended December 31,			
($ in thousands)	2021	2020	$ Change	% Change
Noninterest expense:				
Salaries and employee benefits	$ 21,253	$ 20,041	$ 1,212	6.0 %
Occupancy and equipment	5,213	4,974	239	4.8
Data processing and communication	2,000	1,682	318	18.9
Professional fees	1,192	1,101	91	8.3
FDIC insurance and regulatory assessments	583	449	134	29.8
Promotion and advertising	684	467	217	46.5
Directors' fees	593	700	(107)	(15.3)
Foundation donation and other contributions	2,890	1,335	1,555	116.5
Other expenses	1,457	1,191	266	22.3
Total noninterest expense	$ 35,865	$ 31,940	$ 3,925	12.3 %

Salaries and employee benefits expense for the year ended December 31, 2021 was $21.3 million, compared to $20.0 million for the year ended December 31, 2020, an increase of $1.2 million, or 6.0%. The increase was primarily due to a $1.3 million increase from an increase in the number of employees to support continued growth and a $1.3 million increase in employee incentives for higher SBA loan originations and sales in 2021, partially offset by a $1.3 million increase in deferred loan origination costs. The average number of full-time equivalent employees was 181.5 in 2021 compared to 171.3 in 2020. The increase in deferred loan costs was primarily attributable to the origination of 1,979 new SBA PPP Loans, in the year ended December 31, 2021, compared to 983 new SBA PPP loans in the year ended December 31, 2020.

Data processing and communication expense for 2021 was $2.0 million, compared to $1.7 million for 2020, an increase of $318 thousand, or 18.9%. This increase was primarily to support balance sheet growth.

Our aggregate donations to the Foundation and other charitable and community contributions for 2021 were $2.9 million, compared to $1.3 million for 2020, an increase of $1.6 million, or 116.5%. The increase was primarily due to higher donation accruals for Open Stewardship Foundation as a result of higher net income.

Income Tax Expense

Income tax expense was $9.6 million for the year ended December 31, 2023, compared to $13.4 million for the same period of 2022, primarily due to a $13.2 million or 28.3% decrease in income before income tax to $33.5 million in 2023 from $46.7 million for 2022. Effective tax rates were 28.6% and 28.7% for the years ended December 31, 2023 and 2022, respectively.

Income tax expense was $13.4 million for the year ended December 31, 2022, compared to $11.8 million for the same period of 2021. The increase was primarily due to higher tax provision as a result of higher net income. Effective tax rates were 28.7% and 29.1% for the years ended December 31, 2022 and 2021, respectively.

Some items of income and expense are recognized in different years for tax purposes than when applying GAAP, leading to timing differences between our actual tax liability and the amount accrued for liability based on book income. These temporary differences comprise the “deferred” portion of our tax expense or benefit, which accumulates on our books as a deferred tax asset or deferred tax liability, until such time as they reverse.

Realization of deferred tax assets is primarily dependent upon us generating sufficient future taxable income to obtain benefit from the reversal of net deductible temporary differences, along with the utilization of tax credit carry forwards and the net operating loss carry forwards for Federal and California state income tax purposes. The amount of deferred tax assets considered realizable is subject to adjustment in future periods based on estimates of future taxable income. Under GAAP a valuation allowance is required to be recognized if it is “more likely than not” that the deferred tax assets will not be realized. The determination of the realizability of the deferred tax assets is highly subjective and dependent upon judgment concerning management’s evaluation of both positive and negative evidence, including forecasts of future income, cumulative losses, applicable tax planning strategies, and assessments of current and future economic and business conditions.

We recognized net deferred tax assets of $14.3 million $13.3 million and $8.4 million $14.3 million as of December 31, 2022, December 31, 2023 and 2021, 2022, respectively.

After consideration of the matters in the preceding paragraph, we have determined that it is more likely than not that net deferred tax assets as of December 31, 2022 and 2021 December 31, 2023 will be fully realized in future years.

FINANCIAL CONDITION

Investment Portfolio

The securities portfolio is the second largest component of our interest earning assets, and the structure and composition of this portfolio is important to an analysis of our financial condition. The portfolio serves the following purposes: (i) it provides a source of pledged assets for securing certain deposits and borrowed funds, as may be required by law or by specific agreement with a depositor or lender; (ii) it provides liquidity to even out cash flows from the loan and deposit activities of customers; (iii) it can be used as an interest rate risk management tool, because it provides a large base of assets, the maturity and interest rate characteristics of which can be changed more readily than the loan portfolio to better match changes in the deposit base and our other funding sources; and (iv) it is an alternative interest-earning use of funds when loan 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 requires available-for-sale securities to be marked to fair value with an offset to accumulated other comprehensive income (loss), a component of shareholders' equity. Monthly adjustments are made to reflect changes in the fair value of our available-for-sale securities.

All securities in our investment portfolio were classified as available-for-sale as of December 31, 2022 December 31, 2023. There were no held-to-maturity or trading securities in our investment portfolio as of December 31, 2022 December 31, 2023. All available-for-sale securities are carried at fair value and consist of U.S. government agencies or sponsored agency securities and tax-exempt municipal securities.

Securities

The following table summarizes the fair value of the available-for-sale increased $59.4 million securities portfolio as of the dates presented:

($ in thousands)	December 31, 2023 Amortized Cost	December 31, 2023 Fair Value	December 31, 2023 Unrealized Loss	December 31, 2022 Amortized Cost	December 31, 2022 Fair Value	December 31, 2022 Unrealized Loss
U.S. Government agencies or sponsored agency securities:						
Residential mortgage-backed securities	$ 48,318	$ 43,877	$ (4,441)	$ 55,189	$ 49,764	$ (5,425)
Residential collateralized mortgage obligations	162,142	144,459	(17,683)	179,953	160,045	(19,908)
Municipal securities - tax exempt	5,726	5,914	188	—	—	—
Total available-for-sale debt securities	$ 216,186	$ 194,250	$ (21,936)	$ 235,142	$ 209,809	$ (25,333)

Available-for-sale debt securities decreased $15.6 million, or 39.5% 7.4%, to $194.3 million as of December 31, 2023 from $209.8 million at as of December 31, 2022 from $150.4 million at December 31, 2021, primarily due to purchases of $115.8 million, 24.4 million in principal paydowns, partially offset by principal paydowns purchases of $32.2 million and an increase $5.6 million in unrealized loss of $23.6 million tax exempt municipal securities for the year ended December 31, 2022 December 31, 2023. No issuer of the available-for-sale securities, other than U.S. Government and its agencies, comprised more than ten percent of our shareholders' equity as of December 31, 2022 December 31, 2023 and 2021.

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

($ in thousands)	December 31, 2022 Amortized Cost	December 31, 2022 Fair Value	December 31, 2022 Unrealized Loss	December 31, 2021 Amortized Cost	December 31, 2021 Fair Value	December 31, 2021 Unrealized Loss
U.S. Government agencies or sponsored agency securities:						
Residential mortgage-backed securities	$ 55,189	$ 49,764	$ (5,425)	$ 37,555	$ 37,412	$ (143)
Residential collateralized mortgage obligations	179,953	160,045	(19,908)	114,588	113,032	(1,556)
Total available-for-sale debt securities	$ 235,142	$ 209,809	$ (25,333)	$ 152,143	$ 150,444	$ (1,699)

2022.

Certain securities have fair values less than amortized cost and, therefore, contain unrealized losses. At December 31, 2022, we evaluated The unrealized losses were primarily attributable to interest rate movement, not credit quality. These securities (Fannie Mae, Ginnie Mae, and Freddie Mac) are guaranteed or sponsored by agencies of the U.S. government, and the issuers of the securities which had an are of high credit quality. We believe that the net unrealized loss for other than losses presented in the previous tables are temporary impairment ("OTTI") and determined all decline in value to be temporary. We anticipate no credit losses are expected. As a result, we expects full recovery collection of amortized cost with respect to the carrying amount of these securities, by maturity, or sooner in the event of a more favorable market interest rate environment. We do does not intend to sell the securities in an unrealized loss position, and it was more-likely-than-not we will not have to sell these securities and it is not more likely than not that we will be required prior to sell them before recovery of the amortized cost basis, which may be at maturity.

cost. Accordingly, for available-for-sale debt securities, we did not record an allowance for credit losses on January 1, 2023 and does not have allowance for credit losses as of December 31, 2023.

The following table sets forth certain information regarding contractual maturities and the weighted average yields of our investment securities as of the dates presented. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2022							
	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)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
U.S. Government agencies or sponsored agency securities:								
Residential mortgage-backed securities	$ —	— %	$ 933	2.25 %	$ 1,631	2.10 %	$ 52,625	2.27 %
Residential collateralized mortgage obligations	—	—	366	1.81	615	2.11	178,972	2.79
Total available-for-sale debt securities	$ —	— %	$ 1,299	2.13 %	$ 2,246	2.10 %	$ 231,597	2.67 %

	December 31, 2023					
			Due in One Year or Less		Due after One Year Through Five Years	
($ in thousands)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	
U.S. Government agencies or sponsored agency securities:						
Residential mortgage-backed securities						
Residential mortgage-backed securities	$ —	— %	$1,082	2.18 %	$ 640	
Residential collateralized mortgage obligations						
Municipal securities - tax exempt						
Total available-for-sale debt securities	$ —	—	— %	$ 1,334	2.11	2.11 %	$ 3,30

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

Loans

Our loans represent the largest portion of our earning assets, substantially greater than the securities portfolio or any other asset category, and the quality and diversification of the loan portfolio is an important consideration when reviewing our financial condition.

On May 24, 2021, the Company completed the purchase of the Hana's loan portfolio and paid approximately $97.6 million that included loans of $100.0 million at a fair value discount of $8.9 million, servicing assets of $6.1 million and accrued interest receivable of $398 thousand.

The following table summarizes the consideration paid for the loan portfolio and the amounts of assets purchased:

($ in thousands)		
Consideration		
Cash	$	97,631
Recognized amounts of identifiable assets purchased:		
Loans (1)	$	100,003
Loan discounts		(8,867)
Accrued interest receivable		398
Servicing assets		6,097
Total recognized identifiable assets	$	97,631

(1) Consists of $92.2 million of SBA loans, $6.9 million PPP loans and $919 thousand of real estate loans.

The loan distribution table that follows sets forth our gross loans outstanding, and the percentage distribution in each category as of the dates indicated:

		December 31, 2022		December 31, 2021										
		December 31, 2023												
		December 31, 2023												
		December 31, 2023									December 31, 2022			
($ in thousands)	($ in thousands)	Amount	% of Total	Amount	% of Total	($ in thousands)	Amount		% of Total		Amount		% of Total	
Commercial real estate	Commercial real estate	$ 842,208	50.1 %	$ 701,450	53.3 %	Commercial real estate	$ 885,585	50.2	50.2	%	$ 842,208	50.1	50.1	%
SBA loan - real estate		221,340	13.2	220,099	16.8									
SBA loan - non-real estate		13,377	0.8	55,759	4.2									
SBA—real estate														
SBA—non-real estate														
Commercial and industrial	Commercial and industrial	116,951	7.0	162,543	12.4									
Home mortgage	Home mortgage	482,949	28.8	173,303	13.2									
Consumer	Consumer	1,467	0.1	865	0.1									
Gross loans receivable	Gross loans receivable	1,678,292	100.0 %	1,314,019	100.0 %	Gross loans receivable	1,765,845	100.0	100.0	%	1,678,292	100.0	100.0	%
Allowance for loan losses		(19,241)		(16,123)										
Allowance for credit losses														
Loans receivable, net(1)														
Loans receivable, net(1)														
Loans receivable, net (1)	Loans receivable, net (1)	$1,659,051		$1,297,896										

(1) Includes net deferred loan fees or costs and unamortized premiums of $140 thousand and unaccreted discounts of $160 thousand and $7.0 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Gross loans increased $364.3 million $87.6 million, or 27.7% 5.2%, to $1.77 billion as of December 31, 2023, compared to $1.68 billion as of December 31, 2022, compared to $1.31 billion as of December 31, 2021. The increase was primarily attributable to new loan production of $661.8 million and home mortgage loan purchases of $225.1 million $374.5 million, partially offset by loan payoffs and paydowns of $254.8 million and SBA loan sales of $182.3 million $213.8 million.

The following tables presents the contractual loan maturities by loan category and the contractual distribution of loans to changes in interest rates as of December 31, 20221 December 31, 2023 and 2021: 2022:

	December 31, 2022		
	Due in One Year or Less	Due after One Year Through Five Years	Due after Five Years

($ in thousands)	Fixed Rate		Adjustable Rate	Fixed Rate		Adjustable Rate	Fixed Rate		Adjustable Rate		Total
Commercial real estate	$	27,735	$ 33,894	$	387,902	$ 116,088	$	248,812	$ 27,777	$	842,208
SBA loans—real estate		—	—		—	34		—	221,306		221,340
SBA loan—non- real estate		—	75		442	3,964		—	8,896		13,377
Commercial and industrial		8,905	27,917		1,611	28,082		31,185	19,251		116,951
Home mortgage		—	—		—	—		465,749	17,200		482,949
Consumer		—	1,136		—	331		—	—		1,467
Gross loans	$	36,640	$ 63,022	$	389,955	$ 148,499	$	745,746	$ 294,430	$	1,678,292

December 31, 2021

Due in One Year or Less | Due after One Year Through Five Years | Due after Five Years

December 31, 2023

December 31, 2023

December 31, 2023

Due in One Year or Less

($ in thousands)

($ in thousands)

($ in thousands)	($ in thousands)	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Total
Commercial real estate	Commercial real estate	$32,142	$ 64,919	$317,631	$ 116,053	$132,727	$ 37,978	$ 701,450
SBA loans—real estate		—	—	—	42	395	219,662	220,099
SBA loan—non- real estate		612	128	39,995	5,147	—	9,877	55,759
SBA—real estate								
SBA—non- real estate								
Commercial and industrial	Commercial and industrial	13,886	66,111	193	43,207	22,885	16,261	162,543
Home mortgage	Home mortgage	—	—	—	—	154,864	18,439	173,303
Consumer	Consumer	—	216	—	649	—	—	865
Gross loans	Gross loans	$46,640	$ 131,374	$357,819	$ 165,098	$310,871	$ 302,217	$1,314,019

Fixed Rate | Adjustable Rate | Fixed Rate | Adjustable Rate | Fixed Rate | Adjustable Rate | Total

	December 31, 2022						
	Due in One Year or Less		Due after One Year Through Five Years		Due after Five Years		
($ in thousands)	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Total
Commercial real estate	$ 27,735	$ 33,894	$ 387,902	$ 116,088	$ 248,812	$ 27,777	$ 842,208
SBA—real estate	—	—	—	34	—	221,306	221,340
SBA—non- real estate	—	75	442	3,964	—	8,896	13,377
Commercial and industrial	8,905	27,917	1,611	28,082	31,185	19,251	116,951
Home mortgage	—	—	—	—	465,749	17,200	482,949
Consumer	—	1,136	—	331	—	—	1,467
Gross loans	$ 36,640	$ 63,022	$ 389,955	$ 148,499	$ 745,746	$ 294,430	$ 1,678,292

Our loan portfolio is concentrated in commercial real estate, with the remaining which includes unguaranteed balances in SBA loans, (unguaranteed portion and PPP loans), home mortgage and commercial (primarily manufacturing, wholesale, and services oriented entities). We do not have any material concentrations by industry or group of industries in the loan portfolio.

However, 92.1% 92.2% of our gross loans were secured by real property as of December 31, 2022 December 31, 2023, compared to 83.3% 92.1% as of December 31, 2021 December 31, 2022.

Loans — Commercial Real Estate: We have established concentration limits in the loan portfolio for commercial real estate loans, commercial and industrial loans, and unsecured lending, among others. All loan types are within established limits. We use underwriting guidelines to assess the borrowers' historical cash flow to determine debt service, and we further stress test the debt service under higher interest rate scenarios. Financial and performance covenants are used in commercial lending agreements to allow us to react to a borrower's deteriorating financial condition, should that occur.

Commercial real estate loans include owner-occupied and non-occupied commercial real estate. We originate both fixed and adjustable rate loans. Adjustable rate loans are based on the *Wall Street Journal* prime rate. Our commercial real estate loan portfolio totaled $842.2 million at December 31, 2022 $885.6 million as of December 31, 2023 compared to $701.5 million at December 31, 2021 $842.2 million as of December 31, 2022. During the year ended December 31, 2022 December 31, 2023, we originated $200.1 million $103.3 million of commercial real estate loans. As of December 31, 2022 December 31, 2023, approximately 78.9% 76.1% of the commercial real estate portfolio consisted of fixed-rate loans. Our policy maximum loan-to-value, or LTV, is 70% for commercial real estate loans. As of December 31, 2022 December 31, 2023, our average loan to value for commercial real estate loans was 51% 50.7%.

Loans — SBA Loans: We are designated as an SBA Preferred Lender under the SBA Preferred Lender Program. We offer mostly SBA 7(a) variable-rate loans. We generally sell the 75% guaranteed portion of the SBA loans that we originate. Our SBA loans are typically made to small-sized manufacturing, wholesale, retail, hotel/motel and service businesses for working capital needs or business expansions. SBA loans have maturities up to 25 years. Typically, non-real estate secured loans mature in less than 10 years. Collateral may also include inventory, accounts receivable and equipment, and may include personal guarantees. Our unguaranteed SBA loans collateralized by real estate are monitored by collateral type and included in our commercial real estate Concentration Guidance.

As of December 31, 2022 December 31, 2023, our SBA portfolio totaled $234.7 million $239.7 million, including $442 thousand of SBA PPP loans, compared to $275.9 million, including $40.6 million of SBA PPP loans $234.7 million as of December 31, 2021 December 31, 2022. We originated $192.1 million $141.5 million for the year ended December 31, 2022 December 31, 2023. We sold SBA loans of $181.9 million $145.0 million with 7.45% average premium and $110.3 million with 11.04% a 6.65% average premium during the years year ended December 31, 2022 and 2021, respectively. December 31, 2023.

From our total SBA loan portfolio, $221.3 million $224.7 million is secured by real estate and $13.4 million $15.0 million is unsecured or secured by business assets as of December 31, 2022 December 31, 2023.

Loans — Commercial and Industrial: Commercial and industrial loans totaled $121.0 million as of December 31, 2023, compared to $117.0 million as of December 31, 2022, compared to $162.5 million as of December 31, 2021. We originated $115.1 million $63.3 million for the year ended December 31, 2022 December 31, 2023.

Loans - Home Mortgage: We originate mainly non-qualified, alternative documentation single-family home mortgage loans ("home mortgage") primarily through our retail branch network and our correspondent lender network. The primary loan product is a five-year or seven-year hybrid adjustable rate mortgage, which reprices after five years to a selected SOFR plus certain spreads. We also purchase residential mortgage loans from third party mortgage originators based on the review of their underwriting and file quality as opportunities arise.

Home mortgage loans totaled $518.0 million as of December 31, 2023, compared to $482.9 million as of December 31, 2022, compared to $173.3 million as of December 31, 2021. For the year ended December 31, 2022 December 31, 2023, we originated $150.2 million $65.0 million of home mortgage loans and purchased $185.8 million $11.2 million of home mortgage loans from third party mortgage originators.

Loan Servicing

As of December 31, 2022, 2021 December 31, 2023 and 2020, 2022, we serviced $707.4 and $702.1 million, $667.0 million and $388.8 million, respectively, of SBA loans for others. Activity for loan servicing rights was as follows:

		Year Ended December 31,			Year Ended December 31 Year Ended December 31 Year Ended December 31			
($ in thousands)	($ in thousands)	2022	2021	2020	($ in thousands)	2023	2022	2021
Beginning balance	Beginning balance	$ 12,720	$ 7,360	$ 7,024				

Additions from loans sold with servicing retained	Additions from loans sold with servicing retained	4,424	2,799	2,073
Additions from purchase of servicing rights	Additions from purchase of servicing rights	—	6,097	—
Amortized to expense	Amortized to expense	(4,385)	(3,536)	(1,737)
Ending balance	Ending balance	$ 12,759	$ 12,720	$ 7,360

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

Allowance for Loan Credit Losses

We 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. We 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. We 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 loans. We did not record an allowance for credit losses on our 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.

We employ 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, we elected not to consider accrued interest receivable in its estimated credit losses because we write off uncollectible accrued interest receivable in a timely manner. We consider writing off accrued interest amounts once the amounts become 90 days past due to be considered within a timely manner. We have elected to write off accrued interest receivable by reversing interest income. We use 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. We incorporate future economic conditions using a weighted multiple scenario approach: baseline and adverse. We apply 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. Additionally, we aggregated loan portfolio based on similar risk characteristic. We elected to use the Call Report codes and loan risk ratings for loan segmentation in allowance for credit losses.

The allowance for loan credit losses is an sensitive to numerous factors, including unemployment rate forecasts, change in asset quality, prepayment rates, and real estate indices. Given the dynamic relationship between these factors within our model, it is difficult to estimate the impact of probable incurred losses any one factor or input on the allowance for credit losses. Changes in the loan portfolio. Loans are charged-off against factors and inputs considered may not occur at the same rate and may not be consistent across all geographies or product types. Additionally, changes in factors and input may be discretionally inconsistent, such that improvement in one factor may offset deterioration in others. However, to provide additional context regarding the sensitivity of the allowance when management believes for credit losses to changes in key variable, we used the following assumptions in a sensitivity analysis of our allowance for credit losses: unemployment rate forecast based on supervisory severely adverse scenario, 0% prepayment rates, loan balance is uncollectible. Subsequent recoveries, if any, are credited risk grade changes of commercial real estate and commercial and industrial loan portfolio in worst case scenario based on our history, and applying a 100% weighting to severely adverse scenario.

The analysis demonstrates the sensitivity to the allowance for credit losses to key quantitative assumptions and it is not intended to estimate changes in the overall allowance for credit losses and it does not capture all the potential unknown variables that could arise in the forecast period, but it provides an approximation of a possible outcome under hypothetical severe conditions.

In order to quantify the credit risk impact of other trends and changes within the loan losses. Management's methodology for estimating portfolio, we utilize qualitative adjustments to the modeled estimated loss approaches. Included in the qualitative portion of our analysis of the allowance balance consists for credit losses are key inputs including GDP, unemployment rates, interest rates, asset quality ratios, loan portfolio concentration, California house price index and commercial real estate price index. The parameters for making adjustments are established under a Credit Risk Matrix that provides different possible scenarios for each of several key elements, 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 include specific allowances are patterned after the guidelines provided under the Federal Financial Institutions Examination Council Interagency Policy Statement on individual impaired 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 formula driven allowances on pools 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.

We segment loans primarily by Call Report codes (collateral type) and loan risk ratings, considering that the same type of loans with share considerable similar risk characteristics. Allocations For loans that do not share similar risk characteristics such as nonaccrual loans above $500 thousand, we evaluate 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. We elected to collectively assess nonaccrual loans with balances below $500 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 may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance for loan credit losses is determined on a quarterly basis and reflects management's estimate of probable incurred credit losses inherent in the loan portfolio. We also rely on internal and external loan review procedures to further assess individual loans and loan pools, and economic data for overall industry and geographic trends. The computation includes element of judgment and high levels of subjectivity.

A loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans include loans on non-accrual status and performing restructured loans. Income from loans on non-accrual status is recognized to the extent cash is received and when the loan's principal balance is deemed collectible. Depending on a particular loan's circumstances, we measure impairment of a loan based upon measured using either 1) the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, rate; or 2) the fair value of the collateral, less estimated costs to sell if the loan is collateral dependent. A loan is considered collateral dependent when repayment of collateral-dependent. For the loan is based solely on the liquidation of the collateral. Fair value, where possible, is determined by independent appraisals, typically on an annual basis. Between collateral-dependent loans, we obtain a new appraisal periods, to determine the fair value may be adjusted of collateral. The appraisals are based on specific events, such as if deterioration of quality of the collateral comes to our attention as part of our problem loan monitoring process, or if discussions with the borrower lead us to believe the last an "as-is" valuation. To ensure that appraised value no longer reflects the actual market value for the collateral. The impairment amount on values remain current, we obtain updated appraisals every twelve months from a collateral-dependent loan is charged-off to the allowance if deemed not collectible and the impairment amount on a loan that is not collateral-dependent is set up as a specific reserve.

In cases where a borrower experiences financial difficulties and we make certain concessionary modifications to contractual terms, the loan is classified as a troubled debt restructuring. These concessions may include a reduction of the interest rate, principal or accrued interest, extension of the maturity date or other actions intended to minimize potential losses. Loans restructured at a rate equal to or greater than that of a new loan with comparable risk at the time the loan is modified may be excluded from restructured loan disclosures in years subsequent to the restructuring if the loans are in compliance with their modified terms. A restructured loan is considered impaired despite its accrual status and a specific reserve is calculated based on the present value of expected cash flows discounted at the loan's effective interest rate or qualified independent appraiser. If the fair value of the collateral is less estimated costs to sell if than the amortized balance of the loan, we recognize an allowance for credit losses with a corresponding charge to the provision for credit losses.

Collateral-dependent loans are loans where repayment is expected to be provided solely by the sale of the underlying collateral dependent. Interest income and there are no other available and reliable sources of repayment. The estimated credit losses for these loans are based on impaired 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 December 31, 2023, there were $5.2 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 December 31, 2023 was $355 thousand.

The following table represents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2023, for which repayment is accrued expected to be obtained through the sale of the underlying collateral.

($ in thousands)	Hotel / Motel	Single-Family Residential	Total
As of December 31, 2023			
SBA—real estate	$ 2,923	$ —	$ 2,923
Home mortgage	—	2,241	2,241
Total	$ 2,923	$ 2,241	$ 5,164

We maintain a separate allowance for credit losses for off-balance sheet commitments. We use an estimated funding rate to allocate an allowance to undrawn exposures. This funding rate is used as earned, unless the loan a credit conversion factor to capture how much undrawn lines of credit can potentially become drawn at any point. The funding rate is placed determined based on non-accrual status. a look-back period of 8 quarters. Credit loss is not estimated for off-balance sheet commitments that are unconditionally cancellable by us.

The allowance for loan credit losses was $19.2 million at December 31, 2022 $22.0 million as of December 31, 2023, compared to $16.1 million at December 31, 2021 $19.2 million as of December 31, 2022. The $1.7 million provision for loan of credit losses was $3.0 million recorded for the twelve months year ended December 31, 2022 December 31, 2023, compared to $522 thousand provision for credit losses of $3.0 million for the same period in 2021. The $3.0 million in provision for loan losses was primarily due to an increase of $5.8 million in quantitative reserves from loan growth in real estate and home mortgage loans, partially offset by a decrease of $2.8 million in qualitative assessments of our loan portfolio. The changes in qualitative factors were primarily due to improvements in economic conditions and commercial real estate concentration.

In determining the allowance and the related provision for loan losses, we consider three principal elements: (i) valuation allowances based upon probable losses identified during the review of impaired commercial and industrial, commercial real estate, construction and land development loans; (ii) allocations, by loan classes, on loan portfolios based on historical loan loss experience and qualitative factors; and (iii) review of the credit discounts in relationship to the valuation allowance calculated for purchased loans. Provisions for loan losses are charged to operations to record changes to the total allowance to a level deemed appropriate by us.

It is the policy of management to maintain the allowance for loan losses at a level adequate for risks inherent in the loan portfolio. The FDIC and the DFPI also review the allowance for loan losses as an integral part of their examination process. Based on information currently available, management believes that our allowance for loan losses is adequate. However, the loan portfolio can be adversely affected if California economic conditions and the real estate market in our market area were to weaken. The effect of such events, although uncertain at this time, could result in an increase in the level of nonperforming loans and increased loan losses, which could adversely affect our future growth and profitability. No assurance of the ultimate level of credit losses can be given with any certainty. 2022.

