

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, **John Delaney**

Name of the Holding Company Director and Official

CEO

Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

08/10/2022

Date of Signature

For holding companies not registered with the SEC—
Indicate status of Annual Report to Shareholders:

- ☒ is included with the FR Y-6 report
☐ will be sent under separate cover
☐ is not prepared

For Federal Reserve Bank Use Only

RSSD ID

C.I.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2021

Month / Day / Year

549300F86ZIOBZ1LVN33

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Congressional Bancshares, Inc.

Legal Title of Holding Company

4445 Willard Ave. Suite 1000

(Mailing Address of the Holding Company) Street / P.O. Box

Chevy Chase

MD

20815

City

State

Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Mark Wendel

EVP & CFO

Name

Title

240-380-1203

Area Code / Phone Number / Extension

240-380-1303

Area Code / FAX Number

mwendel@forbrightbank.com

E-mail Address

https://www.forbrightbank.com

Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission?

0=No

1=Yes

0

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report

☐

2. a letter justifying this request has been provided separately

☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

<p>Legal Title of Subsidiary Holding Company</p> <p>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</p> <p>City State Zip Code</p> <p>Physical Location (if different from mailing address)</p>	<p>Legal Title of Subsidiary Holding Company</p> <p>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</p> <p>City State Zip Code</p> <p>Physical Location (if different from mailing address)</p>
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<p>Legal Title of Subsidiary Holding Company</p> <p>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</p> <p>City State Zip Code</p> <p>Physical Location (if different from mailing address)</p>	<p>Legal Title of Subsidiary Holding Company</p> <p>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</p> <p>City State Zip Code</p> <p>Physical Location (if different from mailing address)</p>

Item 2a**ORGANIZATION CHART**

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/2021

<u>Sequence Number</u>	<u>Full Legal Name</u>	<u>LEI</u>	<u>Physical Address City</u>	<u>State/Country</u>	<u>State of Incorporation</u>
1	Congressional Bancshares, Inc.	549300F86ZI0BZ1LVN33	Chevy Chase	Maryland	Delaware
2	Congressional Bank	2549008CZOYIG4FIKS25	Potomac	Maryland	Maryland
3	American Bank Holdings Statutory Trust I	NO LEI	Greenbelt	Maryland	Delaware
4	Alliance Partners LLC	NO LEI	Chevy Chase	Maryland	Delaware
5	AP MA Funding LLC	NO LEI	Chevy Chase	Maryland	Delaware
6	AP PHC LLC	NO LEI	Chevy Chase	Maryland	Delaware
7	AP MA Investor 13-5 LLC	NO LEI	Chevy Chase	Maryland	Delaware
8	CB Finco LLC	NO LEI	Chevy Chase	Maryland	Delaware
9	The Energy Loan Network, LLC	NO LEI	Simi Valley	California	California

Congressional Bancshares, Inc. owns 100% of Congressional Bank.

Congressional Bancshares, Inc. owns 100% of American Bank Holdings Statutory Trust I

Congressional Bancshares, Inc. (managing member) owns 100% of CB Finco LLC

Congressional Bank (managing member) owns 100% of Alliance Partners LLC

Congressional Bank (managing member) owns 100% of AP MA Funding LLC

Congressional Bank (managing member) owns 100% of AP PHC LLC

Congressional Bank (managing member) owns 100% of AP MA Investor 13-5 LLC

Congressional Bank (managing member) owns 100% of The Energy Loan Network, LLC

Results: A list of branches for your depository institution: CONGRESSIONAL BANK (ID_RSSD: 3187630).
This depository institution is held by CONGRESSIONAL BANCSHARES, INC. (3391129) of CHEVY CHASE, MD.
The data are as of 12/31/2021.

Reconciliation and Verification Steps

- 1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
- 2. If required, enter the date in the **Effective Date** column

Actions

OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of **Change, Close, Delete, or Add**.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://y10online.federalreserve.gov>.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	3187630	CONGRESSIONAL BANK	7963 TUCKERMAN LANE	POTOMAC	MD	20854	MONTGOMERY	UNITED STATES	Not Required	Not Required	CONGRESSIONAL BANK	3187630	
OK		Full Service	3587847	WASHINGTON DC BRANCH	2101 K STREET NORTHWEST	WASHINGTON	DC	20037	DISTRICT OF COLUMBIA	UNITED STATES	Not Required	Not Required	CONGRESSIONAL BANK	3187630	
OK		Full Service	4155823	BETHESDA BRANCH	4801 MONTGOMERY LN, STE A	BETHESDA	MD	20814	MONTGOMERY	UNITED STATES	Not Required	Not Required	CONGRESSIONAL BANK	3187630	
OK		Full Service	4510459	ROCKVILLE BRANCH	1700 ROCKVILLE PIKE	ROCKVILLE	MD	20852	MONTGOMERY	UNITED STATES	Not Required	Not Required	CONGRESSIONAL BANK	3187630	
OK		Full Service	3388343	HERNDON BRANCH	150 ELDON STREET, SUITE 170	HERNDON	VA	20170	FAIRFAX	UNITED STATES	Not Required	Not Required	CONGRESSIONAL BANK	3187630	

SECURITIES HOLDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/2021

Forbright Inc.

