



Financial Statements
December 31, 2020 and 2019
Mega Bank

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Independent Auditor's Report

Board of Directors and Shareholders of
Mega Bank
San Gabriel, California

Report on the Financial Statements

We have audited the accompanying financial statements of Mega Bank, which comprise the statement of financial condition as of December 31, 2020, and the related statements of net income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

The financial statements of the Bank as of and for the year ended December 31, 2019, were audited by other auditors, and whose report dated March 31, 2020, expressed an unmodified opinion on those statements.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

San Ramon, California
April 30, 2021

Mega Bank
Statements of Financial Condition
Years Ended December 31, 2020 and 2019

	2020	2019
Assets		
Cash and due from banks	\$ 12,184,339	\$ 34,840,786
Federal funds sold, overnight	707,419	16,582,749
Short term investments	3,847,581	2,717,251
	<u>16,739,339</u>	<u>54,140,786</u>
Cash and cash equivalents	16,739,339	54,140,786
Interest-bearing deposits in other banks	45,566,825	3,244,117
Term federal funds	6,000,000	12,000,000
Investment securities available for sale (note 3)	-	31,883,539
Loans held for investment, net of allowance for loan losses of \$5,253,758 in 2020, and \$3,017,497 in 2019, (note 4)	331,832,808	277,280,720
Fixed assets, net (Note 5)	608,657	666,782
Accrued interest receivable	1,758,118	1,591,267
Stock investments, restricted, at cost (note 8)	2,059,600	2,065,700
Bank owned life insurance (note 6)	6,701,334	5,344,107
Deferred tax asset	2,163,840	1,322,691
Other assets	688,988	642,433
	<u>\$ 414,119,509</u>	<u>\$ 390,182,142</u>
Liabilities		
Deposits		
Noninterest-bearing	\$ 38,455,992	\$ 28,492,050
Interest-bearing	303,298,604	296,357,297
	<u>341,754,596</u>	<u>324,849,347</u>
Total deposits	341,754,596	324,849,347
Federal Home Loan Bank advances	26,000,000	20,000,000
Accrued interest payable	120,708	266,735
Other liabilities	1,960,826	1,446,655
	<u>369,836,130</u>	<u>346,562,737</u>
Total liabilities	369,836,130	346,562,737
Shareholders' Equity		
Common stock, no par value, 10,000,000 shares authorized 3,785,586 and 3,788,186 shares issued and outstanding at December 31, 2020 and December 31, 2019, respectively	41,603,781	41,378,845
Retained earnings	2,679,598	2,313,992
Accumulated other comprehensive loss	-	(73,432)
	<u>44,283,379</u>	<u>43,619,405</u>
Total shareholders' equity	44,283,379	43,619,405
Total liabilities and shareholders' equity	<u>\$ 414,119,509</u>	<u>\$ 390,182,142</u>

Mega Bank
Statements of Net Income
Years Ended December 31, 2020 and 2019

	2020	2019
Interest Income		
Interest and fees on loans	\$ 13,723,049	\$ 14,070,444
Interest on federal funds sold and FRB deposits	416,171	596,827
Interest on time deposits in other financial institutions	8,474	36,617
Interest on investment securities	196,573	959,760
Dividend income from restricted stock	110,634	134,687
Other interest income	1,878	7,141
Total interest and dividend income	<u>14,456,779</u>	<u>15,805,476</u>
Interest Expense		
Interest on deposits	3,339,597	5,196,826
Interest on borrowings	635,469	510,564
Total interest expense	<u>3,975,066</u>	<u>5,707,390</u>
Net interest income	10,481,713	10,098,086
Provision for loan losses (Note 4)	2,254,934	(600,000)
Net interest income after provision for loan losses	<u>8,226,779</u>	<u>10,698,086</u>
Noninterest Income		
Service charges on deposit accounts	75,459	66,015
Net gain on sale of securities available for sale	157,142	113,151
Net gain on sale of loans	1,448,297	-
Other miscellaneous income	201,364	64,588
Income from bank-owned life insurance	57,226	119,183
Total noninterest income	<u>1,939,488</u>	<u>362,937</u>
Noninterest Expense		
Salaries and employee benefits	5,295,632	4,851,659
Stock-based compensation	244,435	220,004
Occupancy and equipment	1,571,447	1,598,410
Net loss on sale of fixed assets	5,082	-
Other expenses	2,544,607	1,666,255
Total noninterest expense	<u>9,661,203</u>	<u>8,336,328</u>
Income before income tax expense	505,064	2,724,695
Provision for income taxes	139,458	929,375
Net Income	<u>\$ 365,606</u>	<u>\$ 1,795,320</u>
Basic earnings per share	<u>\$ 0.10</u>	<u>\$ 0.48</u>
Diluted earnings per share	<u>\$ 0.10</u>	<u>\$ 0.46</u>