Analysis of the Allowance for Loan Credit Losses

The following table provides an analysis of the allowance for loan credit losses, provision for loan credit losses and net charge-offs, by category, for the years year ended December 31, 2022 December 31, 2023, 2021, 2022 and 2020: 2021:

Year Ended December 31, 2022

As of and for the Year Ended December 31, 2023

As of and for the Year Ended December 31, 2023

As of and for the Year Ended December 31, 2023

($ in thousands)	($ in thousands)	Beginning	(Reversal) Provision (1)	Charge-offs	Recoveries	Ending
Commercial real estate	Commercial real estate	$ 8,150	$ (1,199)	$ —	$ —	$ 6,951
SBA loans—real estate		2,022	(409)	(14)	8	1,607
SBA loan—non- real estate		199	66	(127)	69	207
SBA—real estate						
SBA—non- real estate						
Commercial and industrial	Commercial and industrial	2,848	(1,205)	—	—	1,643
Home mortgage	Home mortgage	2,891	5,935	—	—	8,826
Consumer	Consumer	13	(7)	—	1	7
Total	Total	$ 16,123	$ 3,181	$ (141)	$ 78	$ 19,241
Gross loans (2)						$1,678,292
Allowance for loan losses to gross loans						1.15 %
Average loans (2)						$1,509,067
Net (recoveries) charge-offs to average gross loans						0.00 %
Gross loans(1)						
Allowance for credit losses to gross loans						
Average loans(1)						
Net (charge-offs) recoveries to average gross loans(2)						

($ in thousands)	Beginning	Impact of CECL Adoption	Provision (Reversal)	Net (Charge-offs) Recoveries	Ending
Allowance for credit losses to gross loans					1.25 %
Net (charge-offs) recoveries to average gross loans(2)					(0.04)%

		Year Ended December 31, 2021				
		As of and for the Year Ended December 31, 2022				
		As of and for the Year Ended December 31, 2022				
		As of and for the Year Ended December 31, 2022				
($ in thousands)	($ in thousands)	Beginning	(Reversal) Provision (1)	Charge-offs	Recoveries	Ending
Commercial real estate	Commercial real estate	$ 8,505	$ (355)	$ —	$ —	$ 8,150
SBA loans—real estate		1,802	279	(59)	—	2,022
SBA loan—non- real estate		278	54	(136)	3	199
SBA—real estate						
SBA—non- real estate						
Commercial and industrial	Commercial and industrial	2,563	285	—	—	2,848
Home mortgage	Home mortgage	2,185	706	—	—	2,891
Consumer	Consumer	19	(10)	—	4	13
Total	Total	$ 15,352	$ 959	$ (195)	$ 7	$ 16,123
Gross loans (2)						$1,314,019
Gross loans(1)						
Allowance for loan losses to gross loans	Allowance for loan losses to gross loans					1.23 %
Average loans (2)						$1,200,367
Net (recoveries) charge-offs to average gross loans						0.02 %
Average loans(1)						
Net (charge-offs) recoveries to average gross loans(2)						

($ in thousands)	Beginning	Provision (Reversal)	Net (Charge-offs) Recoveries	Ending
Allowance for loan losses to gross loans				1.15 %
Net (charge-offs) recoveries to average gross loans(2)				0.00 %

		Year Ended December 31, 2020				
		As of and for the Year Ended December 31, 2021				
		As of and for the Year Ended December 31, 2021				
		As of and for the Year Ended December 31, 2021				
($ in thousands)	($ in thousands)	Beginning	Provision (Reversal)(1)	Charge-offs	Recoveries	Ending
Commercial real estate	Commercial real estate	$ 6,000	$ 2,505	$ —	$ —	$ 8,505
SBA loans—real estate		939	863	—	—	1,802
SBA loan—non- real estate		121	174	(45)	28	278
SBA—real estate						
SBA—non- real estate						
Commercial and industrial	Commercial and industrial	1,289	1,274	—	—	2,563
Home mortgage	Home mortgage	1,667	518	—	—	2,185

($ in thousands)	Beginning	Provision (Reversal)	Net (Charge-offs) Recoveries	Ending

Consumer	Consumer	34	(16)	—	1	19
Total	Total	$ 10,050	$ 5,318	$ (45)	$ 29	$ 15,352
Gross loans (2)						$1,099,736
Gross loans(1)						
Allowance for loan losses to gross loans	Allowance for loan losses to gross loans					1.40 %
Average loans (2)						$1,038,387
Net (recoveries) charge-offs to average gross loans						0.00 %
Average loans(1)						
Net (charge-offs) recoveries to average gross loans(2)						

Allowance for loan losses to gross loans	1.23 %
Net (charge-offs) recoveries to average gross loans(2)	(0.02)%

(1) Excludes (reversal of) provision for uncollectible accrued interest receivable of $(205) thousand, $(438) thousand, and $643 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

(2) Excludes loans held for sale.

(2) Annualized.

The following table presents an allocation of the allowance for loan credit losses by portfolio as of December 31, 2022 December 31, 2023 and 2021:

($ in thousands)	December 31, 2022 Amount	December 31, 2022 % to Total	December 31, 2021 Amount	December 31, 2021 % to Total
Commercial real estate	$ 6,951	36.1 %	$ 8,150	50.5 %
SBA loans—real estate	1,607	8.4	2,022	12.5
SBA loan—non- real estate	207	1.1	199	1.2
Commercial and industrial	1,643	8.5	2,848	17.7
Home mortgage	8,826	45.9	2,891	17.9
Consumer	7	—	13	0.1
Total	$ 19,241	100.0 %	$ 16,123	100.0 %

2022:

($ in thousands)	December 31, 2023 Amount	December 31, 2023 % to Total	December 31, 2022 Amount	December 31, 2022 % to Total
Commercial real estate	$ 7,915	36.0 %	$ 6,951	36.1 %
SBA—real estate	1,657	7.5	1,607	8.4
SBA—non- real estate	147	0.7	207	1.1
Commercial and industrial	1,215	5.5	1,643	8.5
Home mortgage	11,045	50.2	8,826	45.9
Consumer	14	0.1	7	—
Total	$ 21,993	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 may remain on accrual status between 30 days and 90 days past due. Loans on which the accrual of interest has been discontinued are designated as non-accrual loans. Typically, the accrual of interest on loans is discontinued when principal or interest payments are 90 days past due or when, in the opinion of management, there is a reasonable doubt as to collectability in the normal course of business. When loans are placed on non-accrual status, all interest previously accrued, but not collected, is reversed against current period interest income. Income on non-accrual loans is subsequently recognized only to the extent that cash is received, and the loan's principal balance is deemed collectible. Loans are restored to accrual status when 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 basis and accruing restructured loans. Nonperforming assets consist of nonperforming loans plus OREO. other real estate owned ("OREO").

Nonperforming loans were $3.1 million at December 31, 2022 $6.1 million as of December 31, 2023, compared to $3.2 million at December 31, 2021. As $2.0 million as of December 31, 2022 and 2021, nonaccrual. Nonperforming loans of $1.0 million and $1.0 million, respectively were excluded the guaranteed portion of SBA loans. loans of $2.0

million and $1.0 million as of December 31, 2023 and 2022, respectively.

Real estate we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as OREO until sold, and is initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. We had no OREO as of December 31, 2022 December 31, 2023 and 2021. 2022.

The following table sets forth the allocation of our nonperforming assets among our different asset categories as of the dates indicated. Nonperforming loans include non-accrual loans, loans past due 90 days or more and still accruing interest, and loans modified under troubled debt restructurings.

		December 31,				
		December 31,				
		December 31,				
		December 31,				
($ in thousands)	($ in thousands)	2022	2021	($ in thousands)	2023	2022
Nonaccrual loans	Nonaccrual loans	$2,639	$3,000			
Past due loans 90 days or more and still accruing	Past due loans 90 days or more and still accruing	442	200			
Accruing troubled debt restructured loans		—	—			
Total nonperforming loans		3,081	3,200			
Other real estate owned		—	—			
Total nonperforming loans(1)						
OREO						
Total nonperforming assets	Total nonperforming assets	$3,081	$3,200			
Nonperforming loans to gross loans	Nonperforming loans to gross loans	0.18 %	0.24 %	Nonperforming loans to gross loans	0.34 %	0.12 %
Nonperforming assets to total assets	Nonperforming assets to total assets	0.15 %	0.19 %	Nonperforming assets to total assets	0.28 %	0.10 %
Allowance for loan losses to nonperforming loans		625 %	504 %			
Allowance for credit losses to nonperforming loans				Allowance for credit losses to nonperforming loans	362 %	946 %

(1) Excludes guaranteed portion of SBA loans of $2.0 million and $1.0 million as of December 31, 2023 and 2022, respectively.

Deposits and Other Sources of Funds

We gather deposits primarily through our branch locations. We offer a variety of deposit products including demand deposits accounts, interest-bearing products, savings accounts and certificate of deposits. We dedicate continuing effort into gathering noninterest demand deposits accounts through marketing to our existing and new loan customers, customer referrals, our marketing staff and various involvement with community networks.

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

		As of December 31,										
		2022		2021		2020						
		December 31, 2023										
		December 31, 2023									December 31, 2022	
		December 31, 2023										
($ in thousands)	($ in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	($ in thousands)	Amount	Percent	Amount	Percent
Noninterest-bearing demand	Noninterest-bearing demand	$ 701,584	37.2 %	$ 774,754	50.5 %	$ 522,754	43.6 %	Noninterest-bearing demand	$ 522,751	28.9 28.9 %	$ 701,584	37.2 37.2 %

Interest-bearing:	Interest-bearing:													
Money market and others	Money market and others	526,321	27.9	380,226	24.8	328,323	27.4							
Time deposits (more than $250,000)		356,197	18.9	207,288	13.5	200,210	16.7							
Time deposits ($250,000 or less)		301,669	16.0	171,798	11.2	148,803	12.4							
Money market and others														
Money market and others														
Time deposits (more than $250)														
Time deposits ($250 or less)														
Total interest-bearing	Total interest-bearing	1,184,187	62.8	759,312	49.5	677,336	56.4							
Total deposits	Total deposits	$1,885,771	100.0 %	$1,534,066	100.0 %	$1,200,090	100.0 %	Total deposits	$1,807,558	100.0	100.0 %	$ 1,885,771	100.0	100.0 %

The following tables set forth the maturity of time deposits as of December 31, 2022 December 31, 2023:

		Maturity Within:										
		Maturity Within:										
		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	Total
Time deposits (more than $250)	Time deposits (more than $250)	$ 82,676	$26,156	$245,076	$ 2,289	$356,197						
Time deposits ($250 or less)	Time deposits ($250 or less)	36,551	50,759	189,324	25,035	301,669						
Total time deposits	Total time deposits	$119,227	$76,915	$434,400	$27,324	$657,866						

Other than deposits, we also utilized FHLB advances as a supplementary funding source to finance our operations. The advances from the FHLB are collateralized by residential and commercial real estate loans. As of December 31, 2022 December 31, 2023 and 2021, 2022, we had maximum borrowing capacity from the FHLB of $582.8 million $655.9 million and $417.6 million $582.8 million, respectively. We had $105.0 million borrowings from FHLB as of December 31, 2023 and no borrowing from FHLB as of December 31, 2022. The Company had estimated uninsured deposits of $1.14 billion, or 63.3% of total deposits, and 2021. $1.14 billion, or 60.3% of total deposits, as of December 31, 2023 and 2022, respectively.

Liquidity and Capital Recourses Resources

Liquidity refers to the measure of our ability to meet the cash flow requirements of depositors and borrowers, while at the same time meeting our operating, capital and strategic cash flow needs, all at a reasonable cost. We continuously monitor our liquidity position to ensure that assets and liabilities are managed in a manner that will meet all short-term and long-term cash requirements. We manage our liquidity position to meet the daily cash flow needs of customers, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of our shareholders. Our short-term and long-term liquidity requirements are primarily met through cash flow from operations, redeployment of prepaying and maturing balances in our loan and investment portfolios, and increases in customer deposits. Other alternative sources of funds will supplement these primary sources to the extent necessary to meet additional liquidity requirements on either a short-term or long-term basis.

Deposits are the primarily primary funding source for the Bank. Deposits provide a stable source of funding and reduce the Company's our reliance on the wholesale funding markets. The following table presents the loan and deposit balances, the loans-to-deposit ratios, and deposits as a percentage of total liabilities as of dates presented: December 31, 2023 and 2022:

As of December 31,
December 31,

		December 31,				
		December 31,				
($ in thousands)	($ in thousands)	2022	2021	($ in thousands)	2023	2022
Deposits	Deposits	$1,885,771	$1,534,066			
Deposits as a % of total liabilities	Deposits as a % of total liabilities	98.3 %	98.2 %	Deposits as a % of total liabilities	92.5 %	98.3 %
Loans, net	Loans, net	$1,659,051	$1,297,896			
Loans-to-deposits ratio	Loans-to-deposits ratio	88.0 %	84.6 %	Loans-to-deposits ratio	96.5 %	88.0 %

In addition to deposits, the Company has we have access to various sources of wholesale funding, as well as borrowing capacity at the FHLB, Federal Reserve, and correspondent banks to sustain an adequate liquid asset portfolio, meet daily cash demands and allow management flexibility to execute the business strategy. Economic conditions and the stability of capital markets impact the access to and the cost of wholesale funding. The access to 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 December 31, 2022 December 31, 2023 and 2021. 2022. In addition, on such dates we had lines of credit from the Federal Reserve discount window of $175.6 million $183.0 million and $141.6 million.. $175.6 million, respectively. The Federal Reserve discount window lines were collateralized by a pool of commercial real estate loans and commercial and industrial loans totaling $254.7 million $251.0 million and $240.6 million $254.7 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. We did not have any borrowings outstanding with the Federal Reserve as of December 31, 2022 December 31, 2023 or 2021, December 31, 2022, and our borrowing capacity is limited only by eligible collateral.

Based on the values of loans pledged as collateral, we had $440.4 million $363.6 million of additional borrowing availability with the FHLB as of December 31, 2022 December 31, 2023. We also maintain relationships in the capital markets with brokers to issue certificates of deposit and money market accounts.

The Company maintains We maintain ample access to liquidity, in the form of cash including highly liquid assets on our balance sheet and cash equivalents, and unencumbered high-quality and liquid AFS debt securities. available unused borrowings from other financial institutions. The following table presents the Company's our liquid assets and available borrowings as of dates presented: December 31, 2023 and 2022:

		As of December 31,					
($ in thousands)	($ in thousands)	2022	2021				
($ in thousands)							
($ in thousands)					December 31, 2023	December 31, 2022	% Change
Liquid assets:							
Cash and cash equivalents							
Cash and cash equivalents							
Cash and cash equivalents	Cash and cash equivalents	$ 82,972	$115,459		$ 91,216	$ $ 82,972	9.9 9.9 %
AFS debt securities	AFS debt securities	209,809	150,444				
Total liquid assets		$292,781	$265,903				
Liquid assets				Liquid assets	$ 285,466	$ 292,781	(2.5) %
Liquid assets to total deposits							
Available borrowings:							
Available borrowings:							
Available borrowings:							
FHLB							
FHLB							

FHLB		$ 363,615	$ 440,358	(17.4) %
Federal Reserve Bank				
Pacific Coast Bankers Bank				
Zions Bank				
First Horizon Bank				
Total available borrowings	Total available borrowings	$ 646,604	$ 715,913	(9.7) %
Total available borrowings to total deposits				
Liquid assets and available borrowings to total deposits				
Liquid assets and available borrowings to total deposits				
Liquid assets and available borrowings to total deposits				

The following tables summarizes short- and long-term material cash requirements as of December 31, 2022 December 31, 2023, which we believe that we will be able to fund these obligations through cash generated from our operations and available alternative sources of funds:

Material Cash Requirements

Material Cash Requirements

Material Cash Requirements

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**
Deposits (2)		$630,543	$26,822	$ 501	$ —	$ 1,227,905	$1,885,771
Deposits(1)							
Operating lease commitments	Operating lease commitments	2,467	4,077	3,857	3,473	—	13,874
Advances from FHLB(2)							
Commitments to fund investment for Low Income Housing Tax Credit	Commitments to fund investment for Low Income Housing Tax Credit	3,793	4,437	45	362	111	8,748
Total contractual obligations	Total contractual obligations	$636,803	$35,336	$4,403	$3,835	$ 1,228,016	$1,908,393

($ in thousands)	**Within One Year**	**One to Three Years**	**Three to Five Years**	**After Five Years**	**Indeterminable maturity(1)**	**Total**

(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 the Company us impact liquidity. These include unused commitments to extend credit, standby letters of credit and commercial letters of credit. Since many of these commitments expire without being drawn upon, and each customer must continue to meet the conditions established in the contract, the total amount of these commercial commitments does not necessarily represent the future cash requirements of the Company. The Company's us. Our liquidity sources have been, and are expected to be, sufficient to meet the cash requirements of its lending activities, Information about the Company's our loan commitments, standby letters of credit and commercial letters of credit is provided in Note 10. Commitments and Contingencies to the Consolidated Financial Statements in this Form 10-K.

Capital Requirements

We are subject to various regulatory capital requirements administered by the federal and state banking regulators. Failure to meet regulatory capital requirements may result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for “prompt corrective action”, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting policies. The capital amounts and classifications are subject to qualitative judgments by the federal banking regulators regarding components, risk weightings and other factors. Qualitative measures established by regulation to ensure capital adequacy required us to maintain minimum amounts and various ratios of CET1 capital, Tier 1 capital and total capital to risk-weighted assets and of Tier 1 capital to average consolidated assets, referred to as the “leverage ratio.”

The table below also summarizes the capital requirements applicable to us and the Bank in order to be considered “well-capitalized” from a regulatory perspective, as well as our and the Bank’s capital ratios as of December 31, 2022 December 31, 2023 and 2021. 2022. The Bank exceeded all regulatory capital requirements under the Basel III Capital Rules and were considered to be “well-capitalized” as of the dates reflected in the table below. As of December 31, 2022 December 31, 2023, the FDIC categorized us as well-capitalized under the prompt corrective action framework. There have been no conditions or events since December 31, 2022 December 31, 2023 that management believes would change this classification.

As of December 31, 2022		Actual (1)		Regulatory Capital Ratio Requirements		Minimum to be Considered "Well Capitalized"		Regulatory Capital Ratio Requirements, including fully phased in Capital Conservation Buffer	
($ in thousands)	($ in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	Total capital (to risk-weighted assets)								
Consolidated	Consolidated	$213,862	13.06 %	N/A	N/A	N/A	N/A	N/A	N/A
Bank	Bank	211,981	12.94 %	$131,020	8.00 %	$163,775	10.00 %	$171,964	10.50 %
Tier 1 capital (to risk-weighted assets)	Tier 1 capital (to risk-weighted assets)								
Consolidated	Consolidated	194,358	11.87 %	N/A	N/A	N/A	N/A	N/A	N/A
Bank	Bank	192,477	11.75 %	98,265	6.00	131,020	8.00	139,209	8.50
CET1 capital (to risk-weighted assets)	CET1 capital (to risk-weighted assets)								

As of December 31, 2023

As of December 31, 2023

As of December 31, 2023	Actual(1)					Regulatory Capital Ratio Requirements	
($ in thousands)	Amount		Ratio			Amount	
Consolidated							
Consolidated							
Consolidated	$ 229,544	13.77	13.77	%	N/A		N
Bank	227,773	13.66	13.66	$	$	133,353	8.00
Consolidated							
Consolidated	208,707		12.52			N/A	
Consolidated							

Consolidated														
Consolidated	Consolidated	194,358	11.87 %	N/A	N/A	N/A	N/A	N/A	N/A	208,707	12.52	12.52	N/A	N/A
Bank	Bank	192,477	11.75 %	73,699	4.50	106,454	6.50	114,642	7.00					
Tier 1 leverage (to average assets)	Tier 1 leverage (to average assets)													
Consolidated	Consolidated	194,358	9.38 %	N/A	N/A	N/A	N/A	N/A	N/A					
Consolidated														
Consolidated										208,707	9.57		N/A	
Bank	Bank	192,477	9.29 %	82,836	4.00	103,545	5.00	82,836	4.00					

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

As of December 31, 2021		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 December 31, 2022																
As of December 31, 2022																
As of December 31, 2022											Actual (1)				Regulatory Capital Ratio Requirements	
($ in thousands)	($ in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	($ in thousands)	Amount		Ratio		Amount	Ra
Total capital (to risk-weighted assets)	Total capital (to risk-weighted assets)															
Consolidated																
Consolidated																
Consolidated	Consolidated	$182,439	13.66 %	N/A	N/A	N/A	N/A	N/A	N/A		$ 213,862	13.06	13.06	%		
Bank	Bank	179,882	13.47	$106,857	8.00 %	$133,572	10.00 %	$140,250	10.50 %	Bank	211,981	12.94	12.94	$	$ 131,020	8.00
Tier 1 capital (to risk-weighted assets)	Tier 1 capital (to risk-weighted assets)															
Consolidated	Consolidated	165,944	12.42	N/A	N/A	N/A	N/A	N/A	N/A							
Consolidated																
Consolidated											194,358		11.87			
Bank	Bank	163,387	12.23	80,143	6.00	106,857	8.00	113,536	8.50							
CET1 capital (to risk-weighted assets)	CET1 capital (to risk-weighted assets)															
Consolidated																
Consolidated																
Consolidated	Consolidated	165,944	12.42	N/A	N/A	N/A	N/A	N/A	N/A		194,358	11.87	11.87	N/A		
Bank	Bank	163,387	12.23	60,107	4.50	86,822	6.50	93,500	7.00							
Tier 1 leverage (to average assets)	Tier 1 leverage (to average assets)															

Consolidated	Consolidated	165,944	9.58	N/A	N/A	N/A	N/A	N/A	N/A
Consolidated									
Consolidated		194,358	9.38						
Bank	Bank	163,387	9.44	69,266	4.00	86,582	5.00	69,266	4.00

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

Item 7A. 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 normal course of business through exposures to market interest rates, equity prices, and 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 arises from timing differences in the repricing and maturities of interest-earning assets and interest-bearing liabilities (repricing risk), changes in the expected maturities of assets and liabilities arising from embedded options, such as borrowers' ability to prepay home mortgage loans at any time and depositors' ability to redeem certificates of deposit before maturity (option risk), changes in the shape of the yield curve where interest rates increase or decrease in a nonparallel fashion (yield curve risk), and changes in spread 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 management's asset liability committee, or ALCO, establishes specific operating guidelines within the parameters of the policies set by the ALM. In general, we seek to minimize the impact of changing interest rates on net interest income and the economic values of assets and liabilities. Our ALCO monitors the level of interest rate risk sensitivity on a quarterly basis to ensure compliance with the ALM-approved risk limits. The policy requires a periodic review of all key assumptions used, such as identifying appropriate interest rate scenarios, setting loan prepayment rates based on historical analysis, and noninterest-bearing and interest-bearing deposit durations based on historical analysis.

Interest rate risk management is an active process that encompasses monitoring loan and deposit flows complemented by investment and funding activities. Effective management of interest rate risk begins with understanding the dynamic characteristics of assets and liabilities and determining the appropriate interest rate risk posture given business forecasts, management objectives, market expectations, and policy constraints.

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

Interest rate risk measurement is calculated and reported to the ALCO and ALM at least quarterly. The information reported includes period-end results and identifies any policy limits exceeded, along with an 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. We run various hypothetical interest rate scenarios at least quarterly and compare these results against a scenario with no changes in interest rates. We use two approaches to model interest rate risk: Earnings at Risk, or EAR, and Economic Value of Equity, or EVE. Under EAR, net interest income is modeled utilizing various assumptions for assets and liabilities. EVE measures the period end market value of assets minus the market value of liabilities and the change in this value as rates change. EVE is a period end measurement.

Our simulation model incorporates various assumptions, which we believe are reasonable but which may have a significant impact on results such as: (i) the timing of changes in interest rates; (ii) shifts or rotations in the yield curve; (iii) re-pricing characteristics for market-rate-sensitive instruments; (iv) varying loan prepayment speeds for different interest rate scenarios; and (v) the overall growth and mix of assets and liabilities. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on our results but 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 December 31, 2022, 2021 December 31, 2023 and 2020 2022 are presented in the following table. The projections assume (1) immediate, parallel shifts downward of the yield curve of 100, 200 and 300 basis points and (2) immediate, parallel shifts upward of the yield curve of 100, 200, 300 and 400 300 basis points over 12 months.

	Net Interest Sensitivity			Economic Value of Equity Sensitivity		
	December 31,			December 31,		
	2022	2021	2020	2022	2021	2020
+400 basis points	(1.23)%	26.96 %	30.27 %	(66.09)%	(8.18)%	10.14 %
	Net Interest Sensitivity					
	Net Interest Sensitivity					

	Net Interest Sensitivity									Economic Value of Equity Sensitivity			
	December 31, 2023								December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	
+300 basis points	+300 basis points	0.12 %	21.44 %	23.87 %	(42.72)%	0.62 %	12.73 %	+300 basis points	1.57 %	0.12 %	(41.40) %	(42.72)%	
+200 basis points	+200 basis points	1.13 %	15.15 %	16.85 %	(23.29)%	6.11 %	13.55 %						
+100 basis points	+100 basis points	0.97 %	8.07 %	8.99 %	(9.11)%	6.92 %	11.14 %						
-100 basis points	-100 basis points	(0.94)%	(1.86)%	— %	(1.78)%	(23.05)%	(20.87)%						
-200 basis points	-200 basis points	(0.70)%	(2.64)%	(0.21)%	(7.31)%	(39.80)%	(27.55)%						
-300 basis points	-300 basis points	(3.24)%	(2.92)%	(0.43)%	(18.42)%	(42.11)%	(31.07)%						

Item 8. Financial Statements and Supplementary Data.

The Financial Statements required by this Item 8 is contained on pages F-1 through F-38 F-39 of this 10-K and are incorporated herein by reference.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of disclosure controls and procedures

The Company's management, including our President and Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered in this report. Based on such evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective as of that date to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its President and Chief Executive Officer and its Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Our management concluded that, as of December 31, 2023, our internal control over financial reporting was effective based on these criteria

Changes in internal control over financial reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the The period covered to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures and Internal Control over Financial Reporting

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 9B. Other Information.

Not applicable. None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

THE BOARD OF DIRECTORS

The Board of Directors oversees our business and monitors the performance of management. In accordance with corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed through, among other things, discussions with the Chief Executive Officer, other key executives and our principal outside advisors (legal counsel, outside auditors, and other consultants), by reading reports and other materials that we send them and by participating in Board and committee meetings.

Pursuant to OP Bancorp's Articles of Incorporation and Bylaws, our Board of Directors is authorized to have not less than seven members nor more than 13 members, and is currently comprised of seven members. The exact number of directors may be fixed from time to time within the range set forth in our Bylaws or amendment thereof duly adopted by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of the holders of a majority of the outstanding shares entitled to vote, or by resolution of our Board. Our Board of Directors has affirmatively determined that six of our seven current directors qualify as independent directors based upon the rules of the The Nasdaq Stock Market and the SEC. There are no arrangements or understandings between any of the directors and any other person pursuant to which he or she was selected as a director.

The following provides biographical information for our directors, including their names, ages and year in which they began serving as a director of the Company. All of the directors of Open Bank became members of the OP Bancorp board of directors when we reorganized into our present bank holding company structure in 2016. The age indicated in each director's biography is as of December 31, 2022 December 31, 2023.

Brian Choi. Mr. Choi, age 72, 73, a director of the Bank since 2008, has served as the Chairman of the Board of the Bank since 2010, and OP Bancorp since 2016. Mr. Choi has served as Chairman and Chief Executive Officer of Universal Financing Corporation since 1991, and as Chairman and Chief Executive Officer of Ehese Investments, LLC since 2001. Mr. Choi has previous experience as a bank director with Alaska First Bank & Trust (formerly First Interstate Bank of Alaska) where he served on the Board from 1999 through 2008. He was the president of the Korean Community of Anchorage, Alaska from 2003 to 2004. He was the President of the Korean Christian Businessmen's Committee of North America from 2006 to 2008. He also served as the President of the Federation of Korean American Association of Northwest States of United States of America, which included Oregon, Washington, Idaho, Montana, and Alaska from 2010 to 2012. Mr. Choi is a graduate of Korea University where he received a Bachelor of Science in Political Science and Foreign Relations. Mr. Choi contributes to the Board over 21 years of leadership and substantial experience in the community banking industry. He brings a wide-ranging understanding of the bank management, finance and operations. His leadership ability, judgment and prior business executive experience led the Board to elect him as Chairman of the Board.

Ernest E. Dow. Mr. Dow, age 73, 74, has served as a member of the Board since the founding of the Bank in 2005. He is a retired Certified Public Accountant and has been a Principal of Dow & Sohn CPAs for 15 years. He has maintained his accounting practice for over 38 years providing accounting, auditing, tax and business consulting services for international and local companies operating in Southern California. Mr. Dow served as a director for Pacific Union Bank from May 2003 until the bank's acquisition by Hanmi Bank in April 2004. Mr. Dow is a member of the California Society of Certified Public Accountants. Mr. Dow obtained his Bachelor of Science from California State University, Northridge, in 1976. Mr. Dow's significant accounting experience provides among other things in-depth knowledge of generally accepted accounting principles and auditing standards to the Board. Mr. Dow was a member of Choi Dow Ivan Hong & Lee Accountancy Corporation ("CDIH&L") from August 1992 to December 2007. He is particularly suited to serve as Chair of the audit committee.

Soo Hun Jung, M.D. Dr. Jung, age 73, 74, has served as a Board member since the founding of the Bank in 2005. He is a medical doctor who has been in private medical practice since 1982. Dr. Jung obtained his medical degree from Pusan National University College of Medicine, Pusan, South Korea, in 1975. He subsequently completed his general surgery internship at Mount Sinai Hospital, New York, in 1979 and his internal medicine residency at Hospital of the Good Samaritan (affiliated with U.S.C. Medical School) Los Angeles, in 1982. Dr. Jung is affiliated with various hospitals and medical associations. He is a Member of the Board of Good Samaritan Medical Practice Association; Good Samaritan

Hospital, and Korean-American Medical Group. In addition, he is a member of American Medical Association, American

College of Physicians, and Korean Medical Association. He serves as Clinical Assistant Professor of Medicine for U.S.C. School of Medicine. As a long-term member of the Board, Mr. Jung has a broad-based understanding of the Company and the Bank and is deeply committed to the community through his medical practice and affiliations with medical organizations and associations.

Hyung J. Kim. Mr. Kim, age 61, is a founder and CEO of KLK Capital Management LLC, California-based investment firm. Prior to establishing his own investment firm, he served as Vice President at Merrill Lynch, with more than 20 years of experience in the finance industry. In addition to receiving his Bachelor of Arts in Chemistry from Binghamton

University, he holds his Certified Financial Planner professional designation and the Financial Industry Regulatory Authority (FINRA) Series 3, 7, and 66 licenses. With his extensive knowledge and understanding of macroeconomics and finance, he contributes to the Board with historical economic trends, current headlines, and forecasting economic trends.

Min J. Kim. Ms. Kim, age 63, 64, has served as the President and Chief Executive Officer and a member of the Board of the Company and the Bank since April 2010. She has over 39 years of banking experience in the Korean banking community. Prior to joining the Bank, she served as Chief Executive Officer and President of Nara Bancorp and Nara Bank (now Bank of Hope and Hope Bancorp Inc) for three and half years assuming those positions in 2006. From 1996 to March 2006, Ms. Kim served in various executive positions with Nara Bancorp and Nara Bank, including Executive Vice President and Chief Operating Officer, Executive Vice President and Chief Credit Officer, and Senior Vice President and Chief Credit Administrator. Prior to joining Nara Bancorp and Nara Bank in 1995, Ms. Kim served in numerous positions with Hanmi Bank, including Vice President and Manager of the Western Street Branch of Hanmi Bank in Los Angeles from 1985 to 1995. Ms. Kim has a Bachelor of Sciences degree in Finance from the University of Southern California. Ms. Kim contributes to the Board her breadth of knowledge of the Company's bank business, markets, community and culture. She provides the Board with an overall perspective of all facets of the Company's business, financial condition and strategic direction.

Ock Hee Kim **Sunny Kwon.**. Mrs. Kim, Ms. Kwon, age 81, has served as a member of the Board since the founding of the Bank in 2005. She was the owner of Lily's Dress Co., an apparel manufacturing company she founded in 1974 for 30 years. Mrs. Kim 67, is actively involved in the L.A. Central Lions Club. Mrs. Kim serves as a deaconess in Torrance Presbyterian Church. Mrs. Kim obtained her Bachelor of Arts degree in Music from Kyung Hee University in Seoul, Korea. Ms. Kim brings a valuable perspective to the Board as result of her over 30 years of experience in the apparel and garment business which is an important industry in our downtown Los Angeles and Koreatown marketing areas, as well as and her involvement in local community activities.

Myung Ja (Susan) Park. Ms. Park, age 74, has served as a Board member since the founding of the Bank in 2005. She is the owner and President of LP Royal Import LLC, an importer and national distributor of craft and wedding accessories. Ms. Park is also the current President of Park & Park, a property investment company. She is previously the President of Royal Accessories, UNI & Good Friend Insurance, an importer of artificial flowers and bridal accessories, a company she founded independent retail insurance brokerage in 1986. From 1977 to 2003, Ms. Park was the sole shareholder and Chief Executive Officer of Showroom 3, Inc., a manufacturer of wedding accessories based in China. Over that same time period, Ms. Park was co-owner of B. B. World Corp, a leading importer/exporter and nationwide distributor of artificial flowers and wedding accessories. Ms. Park Greater Los Angeles area. She has been an active member of her community and served as the Vice President of the Korean Business and Professional Women's Association. She also served as the Chairwoman of the Fundraising Board of the Children of Afghanistan Relief Initiative for World Vision. Ms. Park contributes to the Board over 40 years of leading insurance experience within the Korean and knowledge American insurance industries. She has also been an active, founding member of KAIFPA, the Korean American Insurance and Financial Professional Association, since 1985, where she has not only held a Board Member seat since then but has been Board Chair in 2002-2003 and 2020-2022. Ms. Kwon commenced her active Member Advisory Council of United Valley Agencies in 2022. She is serving as a Board Member of the import/export business, and is passionate about serving the needs Korean American Chamber of the Korean-American community. Commerce of Orange County in 2023.

Yong Sin Shin. Ms. Shin, age 63, 64, has served as a Board member since the founding of the Bank in 2005. She is the President and Secretary of CJS Groups Inc (DBA Bicici & Coty Fashion), an apparel manufacturer and wholesaler in Los Angeles, California which she founded in 1994. Ms. Shin was a fashion designer and co-manager of Coty Fashion in Sao Paulo, Brazil, from 1985 to 1994. Ms. Shin obtained her Bachelor of Science in Dietary Nutrition from University of Sao Paulo, Sao Paulo, Brazil, in 1982. Ms. Shin co-founded her own manufacturing and wholesale business in Los Angeles, California and contributes to the Board her substantial business acumen developed though years of proven entrepreneurial success. Also as an active member of the Korean American Chamber of Commerce in Los Angeles she brings to the Board various business and cultural insights from the local community.

Board Leadership Structure

The Board of Directors is committed to maintaining an independent Board, and for many years a majority of the Board has been comprised of independent directors. Further, it is the practice of the Company to separate the roles of Chairman of the Board and Chief Executive Officer in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting our strategic direction and the day-to-day leadership and performance. The Chairman of the Board provides guidance to the Chief Executive Officer, sets the agenda for Board meetings, presides over meetings of the full Board (including executive sessions), and facilitates communication among the independent directors and between the independent directors and the Chief Executive Officer. The Board further believes that the separation of the duties of the Chief Executive Officer and the Chairman of the Board eliminates any inherent conflict of interest that may arise when the roles are combined, and that an independent director who has not served as an executive of the Company can best provide the necessary leadership and objectivity required as Chairman of the Board.

Compensation Committee Interlocks and Insider Participation

None of the members of our Human Resources & Compensation Committee will be or will have been one of our officers or employees. In addition, none of our executive officers serves or has served as a member of the compensation committee or other Board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our directors or on our Human Resources & Compensation Committee.

Risk Management and Oversight

The Board of Directors has ultimate authority and responsibility for overseeing our risk management. The Board of Directors monitors, reviews and reacts to material enterprise risks identified by management. The Board receives specific reports from executive management on financial, credit, liquidity, interest rate, capital, operational, legal compliance and reputation risks and the degree of exposure to those risks. The Board helps ensure that management is properly focused on risk by, among other things, reviewing and discussing the performance of senior management and business line leaders. Board committees have responsibility for risk oversight in specific areas. The Audit Committee oversees financial, accounting and internal control risk management policies. The Human Resources & Compensation Committee assesses and monitors risks in our compensation program. The Nomination & Governance Committee oversees the nomination and evaluation of the Board and is responsible for overseeing our corporate governance principles. The Bank's Risk and Compliance Committee oversees the risk and compliance programs, adherence to management policies and procedures, compliance with regulatory requirements and information technology strategies and activities. The Bank's Chief Risk Officer reports to the Bank's Risk and Compliance Committee. The Bank's Loan & Credit Policy Committee is primarily responsible for credit and other risks arising in connection with our lending activities, which includes overseeing management committees that also address these risks. The Bank's Asset/Liability Management Committee monitors our interest rate risk, with the goal of structuring our asset-liability composition to maximize net interest income while minimizing the adverse impact of changes in interest rates on net interest income and capital.

Committees of the Board

Our Board of Directors has established standing committees in connection with the discharge of its responsibilities. These committees include the Audit Committee, the Human Resource & Compensation Committee, and the Nomination & Governance Committee. Our Board of Directors also may establish such other committees as it deems appropriate, in accordance with applicable law and regulations and our articles and bylaws.

Audit Committee

The Company has a separately designated standing Audit Committee as required by the rules of the The Nasdaq Stock Market. The Audit Committee charter adopted by the Board sets out the responsibilities, authority and specific duties of the Audit Committee. The Audit Committee charter is available on the Company's website at *www.myopenbank.com* under the "Investor Relations" tab.

The responsibilities of the Audit Committee include the following:

- oversee the quality and integrity of regulatory and financial accounting, financial statements, financial reporting processes and systems of internal accounting and financial controls;
- oversee the annual independent audit of the Company's financial statements and internal control over financial reporting, the engagement of the independent registered public accounting firm and the evaluation of the independent registered public accounting firm's qualifications, independence and performance;
- oversee and retain internal audit and/or outsourced internal audit and review;
- oversee the performance of our internal/external audit function and independent registered public accounting firm;
- approve related-person transactions subject to Item 404 of Regulation S-K; and
- review and discuss the annual audited financial statements with management and the independent auditors prior to publishing the annual report and filing the Annual Report on Form 10-K with the SEC.

Each member of the Audit Committee meets the independence criteria as defined by applicable rules and regulations of the SEC for audit committee membership and is independent and is "financially sophisticated" as defined by the applicable rules and regulations of the Nasdaq Stock Market. The members of the Audit Committee are Brian Choi, Ernest E. Dow (committee chair), Soo Hun Jung, M.D., Ock Hee Sunny Kwon, Hyung J. Kim, Myung Ja (Susan) Park, and Yong Sin Shin. The Audit Committee met twelve thirteen times in 2022. 2023.

In 2022, the Board of Directors has determined that Ernest E. Dow has: (i) an understanding of generally accepted accounting principles and financial statements; (ii) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) an experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal control over financial reporting; and (v) an understanding of audit committee functions.

Therefore, in 2022, the Board determined that Mr. Dow meets the definition of "audit committee financial expert" under the applicable rules and regulations of the SEC and is "financially sophisticated" as defined by the applicable rules and regulations of the Nasdaq Stock Market. The designation of a person as an audit committee financial expert does not result in the person being deemed an expert for any purpose, including under Section 11 of the Securities Act of 1933, as amended (the "Securities Act"). The designation does not impose on the person any duties, obligations or liability greater than those imposed on any other audit committee member or any other director and does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

Human Resources & Compensation Committee

The Company has a separately designated Human Resources & Compensation Committee ("HRCC"), which consists entirely of independent directors as defined by the applicable rules and regulations of the Nasdaq Stock Market. The Human Resources & Compensation Committee has adopted a charter, which is available on our website at *www.myopenbank.com* under the "Investor Relations" tab. The Human Resources & Compensation Committee has the following responsibilities:

- annually review the Company's competitive position for each component of the overall human resource and compensation plan (especially base salary, annual incentives, long term incentives, and supplemental executive benefit programs);
- review trends in compensation in all industries;
- annually review with the Chief Executive Officer, the Company's compensation strategy to assure that the Chief Executive Officer and the management team (senior vice president and above) and their compensation is in relation to their contributions to the Company's growth, profitability, and meeting strategic goals;
- annually review and recommend for approval to the Board the overall performance and total compensation for the Chief Executive Officer, including agreed upon goals and objectives relevant to the Chief Executive Officer's compensation, evaluate the performance of the Chief Executive Officer in light of those goals and objectives, and set the Chief Executive Officer's compensation level based upon this evaluation, taking into consideration the Company's performance and relative shareholder return, and the value of similar incentive awards to Chief Executive Officers at comparable companies;
- annually review and recommend to the Board the annual director's compensation and any additional compensation for services on committees of the Board, service as a committee or Board chairman, meeting fees or any other benefit payable by virtue of the director's position as a member of the Board;
- evaluate and approve recommendations from the Chief Executive Officer regarding compensation and other employment related matters such as hiring, promotions, terminations or severance payments for all executive vice presidents, and post review of recommendations from the CEO regarding compensation and other employment related matters such as hiring, compensation, promotions, terminations or severance payments for all senior vice presidents;

- periodically review and recommend to the Board all matters pertaining to broad based benefit plans of the Company, equity plans, senior management or director bonus plans and pension plans and performance based plans;

- review, establish and modify, as it sees fit, all employment policies and procedures related to officers and directors;
- administer the annual executive incentive compensation plan in a manner consistent with the Company's compensation strategy including the following incentive plan elements: eligibility and participation; annual allocation and actual award of equity incentive grants paid to the Chief Executive Officer and the members of the management team; corporate financial goals as they relate to total compensation; total funds reserved for payment under the plan; and annual review of the incentive equity and cash management incentive plan;
- recommend to the Board for approval of the submission to shareholders of all new equity-related incentive plans, and administer the Company's long term incentive programs in a manner consistent with the terms of the plans including the following: eligibility; vesting terms and conditions; and total shares reserved for grants;
- annually review the Chief Executive Officer and management succession plan;
- in consultation with management, oversee regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility;
- perform any other duties or responsibilities the Board may expressly delegate to the committee from time to time on matters relating to the Company's compensation programs; and
- review and approve general employee welfare benefit plans and other plans on an as needed basis.

The members of the Human Resources & Compensation Committee are Brian Choi, Ernest E. Dow, Soo Hun Jung, M.D., Sunny Kwon (committee chair), Ock Hee Hyung J. Kim, Myung Ja (Susan) Park, and Yong Sin Shin. The Committee met eightsix times in 2022.2023.

Nomination & Governance Committee

The Company has a separately designated the Nomination & Governance Committee, which consists of entirely independent directors as defined by the applicable rules and regulations of the Nasdaq Stock Market. The Nomination & Governance Committee has adopted a charter, which is available on the Company's website at *www.myopenbank.com* under the "Investor Relations" tab.

The purposes of the Nomination & Governance Committee include the following responsibilities:

- identify individuals qualified to become Board members;
- recommend to the Board director nominees for election at each annual meeting of shareholders or to fill vacancies on the Board;
- formulate and recommend for adoption by the full Board a policy for consideration of nominees for election to the Board who are recommended by shareholders of the Company;
- consider candidates recommended by the shareholders of the Company in accordance with the Board's policy for such consideration;
- consider the certain qualifications and factors when evaluating and selecting potential new directors in accordance with the Corporate Governance Guidelines, see "Corporate Governance and Board Matters – Nomination of Directors";
- in considering diversity of the Board (in all aspects of the term) as a criteria for selecting nominees to the Board the committee shall take into account various factors and perspectives, including differences of viewpoint, high quality business and professional experience, education, skills and other individual qualities and attributes that contribute to Board heterogeneity, as well as race, gender and national origin; and
- consider the impact of a material change in qualifications of a director arising from the retirement or a change in the principal occupation, position or responsibility of a director as such a change relates to continued service on the Board;
- evaluate Board performance and annually review the appropriate skills and characteristics required of Board members in the context of the current make-up or the Board, including such factors as business and

  professional experience, diversity and personal skills in finance, real estate capital markets, government regulation, financial reporting and other areas that are expected to contribute to an effective Board;
- review the effectiveness, structure and operation of committees of the Board and the qualifications of members of the Board committees, and recommend to the Board the directors to serve or be removed as members of each committee and to recommend additional committee members to fill any vacancies;
- develop for Board approval a set of corporate governance guidelines applicable to the Company and its subsidiary, periodically review and assess these and their application, and recommend to the Board any changes that the Committee deems appropriate; and
- develop for Board approval the Code of Business Conduct and Business Ethics Policy and periodically review and assess the codes and their application, and recommend to the Board any changes that the committee deems appropriate.

The members of the Nomination & Governance Committee are Brian Choi (committee chair), Ernest E. Dow, Soo Hun Jung, M.D, Ock Hee Sunny Kwon, Hyung J. Kim, Myung Ja (Susan) Park, and Yong Sin Shin. The Committee met four times during 2022. 2023.

Executive Officers of the Company

The following table sets forth certain information regarding our executive officers, including their names, ages and positions:

Name	Age	Position
Min J. Kim	63 64	President and Chief Executive Officer of the Company and the Bank
Christine Y. Oh	55 56	Executive Vice President and Chief Financial Officer of the Company and the Bank
Sang K. Oh	50 51	Executive Vice President and Chief Credit Officer of the Company and the Bank
Ki Won Yoon	62 63	Executive Vice President and Chief Lending Officer of the Bank
Ihnsuk J. Bang	56 57	Executive Vice President and Chief Banking Officer of the Bank
Ryan Shin	49 50	Executive Vice President and Chief SBA Officer of the Bank
Jae H. Park	44 45	Executive Vice President and Chief Risk Officer of the Bank

The business experience of each of our executive officers, other than Ms. Kim, is set forth below. Biographical information for Ms. Kim is included under “The Board of Directors” section above. No executive officer has any family relationship, as defined in Item 401 of Regulation S-K, with any other executive officer or any of our current directors. There are no arrangements or understandings between any of the officers and any other person pursuant to which he or she was selected as an officer.

Christine Y. Oh Oh.. Ms. Oh was appointed Executive Vice President and Chief Financial Officer of the Bank in July 2010 and of the Company in March 2016. Ms. Oh has over 31 32 years of banking experience. Prior to joining the Bank, from January 2010 to July 2010 she served as Interim Chief Financial Officer and Controller of Nara Bancorp Bank and Nara Bank Bancorp (now Bank of Hope and Hope Bancorp Inc) Inc, respectively), headquartered in Los Angeles, California. Prior to assuming those former positions, Ms. Oh served as Senior Vice President and Controller of Nara Bancorp and Nara Bank. Ms. Oh served as Interim Chief Financial Officer of Nara Bancorp and Nara Bank from March 2005 to July 2005. She joined Nara Bank in 1993. Prior to joining Nara Bank, Ms. Oh was a credit analyst at Center Bank where she started her banking career in 1991. She has been serving as a director at Korean-American Family Services, a non-profit organization since 2014. Ms. Oh has a Bachelor of Science in Accounting from California State University, Northridge.

Sang K. Oh. Mr. Oh has served as Executive Vice President and Chief Credit Officer of the Company and the Bank since October 2020. Mr. Oh has over 25 26 years of banking experience, all with Bank of Hope, Los Angeles, California. Prior to joining the Bank, he served as Senior Vice President and Senior Credit Administrator at Bank of Hope since 2007, and served in a various senior lending positions with Bank of Hope since 1997. Mr. Oh has a Bachelor of Arts in Business Economics with a Minor in Accounting from the University of California, Los Angeles, and is a graduate of Pacific Coast Banking School.

Ki Won Yoon. Ms. Yoon has served as Executive Vice President and Chief Lending Officer since October 2013. Ms. Yoon has over 34 35 years of relevant lending experience, with strong ties in the Korean-American business community. Prior to joining Open Bank, Ms. Yoon was District Manager at BBCN Bank (now Bank of Hope and Hope Bancorp Inc),

which she joined in 1999, and where she managed a loan portfolio of over $450 million. Ms. Yoon has a Bachelor of Arts in Food & Nutrition from Sook Myung Women’s University and is a graduate of Pacific Coast Banking School.

Ihnsuk J. Bang. Mr. Bang has served as Executive Vice President and Chief Banking Officer of the Bank since October 2020. Mr. Bang has over 23 24 years of lending experience. Prior to joining the Bank, he served as President at Hana Small Business Lending, Inc., a nationally ranked, non-bank SBA lender, since 2011, and served in various senior lending positions with Hanmi Bank, Wells Fargo Bank, and Bank of Hope from 1991 through 2003. Mr. Bang has a Bachelor of Arts in Business Economics with Minor in Mathematics from the University of California, Santa Cruz, and a Master’s in Business Administration in Finance from the Marshall School of Business at the University of Southern California.

Ryan Shin. Mr. Shin has served as Executive Vice President and Chief SBA Officer of the Bank since February 2022. Mr. Shin has over 24 years of banking experience including 12 years as Senior Vice President & SBA Manager of Open Bank during which he led the Bank’s SBA lending by establishing the department structure and expanding the loan production. Prior to joining the Bank, he served as Senior Vice President & SBA Manager of US Metro Bank, Mirae Bank and Pacific Union Bank. Mr. Shin has a Bachelor of Science in Business Administration with Accounting concentration from California State University, Fullerton.

Jae H. Park. Mr. Park joined the Bank as Executive Vice President and Chief Risk Officer in June 2022, bringing with him two decades of banking experience and specialized expertise in regulatory compliance, anti-money laundering/bank secrecy act, Community Reinvestment Act, and risk management. Prior to his current role, Mr. Park served as Executive Vice President and Chief Risk Officer at Sunwest Bank since 2021 and EVP/Chief Compliance Officer at First Choice Bank. Bank from 2013 to 2021. He holds a Bachelor of Arts degree in Mathematics from the University of Washington, and has completed the Executive Leadership Training from University of Washington Foster School of Business Executive Education, as well as the and is a graduate of Pacific Coast Banking School. Mr. Park's professional credentials include Certified Regulatory Compliance Manager (CRCM), Certified Advanced AML Audit Specialist (CAMS-Audit), Certified AML and Fraud Professional (CAFP), and Certified Information Privacy Professional (CIPP/US).

Corporate Governance and Board Matters

The Board of Directors is committed to good business practices, transparency in financial reporting and the highest level of corporate governance. To that end, the Board continually reviews its governance policies and practices, as well as the requirements of the Sarbanes-Oxley Sarbanes-Oxley Act of 2002 and the listing standards of the Nasdaq Stock Market, to help ensure that such policies and practices are compliant and up to date.

Board of Directors

Board Independence

In 2022, 2023, six out of seven members of the Board of Directors were independent directors, as defined by the applicable rules and regulations of the Nasdaq Stock Market, as follows:

Brian Choi, Chairman of the Board
Ernest E. Dow
Soo Hun Jung, M.D.
Ock Hee Hyung J. Kim
Myung Ja (Susan) Park Sunny Kwon
Yong Sin Shin

Board and Committee Meeting Attendance

During the fiscal year ended December 31, 2022 December 31, 2023, our Board of Directors held a total of thirteen meetings. Each incumbent director who was a director during 2022 2023 attended each such meeting and each meeting held by the standing committees of the Board on which such director served.

Director Attendance at Annual Meetings of Shareholders

The Board believes it is important for all directors to attend the Annual Meeting of Shareholders in order to show their support for the Company and to provide an opportunity for shareholders to communicate any concerns to them. The Company's policy is to encourage, but not require, attendance by each director at the Company's Annual Meeting of

Shareholders. All of the directors of the Company are encouraged to attend the Annual Meeting of Shareholders and at the 2022 Annual Meeting of Shareholders all of our directors were in attendance.

Communications with the Board

Shareholders may communicate with the Board of Directors, including a committee of the Board or individual directors, by writing to the Corporate Secretary, OP Bancorp, 1000 Wilshire Boulevard, Suite 500, Los Angeles, CA 90017 or delivered via e-mail to christine.oh@myopenbank.com. Each communication from a shareholder should include the following information in order to permit shareholder status to be confirmed and to provide an address to forward a response if deemed appropriate:

- if the person submitting the communication is a security holder, a statement of the type and amount of the securities of the Company that the person holds;
- if the person submitting the communication is not a security holder and is submitting the communication to the non-management directors as an interested party, the nature of the person's interest in the Company;

- any special interest, meaning an interest not in the capacity of a shareholder of the Company, of the person in the subject matter of the communication; and
- the address, telephone number and e-mail address, if any, of the person submitting the communication.

Upon receipt, each communication shall be entered into an intake record maintained for this purpose, including the name of the person submitting the communication, the date and time of receipt of the communication, the information concerning the person submitting the communication required to accompany the communication and a brief statement of the subject matter of the communication. The record shall also indicate the action taken with respect to the communication. The Corporate Secretary or her personnel will review all communications to determine whether the communication satisfies the procedural requirements for submission and whether the substance of the communication is of a type that is appropriate for delivery to the Board of Directors under the criteria set forth in our procedures for communications with directors. Communications determined to be appropriate for delivery to directors, shall be assembled and delivered to the directors on a periodic basis. Our procedures regarding the handling of security holder communications were approved by a majority of our independent directors.

Nomination of Directors

The Company has a Nomination & Governance Committee. The duties of the Nomination & Governance Committee include the recommendation of candidates for election to the Company's Board of Directors.

The Nomination & Governance Committee's minimum qualifications for a director are persons of high ethical character who have both personal and professional integrity, which is consistent with the image and values of the Company. The Corporate Governance & Nominating Committee considers some or all of the following criteria in considering candidates to serve as directors:

- commitment to ethical conduct and personal and professional integrity as evidenced through the person's business associations, service as a director or executive officer or other commitment to ethical conduct and personal and professional integrity as evidenced organizations and/or education;
- objective perspective and mature judgment developed through business experiences and/or educational endeavors;
- the candidate's ability to work with other members of the Board and management to further the Company's goals and increase shareholder value;
- the ability and commitment to devote sufficient time to carry out the duties and responsibilities as a director;
- experience at policy making levels in various organizations and in areas that are relevant to the Company's activities;
- the skills and experience of the potential nominee in relation to the capabilities already present on the Board;
- broad experience in business, finance or administration, and familiarity with national and international business matters;

- familiarity with the commercial banking industry;

- prominence and reputation, and ability to enhance the reputation of the Company;
- activities and associations of each candidate to ensure that there is no legal impediment, conflict of interest, or other consideration that might hinder or prevent service on the Board;
- in considering diversity of the Board (in all aspects of the term) as a criteria for selecting nominees to the Board the committee shall take into account various factors and perspectives, including differences of viewpoint, high quality business and professional experience, education, skills and other individual qualities and attributes that contribute to Board heterogeneity, as well as race, gender and national origin; and
- consider the impact of a material change in qualifications of a director arising from the retirement or a change in the principal occupation, position or responsibility of a director as such a change relates to continued service on the Board.

The Nomination & Governance Committee does not have a separate policy for consideration of any director candidates recommended by shareholders. Instead, the Nomination & Governance Committee considers any candidate meeting the requirements for nomination by a shareholder set forth in the Company's Bylaws (as well as applicable laws and regulations) in the same manner as any other director candidate. The Nomination & Governance Committee believes that requiring shareholder recommendations for director candidates to comply with the requirements for nominations in accordance with the Company's Bylaws ensures that the Nomination & Governance Committee receives at least the minimum information necessary for it to begin an appropriate evaluation of any such director nominee.

Section 2.4 of the Company's Bylaws provides that any shareholder must give advance written notice to the Company of an intention to nominate a director at a shareholder meeting. Notice of intention to make any nominations must be made in writing and delivered to the Chief Executive Officer or President at the principal executive offices of the Company no more than 60 days prior to any meeting of shareholders called for the election of directors, and no more than 10 days after the date of notice of such meeting is sent to the shareholders, provided, however, that if only 10 days' notice of the meeting is given to shareholders such notice of intention to nominate shall be received by the Chief Executive Officer or President of the Company not later than the time fixed in the notice of meeting for the opening of the meeting.

Such notification shall contain the following information to the extent known to the notifying shareholder: (i) the name and address of each proposed nominee; (ii) the principal occupation of each proposed nominee; (iii) the number of shares of voting stock of the Company owned by each proposed nominee; (iv) the name and residence address of the notifying shareholder; and (v) the number of shares of voting stock of the Company owned by the notifying shareholder. Nominations not made in accordance with the Bylaws shall be disregarded by the chairman of the meeting, and the inspectors of election shall then disregard all votes cast for each such nominee.

Diversity of the Board of Directors

In considering diversity of the Board (in all aspects of that term) as a criteria for selecting nominees in accordance with its charter, the Nomination & Governance Committee takes into account various factors and perspectives, including differences of viewpoint, high quality business and professional experience, education, skills and other individual qualities and attributes that contribute to Board heterogeneity, as well as race, gender and national origin. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The Committee seeks persons with leadership experience in a variety of contexts and industries. The Committee believes that this expansive conceptualization of diversity is the most effective means to implement Board diversity. The Nomination & Governance Committee will assess the effectiveness of this approach as part of its annual review of its charter.

Term of Office

Directors serve for a one-year term or until their successors are elected. The Board does not have term limits, instead preferring to rely upon the evaluation procedures described herein as the primary methods of ensuring that each director continues to act in a manner consistent with the best interests of the shareholders and the Company.

Board Committees

The Board may delegate portions of its responsibilities to committees of its members. These standing committees of the Board meet at regular intervals to attend to their particular areas of responsibility. These committees include: Audit Committee, the Human Resource & Compensation Committee, and the Nomination & Governance Committee. Each

member of these committees is independent, as defined by the applicable rules and regulations of the Nasdaq Stock Market. The committee chair determines the agenda, the frequency and the length of the meetings and receives input from committee members.

Executive Sessions

Independent directors meet in executive sessions throughout the year including meeting annually to consider and act upon the recommendation of the Human Resource & Compensation Committee regarding the compensation and performance of the Chief Executive Officer.

Evaluation of Board Performance

A Board assessment is conducted annually in accordance with an established evaluation process and includes performance of committees. The Nomination & Governance Committee oversees this process and reviews the assessment with the full Board.

Management Performance and Compensation

The Human Resource and Compensation Committee reviews and approves the Chief Executive Officer's evaluation of the top management team on an annual basis. The Board (largely through the Human Resource & Compensation Committee) evaluates the compensation plans for senior management and other employees to ensure they are appropriate, competitive and properly reflect the Company's objectives and performance.

Code of Business Conduct and Business Ethics Policy

Our Board of Directors has adopted a Code of Business Conduct and Business Ethics Policy that applies to all of our directors and employees. The code provides fundamental ethical principles to which these individuals are expected to adhere to and will operate as a tool to help our directors, officers and employees understand the high ethical standards required for employment by, or association with, our Company. This policy governs insider trading, whistleblowing and the protection of whistleblowers, related party transactions, conflicts of interest, and a variety of other requirements applicable to our officers and directors. Our Code of Business Conduct and Business Ethics Policy is available on our website at *www.myopenbank.com* under the "Investor Relations" tab. We expect that any amendments to the code, or any waivers of its requirements, will be disclosed on our website, as well as any other means required by Nasdaq Stock Market rules.