Mega Bank
 Statements of Comprehensive Income
 Years Ended December 31, 2020 and 2019

	2020	2019
Net Income	\$ 365,606	\$ 1,795,320
Other comprehensive income		
Adjustments for gains included in net income	(157,142)	(113,151)
Tax effect	47,223	33,945
	(109,919)	(79,206)
Unrealized holding gain on securities available-for-sale during the period	262,044	844,376
Tax effect	(78,693)	(253,314)
	183,351	591,062
Other comprehensive income	73,432	511,856
Total comprehensive income	\$ 439,038	\$ 2,307,176

Mega Bank
Statements of Changes in Shareholders' Equity
Years Ended December 31, 2020 and 2019

	Number of Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2018	3,764,186	\$ 40,910,921	\$ 518,672	\$ (585,288)	\$ 40,844,305
Net income	-	-	1,795,320	-	1,795,320
Change in unrealized loss on securities available for sale, net of tax	-	-	-	511,856	511,856
Exercise of stock options	24,000	247,920	-	-	247,920
Stock compensation expense	-	220,004	-	-	220,004
Balance at December 31, 2019	3,788,186	41,378,845	2,313,992	(73,432)	43,619,405
Net income	-	-	365,606	-	365,606
Change in unrealized loss on securities available for sale, net of tax	-	-	-	73,432	73,432
Rescinded stock options	(2,600)	(19,500)	-	-	(19,500)
Stock compensation expense	-	244,436	-	-	244,436
Balance at December 31, 2020	<u>3,785,586</u>	<u>\$ 41,603,781</u>	<u>\$ 2,679,598</u>	<u>\$ -</u>	<u>\$ 44,283,379</u>

Mega Bank
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Net income	\$ 365,606	\$ 1,795,320
Adjustments to reconcile net income to net cash from operating activities		
Amortization of deferred loan fees, net	528,664	(49,711)
Net amortization (accretion) of securities available for sale	168,501	(2,822)
Amortization of premium, purchased loans	138,838	359,812
Provision (credit) for loan losses	2,254,934	(600,000)
Depreciation and amortization of premises and equipment	393,234	203,780
Loss on disposal of fixed assets	5,082	
Net gain on sale of securities available for sale	(157,142)	(113,151)
Net gain on sale of loans	(1,448,297)	-
Stock based compensation	244,436	220,004
Deferred income taxes	(873,077)	228,234
Earnings on cash surrender value of bank owned life insurance	(57,226)	(119,183)
Change in		
Accrued interest receivable and other assets	446,777	(169,864)
Accrued interest payable and other	368,144	319,588
Net Cash from Operating Activities	<u>2,378,474</u>	<u>2,072,007</u>
Investing Activities		
Net change in interest-bearing deposits in banks	(42,322,708)	771,144
Loan originations, purchases, and principal collections, net	(79,825,779)	13,929,042
Proceeds from loans held for sale previously classified as portfolio loans	23,171,297	-
Purchase of premises and equipment	(340,191)	(107,530)
Increase (decrease) in term federal funds	6,000,000	(12,000,000)
Proceeds from sales, maturities and repayments of available-for-sale securities	36,445,611	42,830,541
Purchase of securities available-for-sale	(4,500,000)	(30,146,603)
Purchase of bank owned life insurance	(1,300,000)	-
Sales (purchases) of stock investments, restricted	6,100	(254,600)
Net Cash (Used in) Provided by Investing Activities	<u>(62,665,670)</u>	<u>15,021,994</u>
Financing Activities		
Net increase in deposits	16,905,249	29,253,651
Proceeds from stock option exercise	-	247,920
Payment for rescinded stock options	(19,500)	-
Repayment of Federal Home Loan Bank advances	(20,000,000)	(30,000,000)
Purchase of Federal Home Loan Bank advances	26,000,000	20,000,000
Net Cash from Financing Activities	<u>22,885,749</u>	<u>19,501,571</u>
Net Change in Cash and Cash Equivalents	(37,401,447)	36,595,572
Cash and Cash Equivalents at Beginning of Period	<u>54,140,786</u>	<u>17,545,214</u>
Cash and Cash Equivalents at End of Period	<u>\$ 16,739,339</u>	<u>\$ 54,140,786</u>

Mega Bank
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Supplemental Disclosure for Cash Flow Information		
Cash payments for		
Interest paid	\$ 4,121,093	\$ 5,733,568
Income taxes paid	644,000	662,000
Supplemental Disclosures of Noncash Investing and Financing Activities		
Change in unrealized loss on securities available-for-sale	104,902	731,225