Reporting of Complaints/Concerns Regarding Accounting or Auditing Matters

The Company's Board of Directors has adopted procedures for receiving and responding to complaints or concerns regarding accounting and auditing matters. These procedures were designed to provide a channel of communication for employees and others who have complaints or concerns regarding accounting or auditing matters involving the Company.

Employee concerns may be communicated in a confidential or anonymous manner to the Audit Committee of the Board. The Audit Committee Chairman will make a determination on the level of inquiry, investigation or disposal of the complaint. All complaints are discussed with the Company's senior management and monitored by the Audit Committee for handling, investigation and final disposition. The Chairman of the Audit Committee will report the status and disposition of all complaints to the Board of Directors.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors, executive officers and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities. They are required by SEC rules and regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge based solely on review of the copies of such reports furnished to the Company, all Section 16(a) filing requirements applicable to our executive officers and directors were complied with during the year ended December 31, 2023, with the exception of the following:

Name	Transaction	Date Filed
Brian Choi	Acquisition of Common Stock	Form 4 Filed on 2/8/2023
Min Kim	Acquisition of Common Stock	Form 4 Filed on 3/23/2023
Ki Won Yoon	Acquisition of Common Stock	Form 4 Filed on 2/7/2024

Item 11. Executive Compensation.

The following table sets forth information regarding the compensation paid, awarded to, or earned for our fiscal years ended December 31, 2022 December 31, 2023 and 2021 2022 for each of our named executive officers.

Name and Principal Position	Name and Principal Position	Year	Salary ($)	Stock Awards	Non Equity Incentive Plan Compensation (2)	Other Compensation ($) (3)	Total Compensation ($)	Year	Salary ($)	Stock Awards	Non Equity Incentive Plan Compensation (2)	Other Compensation (3) ($)	Total Compensation ($)
Name and Principal Position													
Name and Principal Position													
Min J. Kim	**Min J. Kim**	2022	$509,984	$ —	$ 560,000	$ 20,700	$ 1,090,684						
President and Chief Executive Officer	President and Chief Executive Officer	2021	525,486	635,768	550,000	19,800	1,731,054						
Christine Y. Oh	**Christine Y. Oh**	2022	294,340	129,000 [1]	140,000	20,060	583,400						
Christine Y. Oh													
Christine Y. Oh													

Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer	2021	303,288	—	140,000	19,863	463,151
Sang K. Oh	**Sang K. Oh**	2022	250,673	—	114,000	17,362	382,035
Sang K. Oh							
Sang K. Oh							
Executive Vice President and Chief Credit Officer	Executive Vice President and Chief Credit Officer	2021	260,417	445,500	112,000	16,775	834,692
Ihnsuk J. Bang		2022	240,646	—	102,000	16,839	359,485
Executive Vice President and Chief Banking Officer		2021	250,000	445,500	105,000	16,200	816,700

(1) On February 24, 2022 May 25, 2023, the Company granted 10,000 12,000 shares of stock awards to Ms. Oh. The grant date fair value was based on the number of shares granted and the closing price of the Company's stock on the grant date, which was $12.90. $8.10.

(2) Cash bonuses awarded under the Company's Management Incentive Plan, described below. Amounts for 2022 2023 were determined and paid in March 2023. 2024.

(3) Other Compensation for the named executive officers for our fiscal year ended December 31, 2022 December 31, 2023 includes the following:

Name	**Name**	**Perquisites (i)**	**Company 401(k) Match (ii)**	**Total "Other Compensation"**	**Perquisites (i)**	**Company 401(k) Match (ii)**	**Total "Other Compensation"**
Name							
Name							
Min J. Kim	Min J. Kim	$ 2,400	$ 18,300	$ 20,700			
Christine Y. Oh	Christine Y. Oh	2,400	17,660	20,060			
Sang K. Oh	Sang K. Oh	2,400	14,962	17,362			
Ihnsuk J. Bang		2,400	14,439	16,839			

(i) Amounts reflect cell phone allowance

(ii) Amounts reflect Company matching contribution under the 401(k) Plan.

General

We compensate our named executive officers through a combination of base salary, annual bonuses, equity awards, and other benefits including perquisites. Our Human Resources & Compensation Committee, sometimes referred to as the HRCC, believes the executive compensation packages that we provide to our executives, including the named executive officers, should include both cash and equity compensation that reward performance as measured against established corporate goals. Each element of compensation is designed to achieve a specific purpose and to contribute to a total package that is competitive with similar packages provided by other institutions that compete for the services of individuals like our named executive officers.

2022 2023 Risk Assessment

Each year, the Company performs a risk analysis of each of its compensation programs. If warranted, the HRCC will recommend changes to address concerns or considerations raised in the risk review process. Changes may be recommended for the program design or its oversight and administration in order to mitigate unreasonable risk, if any is determined to exist. The HRCC has concluded that the Company's compensation arrangements do not encourage any employees to take unnecessary and or excessive risks. We do not believe that any risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on the Company.

Chief Executive Officer Agreement

On November 1, 2017, we entered into an employment agreement with Ms. Kim, our President and Chief Executive Officer. The agreement provides for an initial three-year term and automatically renewal each subsequent year thereafter renews annually for a one-year term thereafter

unless terminated by either party upon 45 days written notice prior to the end of the then-current term. An addendum to this agreement was executed on June 24, 2021, which extended the initial term to December 31, 2024. Under the terms of the agreement, Ms. Kim was initially entitled to an annual base salary of $410,000 subject to annual minimum increases of 3%, the actual amount as determined by the Board of Directors' annual review of executive salaries. Her salary was last increased to $523,872 $576,300 in April 2022. 2023. In addition to her salary, she is eligible to participate in the annual Management Incentive Plan, and will be entitled to equity award grants in accordance with the Company's equity incentive plans and as approved by the Board of Directors. The Company provides Ms. Kim, at the same level of cost to other employees, group life, health, accident and disability insurance coverage for herself and her dependents. She is entitled to six weeks paid vacation annually. She received an automobile allowance in the amount of $1,200 per month in 2018 and for the first quarter of 2019. Effective April 2019, the monthly automobile allowance in the amount of $1,200 was rolled into Ms. Kim's base salary. If Ms. Kim's employment is terminated without Cause she will be entitled to 175% of her base salary paid over a period of 12 months and the Company will pay her COBRA health insurance premiums for 12 months. If Ms. Kim's employment is terminated by the Company without Cause or if she resigns for Good Reason (as each such concept is defined in Mr. Kim's employment agreement) within six months before or two years after a Change in Control, she will be paid 225% of her base salary over 12 months and the Company will pay her COBRA health insurance premiums for 24 months. The agreement provides that if any payments to Ms. Kim are limited by Section 280G of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code" or the "Code"), our obligations will be limited to such amounts that results in the greatest amount of the payment that is deductible for federal minimum tax purposes after taking into account all other compensation payments to or for the benefit of Ms. Kim that are included in determining the deductibility of such payments under Section 280G. The agreement contains a non-solicitation provision, whereby Ms. Kim may not solicit the Company's employees for two years after the termination of her employment.

For purposes of Ms. Kim's contract the following terms are defined as follows:

"Cause" means: (i) the willful and continuing failure to perform her obligations to the Company; (ii) the conviction of, or plea of nolo contendere to, a crime of embezzlement or fraud or any felony under the laws of the United States or any state thereof; (iii) the breach of fiduciary responsibility; (iv) an act of dishonesty that is injurious to the Company; (v) engagement in one or more unsafe or unsound banking practices that has an adverse effect on the Company; (vi) removal or permanent suspension from banking pursuant to regulatory and other applicable state or federal laws; (vii) an act or omission that leads to a harm (financial or reputational or otherwise) to the Company; or (viii) a material breach of Company policies as may be in effect from time to time.

"*Change in Control*" means the first to occur of (a) the consummation of the acquisition by any "person" (as such term is defined in Section 13(d) or 14(d) of the Exchange Act) of "beneficial ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the Company; or (b) the consummation by the Company of: (i) a merger, consolidation, or similar transaction if the Company's shareholders immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the entity resulting from such merger, consolidation or similar transaction in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation; or (ii) a complete liquidation or dissolution of, or an agreement for the sale or other disposition of all or substantially all of the assets of, the Company (including a transaction described in clause (a) or (b) as if applicable to the Bank or a sale of substantially all of the Bank's assets). Notwithstanding any provision of this definition to the contrary, a Change in Control shall not be deemed to have occurred solely because more than fifty percent (50%) of the combined voting power of the then outstanding securities of the Company are acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or an affiliate thereof or (ii) any corporation that, immediately prior to such acquisition, is owned directly or indirectly by the Company's shareholders in the same proportion as their ownership of "Voting Securities" immediately prior to such acquisition. Further, notwithstanding any provision of this definition to the contrary, in the event that any amount or benefit under the agreement constitutes deferred compensation under the Section 409A of the Internal Revenue Code and the settlement of or distribution of such amount or benefit is to be triggered by a change in control, then such settlement or distribution shall be subject to the event constituting the change in control also constituting a "change in control event" (as defined in Section 409A).

"*Good Reason*" means the occurrence of any one of the following events, unless Ms. Kim agrees in writing that such event shall not constitute "Good Reason": (i) a material, adverse change in the nature, scope, or status of Ms. Kim's

position, authorities, or duties from those in effect immediately prior to the applicable change in control; (ii) a material reduction in her aggregate compensation or benefits in effect immediately prior to the applicable Change in Control; or (iii)

a relocation of Ms. Kim's primary place of employment of more than fifty (50) miles from the her primary place of employment immediately prior to the applicable Change in Control. Prior to the Ms. Kim's termination of service for Good Reason, Ms. Kim must give the Company written notice of the existence of the condition that gives rise to an event of a Good Reason within 90 days of its occurrence and then the Company has 30 days to cure the situation.

Management Incentive Plan

The Company offers eligible executives an opportunity to earn cash bonuses in addition to their annual base salaries. Each year the management incentive plan ("Management Incentive Plan") is reviewed and approved by the HRCC. The Management Incentive Plan for 2022 2023 and 2021 2022 provides an opportunity for the executive officers and key employees to earn a bonus up to their designated percentage cap based on their base salary. The limits for the Management Incentive Plan for 2022 2023 and 2021 2022 were up to 100% and 110% of the annual base salary respectively for the President and Chief Executive Officer and up to 35% and 45% of their annual base salary respectively for the other executive officers.

Specific bonuses payouts are recommended by the President and Chief Executive Officer to the HRCC. The HRCC reviews the recommendations and based on its evaluation, recommends the final bonus amounts paid. In addition, the Board has the discretion to approve any additional cash bonuses or adjustments to the accrual and/or distribution under the Management Incentive Plan as they deem appropriate and in line with the profits and the growth of the Company. However, no eligible executive would receive a bonus if he or she achieved less than 70% 80% of performance goals set forth in the Management Incentive Plan for 2022 2023 and 2021, 70% in 2022, and/or the return on assets ("ROA") for the Plan Year is less than 1%. The availability of bonuses and the amounts earned is based on various metrics approved by the HRCC. These metrics may change from year to year.

For 2023, the President and Chief Executive Officer and the other executive officers were each assigned Bank Goals and Individual Goals with different weight allocations. The Bank Goals consisted of achieving three financial targets: ROA of 1.17%, return on equity ("ROE") of 13.52% and an efficiency ratio of 56.64%. The Individual Goals were customized to each individual's respective responsibilities. For the President and Chief Executive Officer, the weight allocation was 70% in Bank Goals and 30% in Individual Goals. For the other executive officers, the weight allocation was 60% in Bank Goals and 40% in Individual Goals. In 2023, our ROA was 1.13%, ROE was 13.05%, and the efficiency ratio was 57.59%. Based on the Bank and Individual performance, the HRCC determined that Ms. Kim should receive a bonus amount of $557,300, equal to 97% of her annual base salary for 2023, Ms. Oh should receive $112,700, equal to 34% of her annual base salary for 2023 and Mr. Oh should receive $96,300, equal to 34% of his annual base salary for 2023.

For 2022, the President and Chief Executive Officer and the other executive officers were each assigned Bank Goals and Individual Goals with different weight allocations. The Bank Goals consisted of achieving three financial targets: ROA of 1.70%, return on equity ("ROE") of 18.00% and an efficiency ratio of 46.00%. The Individual Goals were customized to each individual's respective responsibilities. For the President and Chief Executive Officer and the other executive officers the weight allocation was 70% in Bank Goals and 30% in Individual Goals. In 2022, our ROA was 1.73%, ROE was 19.47%, and the efficiency ratio was 47.40%. Based on the Bank and Individual performance, the HRCC determined that Ms. Kim should receive a bonus amount of $560,000, equal to 107% of her annual base salary for 2022, Ms. Oh should receive $140,000, equal to 46% of her annual base salary for 2022 and Mr. Oh should receive $114,000, equal to 44% of his annual base salary for 2022, and Mr. Bang should receive $102,000, equal to 41% of his annual base salary for 2022.

For 2021, the President and Chief Executive Officer and the other executive officers were each assigned Bank Goals and Individual Goals with different weight allocations. The Bank Goals consisted of achieving three financial targets: ROA of 1.25%, return on equity ("ROE") of 13.50% and an efficiency ratio of 51.00%. The Individual Goals were customized to each individual's respective responsibilities. For the President and Chief Executive Officer and the other executive officers the weight allocation was 70% in Bank Goals and 30% in Individual Goals. In 2021, our ROA was 1.83%, ROE was 18.90%, and the efficiency ratio was 46.55%. Based on the Bank and Individual performance, the HRCC determined that Ms. Kim should receive a bonus amount of $550,000, equal to 110% of her annual base salary for 2021, Ms. Oh should receive $112,000, equal to 45% of her annual base salary for 2021, Mr. Oh should receive $112,000, equal to 45% of his annual base salary for 2021, and Mr. Bang should receive $105,000, equal to 44% of his annual base salary for 2021.

Benefits and Other Perquisites

The named executive officers are eligible to participate in the same benefit plans designed for all of our full-time employees, including health, dental, vision, disability and basic group life insurance coverage. We also provide our employees, including our named executive officers, with various retirement benefits. Our retirement plans are designed to assist our employees in planning for retirement and securing appropriate levels of income during retirement. The purpose of our retirement plans is to attract and retain quality employees, including executives, by offering benefit plans similar to those typically offered by our competitors.

Open Bank Employee's 401(k) Plan. The Open Bank Employee's 401(k) Plan is designed to provide retirement benefits to all eligible full-time and part-time employees of the Company and its subsidiary. The 401(k) Plan provides

employees with the opportunity to save for retirement on a tax-favored basis. Named executive officers, all of whom were eligible during 2022, 2023, may elect to participate in the 401(k) Plan on the same basis as all other employees. Employees may defer 1% to 100% of their compensation to the 401(k) Plan up to the applicable IRS limit. We currently match employee contributions on the first 6% of employee compensation ($1 for each $1). The Company match is contributed in the form of

cash and is invested according to the employee's current investment allocation. No discretionary profit sharing contribution was made to the 401(k) Plan for 2022 2023 or 2021. 2022.

Company Owned Life Insurance or COLI Policies. In 2014, the Company purchased single premium COLI Policies for certain executives and senior officers of the Company and to use the income from the COLI Policies to offset benefit expenses. Further, the Company benefits from any future death benefits paid out under these COLI Policies. The Company entered into arrangements with certain executive and senior officers to pay their beneficiaries a death benefit. The amount of the arrangement for executive officers was equal to 20% of the net amount of insurance, and for senior officers between 10% and 15% of the net amount of insurance. If the officer or director retires or is terminated, the arrangement terminates.

Health and Welfare Benefits. Our named executive officers are eligible to participate in our standard health and welfare benefits program, which offers medical, dental, vision, life, accident, and disability coverage to all of our eligible employees. We do not provide the named executive officers with any health and welfare benefits that are not generally available to our other employees.

Perquisites. We provide our named executive officers with certain perquisites that we believe are reasonable and consistent with our overall compensation program to better enable us to attract and retain superior employees for key positions. The HRCC periodically reviews the levels of perquisites and other personal benefits provided to named executive officers. Based on this periodic review, perquisites are awarded or adjusted on an individual basis. The perquisites received by our named executive officers in 2022 2023 included a cell phone allowance.

Executive Change in Control Plan

In connection with our initial public offering, our Board of Directors adopted an Executive Change in Control Plan, or Severance Plan. Participants in the Severance Plan are selected by the HRCC and the Board of Directors. Our Chief Executive Officer is not eligible to participate in the Severance Plan. If a participant in the Severance Plan is terminated without cause or resigns for a "good reason" within a determined period of time before or following a "change in control", the participant will be paid an individually determined severance amount and benefits. Upon termination of the participant's employment in a manner that results in severance to the participant under the Severance Plan, the participant agrees not to solicit employees and not solicit customers to terminate their relationships with the Company for a period of one year.

Ms. Christine Oh is a participant in the Severance Plan. If she is terminated without cause within six months before or 12 months after a change in control (the "change in control period") or she resigns for good reason during the change in control period, she would be entitled to 150% her base salary and the Company will pay her COBRA health insurance premiums for 12 months.

The terms “cause,” “change in control” and “good reason” have substantially the same meanings as provided in Ms. Min J. Kim’s employment agreement, as described above.

Equity Based Plans

2021 Equity Incentive Plan

On June 24, 2021, the shareholders of Open Bank approved the 2021 Equity Incentive Plan (the “2021 Plan”). The purpose of the 2021 Plan is to advance the interest of the Company and its shareholders by providing an incentive to attract, retain and reward key employees, officers, and non-employee directors of the Company and the Bank.

The 2021 Plan authorized up to 1,500,000 shares of the Company's common stock for issuance of equity awards including stock options and restricted stock units. Option exercise prices are the fair market value of the underlying stock as of the grant date. Restricted stock units are valued at the fair market value on the date of grant. As of December 31, 2022, 317,366 restricted stock units at an average issue price of $11.60 were outstanding. There were no stock options granted under the 2022 Plan. As of December 31, 2022, 1,130,583 shares were available for future grants in either stock options or restricted stock awards under the 2021 Plan.

The 2021 Plan authorized up to 1,500,000 shares of the Company's common stock for issuance of equity awards including stock options and restricted stock units. Option exercise prices are the fair market value of the underlying stock as of the grant date. Restricted stock units are valued at the fair market value on the date of grant. As of December 31, 2023, 278,851 restricted stock units at an average issue price of $11.45 were outstanding. There were no stock options granted under the 2021 Plan. As of December 31, 2022 December 31, 2023, 1,130,583 1,111,457 shares were available for future grants in either stock options or restricted stock awards under the 2021 Plan.

2010 Equity Incentive Plan

On August 19, 2010, the shareholders of Open Bank approved the 2010 Equity Incentive Plan (the “2010 Plan”). The 2010 Plan was amended by the Board and shareholders of Open Bank in 2013 to increase the number of authorized shares for issuance from 1,350,000 shares to 2,500,000 shares of common stock. In June 2016, OP Bancorp assumed the 2010 Plan in connection with the formation of the bank holding company.

The shares of common stock are authorized and reserved for issuance for equity awards including stock options and restricted stock units. Option exercise prices are the fair market value of the underlying stock as of the grant date. Restricted stock units are valued at the fair market value on the date of grant. As of December 31, 2022 December 31, 2023, we had options outstanding to purchase a total of 150,000 60,000 shares of our common stock under the 2010 Plan, at an average exercise price of $8.00 per share, and 14,500 10,000 restricted stock units at an average issue price of $8.66 $9.69 were outstanding. The 2010 Plan expired in August 2020 and no future grants can be made under the 2010 Plan.

2005 Director and Employee Stock Option Plan

On February 10, 2005, the Board of Directors of Open Bank adopted and on December 21, 2005 shareholders of Open Bank approved the Director and Employee Stock Option Plan (the “2005 Plan”). In June 2016, OP Bancorp assumed the 2005 Plan in connection with the formation of the bank holding company. The 2005 Plan provided for the issuance of up to 770,000 shares of common stock. Option exercise prices were the fair market value of the underlying stock as of the grant date. Options granted to directors and employees vest either immediately or at the rate of 20% per year. The 2005 Plan expired in February of 2015 and no future grants can be made under the 2005 Plan.

As of December 31, 2022, the Company had options outstanding to purchase a total of 30,000 shares of common stock under the 2005 Plan, at an average exercise price of $6.18 per share.

Outstanding Equity Awards

The following table provides information for each of our named executive officers regarding outstanding stock awards held by the officers as of December 31, 2022 December 31, 2023.

			Option Awards			Stock Awards								
			Option Awards											
			Option Awards											
			Option Awards									Stock Awards		
Name	Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested ($) (2)	Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested ($) (2)
Min J. Kim	Min J. Kim	150,000	—	$ 8.00	4/1/2024	42,813	$477,793							
Christine Y. Oh	Christine Y. Oh	—	—	—	—	10,000	111,600							

Sang K. Oh	Sang K. Oh	—	—	—	—	36,000	401,760
Ihnsuk J. Bang		—	—	—	—	36,000	401,760

(1) This column represents the unvested restricted stock units granted. With regard to 42,813 21,407 restricted stock units for Ms. Kim, 64,219 restricted stock units vest 1/3rd per year from the date of grant of June 24, 2021, subject to continuing service. With regard to 10,000 20,000 restricted stock units for Ms. Oh, 10,000 restricted stock units vest at the end of three years from the date of grant of February 24, 2022, subject to continuing service. With regard to 36,000 restricted stock units for Mr. Oh service and 36,000 restricted stock units for Mr. Bang, 45,000 10,000 restricted stock units vest 1/5th 3rd per year from the date of grant of June 24, 2021, subject to continuing service. May 25, 2023.

(2) The market value of the shares of restricted stock units that have not vested is calculated by multiplying the number of shares of stock underlying the restricted stock units that have not vested by the closing price of our common stock at December 31, 2022. as of December 31, 2023, which was $10.95.

Director Compensation

The following table sets forth compensation paid or awarded to, or earned by, each of our directors (except for Min J. Kim, whose compensation is disclosed under "—Summary Compensation Table") during 2022. 2023. Officers do not earn additional compensation for director service.

Name	Name	Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2)(4)	Total
Name				
Name		Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2)(3)	Total
Brian Choi	Brian Choi	$84,000	$42,004	$126,004
Ernest E. Dow	Ernest E. Dow	60,000	30,007	90,007
Jason Hwang (3)		15,000	30,007	45,007
Soo Hun Jung, M.D.	Soo Hun Jung, M.D.	60,000	30,007	90,007
Ock Hee Kim		60,000	30,007	90,007
Myung Ja (Susan) Park		60,000	30,007	90,007
Hyung J. Kim				
Sunny Kwon				
Yong Sin Shin	Yong Sin Shin	60,000	30,007	90,007

(1) Excludes reimbursement for traveling and other expenses and stock-based expenses relating to equity awards granted in prior years under our equity plans.

(2) On June 23, 2022 June 22, 2023, the Company granted an aggregate 18,681 23,047 shares of stock awards to directors (excluding Ms. Kim). The grant date fair value was based on the number of shares granted and the closing price of the Company's stock on the grant date, which was $10.28. $8.33.

(3) Mr. Hwang passed away on April 25, 2022, and the Board reduced the number of directors from 8 to 7 at its meeting on May 10, 2022.

(4) The following table presents the number of shares underlying unvested stock awards held by each of our directors as of December 31, 2022 December 31, 2023.

Name	Number of Shares Underlying Unvested Stock Awards
Brian Choi	4,086 5,042
Ernest E. Dow	2,919 3,601
Soo Hun Jung, M.D.	2,919 3,601
Ock Hee Hyung J. Kim	2,919 3,601
Myung Ja (Susan) Park Sunny Kwon	2,919 3,601
Yong Sin Shin	2,919 3,601

The Company paid fees to the non-officer directors for attendance at Board of Directors and Board of Directors' committee meetings or for performing other services in connection with operation of the Company. The Chairman of the Board received $7,000 per month and all other directors received $5,000 per month. Directors receive reimbursement for their out-of-pocket expenses incurred in connection with their duties as directors, including their attendance at director meetings.

Compensation Committee Interlocks and Insider Participation

None of the members of our Human Resources & Compensation Committee will be or will have been one of our officers or employees. In addition, none of our executive officers serves or has served as a member of the compensation committee or other Board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our directors or on our Human Resources & Compensation Committee.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Beneficial Ownership of Common Stock

The following table sets forth information as of December 31, 2022 March 1, 2024, pertaining to beneficial ownership of the Company's common stock by persons known to the Company to own 5% or more of the Company's common stock, nominees to be elected to the Board of Directors, the executive officers named in the Summary Compensation Table presented in this proxy statement, and all directors and executive officers of the Company, as a group. This information has been obtained from the Company's records, or from information furnished directly by the individual or entity to the Company.

For purposes of the following table, shares issuable pursuant to stock options which may be exercised within 60 days of December 31, 2022 March 1, 2024, are deemed to be issued and outstanding and have been treated as outstanding in determining the amount and nature of beneficial ownership and in calculating the percentage of ownership of those individuals possessing such interest, but not for any other individuals.

Name of Beneficial Owner (1)

Name of Beneficial Owner (1)

Name of Beneficial Owner (1)	**Name of Beneficial Owner (1)**	**Shares Beneficially Owned (2) (3)**		**Percent of Class (3)**		**Shares Beneficially Owned** (2) (3)			**Percent of Class** (3)
Directors and Executive Officers:	***Directors and Executive Officers:***				***Directors and Executive Officers:***				
Brian Choi	Brian Choi	1,218,795		7.98 %	Brian Choi	1,298,520		8.67	8.67 %
Ernest E. Dow	Ernest E. Dow	244,594		1.60 %	Ernest E. Dow	247,513		1.65	1.65 %
Soo Hun Jung, M.D.	Soo Hun Jung, M.D.	232,468		1.52 %	Soo Hun Jung, M.D.	238,387		1.59	1.59 %
Ock Hee Kim		607,965		3.98 %					
Myung Ja (Susan) Park		54,689		0.36 %					
Hyung J. Kim					Hyung J. Kim	—			— %
Sunny Kwon					Sunny Kwon	—			— %
Yong Sin Shin	Yong Sin Shin	481,030		3.15 %	Yong Sin Shin	490,435		3.27	3.27 %
Min J. Kim	Min J. Kim	613,645	(4)	3.98 %	Min J. Kim	627,648	(4) (4)	4.17 %	
Christine Y. Oh	Christine Y. Oh	127,778		0.84 %	Christine Y. Oh	127,778		0.85	0.85 %
Sang K. Oh	Sang K. Oh	9,000		0.06 %	Sang K. Oh	18,000		0.12	0.12 %
Ihnsuk J. Bang		11,000		0.07 %					
All directors and executive officers as a group (13 individuals)	All directors and executive officers as a group (13 individuals)	3,689,167	(5)	23.89 %	All directors and executive officers as a group (13 individuals)	3,154,227	(5) (5)	20.94 %	

Manulife Financial Corporation	Manulife Financial Corporation	887,695	(6)	5.81 %	Manulife Financial Corporation	887,695	(6)	(6)	5.93	%
AllianceBernstein L.P.	AllianceBernstein L.P.	846,677	(7)	5.54 %	AllianceBernstein L.P.	807,646	(7)	(7)	5.39	%

(1) Except as otherwise noted, the address for all persons is c/o OP Bancorp, 1000 Wilshire Boulevard, Suite 500, Los Angeles, California 90017.

(2) Subject to applicable community property laws and shared voting and investment power with a spouse, the persons listed have sole voting and investment power with respect to such shares unless otherwise noted.

(3) Includes shares beneficially owned (including options exercisable and restricted stock units vesting within 60 days of December 31, 2022 March 1, 2024).

(4) Consists of 463,645 567,648 shares held by Ms. Kim individually and 150,000 60,000 shares that are subject to options that are currently exercisable or are exercisable within 60 days of December 31, 2022 March 1, 2024.

(5) Includes 170,000 60,000 shares that are subject to options that are currently exercisable or are exercisable within 60 days of December 31, 2022 March 1, 2024.

(6) Represents the number of common shares beneficially owned by Manulife Financial Corporation ("MFC") and MFC's indirect, wholly-owned subsidiaries, Manulife Investments (US) LLC ("MIM (US)") and Manulife Investment Management Limited ("MIML"). The address of MFC and MIMIL is 200 Bloor Street East, Toronto, Ontario, Canada, M4W 1E5 and the address of MIM (US) is 197 Clarendon Street, Boston, Massachusetts 02116. The foregoing information has been obtained from the shareholder's Schedule 13G filed with the SEC on February 14, 2023 February 14, 2022.

(7) Represents the number of common shares beneficially owned by AllianceBernstein L.P. The address of AllianceBernstein L.P. is 1345 Avenue of the Americas, New York, NY 10105. 501 Commerce Street, Nashville, TN 37203. The foregoing information has been obtained from the shareholder's Schedule 13G filed with the SEC on February 14, 2023 February 14, 2024.

The following table summarizes our equity compensation plans as of December 31, 2022 December 31, 2023:

Securities Authorized for Issuance Under Equity Compensation Plans

Securities Authorized for Issuance Under Equity Compensation Plans

Securities Authorized for Issuance Under Equity Compensation Plans

Securities Authorized for Issuance Under Equity Compensation Plans

Plan Category

Plan Category

Plan Category	**Plan Category**	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in Column (a) (c)**	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in Column (a) (c)**
Equity compensation plans approved by security holders	Equity compensation plans approved by security holders	511,866	$ 10.15	1,130,583			
Equity compensation plans not approved by security holders	Equity compensation plans not approved by security holders	—	—	—			

Total	Total	511,866	$	10.15	1,130,583

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Policy and Procedures Regarding Related Party Transactions

Our Board of Directors has adopted a written Statement of Policy with Respect to Related Party Transactions. Under this policy, any “related party transaction” may be consummated or may continue only if the Audit Committee approves or ratifies the transaction in accordance with the guidelines in the policy and if the transaction is on terms comparable to those that could be obtained in arm’s length dealings with an unrelated third party. For purposes of this policy, a “related person” means: (i) any person who is, or at any time since the beginning of the Company’s last fiscal year was, a director or executive officer of the Company or a nominee to become a director of the Company; (ii) any person who is known to be the beneficial owner of more than 5% of any class of the Company’s voting securities; (iii) any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and (iv) any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner, principal or in a similar position, or in which such person has a 10% or greater beneficial ownership interest.

A “related party transaction” is a transaction in which the Company or its subsidiary is a participant and in which a related person had or will have a direct or indirect interest, other than transactions involving: (i) less than $5,000 when aggregated with all similar transactions; (ii) customary bank deposits and accounts (including certificates of deposit); and (iii) loans and commitments to lend included in such transactions that are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing for comparable transactions with other persons of similar creditworthiness, and do not involve more than the normal risk of collectability or present other unfavorable features to the Company.

A related party who has a position or relationship with a firm, corporation, or other entity that engaged in a transaction with the Company shall not be deemed to have an indirect material interest within the meaning of this policy where the interest in the transaction arises only: (i) from such related party’s position as a director of another corporation or organization that is party to the transaction; (ii) from the direct or indirect ownership by the related party of less than a 10% equity interest in another person (other than a partnership) which is a party to the transaction; or (iii) from the related party’s position as a limited partner in a partnership in which the related party has an interest of less than 10%, and the related party is not a general partner of and does not hold another position in the partnership.

The Board of Directors has determined that the Audit Committee is best suited to review and approve related party transactions. The Committee considers all of the relevant facts and circumstances available to the Committee, including (if applicable) but not limited to: (i) the benefits to the Company; (ii) the impact on a director’s independence in the event the related person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; (iii) the availability of other sources for comparable products or services; (iv) the terms of the transaction; and (v) the terms available to unrelated third parties or to employees generally. No member of the Audit Committee may participate in any review, consideration or approval of any related person transaction with respect to which such member or any of his or her immediate family members is the related person. The Committee will approve only those related person transactions that are in, or are not inconsistent with, the best interests of the Company and its shareholders, as the Committee determines in good faith. The Audit Committee will convey its decision to the Board of Directors. The Chief Executive Officer will convey the decision to the appropriate persons within the Company. Company

Ordinary Banking Relationships

Certain of our officers, directors and principal shareholders, as well as their immediate family members and affiliates, are customers of, or have or have had transactions with us in the ordinary course of business. These transactions include deposits, loans and other financial services related transactions. Related party transactions are made in the ordinary course of business, on substantially the same terms, including interest rates and collateral (where applicable), as those prevailing at the time for comparable transactions with persons not related to us, and do not involve more than normal risk of collectability or present other features unfavorable to us. Any loans we originate with officers, directors and principal shareholders, as well as their immediate family members and affiliates, are approved by our Board of Directors in accordance with the bank regulatory requirements

As of December 31, 2022 December 31, 2023, our officers and directors as well as their immediate families and affiliated companies, taken as a group, were not indebted directly or indirectly to us, while deposits from this group totaled $810 thousand $1.8 million as of such date. We expect to continue to enter into transactions in the ordinary course of business on similar terms with our officers, directors and principal shareholders, as well as their immediate family members and affiliates.

Open Stewardship Foundation

In 2011, the Open Stewardship Foundation, a non-profit organization, was created to actively support civic organizations, schools and other eligible charitable non-profit organizations that provide public benefit services in the communities we serve. We have committed to fund the Foundation in an amount equal to 10% of our consolidated annual income after taxes each year. We also permit the Foundation to use our premises for activities on behalf of non-profit organizations. This commitment is included in our annual operating budget each year and the Board of Directors and management believe that such activities have benefited us through stronger and expanded business relationships within the Korean-American community. Since inception, we have donated over $13.4 million $15.6 million to the Foundation, aiding over 211 228 local non-profits. The Foundation’s Board of Directors is comprised of five of our directors, Brian Choi, Ernest E. Dow, Min J. Kim, Ock Hee Kim, Soo Hun Jung, and Myung Ja (Susan) Park. Yong Sin Shin. Our Chief Financial Officer serves as the president of the Foundation. Our directors and officers receive no additional compensation for their service at the Foundation. The Board of Directors of the Foundation maintains a selection committee that is responsible for reviewing and recommending grant applications from local nonprofits. The selection committee has four members annually selected by the Foundation Board of Directors. We do not control the Foundation’s activities, and accordingly, we do not consolidate the financial statements of the Foundation.

Other Related Party Transactions

Other than the compensation arrangements with directors and executive officers described in “Executive Compensation” and the ordinary banking relationships described above, none of our directors, executive officers or beneficial holders of more than 5% of our capital stock, or their immediate family members or entities affiliated with them, had or will have a direct or indirect material interest, in any transactions to which we have been a party.

Insider Trading and Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics Policy is intended to promote compliance with all applicable laws and regulations and to require of the Company's officers and directors the appropriate standards of good judgment and high ethical standards that our shareholders and customers have a right to expect. This policy governs insider trading, whistleblowing and the protection of whistleblowers, related party transactions, conflicts of interest, and a variety of other requirements applicable to our officers and directors. A copy of the Company's Code of Business Conduct and Ethics is available under the Corporate Governance tab on the Company's investor relations website, https://opbancorp.q4ir.com/governance/corporate-governance/default.aspx.

Director Independence

In 2023, six out of seven members of the Board of Directors were independent directors, as defined by the applicable rules and regulations of the Nasdaq Stock Market, as follows:

Brian Choi, Chairman of the Board
Ernest E. Dow
Soo Hun Jung, M.D.
Hyung J. Kim
Sunny Kwon
Yong Sin Shin

Item 14. Principal Accountant Fees and Services.

The following table summarizes the aggregate fees billed to the Company by its independent auditor:

Category of Services	Fiscal Year 2022	Fiscal Year 2021
Audit fees (1)	$ 524,000	$ 452,279
Audit-related fees	—	—
Tax fees (2)	61,172	39,350
All other fees	—	—
Total accounting fees	$ 585,172	$ 491,629

Category of Services	Fiscal Year 2023	Fiscal Year 2022
Audit fees(1)	$ 597,795	$ 524,000
Audit-related fees	—	—
Tax fees(2)	57,008	61,172
All other fees	—	—
Total accounting fees	$ 654,803	$ 585,172

(1) Audit fees relate to professional services rendered in connection with the audit of the Company's annual financial statements, quarterly review of financial statements included in the Company's Quarterly Reports on Form 10-Q, and audit services provided in connection with other statutory and regulatory filings.

(2) Tax fees were related to tax services provided to Company, including annual Federal and State tax return, quarterly tax estimates, and any assistance, review, or resolution of tax notice.

The ratio of Tax fees and All other fees to Total accounting fees was 8.7% for 2023 and 10.5% for 2022 and 8.0% for 2021. 2022.

In considering the nature of the services provided by the independent registered public accounting firm, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with the independent registered public accounting firm and Company management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC and the Public Company Accounting Oversight Board.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements: The financial statements listed under Part II-Item 8. "Financial Statements and Supplementary Data" are filed as part of this Item 15 of this 10-K.

(a)(2) Financial Statement Schedules: All financial statement schedules have been omitted as such the required information is not applicable or has been included in the Financial Statements and related notes.

(a)(3) List of Exhibits: The exhibits required by Item 601 of Regulation S-K are included under Item 15(b) below.

(b) Exhibits

Exhibit Number	Description
3.1	Articles of Incorporation of OP Bancorp (incorporated herein by reference to Exhibit 3.1 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
3.2	Amended and Restated Bylaws of OP Bancorp (incorporated herein by reference to Exhibit 3.2 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
3.3	First Amendment to the Amended and Restated Bylaws of OP Bancorp (incorporated herein by reference to Exhibit 3.3 to the Registrant's Annual Report on Form 10-K (File No. 001-38437) filed on March 15, 2021)
4.1	Specimen common stock certificate of OP Bancorp (incorporated herein by reference to Exhibit 4.1 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
4.2	Description of Securities Registered under Section 12 of Securities Exchange Act of 1934, as amended (incorporated herein by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K (File No. 001-38437) filed on March 16, 2020)
10.1*	Employment Agreement, dated November 1, 2017, between OP Bancorp and Min J. Kim (incorporated herein by reference to Exhibit 10.1 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.2*	Employment Offer Letter, dated June 10, 2010, from First Standard Bank to Christine Oh (incorporated herein by reference to Exhibit 10.2 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.3*	Employment Offer Letter, dated September 9, 2013, from First Standard Bank to Ki Won Yoon (incorporated herein by reference to Exhibit 10.4 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.4*	2010 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.6 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.5*	First Amendment to the 2010 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.6*	Form of Stock Option Award under the 2010 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.8 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.7*	Form of Restricted Stock Unit Agreement under the 2010 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.9 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.8*	2005 Director and Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.10 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.9*	Form of Stock Option Award under the 2005 Director and Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.11 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.10*	OP Bancorp 2017 Management Incentive Plan (incorporated herein by reference to Exhibit 10.12 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.11* 10.9*	OP Bancorp Change in Control Severance Plan (incorporated herein by reference to Exhibit 10.13 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.12* 10.10*	Form of Indemnification Agreement entered into with all of the directors and executive officers of OP Bancorp (incorporated herein by reference to Exhibit 10.14 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)

10.13 10.11	Coexistence Agreement with Open Bank S.A. (incorporated herein by reference to Exhibit 10.15 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
10.14* 10.12*	Employment Offer Letter, dated September 24, 2020, from Open Bank to Sang Kyo Oh (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-38437) filed on October 1, 2020)
10.15 10.13*	Asset Purchase Agreement, dated January 28, 2021, by and between Open Bank and Hana Small Business Asset Lending, Inc. (incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K/A (File No. 001-38437) filed on February 5, 2021)
10.16*	Employment Offer Letter, dated September 18, 2020, from Open Bank to Ihnsuk J. Bang (incorporated herein by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K (File No. 001-38437) filed on March 18, 2022).
10.17* 10.14*	Addendum to Employee Agreement, dated June 24, 2021, between OP Bancorp, Open Bank and Min J. Kim (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-38437) filed on June 25, 2021)
10.18* 10.15*	2021 Equity Incentive Plan (incorporated herein by reference to Exhibit 4.6 to the Registrant's Form S-8 Registration Statement (Registration No. 333-257362) filed on June 24, 2021
10.19* 10.16*	Form of Restricted Stock Unit Agreement under the OP Bancorp 2021 Equity Incentive Plan Plan (incorporated herein by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K (File No. 001-38437) filed on March 28, 2022).
21.1	Subsidiaries of OP Bancorp (incorporated herein by reference to Exhibit 21.1 to the Registrant's Form S-1 Registration Statement (Registration No. 333-223444) filed on March 5, 2018)
23.1	Consent of Crowe LLP, filed herewith.
24.1	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K)
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. 2002, filed herewith.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. 2002,filed herewith.
32.1 32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1	OP Bancorp Incentive Compensation Recovery Policy, filed herewith.
101.INS	Inline XBRL Instance Document, filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document, filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document, filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document, filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document, filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document, filed herewith.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibits 101)

* Indicates management contract or compensatory plan or arrangement arrangement.
** Furnished, not filed.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

OP Bancorp

Date: March 16, 2023 March 29, 2024 By: /s/ MIN J. KIM

Min J. Kim
President and Chief Executive Officer

POWER OF ATTORNEY AND SIGNATURES

KNOW ALL PERSONS BY THESE PRESENT, that each person whose signature appears below constitutes and appoints each of Min J. Kim and Christine Y. Oh, his or her attorney-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature/Name	Title	Date
/s/ MIN J. KIM	President, and Chief Executive Officer and Director (Principal Executive Officer)	March 16, 2023 29, 2024
Min J. Kim		
/s/ CHRISTINE Y. OH	Executive Vice President & Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2023 29, 2024
Christine Y. Oh		
/s/ BRIAN CHOI	Director	March 16, 2023 29, 2024
Brian Choi		
/s/ ERNEST E. DOW	Director	March 16, 2023 29, 2024
Ernest E. Dow		
/s/ SOO HUN JUNG	Director	March 16, 2023 29, 2024
Soo Hun Jung		
/s/ OCK HEE HYUNG J. KIM	Director	March 16, 2023 29, 2024
Ock Hee Hyung J. Kim		
/s/ MYUNG JA (SUSAN) PARK SUNNY KWON	Director	March 16, 2023 29, 2024
Myung Ja (Susan) Park Sunny Kwon		
/s/ YONG SIN SHIN	Director	March 16, 2023 29, 2024
Yong Sin Shin		

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors of OP Bancorp
Los Angeles, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of OP Bancorp (the "Company") as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2023, due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codifications No. 326, Financial Instruments – Credit Losses (ASC 326). The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. The adoption of the new credit loss standard and its subsequent application is also communicated as a critical audit matter below.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses – Loans

As described in Notes 1 and 3 to the financial statements, effective January 1, 2023 the Company adopted ASU 2016-13, Financial instruments – Credit Losses (Topic 326) using the modified retrospective method. See change in accounting principle explanatory paragraph above. The allowance for credit losses on loans is an estimate of expected credit losses, measured over the contractual life of the loans based on historical experience, current conditions, and reasonable and supportable forecasts. As of January 1, 2023, the Company recorded a $1.9 million increase to the allowance for credit losses (ACL) on loans and a $1.5 million decrease to retained earnings. At December 31, 2023 the Company had a gross loan portfolio of $1.8 billion and a related ACL on loans of $22.0 million.

The Company uses a probability of default (PD)/s/ loss given default (LGD) quantitative model using transition matrices and a qualitative framework to estimate expected credit losses on loans held for investment. The quantitative component of the model provides forecasts of PD and LGD based on forecasted national unemployment rates using regression analysis and under a weighted multiple scenario approach. The Company's qualitative framework is designed to quantify the credit risk impact of other trends and changes within the loan portfolio. The parameters for making adjustments are established under a credit risk matrix that provides different possible scenarios for the qualitative factor adjustments.

We identified auditing the qualitative factor adjustments to the allowance for credit losses on loans to be a critical audit matter as it involved significant audit effort and especially subjective auditor judgment to evaluate the subjective judgment made by management related to the determination of qualitative factor adjustments, including the development of the qualitative framework.

The primary procedures we performed to address this critical audit matter included:

- Substantively testing management's process, including evaluating their judgments and assumptions, for developing the qualitative factor adjustments, which included:
    - Evaluating the appropriateness of the qualitative framework and the reasonableness of significant assumptions used in the development of qualitative factor adjustments.
    - Evaluating the relevance and reliability of internal and external data used to develop the qualitative factor adjustments.
    - Evaluating the mathematical accuracy of qualitative factor adjustments derived from management's credit risk matrix.

Crowe LLP

We have served as the Company's auditor since 2010.

Costa Mesa, California
March 16, 2023 29, 2024

OP BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

December 31,

December 31,
December 31,
December 31,
December 31,
December 31,
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December 31,
December 31,
December 31,
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December 31,

($ in thousands)	($ in thousands)	2022	2021	($ in thousands)	2023	2022
ASSETS	**ASSETS**					
Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents	Cash and cash equivalents	$ 82,972	$ 115,459			
Available-for-sale debt securities, at fair value	Available-for-sale debt securities, at fair value	209,809	150,444			
Other investments	Other investments	12,098	10,999			
Loans held for sale	Loans held for sale	44,335	89,428			
Loans receivable, net of allowance of $19,241 in 2022 and $16,123 in 2021		1,659,051	1,297,896			
Loans receivable, net of allowance for credit losses of $21,993 and $19,241 as of December 31, 2023 and 2022, respectively						
Premises and equipment, net	Premises and equipment, net	4,400	4,355			
Accrued interest receivable, net of allowance of $0 in 2022 and $205 in 2021		7,180	4,579			
Accrued interest receivable						
Servicing assets	Servicing assets	12,759	12,720			
Company owned life insurance	Company owned life insurance	21,613	11,134			
Deferred tax assets, net	Deferred tax assets, net	14,316	8,409			
Operating right-of-use assets	Operating right-of-use assets	9,097	8,905			
Other assets	Other assets	16,867	12,363			
Total assets	**Total assets**	$2,094,497	$1,726,691			
LIABILITIES AND SHAREHOLDERS' EQUITY	**LIABILITIES AND SHAREHOLDERS' EQUITY**					
Liabilities	Liabilities					
Liabilities						
Liabilities						

Deposits:	Deposits:		
Noninterest bearing		$ 701,584	$ 774,754
Interest bearing:			
Deposits:			
Deposits:			
Noninterest-bearing			
Noninterest-bearing			
Noninterest-bearing			
Interest-bearing:			
Money market and others			
Money market and others			
Money market and others	Money market and others	526,321	380,226
Time deposits greater than $250	Time deposits greater than $250	356,197	207,288
Other time deposits	Other time deposits	301,669	171,798
Total deposits	Total deposits	1,885,771	1,534,066
Federal Home Loan Bank advances			
Accrued interest payable	Accrued interest payable	2,771	558
Operating lease liabilities	Operating lease liabilities	10,213	10,307
Other liabilities	Other liabilities	18,826	16,538
Total liabilities	Total liabilities	1,917,581	1,561,469
Shareholders' equity	Shareholders' equity		
Preferred stock no par value; 10,000,000 shares authorized; no shares issued or outstanding in 2022 and 2021		—	—
Common stock – no par value; 50,000,000 shares authorized; 15,270,344 and 15,137,808 shares issued and outstanding in 2022 and 2021, respectively		79,326	78,718
Preferred stock no par value; 10,000,000 shares authorized; no shares issued or outstanding as of December 31 2023 and 2022			
Preferred stock no par value; 10,000,000 shares authorized; no shares issued or outstanding as of December 31 2023 and 2022			
Preferred stock no par value; 10,000,000 shares authorized; no shares issued or outstanding as of December 31 2023 and 2022			
Common stock – no par value; 50,000,000 shares authorized as of December 31, 2023 and 2022; 15,000,436 and 15,270,344 shares issued and outstanding as of December 31, 2023 and 2022, respectively			
Additional paid-in capital	Additional paid-in capital	9,743	8,645
Retained earnings	Retained earnings	105,690	79,056

Accumulated other comprehensive loss	Accumulated other comprehensive loss	(17,843)	(1,197)
Total shareholders' equity	Total shareholders' equity	176,916	165,222
Total liabilities and shareholders' equity	**Total liabilities and shareholders' equity**	$2,094,497	$1,726,691

See accompanying notes to consolidated financial statements

OP BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

		Year Ended December 31,						
		Year Ended December 31,						
($ in thousand, except per share data)		**2022**	**2021**	**2020**				
		Year Ended December 31,						
		Year Ended December 31,						
($ in thousands, except per share data)					($ in thousands, except per share data)	**2023**	**2022**	**2021**
INTEREST INCOME	**INTEREST INCOME**							
Interest and fees on loans								
Interest and fees on loans								
Interest and fees on loans	Interest and fees on loans	$82,864	$62,448	$51,829				
Interest on available-for-sale debt securities	Interest on available-for-sale debt securities	3,351	1,085	1,177				
Other interest income	Other interest income	1,997	625	650				
Total interest income	Total interest income	88,212	64,158	53,656				
Interest expense	Interest expense							
Interest on deposits	Interest on deposits	11,210	3,132	8,292				
Interest on deposits								
Interest on deposits								
Interest on borrowings	Interest on borrowings	91	—	—				
Total interest expense	Total interest expense	11,301	3,132	8,292				
Net interest income	Net interest income	76,911	61,026	45,364				
Provision for loan losses		2,976	522	5,961				
Net interest income after provision for loan losses		73,935	60,504	39,403				
Provision for credit losses								

Net interest income after provision for credit losses				
NONINTEREST INCOME	**NONINTEREST INCOME**			
Service charges on deposits				
Service charges on deposits				
Service charges on deposits	Service charges on deposits	1,675	1,562	1,431
Loan servicing fees, net of amortization	Loan servicing fees, net of amortization	2,416	1,953	1,856
Gain on sale of loans	Gain on sale of loans	12,285	11,313	6,092
Other income	Other income	1,243	1,189	1,392
Total noninterest income	Total noninterest income	17,619	16,017	10,771
NONINTEREST EXPENSE	**NONINTEREST EXPENSE**			
Salaries and employee benefits				
Salaries and employee benefits				
Salaries and employee benefits	Salaries and employee benefits	27,189	21,253	20,041
Occupancy and equipment	Occupancy and equipment	5,964	5,213	4,974
Data processing and communication	Data processing and communication	2,085	2,000	1,682
Professional fees	Professional fees	1,620	1,192	1,101
FDIC insurance and regulatory assessments	FDIC insurance and regulatory assessments	813	583	449
Promotion and advertising	Promotion and advertising	543	684	467
Directors' fees	Directors' fees	682	593	700
Foundation donation and other contributions	Foundation donation and other contributions	3,393	2,890	1,335
Other expenses	Other expenses	2,541	1,457	1,191
Total noninterest expense	Total noninterest expense	44,830	35,865	31,940
INCOME BEFORE INCOME TAX EXPENSE	**INCOME BEFORE INCOME TAX EXPENSE**	46,724	40,656	18,234
Income tax expense	Income tax expense	13,414	11,816	5,107

NET INCOME	NET INCOME	$ 33,310	$ 28,840	$ 13,127
EARNINGS PER SHARE - BASIC	EARNINGS PER SHARE - BASIC	$ 2.15	$ 1.89	$ 0.85
EARNINGS PER SHARE - DILUTED	EARNINGS PER SHARE - DILUTED	$ 2.14	$ 1.88	$ 0.85

See accompanying notes to consolidated financial statements

OP BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ in thousands)	Year Ended December 31, 2022	2021	2020
NET INCOME	$ 33,310	$ 28,840	$ 13,127
Other comprehensive (loss) income:			
Change in unrealized (loss) gain on securities available for sale	(23,634)	(2,891)	925
Tax effect	6,988	854	(273)
Total other comprehensive (loss) income	(16,646)	(2,037)	652
COMPREHENSIVE INCOME	$ 16,664	$ 26,803	$ 13,779

($ in thousands)	Year Ended December 31, 2023	2022	2021
Net income	$ 23,918	$ 33,310	$ 28,840
Other comprehensive income (loss)			
Change in unrealized gain (loss) on available-for-sale debt securities	3,397	(23,634)	(2,891)
Tax effect	(1,005)	6,988	854
Total other comprehensive income (loss)	2,392	(16,646)	(2,037)
Comprehensive income	$ 26,310	$ 16,664	$ 26,803

See accompanying notes to consolidated financial statements

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

($ in thousands, except per share data)	($ in thousands, except per share data)	Common Stock Shares Outstanding	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 2020		15,703,276	$86,381	$ 7,524	$ 46,483	$ 188	$ 140,576
Net income		—	—	—	13,127	—	13,127
Other comprehensive income		—	—	—	—	652	652
Stock issued under stock-based compensation plans		298,591	380	—	—	—	380
Stock-based compensation, net		—	—	997	—	—	997
Repurchase of common stock		(985,167)	(8,104)	—	—	—	(8,104)
Cash dividends declared ($0.28 per share)		—	—	—	(4,262)	—	(4,262)
Balance at December 31, 2020		15,016,700	$78,657	$ 8,521	$ 55,348	$ 840	$ 143,366
($ in thousands, except per share data)							
($ in thousands, except per share data)							
($ in thousands, except per share data)							

($ in thousands, except per share data)

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($ in thousands, except per share data)		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholde Equity
Balance as of January 1, 2021							
Balance as of January 1, 2021							
Balance as of January 1, 2021							
Net income	Net income	—	—	—	28,840	—	28,840
Other comprehensive loss	Other comprehensive loss	—	—	—	—	(2,037)	(2,037)
Stock issued under stock-based compensation plans		124,938	89	—	—	—	89
Stock issued under stock-based compensation plans, net of forfeitures							
Stock-based compensation, net	Stock-based compensation, net	—	—	124	—	—	124
Repurchase of common stock	Repurchase of common stock	(3,830)	(28)	—	—	—	(28)
Cash dividends declared ($0.34 per share)	Cash dividends declared ($0.34 per share)	—	—	—	(5,132)	—	(5,132)
Balance at December 31, 2021		15,137,808	$78,718	$ 8,645	$ 79,056	$ (1,197)	$ 165,222

Balance as of

December 31, 2021

Net income	—	—	—	33,310	—	33,310
Other comprehensive loss	—	—	—	—	(16,646)	(16,646)
Stock issued under stock-based compensation plans	132,536	608	(81)	—	—	527
Stock-based compensation, net	—	—	1,179	—	—	1,179
Cash dividends declared ($0.44 per share)	—	—	—	(6,676)	—	(6,676)
Balance at December 31, 2022	15,270,344	$79,326	$ 9,743	$105,690	$ (17,843)	$ 176,916

Stock issued under stock-based compensation plans, net of forfeitures

Cash dividends declared ($0.44 per share)

Cash dividends declared ($0.44 per share)

Balance as of

December 31, 2022

Cumulative effect related to adoption of ASC 326, net of tax	—	—	—	(1,484)	—

Adjusted balance as of January 1, 2023

Net income

Other comprehensive income

Stock issued under stock-based compensation plans, net of forfeitures

Stock-based compensation, net

Repurchase of common stock

Cash dividends declared ($0.48 per share)

Balance as of

December 31, 2023

See accompanying notes to consolidated financial statements

OP BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

($ in thousands)	($ in thousands)	2022	2021	2020	($ in thousands)	2023	2022	2021
Cash flows from operating activities	**Cash flows from operating activities**							
Net income	Net income	$ 33,310	$ 28,840	$ 13,127				
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:								
Provision for loan losses		2,976	522	5,961				
Net income								
Net income								
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:								
Provision for credit losses								
Provision for credit losses								
Provision for credit losses								
Depreciation and amortization of premises and equipment	Depreciation and amortization of premises and equipment	1,367	1,314	1,301				
Amortization of net premiums on securities	Amortization of net premiums on securities	629	882	587				
Amortization of servicing assets	Amortization of servicing assets	4,385	3,536	1,737				
Accretion of loan discounts		(4,868)	(4,847)	(1,978)				
Accretion of net discounts on loans								
Amortization of low income housing partnerships	Amortization of low income housing partnerships	697	522	262				

Stock-based compensation	Stock-based compensation	1,179	558	1,102
Deferred income taxes	Deferred income taxes	1,081	(2,312)	(2,326)
Gain on sale of loans	Gain on sale of loans	(12,285)	(11,313)	(6,092)
Gain on sales of other assets		—	—	(213)
Earnings on company owned life insurance				
Earnings on company owned life insurance				
Earnings on company owned life insurance	Earnings on company owned life insurance	(479)	(255)	(261)
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	431	108	(79)
Origination of loans held for sale	Origination of loans held for sale	(137,642)	(177,042)	(111,015)
Proceeds from sales of loans held for sale	Proceeds from sales of loans held for sale	196,531	122,520	92,448
Net change in:	Net change in:			
Accrued interest receivable	Accrued interest receivable	(2,396)	242	(1,462)
Accrued interest receivable				
Accrued interest receivable				
Other assets	Other assets	269	5,793	2,531
Accrued interest payable	Accrued interest payable	2,213	(463)	(1,665)
Other liabilities	Other liabilities	(3,664)	3,117	1,184
Net cash provided by (used in) operating activities		83,734	(28,278)	(4,851)
Net cash provided by operating activities				
Cash flows from investing activities	**Cash flows from investing activities**			
Net change in loans receivable				
Net change in loans receivable				
Net change in loans receivable	Net change in loans receivable	(138,998)	(123,069)	(109,470)
Proceeds from matured, called, or paid-down securities available for sale	Proceeds from matured, called, or paid-down securities available for sale	32,191	35,941	30,321

Purchase of company owned life insurance	Purchase of company owned life insurance	(10,000)	—	—
Purchase of loans	Purchase of loans	(225,133)	(97,631)	—
Purchase of securities available for sale		(115,819)	(98,368)	(65,226)
Purchase of available-for-sale debt securities				
Purchase of equity investments	Purchase of equity investments	(53)	—	—
Purchase of Federal Home Loan Bank stock	Purchase of Federal Home Loan Bank stock	(1,477)	(963)	(685)
Purchase of premises and equipment, net	Purchase of premises and equipment, net	(1,412)	(1,125)	(619)
Investment in low income housing partnerships	Investment in low income housing partnerships	(1,076)	(829)	(1,389)
Net cash used in investing activities	Net cash used in investing activities	(461,777)	(286,044)	(147,068)
Cash flows from financing activities	**Cash flows from financing activities**			
Net change in deposits	Net change in deposits	351,705	333,976	179,379
Net change in deposits				
Net change in deposits				
Cash received from stock option exercises	Cash received from stock option exercises	608	89	380
Proceeds from Federal Home Loan Bank advances	Proceeds from Federal Home Loan Bank advances	—	—	10,000
Repayment of Federal Home Loan Bank advances	Repayment of Federal Home Loan Bank advances	—	(5,000)	(5,000)
Repurchase of common stock	Repurchase of common stock	—	(28)	(8,104)
Cash dividend paid on common stock	Cash dividend paid on common stock	(6,676)	(5,132)	(4,262)
Payments related to tax-withholding for vested restricted stock awards		(81)	(434)	(107)
Net cash provided by financing activities		345,556	323,471	172,286

Payments related to tax-withholding for vested restricted stock awards				
Net cash provided by financing activities				
Net change in cash and cash equivalents	Net change in cash and cash equivalents	(32,487)	9,149	20,367
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	115,459	106,310	85,943
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	$82,972	$115,459	$106,310
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				
Cash paid during the period for				
Income taxes				
Income taxes				
Income taxes	Income taxes	$14,493	$ 10,778	$ 6,125
Interest	Interest	9,088	3,595	9,957
Supplemental non-cash disclosure:	Supplemental non-cash disclosure:			
Initial recognition of right-of-use assets	Initial recognition of right-of-use assets	$ 1,961	$ 3,708	$ —
Initial recognition of right-of-use assets				
Initial recognition of right-of-use assets				
New commitments to low income housing partnership investments	New commitments to low income housing partnership investments	5,000	3,500	3,477

See accompanying notes to consolidated financial statements

OP BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Business and Summary Basis of Significant Accounting PoliciesPresentation

Business Description: OP Bancorp is a California corporation that was formed to acquire 100% 100.00% 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 11 full-service branches.

Basis of Presentation: The consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates: To prepare financial statements in conformity with GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Concentration of Risk: Most of the Company's customers are located within Los Angeles County and the surrounding area. The concentration of loans originated in this area may subject the Company to the risk of adverse impacts of economic, regulatory or other developments that could occur in Southern California. The Company has significant concentration in commercial real estate loans. The Company obtains what it believes to be sufficient collateral to secure potential losses. The extent and value of the collateral obtained varies based upon the details underlying each loan agreement.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with original maturities less than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions.

Asset Purchase: On May 24, 2021, the Company completed the purchase of loan portfolio from Hana Small Business Lending, Inc. ("Hana") and paid approximately $97.6 million that included loans of $100.0 million at a fair value discount of $8.9 million, servicing assets of $6.1 million and accrued interest receivable of $398 thousand. The following table summarizes the consideration paid for the loan portfolio and the amounts of assets purchased:

($ in thousands)		
Consideration		
Cash	$	97,631
Recognized amounts of identifiable assets purchased:		
Loans (1)	$	100,003
Loan discounts		(8,867)
Accrued interest receivable		398
Servicing assets		6,097
Total recognized identifiable assets	$	97,631

(1) Consists of $92.2 million of SBA loans, $6.9 million of PPP loans and $919 thousand of real estate loans.

The Company follows the guidance in Accounting Standards Codification ("ASC") 805, *Business Combination*, for determining the appropriate accounting treatment for acquisition. Accounting Standards Update ("ASU") 2017-01, *Business Combinations* (Topic 805) *Clarifying the Definition of a Business*, provides an initial fair value screen to determine if substantially all of the fair value of the assets acquired is concentrated in a single asset or group of similar assets. If the initial test is met, the assets acquired would not represent a business combination, but rather an asset acquisition. If the transaction is deemed to be an asset acquisition, the cost accumulation and allocation model is used in which the cost of the acquisition is allocated on a relative fair value basis to the assets acquired. The Company concluded that the Hana transaction did not qualify as a business combination and was accounted for as an asset acquisition in

accordance with the "Acquisition of Assets Rather Than a Business" subsections of ASC 805-50 using a cost accumulation model.

The Company records purchased performing loans in the Hana transaction at fair value including a discount and recognizes discount accretion using the contractual cash flow method. The fair value discount is accreted as an adjustment to yield over the estimated lives of the loans in accordance with the provisions of ASC 310-20, *Nonrefundable Fees and Other Costs.* There was no allowance for loan losses established as of June 30, 2021 for the purchased performing loans in the Hana transaction. A provision for loan losses is recorded for any further deterioration in these loans subsequent to the acquisition.

Securities: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available-for-sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax. Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates Securities available for sale are measured at fair value and are subject to impairment testing. For securities available for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities sale in an unrealized loss position, management evaluates whether the decline in fair value has resulted in from a credit-related loss or other factors. In making this assessment, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and which fair value is recognized as impairment through earnings. For debt securities that do not meet less than amortized cost, any changes to the aforementioned criteria, rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. Management (1) recognizes 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 impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement, and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows amortized cost basis expected to be collected and recovered increases in a future period, the amortized cost basis. valuation reserve would be reduced, but not more than the amount of the current existing reserve for that security.

Other investments: Other investments includes the followings : (i) Federal Home Loan Bank ("FHLB") Stock - the Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income; (ii) Pacific Coast Bankers Bank ("PCBB") Stock - the Bank is a member of PCBB. PCBB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income; and (iii) the Company's investment in a mutual fund to satisfy the Company's requirements under the Community Reinvestment Act ("CRA"). CRA mutual fund is reported at fair value. Unrealized gains and losses on a CRA fund are recognized in other income in the Consolidated Statements of Income.

Loans Held for Sale: Certain Small Business Administration ("SBA") loans that may be sold prior to maturity are designated as held for sale at origination and are recorded at the lower of their cost or fair value less costs to sell, determined on an aggregate basis. A valuation allowance is established if the market value of such loans is lower than their cost, and operations are charged or credited for valuation adjustments. Origination fees on loans held for sale, net of certain costs of processing and closing the loans, are deferred until the time of sale and are included in the computation of the gain or loss from the sales of the related loans. A portion of the premium on sale of SBA loans is recognized as gains on sales of loans at the time of the sale. These loans are generally sold with servicing retained.

Loans Receivable: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs and an allowance for loan credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments. The recorded investment in loans includes accrued interest receivable, deferred loan fees and costs, and unearned income.

The accrual of interest income on commercial real estate and other commercial and industrial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

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

Allowance for Loan Credit Losses: 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 Current Expected Credit Losses, 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. Additionally, the Company aggregated loan losses is a valuation portfolio based on similar risk characteristic. The Company elected to use the Call Report codes and loan risk ratings for loan segmentation in allowance for probable incurred credit losses. Loan

The Company used the following assumptions in a sensitivity analysis of our allowance for credit losses: unemployment rate forecast based on supervisory severely adverse scenario, 0% prepayment rates, loan risk grade changes of commercial real estate and commercial and industrial loan portfolio in worst case scenario based on the Company history, and applying a 100% weighting to severely adverse scenario. The analysis demonstrates the sensitivity to the allowance for credit losses to key quantitative assumptions and it is not intended to estimate changes in the overall allowance for credit losses and it does not capture all the potential unknown variables that could arise in the forecast period, but it provides an approximation of a possible outcome under hypothetical severe conditions.

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. Included in the qualitative portion of our analysis of the allowance for credit losses are charged against key inputs including GDP, unemployment rates, interest rates, asset quality ratios, loan portfolio concentration, California house price index and commercial real estate price index. The parameters for making adjustments are established under a Credit Risk Matrix that provides different possible scenarios for each of the allowance when management believes factors listed below. The Credit Risk Matrix and the uncollectibility 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 a loan balance is confirmed. Subsequent recoveries, if any, are credited to Current Expected Credit Losses:

- 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 allowance. Management estimates institution operates that affect the allowance balance required using past loan loss experience, collectivity of loans;
- Changes in the nature and volume of the portfolio, information about specific borrower situations loan portfolio;
- Changes in the experience, ability, and estimated collateral values, economic conditions, depth of lending management and other factors. Allocations 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 allowance may be made credit review function;
- Changes in the value of the underlying collateral for specific loans, but the entire allowance is available for any loan that in management's judgment should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified not collateral-dependent;

- The existence, growth, and effect of any concentrations of credit, and
- The effect of other external factors, such as impaired. A loan is impaired when, based on current information the regulatory, legal and technological environments; competition; and events it is probable such as natural disasters.

The Company segments loans primarily by Call Report codes (collateral type) and loan risk ratings, considering that the same type of loans share considerable similar risk characteristics. For loans that do not share similar risk characteristics such as nonaccrual loans above $500 thousand, the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement.

Loans for which the terms have been modified resulting evaluates these loans on an individual basis in a concession, and for which the borrower is experiencing financial difficulties, accordance with ASC 326. Such nonaccrual loans are considered troubled debt restructurings and classified as impaired. Troubled debt restructurings are separately identified for impairment disclosures to have different risk profiles than performing loans and are therefore evaluated individually. The Company elected to collectively assess nonaccrual loans with balances below $500 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 at using either 1) the present value of estimated future cash flows using discounted at the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial real estate and construction loans. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Income recognition on impaired loans materially conforms to the method the Company uses for income recognition on nonaccrual loans.

Allowance for impaired loans is determined based on the present value of the estimated cash flows rate; or on 2) the fair value of the collateral, if the loan is collateral dependent, less costs collateral-dependent. For the collateral-dependent loans, the Company obtains a new appraisal to sell. 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 measured fair value of the collateral is less than the recorded investment in amortized balance of the loan, the deficiency will be charged off against the Company recognizes an allowance for loan credit losses or alternatively, with a specific allocation will be established. For consumer loans, management will generally corresponding charge off to the balance if the loan is 90 days or more past due.

The general component of the allowance covers non-impaired loans and is based on historical loss experience adjusted provision for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent two years. For those portfolio segments that the Company does not have sufficient historical data available to track the loss migration, the loss factors are based on the actual loss history experienced by the Company over the most recent eight years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

The following portfolio segments have been identified in the Company's loan portfolio, and are also representative of the classes within the portfolio: commercial real estate, SBA loans—real estate, SBA loans—non-real losses.

estate, commercial and industrial, home mortgage, and consumer. The Company reviews the maintains a separate allowance for credit risk exposure of all losses for its portfolio segments by internally assigned grades. off-balance sheet commitments. The Company categorizes loans into risk grades 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 relevant information about the ability a look-back period of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. For the home mortgage and consumer portfolio segments, the Company's primary monitoring tool 8 quarters. Credit loss is reviewing past due listings to determine if the loans are performing.

The determination of the allowance not estimated for loan losses is based on estimates off-balance sheet commitments that are particularly susceptible to changes in unconditionally cancellable by the economic environment and market conditions. Company.

Servicing Assets: When SBA loans are sold with servicing retained, servicing assets are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, prepayment speeds, and default rates and losses. The

Company compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. Servicing assets are subsequently measured using the amortization method which requires servicing assets to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the assets as compared to their carrying amount. Impairment is recognized through a valuation allowance to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists, a reduction of the valuation allowance may be recorded as an increase to income. Changes in the valuation allowances are reported with other income on the income statement. The fair values of servicing rights are subject to fluctuations as a result of changes in estimated and actual prepayment speeds, default rates, and losses.

Servicing fee income, which is reported on the income statement as other income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of servicing assets is netted against loan servicing fee income. Late fees and ancillary fees related to loan servicing are not material.

Company Owned Life Insurance: The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation. Equipment and furnishings are depreciated over 3 to 10 years, and leasehold improvements are amortized over the lesser of the terms of the respective leases or the estimated useful lives. The straight-line method of depreciation is used for financial reporting purposes. Repairs and maintenance are charged to operating expenses as incurred.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Low Income Housing Partnership Investments: The Company records the low income housing partnership investments, net of amortization, using the proportional amortization method and the Company reports it to other assets on the Consolidated Balance Sheets. The Company recognizes tax credits in income tax expense on the Consolidated Statement of Income. The commitments to fund the low income housing partnership investments are also recorded and included to other liabilities on the Consolidated Balance Sheets. The Company utilizes the year to date tax credits on the Company's income tax returns for the year.

Stock-Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to employees based on the fair value of the awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of the grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Earnings per Common Share: Basic and diluted earnings per share is based on the two-class method prescribed in ASC Topic 260, Earnings Per Share (ASC 260). Stock options and restricted stock awards are considered outstanding for this calculation unless unearned. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock-based compensation plans. Earnings and dividends per share are restated for all stock splits and stock dividends through the date of issuance of the financial statements.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. There were no interest or penalties recognized in the years ended December 31, 2022 December 31, 2023 or 2021. 2022.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale ("AFS") debt securities, which are also recognized as separate components of shareholders' equity, net of tax.

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

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 13—Fair Value of Financial Instruments. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Operating Segments: While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Discrete financial information is not available other than on a Company-wide basis.

Recent New Accounting Pronouncements Not Yet Effective Adopted

In June 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The objective of ASU 2016-13 is to provide financial statement users with decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit. ASU 2016-13 includes provisions that require financial assets measured at amortized cost (such as loans and held-to-maturity debt securities) to be presented at the net amount expected to be collected. This will be accomplished through recognition of an estimate of all current expected credit losses. The estimate will include forecasted information for the timeframe that an entity is able to develop reasonable and supportable forecasts. This is a change from the current practice of recognizing incurred losses based on the probable initial recognition threshold under current GAAP. In addition, credit losses on available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a write-down recognized in other comprehensive income (loss) Instruments*. Under ASU 2016-13, an entity will be able to record reversals of credit losses in current period income when the estimate of credit losses declines, whereas current GAAP prohibits reflecting those improvements in current period earnings.

In July 2019, the FASB proposed the effective date delay to January 2020 for SEC filers, excluding smaller reporting companies (“SRCs”) and emerging growth companies (“EGCs”), and January 2023 for all other entities including SRCs and EGCs, and in October 2019, the FASB voted to approve the proposed delay.

The Company has established a committee to oversee the implementation of ASU 2016-13 and has engaged a third-party software vendor to assist the Company to develop a new expected credit loss model. The Company has completed development of its methodologies, data gathering and validation, and initial testing of its models. The Company has completed parallel runs in the third and fourth quarters of 2022 and its internal reviews of model results, including model development documentation and model validation by a third-party adviser.

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. instruments under ASU 2016-13 was adopted using a modified retrospective 2019-05. The Company replaced the current incurred loss accounting model with the Current Expected Credit Losses ("CECL") approach through a cumulative effect adjustment for financial instruments measured at amortized cost and other commitments to retained earnings. extend credit. CECL requires the immediate recognition of estimated credit losses expected to occur over the estimated remaining life of the asset. The Company's forward-looking concept of CECL requires loss estimates to consider historical experience, current conditions and reasonable and supportable forecasts.

The adoption of this ASU will result in an increase of approximately 10% to 15% in the allowance for credit losses. The adjustment recorded upon adoption to record increased the allowance for credit losses may fall outside by $1.9 million and allowance for off-balance sheet commitments by $184 thousand. The Company also recorded a deferred tax assets of management’s estimated $624 thousand and a decrease to opening retained earnings of $1.5 million on January 1, 2023. The increase based on material changes in the economic forecast and conditions and composition of the loan portfolio used in calculating the to allowance for credit losses upon 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

In March 2022, 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 will be effective on January 1, 2023, and we adopted ASU 2022-02 on that date. The the adoption of ASU 2022-02 did not have a significant impact on our its consolidated financial statements.

In March 2020, 2023, the FASB issued ASU 2020-04, 2023-02, *Reference Rate Reform Investments - Equity Method and Joint Ventures (Topic 848) 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*: Facilitation. This ASU permits reporting entities to elect to account for tax equity investments, regardless of the Effects 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 Reference Rate Reform on Financial Reporting." This ASU provides temporary optional guidance the investment in proportion to ease the potential burden 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 for reference rate reform. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The ASU is intended to help stakeholders during the global market-wide reference rate transition period. Therefore, this standards update is in effect from March 12, 2020 through December 31, 2022 and as extended by ASU 2022-06 to December 31, 2024 after which entities will no longer be permitted policy election to apply the relief of Topic 848. 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. The Company adopted ASU 2023-02 on January 1, 2024, and the adoption did not have a material impact on its consolidated financial statements.

Recently Issued Accounting Pronouncement under Evaluation

In January 2021, December 2023, the FASB issued ASU 2021-01, 2023-09, *Reference Rate Reform Income Taxes (Topic 848) 740): Improvements to Income Tax Disclosures*: Scope." . This ASU clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The ASU also amends the expedients and exceptions in Topic 848 to capture disclosure requirements for income taxes, including the incremental consequences requirement for further disaggregation of the scope clarification income tax rate reconciliation and income taxes paid disclosures. The amendments in this guidance must be applied prospectively, with the option to tailor the existing apply retrospectively. This guidance to derivative instruments affected by the discounting transition. is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of this pronouncement new standard on its consolidated financial statements and the adoption of ASU 2020-04 is not expected to have a significant impact on our 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 December 31, 2022 December 31, 2023 and 2021:

	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

2022:

December 31, 2021

December 31, 2023

December 31, 2023

December 31, 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:									

Residential mortgage-backed securities	Residential mortgage-backed securities	$ 37,555	$ 178	$ (321)	$ 37,412
Residential mortgage-backed securities					
Residential mortgage-backed securities					
Residential collateralized mortgage obligations	Residential collateralized mortgage obligations	114,588	253	(1,809)	113,032
Municipal securities - tax exempt					
Total AFS debt securities	Total AFS debt securities	$ 152,143	$ 431	$ (2,130)	$150,444

	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 years ended December 31, 2022 December 31, 2023 and 2021. 2022.

The amortized cost and estimated fair value of AFS debt securities as of December 31, 2022 December 31, 2023, by contractual maturity, are shown below:

($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)

($ in thousands)	($ in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
After one year through five years	After one year through five years	$ 1,299	$ 1,244		
After five years through ten years	After five years through ten years	2,246	2,096		

After ten years	After ten years	231,597	206,469
Total AFS debt securities	Total AFS debt securities	$ 235,142	$209,809

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 December 31, 2022 December 31, 2023 and 2021, 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 December 31, 2022 December 31, 2023 and 2021: 2022:

	December 31, 2023					
	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	$ 6,488	$ (59)	$ 37,389	$ (4,382)	$ 43,877	$ (4,441)
Residential collateralized mortgage obligations	25,439	(177)	105,963	(17,573)	131,402	(17,750)
Municipal securities - tax exempt	1,842	(1)	—	—	1,842	(1)
Total AFS debt securities	$ 33,769	$ (237)	$ 143,352	$ (21,955)	$ 177,121	$ (22,192)

	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)

	December 31, 2021					
	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	$ 31,120	$ (321)	$ —	$ —	$ 31,120	$ (321)
Residential collateralized mortgage obligations	93,607	(1,578)	7,212	(231)	100,819	(1,809)
Total AFS debt securities	$ 124,727	$ (1,899)	$ 7,212	$ (231)	$ 131,939	$ (2,130)

Management evaluates As a result of the Company's adoption of ASU 2016-13 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 other-than-temporary impairment ("OTTI") on credit losses by a quarterly 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 and expected to be recovered increases in a future period, the valuation reserve would be reduced, but not more frequently when economic or market conditions warrant such an evaluation. For than the amount of the current existing reserve for that security.

As of December 31, 2023, the Company's AFS debt securities consisted of 86 securities, of which 82 were in an unrealized loss position, management considers the extent and duration of the unrealized loss, along with the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or whether it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components, as follows: (i) OTTI related to credit loss, which must be recognized in the income statement, and (ii) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

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. These securities (Fannie Mae, Ginnie Mae, and Freddie Mac) are guaranteed or sponsored by agencies The issuers of the U.S. government, and the 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 Company believes remaining 3% of the AFS debt securities are tax-exempt municipal securities.

We believe that the gross 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 does did not consider these securities to be OTTI record allowance for credit losses on January 1, 2023 and did not have allowance for credit losses as of December 31, 2022 December 31, 2023.

As of December 31, 2022 December 31, 2023 or 2021, 2022, there were no pledged securities to secure public deposits, borrowing and letters of credit from 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 December 31, 2022 December 31, 2023 and 2021: 2022:

		December 31,				
		December 31,				
		December 31,				
		December 31,				
		December 31,				
		December 31,				
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		December 31,				
		December 31,				
($ in thousands)	($ in thousands)	2022	2021	($ in thousands)	2023	2022
FHLB stock	FHLB stock	$ 8,483	$ 7,006			
PCBB stock		190	190			
Mutual fund - CRA qualified		3,330	3,708			
Pacific Coast Bankers Bank ("PCBB") stock						
Mutual fund - Community Reinvestment Act ("CRA") qualified						

Time deposits placed in other banks	Time deposits placed in other banks	95	95
Total other investments	Total other investments	$12,098	$10,999

The Company has equity investment in a mutual fund with readily determinable fair value of $3.3 million $3.5 million and $3.7 million, $3.3 million as of December 31, 2022 December 31, 2023 and 2021, 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 $431 $48 thousand unrealized gain and a $108 $431 thousand unrealized loss for the years ended December 31, 2022 December 31, 2023 and 2021, respectively, and a $79 thousand unrealized gain for the year ended December 31, 2020. 2022, respectively. The unrealized losses (gains) gains (losses) of the mutual fund are included in Other income in the Consolidated Statements of Income.

Note 3. Loans and Allowance for Loan Credit Losses on Loans

The following table presents the composition of the loan portfolio as of December 31, 2022 December 31, 2023 and 2021: 2022:

		December 31,				
		December 31,				
		December 31,				
		December 31,				
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		December 31,				
($ in thousands)	($ in thousands)	2022	2021	($ in thousands)	2023	2022
Commercial real estate	Commercial real estate	$ 842,208	$ 701,450			
SBA loans—real estate		221,340	220,099			
SBA loans—non-real estate (1)		13,377	55,759			
Commercial and industrial ("C&I")		116,951	162,543			
SBA—real estate						
SBA—non-real estate						
C&I						
Home mortgage	Home mortgage	482,949	173,303			
Consumer	Consumer	1,467	865			
Gross loans receivable	Gross loans receivable	1,678,292	1,314,019			
Allowance for loan losses		(19,241)	(16,123)			
Loans receivable, net (2)		$1,659,051	$1,297,896			
Allowance for credit losses						

Loans receivable, net(1)

(1) Includes SBA Paycheck Protection Program ("PPP") loans of $442 thousand and $40.6 million as of December 31, 2022 and 2021, respectively.

(2) Includes net deferred loan fees or costs and unamortized premiums of $140 thousand and unaccreted discounts of $160 thousand and $7.0 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

No loans were outstanding to related parties as of December 31, 2022 December 31, 2023 and 2021. 2022.

The following table summarizes the activity in the allowance for loan credit losses on loans by portfolio segment for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020: 2021:

($ in thousands)	($ in thousands)	Commercial Real Estate	SBA Loans — Real Estate	SBA Loans —Non-Real Estate	C&I	Home Mortgage	Consumer	Total
Balance at January 1, 2020		$ 6,000	$ 939	$ 121	$1,289	$ 1,667	$ 34	$10,050
($ in thousands)								
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($ in thousands)	Commercial Real Estate	SBA—Real Estate	SBA —Non-Real Estate	C&I	Home Mortgage	Consumer	Total
Balance as of January 1, 2021							
Provision for (reversal of) loan losses (1) Provision for (reversal of) loan losses (1)	2,505	863	174	1,274	518	(16)	5,318
Charge-offs Charge-offs	—	—	(45)	—	—	—	(45)
Recoveries Recoveries	—	—	28	—	—	1	29
Balance at December 31, 2020	$ 8,505	$1,802	$ 278	$2,563	$ 2,185	$ 19	$ 15,352
(Reversal of) provision for loan losses (1)	(355)	279	54	285	706	(10)	959
Balance as of December 31, 2021							
Provision for (reversal of) loan losses(1)							
Charge-offs Charge-offs	—	(59)	(136)	—	—	—	(195)
Recoveries Recoveries	—	—	3	—	—	4	7
Balance at December 31, 2021	$ 8,150	$2,022	$ 199	$2,848	$ 2,891	$ 13	$ 16,123
(Reversal of) provision for loan losses (1)	(1,199)	(409)	66	(1,205)	5,935	(7)	3,181
Balance as of December 31, 2022							
Impact of CECL adoption							
Provision for (reversal of) credit losses							
Charge-offs Charge-offs	—	(14)	(127)	—	—	—	(141)
Recoveries Recoveries	—	8	69	—	—	1	78
Balance at December 31, 2022	$ 6,951	$1,607	$ 207	$1,643	$ 8,826	$ 7	$ 19,241
Balance as of December 31, 2023							

(1) Excludes (reversal of) provision for reversal of uncollectible accrued interest receivable of $(205) thousand, $(438) $205 thousand and $643 $438 thousand for the years year ended December 31, 2022, and 2021, and 2020respectively.

The following table presents the allowance for loan credit losses on loans and recorded investment (not including accrued interest receivable) by portfolio segment and impairment methodology as of December 31, 2022 December 31, 2023 and 2021: 2022:

($ in thousands)	($ in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
As of December 31, 2022				
Allowance for loan losses (1):				
($ in thousands)				
($ in thousands)				
($ in thousands)				
($ in thousands)				
($ in thousands)				
($ in thousands)				
($ in thousands)				
($ in thousands)				
($ in thousands)				
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($ in thousands)				
($ in thousands)				
($ in thousands)				
($ in thousands)				
($ in thousands)				
($ in thousands)				

($ in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
As of December 31, 2023			
Allowance for credit losses:			
Allowance for credit losses:			
Allowance for credit losses:			

Commercial real estate	Commercial real estate	$ —	$ 6,951	$ 6,951
SBA loans—real estate		—	1,607	1,607
SBA loans—non-real estate		—	207	207
Commercial real estate				
Commercial real estate				
SBA—real estate				
SBA—non-real estate				
C&I	C&I	279	1,364	1,643
Home mortgage	Home mortgage	—	8,826	8,826
Consumer	Consumer	—	7	7
Total	Total	$ 279	$ 18,962	$ 19,241
Loans (2):				
Loans(1):				

Commercial real estate	Commercial real estate	$	—	$	842,208	$	842,208
SBA loans—real estate			423		220,917		221,340
SBA loans—non-real estate			—		13,377		13,377
Commercial real estate							
Commercial real estate							
SBA—real estate							
SBA—non-real estate							
C&I	C&I		279		116,672		116,951
Home mortgage	Home mortgage		—		482,949		482,949
Consumer	Consumer		—		1,467		1,467
Total	Total	$	702	$	1,677,590	$	1,678,292
<u>As of December 31, 2021</u>							
Allowance for loan losses (1):							
<u>As of December 31, 2022</u>							
Allowance for credit losses:							
Allowance for credit losses:							
Allowance for credit losses:							
Commercial real estate	Commercial real estate	$	—	$	8,150	$	8,150
SBA loans—real estate			—		2,022		2,022
SBA loans—non-real estate			—		199		199
Commercial real estate							
Commercial real estate							
SBA—real estate							
SBA—non-real estate							
C&I	C&I		312		2,536		2,848
Home mortgage	Home mortgage		—		2,891		2,891
Consumer	Consumer		—		13		13
Total	Total	$	312	$	15,811	$	16,123
Loans (2):							
Loans(1):							
Commercial real estate	Commercial real estate	$	—	$	701,450	$	701,450
SBA loans—real estate			812		219,287		220,099
SBA loans—non-real estate			—		55,759		55,759
Commercial real estate							
Commercial real estate							
SBA—real estate							
SBA—non-real estate							
C&I	C&I		312		162,231		162,543

Home mortgage	Home mortgage	—	173,303	173,303
Consumer	Consumer	—	865	865
Total	Total	$ 1,124	$ 1,312,895	$ 1,314,019

(1) Excludes (reversal of) provision for uncollectible accrued interest receivable of $(205) thousand, $(438) thousand and $643 thousand as of December 31, 2022, 2021 and 2020, respectively.

(2) Excludes accrued interest receivables of $6.4 million $7.3 million and $4.4 million $6.4 million as of December 31, 2022, December 31, 2023 and 2021, 2022, respectively.

The following table presents the recorded investment of individually in impaired loans and the specific allowance for loan losses as of December 31, 2022 and 2021: .

		December 31, 2022 (1)				December 31, 2021 (1)			
($ in thousands)	($ in thousands)	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Related Allowance	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Related Allowance
SBA loans—real estate		$ 423	$ 423	$ —	$ —	$ 812	$ 812	$ —	$ —
SBA loans—non-real estate		—	—	—	—	—	—	—	—
SBA—real estate									
C&I	C&I	279	—	279	279	313	—	313	313
Total	Total	$ 702	$ 423	$ 279	$ 279	$ 1,125	$ 812	$ 313	$ 313

December 31, 2022(1)

December 31, 2022(1)

December 31, 2022(1)

($ in thousands)	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Related Allowance

(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. 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 December 31, 2023, there were $5.2 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 December 31, 2023 was $355 thousand.

The following table presents represents the average recorded investment in impaired loans and the amount amortized cost basis of interest income recognized on impaired collateral-dependent loans by portfolio segment class of loans as of December 31, 2023, for which repayment is expected to be obtained through the years ended December 31, 2022, 2021 and 2020. The difference between interest income recognized and cash basis interest recognized was immaterial. sale of the underlying collateral.

	2022		2021		2020	
($ in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
SBA loans—real estate	$ 409	$ —	$ 597	$ —	$ —	$ —
SBA loans—non-real estate	—	—	—	—	182	41
C&I	297	—	322	—	331	14
Total	$ 706	$ —	$ 919	$ —	$ 513	$ 55

($ in thousands)	Hotel / Motel	Single-Family Residential	Total
SBA—real estate	$ 2,923	$ —	$ 2,923
Home mortgage	—	2,241	2,241
Total	$ 2,923	$ 2,241	$ 5,164

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 December 31, 2022 December 31, 2023 and 2021: 2022:

($ in thousands)	Nonaccrual	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	Total Nonaccrual Loans	
As of December 31, 2023				
SBA—real estate	$ 2,302	$ 1,136	$ 3,438	$
SBA—non-real estate	154	—	154	
Home mortgage	249	2,241	2,490	
Total	$ 2,705	$ 3,377	$ 6,082	$
As of December 31, 2022				
SBA loans—SBA—real estate			$ 423	$
SBA loans—SBA—non-real estate			657 51	
C&I			279	
Home mortgage			1,280	
Total			$ 2,639 2,033	$
As of December 31, 2021				
SBA loans—real estate	$ 812	$ —	$ 812 2,033	
SBA loans—non-real estate				838
C&I	312	—	312	
Home mortgage	1,038	—	1,038	
Total	$ 3,000	$ 200	$ 3,200	

(1) Excludes guaranteed portion of SBA loans of $2.0 million and $1.0 million as of December 31, 2023 and 2022, respectively.

Nonaccrual loans and loans past due 90 or more days and still accruing interest include both homogeneous loans that are collectively and indivi loans.

The following table represents the aging analysis of the recorded investment in past due loans as of December 31, 2022 December 31, 2023 and 2

($ in thousands)	($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	> 90 Days Past Due	Total Past Due	Loans Not Past Due	Total (1)
As of December 31, 2022							
($ in thousands)							
($ in thousands)							
($ in thousands)							
($ in thousands)							
($ in thousands)							
($ in thousands)							
($ in thousands)							
($ in thousands)							
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($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)
($ in thousands)

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	> 90 Days Past Due			
As of December 31, 2023						
Commercial real estate	$ —	$ —	$ —	$ —	$ 842,208	$ 842,208
SBA—real estate	199	175	—	374	220,966	221,340
SBA—non-real estate	117	49	381	547	12,830	13,377
C&I	—	—	441	441	116,510	116,951
Home mortgage	1,707	1,522	342	3,571	479,378	482,949
Consumer	—	—	—	—	1,467	1,467
Total	$2,023	$1,746	$1,164	$4,933	$1,673,359	$1,678,292
As of December 31, 2021						
As of December 31, 2022						
Commercial real estate	$ —	$ —	$ —	$ —	$ 701,450	$ 701,450
SBA—real estate	—	—	419	419	219,680	220,099
SBA—non-real estate	76	336	881	1,293	54,466	55,759
C&I	—	—	—	—	162,543	162,543
Home mortgage	—	—	893	893	172,410	173,303

Consumer	Consumer	—	—	—	—	865	865
Total	Total	$ 76	$ 336	$2,193	$2,605	$1,311,414	$1,314,019

(1) Excludes guaranteed portion of SBA loans of $1.9 million and $924 thousand as of December 31, 2023 and 2022, respectively..

(2) Excludes accrued interest receivables of $6.4 million $7.3 million and $4.4 million $6.4 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectivel

Loan Modifications to Borrowers Experiencing Financial Difficult: On January 1, 2023, the Company adopted ASU 2022-02, "Financial Instrume *Vintage Disclosures"*: When, , which eliminated the accounting guidance for economic or legal reasons related to troubled debt restructurings ("TDRs") wh and restructurings by creditors when a borrower's borrower is experiencing financial difficulties, difficulty. This guidance was applied on a prospective bas establishes a concession specific reserve for modifications to borrowers experiencing financial difficulty, unless those loans do not share the same risk cha case, these modifications are included in their respective cohort and the allowance for credit losses is estimated on a pooled basis consistent with the other

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, other than an i extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of time collateral. The disclosure below pro experiencing financial difficulty. No charge-offs of previously modified loans were recorded for the Company would not otherwise consider, year ended Dece

The following table presents the related loan is classified as a troubled debt restructuring ("TDR"), amortized cost of modified loans and the b thousand the modification as of December 31, 2022 December 31, 2023 by loan class and 2021, respectively. As of December 31, 2022 and 2021, the Co reserves to the loan classified as TDRs, respectively. modification type:

($ in thousands)	Payment Delay	Term Extension	Total
Commercial real estate	$ —	$ 625	$ 625
SBA—real estate	5,378	—	5,378
SBA—non-real estate	131	—	131
Home mortgage	354	—	354
Total	$ 5,863	$ 625	$ 6,488

The Company has not committed tracks the performance of modified loans. A modified loan may become delinquent and may result in a payn additional amounts to customers with outstanding loans that are classified as TDRs.

Modifications made were primarily extensions of existing payment modifications on loans previously identified as TDRs. modification. There were r the years three year ended December 31, 2022 and 2021. There were no payment defaults during December 31, 2023 that subsequently defaulted.

The following table presents the years ended December 31, 2022 and 2021 performance of loans that had been were modified as TDRs within of ASU 2022-02 on January 1, 2023:

Loan Payment Deferrals: As of December 31, 2022, there was no loan under COVID-19 loan payment modification.

Paycheck Protection Program loans: A provision in the CARES Act created the PPP, which is administered by the SBA. The PPP was intended to pr employees, rent, mortgage interest, and utilities. The loans may be forgiven conditioned upon the client providing applicable documentation evidencing th regarding the use of funds. The Bank is an approved SBA lender and began accepting applications for the program on April 3, 2020.

($ in thousands)	Current	30-89 Days Past Due	> 9
Commercial real estate	$ 625	$ —	$
SBA—real estate	4,641	—	
SBA—non-real estate	131	—	
Home mortgage	354	—	
Total	$ 5,751	$ —	$

As of December 31, 2022, the

The Company had no additional commitments to lend to borrowers whose loans outstanding with a carrying value were modified as of $442 thous PPP's inception through December 31, 2022, the Company has funded $154.5 million, and $154.0 million of principal forgiveness has been provided on qu

Credit Quality Indicators: The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to payment experience, credit documentation, public information, and current economic trends, among other factors. For consumer loans, a credit grade performance. The Company analyzes loans individually by

classifying the loans as to credit risk. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

Special Mention—Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrect
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 capacity of the obligor or of the
weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some lo

Doubtful—Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that th
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 to be pass-rated loans.

As The following table presents the loan portfolio's amortized cost by loan type, risk rating and year of December 31, 2022 and 2021, and based or
as of loans by class of loans is as follows: December 31, 2023:

December 31, 2023

December 31, 2023

December 31, 2023

December 31, 2023

December 31, 2023

December 31, 2023

December 31, 2023

December 31, 2023

December 31, 2023

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December 31, 2023

December 31, 2023

December 31, 2023

December 31, 2023

December 31, 2023

December 31, 2023

Term Loans by Origination Year

Term Loans by Origination Year

Revolving Loans

($ in thousands)	($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total (1)
As of December 31, 2022						
Commercial real estate	Commercial real estate	$ 841,645	$ 563	$ —	$ —	$ 842,208
SBA loans—real estate		220,348	—	992	—	221,340
SBA loans—non-real estate		12,897	—	480	—	13,377

Commercial real estate

Commercial real estate

Pass

Pass

Pass

Special mention

Substandard

Doubtful

Subtotal

Current period charge-offs

SBA— real estate

Pass

Pass

Pass

Special mention

Substandard

Doubtful

Subtotal

Current period charge-offs

SBA—non-real estate						
Pass						
Pass						
Pass						
Special mention						
Substandard						
Doubtful						
Subtotal						
Current period charge-offs						
C&I	C&I	116,396	—	279	276	116,951
Pass						
Pass						
Pass						
Special mention						
Substandard						
Doubtful						
Subtotal						
Current period charge-offs						
Home mortgage	Home mortgage	481,669	—	1,280	—	482,949
Pass						
Pass						
Pass						
Special mention						
Substandard						
Doubtful						
Subtotal						
Current period charge-offs						
Consumer	Consumer	1,467	—	—	—	1,467
Total		$1,674,422	$ 563	$ 3,031	$ 276	$1,678,292
As of December 31, 2021						
Commercial real estate		$ 701,450	$ —	$ —	$ —	$ 701,450
SBA loans—real estate		218,408	—	1,691	—	220,099
SBA loans—non-real estate		54,762	—	966	31	55,759
C&I		162,230	—	313	—	162,543
Home mortgage		172,265	—	1,038	—	173,303
Consumer		865	—	—	—	865
Total		$1,309,980	$ —	$ 4,008	$ 31	$1,314,019
Pass						
Pass						
Pass						

Special mention

Substandard

Doubtful

Subtotal

Current period charge-offs

Total loans

Pass

Pass

Pass

Special mention

Substandard	—	4,938	1,328	1,136	—	
Doubtful	—	—	—	—	—	
Subtotal	$ 221,745	$ 582,171	$ 284,271	$ 145,890	$ 178,838	$
Current period charge-offs	$ 17	$ 457	$ 247	$ —	$ 91	$

(1) Excludes accrued interest receivables of $7.3 million as of December 31, 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	Substandard
Commercial real estate	$ 841,645	$ 563	$ —
SBA—real estate	220,348	—	992
SBA—non-real estate	12,897	—	480
C&I	116,396	—	279
Home mortgage	481,669	—	1,280
Consumer	1,467	—	—
Total	$ 1,674,422	$ 563	$ 3,031

(1) Excludes accrued interest receivables of $6.4 million and $4.4 million as of December 31, 2022, and 2021, respectively. .

Note 4. Premises and Equipment

The following table presents information regarding the premises and equipment as of December 31, 2022 December 31, 2023 and 2021: 2022:

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

($ in thousands)	($ in thousands)	December 31, 2022	2021	($ in thousands)
Leasehold improvements	Leasehold improvements	$ 7,998	$7,375	
Furniture and fixtures	Furniture and fixtures	3,983	3,530	
Equipment and others	Equipment and others	3,288	2,955	
Total premises and equipment	Total premises and equipment	15,269	13,860	
Accumulated depreciation	Accumulated depreciation	(10,869)	(9,505)	
Total premises and equipment, net	Total premises and equipment, net	$ 4,400	$4,355	

Total depreciation expense included in occupancy and equipment expenses was $1.3 million, $1.4 million, $1.3 million and $1.3 million for the yea 2020, 2021, respectively.

Note 5. Servicing Assets

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

The Company periodically stratifies its servicing assets into groupings based on risk characteristics and assesses each group for impairment bas was no valuation allowance for impairment as of December 31, 2022 December 31, 2023 and 2021. 2022.

The following table presents an analysis of the changes in activity for loan servicing assets during the years ended December 31, 2022 December 3

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

($ in thousands)	($ in thousands)	Year Ended December 31, 2022	2021	($ in thousands)
Beginning balance	Beginning balance	$ 12,720	$ 7,360	
Additions from loans sold with servicing retained	Additions from loans sold with servicing retained	4,424	2,799	
Additions from purchase of servicing rights		—	6,097	
Amortized to expense	Amortized to expense	(4,385)	(3,536)	

Ending balance	Ending balance	$ 12,759	$ 12,720

The fair value of the servicing assets was $17.2 million as of December 31, 2023, which was determined using discount rates ranging from 3 13.20%, depending on the stratification of the specific assets.

The fair value of the servicing assets was $16.8 million as of December 31, 2022, which was determined using discount rates ranging from 4.40% t to 13.8%, depending on the stratification of the specific assets.

The fair value of the servicing assets was $15.5 million as of December 31, 2021, which was determined using discount rates ranging from 15.0% 13.80% depending on the stratification of the specific assets.

Note 6. Leases

As a lessee, the Company enters into leases of buildings and our real estate leases primarily relate to bank branches and office space from no years years as of December 31, 2022 December 31, 2023. Certain lease arrangements contain extension option which are typically around 5 years. As certain of exercise, they are not included in the lease term.

At December 31, 2022 As of December 31, 2023 and 2021, 2022, operating right-of-use ("ROU") assets were $9.1 million $8.5 million and $8.9 million $9.3 million and $10.3 million $10.2 million, respectively. Short-term operating leases, which are defined as leases with term of twelve months or les as permitted under ASU No. 2016-02. The lease payments on short-term operating leases are immaterial. The Company did not have any finance leases a

Operating lease ROU assets represent the Company's right to use the underlying asset during the lease term and operating lease liabilities repres the lease. ROU assets and operating lease liabilities are recognized at lease commencement based on the present value of the remaining lease paym commencement date. Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating term and is recorded in occupancy expense in the consolidated statements of income. The Company's occupancy expense also includes variable lease c utilities, common area maintenance, property taxes, and insurance that are not included in lease liabilities and are expensed as incurred. Variable lease co such as the Consumer Price Index, where the Company estimates future rent increases and records the actual difference to variable costs.

The table below summarizes total lease cost for the periods indicated:

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

		Year Ended December 31,		
		Year Ended December 31,		
($ in thousands)	($ in thousands)	2022	2021	($ in thousands)
Operating lease cost	Operating lease cost	$2,046	$1,852	
Variable lease cost	Variable lease cost	859	739	
Total lease cost	Total lease cost	$2,905	$2,591	

The tables below summarize other information related to the Company’s operating leases as of the associated period:

($ in thousands)	
Operating right-of-use assets	$
Operating lease liabilities	$
Weighted average remaining lease term - operating leases	
Weighted average discount rate - operating leases	

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

($ in thousands)	($ in thousands)	2022	2021	($ in thousands)
Operating right-of-use assets				
Operating lease liabilities				
Weighted average remaining lease term - operating leases				Weighted average remaining lease term - operating leases
Weighted average discount rate - operating leases				Weighted average discount rate - operating leases
Cash paid for amounts included in the measurement of lease liabilities:	Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	Operating cash flows from operating leases	$2,253	$2,082	
Operating cash flows from operating leases				
Operating cash flows from operating leases				

Rent expense was $2.9 million $3.1 million, $2.9 million and $2.6 million and$2.5 million for the years ended December 31, 2022 December 31, 202

The table below summarizes the remaining contractually obligated lease payments and a reconciliation to the lease liability reported on the Con 2023:

($ in thousands)	($ in thousands)	December 31,
2023		$ 2,467
($ in thousands)		
($ in thousands)		
($ in thousands)		
($ in thousands)		
($ in thousands)		
($ in thousands)		
($ in thousands)		
($ in thousands)		
2024		
2024		
2024	2024	2,466
2025	2025	1,611
2026	2026	1,969

2027	2027	1,888
2028		
Thereafter	Thereafter	3,473
Total lease payments	Total lease payments	13,874
Discount to present value	Discount to present value	(3,661)
Total lease liability	Total lease liability	$ 10,213

Note 7. Deposits

Time deposits that exceed the FDIC insurance limit of $250 thousand as of December 31, 2022 December 31, 2023 and 2021 2022 were $356.2 m

The following table presents the scheduled contractual maturities of time deposits as of December 31, 2022 December 31, 2023:

($ in thousands)	($ in thousands)	**December 31,**
2023		$ 630,543
($ in thousands)		
($ in thousands)		
($ in thousands)		
($ in thousands)		
($ in thousands)		
($ in thousands)		
($ in thousands)		
($ in thousands)		
2024		
2024		
2024	2024	25,661
2025	2025	1,161
2026	2026	320
2027	2027	181
2028 and thereafter		
Total	Total	$ 657,866

Deposits from principal officers, directors, and their affiliates as of December 31, 2022 December 31, 2023 and 2021 2022 were $1.8 million and $8

Note 8. Borrowing Arrangements

As of December 31, 2022 December 31, 2023, the Company had $50 thousand borrowings $105.0 million advances from FHLB with a 4.85% wei included in Other liabilities on the Consolidated Balance Sheets, of 4.65% and a weighted average remaining term of 0.9 years, compared to no borrowing a letter of credit with the FHLB in the amount of $67.0 million to secure a public deposit as of both December 31, 2022 December 31, 2023 and 2021. 2022.

The Company had available borrowings borrowing capacity from the following institutions as of December 31, 2022 December 31, 2023:

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

The Company has pledged approximately $1.24 billion$1.39 billion and $958.3 million$1.24 billion of loans as collateral for these lines of cred respectively.

Note 9. Income Taxes

The following table presents the components of income taxes expense (benefit) for the years ended December 31, 2022December 31, 2023, 2021

		Year Ended December 31,				
		Year Ended December 31,				
		Year Ended December 31,				
		Year Ended December 31,				
($ in thousands)	($ in thousands)	**2022**	**2021**	**2020**	($ in thousands)	**Year Ended**
Current income tax expense:	Current income tax expense:					
Federal	Federal	$ 7,959	$ 9,243	$4,837		
Federal						
Federal						
State	State	4,374	4,885	2,596		
Total current income tax expense	Total current income tax expense	12,333	14,128	7,433		
Deferred income tax (benefit) expense:						
Deferred income tax expense (benefit):						
Federal						
Federal						
Federal	Federal	783	(1,614)	(1,516)		
State	State	298	(698)	(810)		
Total deferred income tax (benefit) expense		1,081	(2,312)	(2,326)		
Total deferred income tax expense (benefit)						
Total income tax expense	Total income tax expense	$13,414	$11,816	$5,107		

The following table presents a reconciliation of the applicable statutory U.S. federal income tax rate to the effective tax rate for the periods indicated

	Year Ended December 31,		
	2022	**2021**	**2020**
	Year Ended December 31,		
	Year Ended December 31,		
	Year Ended December 31,		

		2023				
Federal statutory income tax rate	Federal statutory income tax rate	21.0 %	21.0 %	21.0 %	Federal statutory income tax rate	21.0
Increase (decrease) in tax rate resulting from:	Increase (decrease) in tax rate resulting from:					
Meals and entertainment						
Meals and entertainment						
Meals and entertainment	Meals and entertainment	—	—	0.2		
State income taxes, net of federal tax benefit	State income taxes, net of federal tax benefit	8.4	8.5	8.3		
Stock option expense and related excess tax benefits	Stock option expense and related excess tax benefits	—	0.1	(0.7)		
Company owned life insurance	Company owned life insurance	(0.2)	(0.1)	(0.3)		
Other, net	Other, net	(0.5)	(0.4)	(0.5)		
Effective tax rate	Effective tax rate	28.7 %	29.1 %	28.0 %	Effective tax rate	28.6

The significant components of deferred tax assets and liabilities are reflected in the following table:

		December 31,		
		December 31,		
		December 31,		
		December 31,		
($ in thousands)	($ in thousands)	2022	2021	($ in thousands)
Deferred tax assets:	Deferred tax assets:			
Organizational costs	Organizational costs	$ 20	$ 22	
Allowance for loan losses		5,688	4,827	
Organizational costs				
Organizational costs				
Allowance for credit losses				
Loans held for sale	Loans held for sale	852	2,919	
Stock-based compensation	Stock-based compensation	386	211	
Accrued compensation	Accrued compensation	272	238	
Lease liability	Lease liability	3,019	3,047	
State taxes	State taxes	989	1,059	
Net unrealized loss on AFS debt securities	Net unrealized loss on AFS debt securities	7,491	503	

Nonaccrual loan interest income	Nonaccrual loan interest income	46	62
Other	Other	77	49
Total deferred tax assets	Total deferred tax assets	18,840	12,937
Deferred tax liabilities:	Deferred tax liabilities:		
Loan origination costs	Loan origination costs	(1,407)	(1,477)
Loan origination costs			
Loan origination costs			
Depreciation	Depreciation	(423)	(379)
Right of use asset	Right of use asset	(2,689)	(2,633)
Other	Other	(5)	(39)
Other			
Other			
Total deferred tax liabilities	Total deferred tax liabilities	(4,524)	(4,528)
Net deferred tax asset	Net deferred tax asset	$14,316	$8,409

A valuation allowance for deferred tax assets is recorded when it is more likely than not that some portion or all of the deferred tax assets will dependent upon the generation of future taxable income and tax planning strategies which will create taxable income during the periods in which those te all positive and negative evidence that existed and concluded all deferred tax assets are realizable. Therefore, no valuation allowance was necessary as of

The Company is subject to U.S. Federal income tax as well as various state taxing jurisdictions. The Company is no longer subject to examinatio for state taxing authorities for tax years prior to 2018. 2019.

There were no significant unrealized tax benefits recorded as of December 31, 2022 December 31, 2023 and 2021, 2022, and the Company does next twelve months.

Note 10. Commitments and Contingencies

Off-Balance-Sheet Credit Risk: In the normal course of business, the Company enters into commitments to extend credit such as loan commitm expose the Company to varying degrees of credit and market risk and are subject to the same credit and market risk limitation reviews as those i commitments represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. Standby letters of credit are co performance of a customer to a third party. These commitments generally have fixed expiration dates or contain termination clauses in the event the cus are expected to expire without being drawn upon, the commitment amounts do not necessarily represent future funding requirements.

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

The following table presents the distribution of undisbursed credit-related commitments as of December 31, 2022 December 31, 2023 and 2021: 20

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,

December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,

($ in thousands)	($ in thousands)	2022	2021	($ in thousands)
Loan commitments	Loan commitments	$265,110	$116,511	
Standby letter of credit	Standby letter of credit	5,286	4,477	
Commercial letter of credit	Commercial letter of credit	451	1,028	
Total undisbursed credit related commitments	Total undisbursed credit related commitments	$270,847	$122,016	

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

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 commitments related to the ir
2022 December 31, 2023 and 2021: 2022:

December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,

($ in thousands)	($ in thousands)	2022	2021	($ in thousands)
Investments in low-income housing partnerships	Investments in low-income housing partnerships	$12,212	$7,911	

Unfunded commitments to fund investments for low-income housing partnerships	Unfunded commitments to fund investments for low-income housing partnerships	8,748	4,825

These balances are reflected in the other assets and other liabilities lines on the Consolidated Balance Sheets. The Company expects to finish fulfi

Under the proportional amortization method, the Company amortizes the initial cost of the investment in proportion to the tax credit and other expense on the Consolidated Statements of Income. The Company recognized amortization expense of $1.3 million, $697 thousand $522 thousa 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively. Additionally, the Company recognized tax credits and other benefits from the inve thousand $651 thousand and $313 $651 thousand for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively.

Note 11. Stock-Based Compensation

The Company has three stock-based compensation plans currently in effect as of December 31, 2022 December 31, 2023, as described furth earnings for these plans for the years ended December 31, 2022 December 31, 2023, 2022 and 2021 and 2020 was $1.3 million, $1.2 million, and $558 th

2005 Plan: In 2005, the Board of Directors and shareholders of the Bank approved a stock option plan for the benefit of directors and employees Company in 2016 at the time of the bank holding company reorganization. Under the 2005 Plan, the Bank was authorized to grant options to purchase up t

The exercise prices of the options may not be less than 100% of the fair value of the Company's common stock at the date of grant. The options, w 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 made under the 2005 Plan.

A summary of the transactions under the 2005 Plan for the year ended December 31, 2022 December 31, 2023 is as follows:

($ in thousands, except share data)	($ in thousands, except share data)	**Number of Options Outstanding**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**
Outstanding, as of January 1, 2022		52,000	$ 6.37	$ 333
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				

($ in thousands, except share data)

($ in thousands, except share data)

($ in thousands, except share data)

($ in thousands, except share data)

($ in thousands, except share data)

($ in thousands, except share data)

($ in thousands, except share data)

($ in thousands, except share data)		Number of Options Outstanding	Weighted Average Exercise Price	
Outstanding, as of January 1, 2023				
Options granted	Options granted	—	—	
Options exercised	Options exercised	(22,000)	5.82	
Options exercised				
Options exercised				
Options forfeited				
Options forfeited				
Options forfeited	Options forfeited	—	—	
Options expired	Options expired	—	—	
Outstanding, as of December 31, 2022		30,000	$ 6.18	$ 149
Options expired				
Options expired				
Outstanding, as of December 31, 2023				
Outstanding, as of December 31, 2023				
Outstanding, as of December 31, 2023				
Fully vested and expected to vest	Fully vested and expected to vest	30,000	$ 6.18	$ 149
Vested	Vested	30,000	$ 6.18	$ 149

Information related to stock options exercised under the 2005 Plan for the periods indicated follows:

($ in thousands)	2022
Intrinsic value of options exercised	$ 113
Cash received from option exercises	128

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Tax benefit realized from option exercised	2

The weighted average remaining contractual term of stock options outstanding under the 2005 Plan as of December 31, 2022 was 0.7 stock options that were exercisable as of December 31, 2022 was 0.7 year. All of the stock options that are outstanding under the 2005 Pl

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

2010 Plan: In 2010, the Board of Directors of the Bank approved a new equity incentive plan for granting stock options and restricted stock awa Bank (the "2010 Plan"). In 2013, the 2010 Plan was amended and approved by the shareholders to increase the number of shares authorized to be iss 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's stock at the date of gra date of the grant and expire after ten years if not exercised. The 2010 Plan expired in August 2020, and no further grants can be made under the 2010 Plan

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

A summary of the stock options outstanding under the 2010 Plan for the year ended December 31, 2022 December 31, 2023 is as follows:

($ in thousands, except share data)	($ in thousands, except share data)	**Number of Options Outstanding**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**
Outstanding, as of January 1, 2022		210,000	$ 8.00	$ 1,000
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
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($ in thousands, except share data)
($ in thousands, except share data)
($ in thousands, except share data)
($ in thousands, except share data)
($ in thousands, except share data)
($ in thousands, except share data)

($ in thousands, except share data)		Number of Options Outstanding		Weighted Average Exercise Price		
Outstanding, as of January 1, 2023						
Options granted	Options granted	—		—		
Options exercised	Options exercised	(60,000)		8.00		
Options exercised						
Options exercised						
Options forfeited						
Options forfeited						
Options forfeited	Options forfeited	—		—		
Options expired	Options expired	—		—		
Outstanding, as of December 31, 2022		150,000	$	8.00	$	474
Options expired						
Options expired						
Outstanding, as of December 31, 2023						
Outstanding, as of December 31, 2023						
Outstanding, as of December 31, 2023						
Fully vested and expected to vest	Fully vested and expected to vest	150,000	$	8.00	$	474
Vested	Vested	150,000	$	8.00	$	474

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

	Year Ended December 31,
	Year Ended December 31,
	Year Ended December 31,

($ in thousands)	($ in thousands)	Year Ended December 31, 2022	2021	2020	($ in thousands)	2023
Intrinsic value of options exercised	Intrinsic value of options exercised	$224	$ 86	$729		
Cash received from option exercises	Cash received from option exercises	480	25	317		
Tax benefit realized from option exercised		—	—	157		
Tax provision realized from option exercised						

The weighted average remaining contractual term of stock options outstanding as of December 31, 2022 December 31, 2023 was 1.3 0.3 years. that were exercisable as of December 31, 2022 December 31, 2023 was 1.3 0.3 years.

A summary of the changes in the Company's non-vested restricted stock awards under the 2010 Plan for the year ended December 31, 2022 Dece

($ in thousands, except share data)	($ in thousands, except share data)	Shares Issued	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested, as of January 1, 2022		21,000	$ 7.95	$ 268
($ in thousands, except share data)				
($ in thousands, except share data)		Shares Issued	Weighted Average Grant Date	
Non-vested, as of January 1, 2023				
Awards granted	Awards granted	—	—	
Awards vested	Awards vested	—	—	
Awards vested				
Awards vested				
Awards forfeited	Awards forfeited	(6,500)	6.37	
Non-vested, as of December 31, 2022		14,500	$ 8.66	$ 162
Awards forfeited				
Awards forfeited				
Non-vested, as of December 31, 2023				
Non-vested, as of December 31, 2023				

Non-vested, as of December 31, 2023

Information related to vested restricted stock awards under the 2010 Plan for the periods indicated follows:

($ in thousands)		2022
Tax (provision) benefit realized from awards vested	$	—

		2023
Tax benefit (provision) realized from awards vested	$	4

As of December 31, 2022December 31, 2023, the Company had approximately $30$18 thousand of unrecognized compensation cost relate Company expects to recognize these costs over a weighted average period of 1.50.9 years.

2021 Plan: In 2021, the Board of Directors of the Company approved a new equity incentive plan for granting stock options and restricted stock aw Company and the

Bank (the "2021 Plan"). The 2021 Plan was approved by the Company's shareholders at the 2021 Annual Meeting. The number of shares authorize 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 Company's stock at the date of g December 31, 2022December 31, 2023.

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

A summary of the changes in the Company's non-vested restricted stock awards under the 2021 Plan for the year ended December 31, 2022Dece

($ in thousands, except share data)	($ in thousands, except share data)	**Shares Issued**	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value**
Non-vested, as of January 1, 2022		176,641	$ 9.90	$ 2,254
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				
($ in thousands, except share data)				

($ in thousands, except share data)
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($ in thousands, except share data)
($ in thousands, except share data)
($ in thousands, except share data)
($ in thousands, except share data)
($ in thousands, except share data)

($ in thousands, except share data)		Shares Issued	Weighted Average Grant Date Fair Value	
Non-vested, as of January 1, 2023				
Awards granted	Awards granted	218,057	12.59	
Awards vested	Awards vested	(59,302)	9.92	
Awards vested				
Awards vested				
Awards forfeited	Awards forfeited	(18,030)	12.40	
Non-vested, as of December 31, 2022		317,366	$ 11.60	$ 3,542
Awards forfeited				
Awards forfeited				
Non-vested, as of December 31, 2023				
Non-vested, as of December 31, 2023				
Non-vested, as of December 31, 2023				

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

		Year Ended December 31,
	Year Ended	Year Ended December 31,
		Year Ended December 31,
		Year Ended December 31,

($ in thousands)	($ in thousands)	2022	2021	2020	($ in thousands)	2023
Tax benefit realized from awards vested		$ 12	$ —	$ —		
Tax benefit (provision) realized from awards vested						

There were 1,130,583 1,111,457 shares available for future grants of either stock options or restricted stock awards under the 2021 Plan as approximately $2.8 million $1.7 million of unrecognized compensation cost related to unvested restricted stock awards under the 2021 Plan as of Decembe these costs over a weighted average period of 2.5 1.6 years.

Note 12. Employee Benefit Plan

The Company sponsors a defined contribution plan, 401(k) profit sharing plan (the "401(k) Plan"), designed to provide retirement benefits finar Company. Employees are eligible to participate in the 401(k) Plan as of the first day of the first calendar month after the date they have completed three m Each employee is allowed to contribute to the 401(k) Plan up to the maximum percentage allowable, not to exceed the limits of applicable IRS Code Secti contributions to the 401(k) Plan. Total employer contributions to the 401(k) Plan amounted to $986 thousand, $867 thousand $752 thousand and $691 $75 2023 and 2021 2022 and 2020, 2021, respectively.

Note 13. 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 liability on the measurement advantageous market for the asset or liability in an orderly transaction between market participants. The Company uses fair value measurements to re determine fair value disclosures. Assets and liabilities recorded at fair value on a recurring basis, such as AFS securities and equity investments. Addition on a nonrecurring basis. These nonrecurring adjustments typically involve application of lower of cost or fair value accounting and write-downs of individual

The Company classifies its assets and liabilities recorded at fair value as one of the following three categories and a financial instrument's level 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 access as of the measureme

Level 2—Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in marke corroborated by observable market data.

Level 3—Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pı

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 basis, as well as the general cl

Securities AFS: The fair values of investment securities are determined by matrix pricing, which is a mathematical technique used to value debt se securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2). Management obtains the fair values of i service.

Other Investment: The Company has an equity investment with readily determinable fair value. The fair value for the equity investment with readily 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 December 31, 2022 December 31, 2023 and 2021 2022 are summarized belo

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

Fair Value Measure on a Recurring Basis

		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring Basis						
		Fair Value Measure on a Recurring 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)**
December 31, 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								
Residential mortgage-backed securities								
Residential collateralized mortgage obligations								
Municipal securities - tax exempt								
Other investments:								
Mutual fund - CRA qualified								
Mutual fund - CRA qualified								
Mutual fund - CRA qualified								
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:					
U.S. Government agencies or sponsored agency securities:					
Residential mortgage-backed securities					
Residential mortgage-backed securities					
Residential mortgage-backed securities	Residential mortgage-backed securities	$49,764	$ —	$ 49,764	$ —
Residential collateralized mortgage obligations	Residential collateralized mortgage obligations	160,045	—	160,045	—
Other investments:	Other investments:				
Mutual fund - CRA qualified	Mutual fund - CRA qualified	3,330	3,330	—	—
December 31, 2021					
U.S. Government agencies or sponsored agency securities:					
Residential mortgage-backed securities		$37,412	$ —	$ 37,412	$ —
Residential collateralized mortgage obligations		113,032	—	113,032	—
Other investments:					
Mutual fund - CRA qualified					
Mutual fund - CRA qualified	Mutual fund - CRA qualified	3,708	3,708	—	—

There were no transfers of assets or liabilities between the Level 1 and Level 2 classifications for the years ended December 31, 2022 December 3

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 accordance with GAAP. These cost or fair value and write-downs of individual assets.

Impaired Loans Collateral-dependent loans: The Collateral-dependent loans are loans where repayment is expected to be provided solely by the s reliable sources of repayment. Prior to the adoption of ASU 2016-13, impaired loans were evaluated and valued at the time the loan was identified as impa dependent and impaired loans are measured based on the value of the collateral securing these loans and are classified at a Level 3 in the fair value including equipment, inventory and accounts receivable. The value of impaired loans with specific allocations of the allowance for loan losses real est appraisals. These appraisals an appraisal by qualified licensed appraisers hired by the Company. The value of business equipment is based on an a significant, or the equipment's net book value on the business' financial statements. Inventory and accounts receivable collateral are valued based on in utilize a single valuation approach or a combination of or approaches including comparable sales and the income approach. Adjustments are routinely ma for differences between the comparable sales and income data available. Such adjustments available for similar loans and collateral underlying such loar Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued reviewed by management using an appraisal, net b adjusted or discounted based on management's judgment, changes in historical knowledge, market conditions from the time of the valuation, and manag client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted ac

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers (for commercial properties) or certified residen
licenses have been reviewed and verified by the Company. Once received, a member of the credit department reviews the assumptions and approaches
comparison with independent data sources such as recent market data or industry-wide statistics.

The following table presents the fair value hierarchy and fair value of assets that were still held and had fair value adjustments measured on a no
2021: 2022:

		Fair Value Meas
($ in thousands)	Total Fair Value	Quoted Prices in Active Markets (Level 1)
December 31, 2022		
Impaired loans	$ 423	$
December 31, 2021		
Impaired loans	$ 812	$

		Fair Value Measure or
($ in thousands)	Total Fair Value	Quoted Prices in Active Markets (Level 1)
December 31, 2023		
Collateral-dependent loans:		
SBA—real estate	$ 1,432	$ —
Total	$ 1,432	$ —
December 31, 2022		
Impaired loans:		
SBA—real estate	$ 423	$ —
Total	$ 423	$ —
Total		

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

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

($ in thousands)	($ in thousands)	2022	2021	2021	($ in thousands)	2023
Impaired loans		$ 28	$105	$(84)		
Collateral-dependent loans:						
SBA—real estate						
SBA—real estate						
SBA—real estate						
Total						

The following table presents information about significant unobservable inputs utilized in the Company's nonrecurring Level 3 fair value measureme

($ in thousands)	($ in thousands)	Fair Value Measurements (Level 3)		Valuation Techniques	Unobservable Inputs	Range of Inputs	Weighted-Average of Inputs (1)
($ in thousands)							

($ in thousands)	Fair Value Measurements (Level 3)		Valuation Techniques
December 31, 2023			
Collateral-dependent loans:			
Collateral-dependent loans:			
Collateral-dependent loans:			
SBA—real estate			
SBA—real estate			
SBA—real estate	$	1,432	Income approach - income capitalization
December 31, 2022			
December 31, 2022			

December 31, 2022	December 31, 2022						
Impaired loans:	Impaired loans:						
SBA loans—real estate		$	423	Income approach - income capitalization	Capitalization rate	11.5%	11.5%

Impaired loans:			
Impaired loans:			
SBA—real estate			
SBA—real estate			
SBA—real estate	$	423	Income approach - income capitalization

December 31, 2021						
Impaired loans:						
SBA loans—real estate	$	418	Market approach	Market data comparison	2% to 17%	8.7%
SBA loans—real estate	$	394	Income approach - income capitalization	Capitalization rate	12.0%	12.0%

(1) Weighted-average of inputs is based on the relative fair value of the respective assets as of December 31, 2022 December 31, 2023 and 2022.2021.

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

					December 31, 202	
($ in thousands)	Carrying Amount		Level 1		Level 2	
Financial assets:						
Cash and cash equivalents	$	82,972	$	82,972	$	
Loans held for sale		44,335		—		4
Loans receivable, net		1,659,051		—		
Accrued interest receivable, net		7,180		51		
Other investments:						
FHLB and PCBB stock		8,673		N/A		

	Carrying Amount	Level 1	Level 2
Time deposits placed	95	—	
Servicing assets	12,759	—	
Financial liabilities:			
Deposit	1,885,771	—	1,88
Accrued interest payable	2,771	—	

	December 31, 202		
($ in thousands)	Carrying Amount	Level 1	Level 2
Financial assets:			
Cash and cash equivalents	$ 115,459	$ 115,459	$
Loans held for sale	89,428	—	9
Loans receivable, net	1,297,896	—	
Accrued interest receivable, net	4,579	—	
Other investments:			
FHLB and PCBB stock	7,196	N/A	
Time deposits placed	95	—	
Servicing assets	12,720	—	
Financial liabilities:			
Deposit	1,534,066	—	1,53
Accrued interest payable	558	—	

The methods and assumptions, not previously presented, used to estimate fair value are described as follows:

	December 31, 202		
($ in thousands)	Carrying Amount	Level 1	Level 2
Financial assets:			
Cash and cash equivalents	$ 91,216	$ 91,216	$
Loans receivable, net	1,743,852	—	
Accrued interest receivable, net	8,259	69	
Other investments:			
FHLB and PCBB stock	12,718	N/A	
Time deposits placed	95	—	
Servicing assets	11,741	—	
Financial liabilities:			
Deposits	1,807,558	—	1,80
FHLB advances	105,000	—	10
Accrued interest payable	12,628	—	1

(a) Cash and Cash equivalents

The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

(b) Loans Held for Sale

The fair value of loans held for sale is estimated based upon binding contracts and quotes from third party investors resulting in a Level 2 classifica

(c) Loans Receivable, Net

Fair values of loans, excluding loans held for sale, are based on the exit price notion set forth by ASU 2016-01 effective January 1, 2018 and estim values of loans results in a Level 3 classification as it requires various assumptions and considerable judgement to incorporate factors relevant when sellin requirements of likely buyers and performance expectations of the loans given the current market environment and quality of loans.

(d) Other Investments

Fair value of CRA qualified mutual fund is readily determinable using quoted prices and is classified as Level 1. It is not practical to determine the f their transferability.

(e) Deposits

The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings, and certain types of money market acco the reporting date (i.e., their carrying amount) resulting in a Level 2 classification. The carrying amounts of variable rate, fixed-term money market accounts reporting date resulting in a Level 2 classification. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation th schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

(f) Federal Home Loan Bank Advances

The fair values of Federal Home Loan Bank Advances are estimated using discounted cash flow analyses based on the current borrowing rates fo classification.

(g) Accrued Interest Receivable/Payable

The carrying amounts of accrued interest approximate fair value and are classified within the same fair value hierarchy level as the related asset o

(h) Off-balance Sheet Instruments

Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking i counterparties' credit standing. The fair value of commitments is not material.

			December 31, 202
($ in thousands)	Carrying Amount	Level 1	Level 2
Financial assets:			
Cash and cash equivalents	$ 82,972	$ 82,972	$
Loans held for sale	44,335	—	4
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	—	1,88
Accrued interest payable	2,771	—	

Note 14. Regulatory Capital Matters

The Bank is subject to certain risk-based capital and leverage ratio requirements under the U.S. Basel III capital rules administered by the federal a minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a condition. The Basel III capital rules also require the Bank to maintain a capital conservation buffer of 2.5% 2.50% above the minimum risk-based capital effective January 1, 2019. Banking institutions with a ratio of common equity tier 1 capital to risk-weighted assets above the minimum but below the ca repurchases and compensation based on the amount of the shortfall. Management believes that as of December 31, 2022 December 31, 2023 and 2021, 2 are subject to. Based on recent changes to the Federal Reserve's definition of a "Small Bank Holding Company" that increased the threshold to $3 billion i capital measurements. At such time as the Company reaches the $3 billion asset level, it will again be subject to capital measurements independent of the

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

	December 31, 2022	
Actual (1)	Required for Capital Adequacy Purposes	Minimum To be Considered "Well Capitalized"
	December 31, 2023	
	December 31, 2023	
	December 31, 2023	

December 31, 2023

December 31, 2023
December 31, 2023
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December 31, 2023
December 31, 2023
December 31, 2023

		Actual[1]												Actu
($ in thousands)	($ in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	($ in thousands)		Amount	Ratio			An
Total capital (to risk-weighted assets)	Total capital (to risk-weighted assets)													
Consolidated														
Consolidated														
Consolidated	Consolidated	$213,862	13.06 %	N/A	N/A	N/A	N/A		$	229,544	13.77	13.77	%	N/A
Bank	Bank	211,981	12.94	$131,020	8.00 %	$163,775	10.00 %	Bank		227,773	13.66	13.66	$	$

Tier 1 capital (to risk-weighted assets)	Tier 1 capital (to risk-weighted assets)										
Consolidated	Consolidated	194,358	11.87	N/A	N/A	N/A	N/A				
Consolidated											
Consolidated								208,707	12.52		
Bank	Bank	192,477	11.75	98,265	6.00	131,020	8.00				
Common equity Tier 1 capital (to risk-weighted assets)	Common equity Tier 1 capital (to risk-weighted assets)										
Consolidated											
Consolidated											
Consolidated	Consolidated	194,358	11.87	N/A	N/A	N/A	N/A	208,707	12.52	12.52	N/A
Bank	Bank	192,477	11.75	73,699	4.50	106,454	6.50				
Tier 1 capital (to average assets)	Tier 1 capital (to average assets)										
Consolidated	Consolidated	194,358	9.38	N/A	N/A	N/A	N/A				
Consolidated											
Consolidated								208,707	9.57		
Bank	Bank	192,477	9.29	82,836	4.00	103,545	5.00				

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

	December 31, 2021		
	Actual (1)	Required for Capital Adequacy Purposes	Minimum To be Considered "Well Capitalized"

December 31, 2022

December 31, 2022

December 31, 2022

December 31, 2022

December 31, 2022

December 31, 2022

December 31, 2022

December 31, 2022

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December 31, 2022

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		December 31, 2022											
		December 31, 2022											
		December 31, 2022											
		December 31, 2022											
		December 31, 2022											
		Actual(1)											Actual(
($ 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)												
Consolidated													
Consolidated													
Consolidated	Consolidated	$182,439	13.66 %	N/A	N/A	N/A	N/A		$213,862	13.06	13.06	%	
Bank	Bank	179,882	13.47	$106,857	8.00 %	$133,572	10.00 %	Bank	211,981	12.94	12.94	$	$131,(
Tier 1 capital (to risk-weighted assets)	Tier 1 capital (to risk-weighted assets)												
Consolidated	Consolidated	165,944	12.42	N/A	N/A	N/A	N/A						
Consolidated													
Consolidated									194,358		11.87		
Bank	Bank	163,387	12.23	80,143	6.00	106,857	8.00						
Common equity Tier 1 capital (to risk-weighted assets)	Common equity Tier 1 capital (to risk-weighted assets)												
Consolidated													
Consolidated													
Consolidated	Consolidated	165,944	12.42	N/A	N/A	N/A	N/A		194,358	11.87	11.87	N/A	
Bank	Bank	163,387	12.23	60,107	4.50	86,822	6.50						
Tier 1 capital (to average assets)	Tier 1 capital (to average assets)												
Consolidated	Consolidated	165,944	9.58	N/A	N/A	N/A	N/A						
Consolidated													
Consolidated									194,358		9.38		
Bank	Bank	163,387	9.44	69,266	4.00	86,582	5.00						

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

Note 15. Earnings Per Share

Basic EPS is calculated using the two-class method. Under the two-class method, all earnings (distributed and undistributed) are allocated to restricted stock awards, which entitle recipients to receive nonforfeitable dividends during the vesting period on a basis equivalent to dividends paid to awards meet the definition of participating securities based on their respective rights to receive nonforfeitable dividends, and they are treated as a separate 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 two-class and treasury st 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 for the years ended Dece

		Year Ended December 31,			
		Year Ended December 31,			
		Year Ended December 31,			
		Year Ended December 31,			
($ in thousands, except share and per share data)	($ in thousands, except share and per share data)	2022	2021	2020	($ in thousands, except share and per share data)
Basic	Basic				
Net income					
Net income					
Net income	Net income	$ 33,310	$ 28,840	$ 13,127	
Distributed and undistributed earnings allocated to participating securities	Distributed and undistributed earnings allocated to participating securities	(704)	(330)	(195)	
Net income allocated to common shares	Net income allocated to common shares	$ 32,606	$ 28,510	$ 12,932	
Weighted average common shares outstanding	Weighted average common shares outstanding	15,171,240	15,087,686	15,196,351	
Basic earnings per common share	Basic earnings per common share	$ 2.15	$ 1.89	$ 0.85	
Diluted	Diluted				
Net income allocated to common shares	Net income allocated to common shares	$ 32,606	$ 28,510	$ 12,932	
Net income allocated to common shares					
Net income allocated to common shares					
Weighted average common shares outstanding for basic earnings per common share	Weighted average common shares outstanding for basic earnings per common share	15,171,240	15,087,686	15,196,351	

Add: Dilutive effects of assumed exercises of stock options	Add: Dilutive effects of assumed exercises of stock options	60,178	67,661	27,537
Average shares and dilutive potential common shares	Average shares and dilutive potential common shares	15,231,418	15,155,347	15,223,888
Diluted earnings per common share	Diluted earnings per common share	$ 2.14	$ 1.88	$ 0.85

No share of common stock was antidilutive for the years ended December 31, 2022 December 31, 2023, 2022 and 2021. For the year ended D
common stock were excluded from the diluted EPS computation.

Note 16. Parent Company Condensed Financial Statements

The following tables present the Parent Company-only condensed financial statements:

Condensed Balance Sheets

December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,
December 31,

($ in thousands)	($ in thousands)	**2022**	**2021**	($ in thousands)
Assets	Assets			
Cash and cash equivalents				
Cash and cash equivalents				
Cash and cash equivalents	Cash and cash equivalents	$ 1,559	$ 2,431	
Investment in bank subsidiary	Investment in bank subsidiary	175,035	162,666	
Deferred tax assets	Deferred tax assets	21	22	
Other assets	Other assets	301	136	
Total assets	Total assets	$176,916	$165,255	
Liabilities and shareholders' equity	Liabilities and shareholders' equity			

Other liabilities	Other liabilities	$ —	$ 33
Shareholders' equity	Shareholders' equity	176,916	165,222
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	$176,916	$165,255

Other liabilities
Other liabilities

Condensed Statements of Income and Comprehensive Income

Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,
Year Ended December 31,

		Year Ended December 31,		
($ in thousands)	($ in thousands)	**2022**	**2021**	**2020**
Income	Income			
Dividends from bank subsidiary	Dividends from bank subsidiary	$ 6,675	$ 5,123	$13,921
Expense	Expense			
Salaries and employee benefits	Salaries and employee benefits	219	226	325
Occupancy and equipment	Occupancy and equipment	49	65	74
FDIC insurance and regulatory assessments	FDIC insurance and regulatory assessments	—	8	1
Directors' fees	Directors' fees	214	135	527
Other expense	Other expense	395	169	120

($ in thousands) 2
Dividends from bank subsidiary
Dividends from bank subsidiary
Salaries and employee benefits
Salaries and employee benefits

Total expense	Total expense	877	603	1,047
Income before income tax benefit and undistributed net income of bank subsidiary	Income before income tax benefit and undistributed net income of bank subsidiary	5,798	4,520	12,874
Income tax benefit	Income tax benefit	202	141	275
Equity in undistributed net income (loss) of bank subsidiary		27,310	24,178	(22)
Equity in undistributed net income of bank subsidiary				
Net income	Net income	33,310	28,839	13,127
Other comprehensive (loss) income, net of tax		(16,646)	(2,037)	652
Other comprehensive income (loss), net of tax				
Comprehensive income	Comprehensive income	$16,664	$26,802	$13,779

Condensed Statements of Cash Flows

December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

Year Ended December 31,

($ in thousands)	($ in thousands)	**2022**	**2021**	**2020**	($ in thousands)	**2**
Cash flows from operating activities	Cash flows from operating activities					
Net income	Net income	$33,310	$28,839	$13,127		
Net income						
Net income						

Adjustments:	Adjustments:			
Equity in undistributed net loss of bank subsidiary				
Equity in undistributed net loss of bank subsidiary				
Equity in undistributed net loss of bank subsidiary	Equity in undistributed net loss of bank subsidiary	(33,985)	(29,301)	(13,899)
Change in other assets	Change in other assets	(164)	(124)	107
Change in other liabilities	Change in other liabilities	(33)	(414)	359
Net cash used in operating activities	Net cash used in operating activities	(872)	(1,000)	(306)
Cash flows from investing activities	Cash flows from investing activities			
Net cash from investing activities	Net cash from investing activities	—	—	—
Net cash from investing activities				
Net cash from investing activities				
Cash flows from financing activities	Cash flows from financing activities			
Repurchase of common stock				
Repurchase of common stock				
Repurchase of common stock	Repurchase of common stock	—	(28)	(8,104)
Cash dividend paid on common stock	Cash dividend paid on common stock	(6,674)	(5,132)	(4,262)
Proceeds from subsidiaries	Proceeds from subsidiaries	6,675	5,123	13,921
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	1	(37)	1,555
Net change in cash and cash equivalents	Net change in cash and cash equivalents	(871)	(1,037)	1,249
Cash and cash equivalents at beginning of year	Cash and cash equivalents at beginning of year	2,431	3,468	2,219
Cash and cash equivalents at end of year	Cash and cash equivalents at end of year	$ 1,560	$ 2,431	$ 3,468

Note 17. Subsequent Events

The Company has evaluated subsequent events through the issuance of these financial statements and is not aware of any material items that would be required to be recognized as of December 31, 2022.

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-224487 and 333-257362 on Form S-8 of OP Bancorp of our repo statements, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Costa Mesa, California

March 16, 2023 29, 2024

CERTIFICATION PURSUANT TO
RULES 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 20

I, Min J. Kim, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2022 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 material fact necessary to ma 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 present in all material respects 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 and procedures (as defi 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 be designed under our s including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed und reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepte

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions abou 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 occurred during the registrant's case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over f

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial rep 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 financial reporting which are process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's inter

Date: March 16, 2023 March 29, 2024 By: ______________________

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CERTIFICATION PURSUANT TO
RULES 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 20

I, Christine Y. Oh, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2022 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 material fact necessary to ma 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 present in all material respects 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 and procedures (as defi 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 be designed under c registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period ir

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed und reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepte

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions abou 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 occurred during the registrant's r case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over f

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial repo 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 financial reporting which are r process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's intern

Date: March 16, 2023 March 29, 2024 By: ________________________

Executive Vic
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CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Annual Report Sarbanes-Oxley Act of OP Bancorp (the "Com filed with the Securities and Exchange Commission on the date hereof (the "Report"), 2002, I, Min J. Kim, President and Chief Executive Officer of OP Ban pursuant best of knowledge:

(1) The registrant's Annual Report on Form 10-K for the year ended December 31, 2023 to which this Certification is attached as Exhibit 3 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the regi

Date: March 29, 2024 By: ____________________

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CERTIFICATION PURSUANT TO
18 U.S.C. § SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with 18 U.S.C Section 1350, as adopted pursuant to § Section 906 of the Sarbanes-Oxley Act of 2002, that: I, Christine Y. Oh, Execu
“registrant”), hereby certifies that, to the best of knowledge::

(1) The registrant’s Annual Report on Form 10-K for the year ended December 31, 2023 to which this Certification is attached as Ex section Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Con

Date: March 16, 2023 By: ____________________

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CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of OP Bancorp (the “Company”) on Form 10-K for the period ending December 31, 2022, as filed with t
“Report”), I, Christine Y. Oh, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursua

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Con

Date: March 16, 2023 March 29, 2024 By: ____________________

Executive Vic
(Principa

OPBancorp

060.INCENTIVECOMPENSATIONRECOVERYPOLICY

OPBancorpBoardApproval:March28,2024
(ForretroactiveadoptionasofJuly27,2023)

I. Introduction

The Board of Directors (“Board”) of OP Bancorp (“Company”) has determined that it is in the best interests of the Company and its integrity and accountability by, among other things, reinforcing the pay-for- performance compensation philosophy applicable to the officers Open Bank (“Bank”). The Board has therefore adopted the accompanying policy (“Policy”) to permit the Company or the Bank, as appropria an accounting restatement that results from material noncompliance with financial reporting requirements under the Securities Exchange Ac This Policy is intended to comply with the requirements of Exchange Act Section 10D and Rule 10D-1 thereunder, and with Nasdaq Rule 560

II. Administration

This Policy shall be administered by the Human Resources & Compensation Committee of the Board of Directors (“Administrator”). and binding on all affected individuals.

III. Executive Officers

This Policy applies to the Company’s current and former Executive Officers. For purposes of this Policy, an “Executive Officer” include Chief Executive Officer, Chief Financial Officer, Controller, Chief Credit Officer, and each other officer who performs a material policy-makin whether an individual is or was serving as an Executive Officer shall be made in a manner consistent with Nasdaq Rule 5608(d).

IV. Recoupment; Accounting Restatement

In the event the Company is required to restate its financial statements to correct a material error in previously reported financial sta any financial reporting requirement under the securities laws, the Administrator will require reimbursement or forfeiture of any excess Incen the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement. Th on a “no fault” basis, without regard to whether any misconduct occurred or an executive officer’s responsibility for the erroneous financia event of material noncompliance has occurred shall be based upon the facts and circumstances and upon then-existing judicial and administr

V. Incentive Compensation

For purposes of this Policy, Incentive Compensation means any compensation that is granted, earned, or vested based wholly or in such purposes, a “financial reporting measure” means any measure that is determined and presented in accordance with the accounting measure that is derived wholly or in part from such measures, as well as an issuer’s stock price and total shareholder return. Without limi includes:

- Annual bonuses and other short- and long-term cash incentives.
- Stock options.
- Stock appreciation rights.
- Restricted stock.
- Restricted stock units.
- Performance shares.

- Performance units.

Financial reporting measures include:

- Company stock price.
- Total shareholder return.
- Revenues.
- Net income.
- Return on equity, including return on invested capital, return on average tangible equity, and similar measures.
- Return on average assets.
- Loan loss experience, provision expense, and loan portfolio performance metrics.
- Liquidity measures, whether determined in accordance with federal banking laws and regulations or otherwise.
- Earnings measures such as earnings per share.

Equity awards that vest exclusively upon completion of a specified employment period, without any performance condition, and bonu
or goals unrelated to financial reporting measures, do not constitute Incentive Compensation.

VI. Excess Incentive Compensation: Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Executive Officer based on the erroneous
paid to the Executive Officer had it been based on the accurately restated results, as determined by the Administrator. Incentive Compen
during which the financial reporting measure specified in the relevant compensatory award is attained, even if the grant or payment of the Inc

If the Administrator cannot determine the amount of excess Incentive Compensation received by the Executive Officer directly from th
its determination based on a reasonable estimate of the effect of the accounting restatement, and such determination shall be conclusive and

VII. Method of Recoupment; Limitations on Enforcement

The Administrator will determine, in its sole discretion, the methods for recouping Incentive Compensation hereunder which may
limitation and in such combinations as the Administrator deems appropriate:

- Requiring reimbursement of cash Incentive Compensation previously paid.
- Seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based
- Offsetting the recouped amount from any compensation otherwise owed to the Executive Officer.
- Cancelling outstanding vested or unvested equity awards.
- Any other remedial and recovery action permitted by law, as determined by the Administrator.

Notwithstanding the foregoing, the Administrator may determine not to require recoupment of compensation when any of the following

- The direct expense to be paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered.
- Recovery would violate any federal or state law that was in effect on the date this Policy was adopted, or that would otherwise su
of law as stated in a written opinion of counsel to the Company.
- Recovery would cause a broad-based retirement plan to fail to meet the tax- qualification requirements of 26 U.S.C. 401(a)(13) or

Before concluding that pursuit is impracticable, the Company must first make reasonable attempts to recover the Incentive
describing such attempts.

VIII. No Indemnification

The Company shall not indemnify any Executive Officers against the loss of any incorrectly awarded Incentive Compensation or
respect thereto.

IX. Interpretation

The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisa
Policy be interpreted in a manner that is consistent with the requirements of Exchange Act Section 10D and Rule 10D-1, Nasdaq Rule 56
forfeiture, disgorgement, or recoupment of executive compensation. Without limiting the generality of the foregoing, the Administrator shall b
upon judicial and administrative interpretations involving federal and state banking regulatory authorities.

X. Effective Date; Applicability

This Policy shall be effective as of December 1, 2023 (the "Effective Date") and shall apply to Incentive Compensation that is appro
Effective Date.

XI. Periodic Review; Amendment; Termination

The Administrator may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to r
requirement or any regulation adopted by the Securities and Exchange Commission. The Administrator may terminate this Policy at any ti
under circumstances that would cause the Company to fail to comply with applicable laws, regulations or Nasdaq listing requirement, or ca
any federal or state banking law or regulation.

XII. Other Recoupment Rights

The Administrator may require that any employment agreement, equity award agreement, or similar agreement entered into on or af
benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy and to cooperate in the recoupment of any Inc
recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Co
in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company or the

XIII. Successors

This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF
MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPAR
REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIO
PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BE
DECISIONS.