Stock Ownership of 5% or > (Voting Shares)

Item 3

Name, City, State, Country	Country of Citizenship or Incorporation	Shares of Voting Common Stock	Options & Warrants (a)	% of Shares of Voting Common Stock exclusive of Options & Warrants	% of total ^(b)
John Delaney Potomac, MD, USA	USA	1,822,912	-	10.15%	10.15%
GCS Investment I LLC San Francisco, CA USA	USA	1,750,000	-	9.75%	9.75%
Centerbridge Partners New York, NY, USA	USA	1,587,000	-	8.84%	8.84%
Bayview Asset Management Coral Gables, FL USA	USA	1,587,000	-	8.84%	8.84%
Gallatine Point Capital Greenwich, CT USA	USA	1,587,000	-	8.84%	8.84%
Jason Fish San Francisco, CA, USA	USA	1,536,997	-	8.56%	8.56%
J.R. Schuble Potomac, MD, USA	USA	1,502,164	10,000	8.37%	8.42%
Total		<u>11,373,073</u>	<u>10,000</u>	63.33%	63.36%
Total Outstanding Voting Shares 12/31/2021		<u>17,957,037</u>			

(a) This includes options that are vested and exercisable as of 12/31/2021

(b) The shares of common stock subject to options and warrants are deemed outstanding for purposes of computing the percentage ownership of the person holding the options but are not deemed outstanding for the purpose of computing the percentage ownership of any other persons.

Item 3.2

Name, City, State, Country	Country of Citizenship or Incorporation	Shares of Common Stock	Options & Warrants	% of Shares of Common Stock exclusive of Options & Warrants	% of total ^(b)
N/A	N/A	N/A	N/A	N/A	N/A

Item 4
INSIDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/21

[1]	[2]	[3]	[3][b]	[3][c]	[4][a]	[4][b]	[4][c]
Names/Addresses	Principal Occupation if Other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries	Title & Position with Other Businesses where person is a director, trustee, partner or executive officer (include names of other businesses)	Percentage of Voting Shares in Bank Holding Company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities) (a)	Percentage of Voting Shares in Subsidiaries (include names of subsidiary(s) of the holding company	List names of other companies (include partnerships) if 25% or more of voting securities or proportionate interest in a partnership are held. (List the name of the company and the percentage of voting securities owned, controlled or held with power to vote)
Jason M. Fish San Francisco, CA 94115	Investor	Director	Director (Congressional Bank)	Sebastes Capital Management, Inc. President	8.56%	N/A	Sebastes Capital Management, Inc. 100%
Clifford V Brokaw IV Southampton, NY 11968	Managing Member, Bayview Asset Management, LLC	Director	Director (Congressional Bank)	N/A	0.00% (b)	N/A	N/A
Donald Kohn Washington, DC 20003	Senior Fellow in the Economic Studies program at the Brookings Institution	Director	N/A	N/A	0.00%	N/A	N/A
Eric Hoffman Lakewood Ranch, FL 34202	Managing Director, Centerbridge Partners, L.P.	Director	Director (Congressional Bank)	N/A	0.00% (b)	N/A	N/A
Pam Chan New York, NY 10055	CIO and Global Head of the Alternative Solutions Group at BlackRock	Director	N/A	N/A	0.00%	N/A	N/A
Steve Shafran Ketchum, ID 83340	Senior Advisor, Centerbridge Partners, L.P.	Director	N/A	N/A	0.00%	N/A	N/A
Jenevieve Mitchel New York, NY 10128	Managing Director, Gallatin Point Capital	Director	N/A	N/A	0.00%	N/A	N/A
Christopher Jones Potomac, MD 20854	President of BMC Property Group	Director	Director (Congressional Bank)	BMC Property Group President Johnny Fontane, LLC Manager	1.09%	N/A	BMC Property Group 75% Johnny Fontane, LLC 40%
Don Cole Arlington, VA 22207	N/A	President & COO	President & CEO (Congressional Bank)	N/A	0.43%	N/A	N/A
Don Cole Arlington, VA 22207	N/A	President & COO	Alliance Partners LLC CEO	N/A	0.43%	N/A	N/A
Don Cole Arlington, VA 22207	N/A	President & COO	AP MA Investor 13-5 LLC CEO	N/A	0.43%	N/A	N/A
Don Cole Arlington, VA 22207	N/A	President & COO	AP MA Funding LLC CEO	N/A	0.43%	N/A	N/A
Don Cole Arlington, VA 22207	N/A	President & COO	AP PHC LLC CEO	N/A	0.43%	N/A	N/A

Item 4
INSIDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/21

[1]	[2]	[3]	[3][b]	[3][c]	[4][a]	[4][b]	[4][c]
Names/Addresses	Principal Occupation if Other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries	Title & Position with Other Businesses where person is a director, trustee, partner or executive officer (include names of other businesses)	Percentage of Voting Shares in Bank Holding Company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities) (a)	Percentage of Voting Shares in Subsidiaries (include names of the holding company)	List names of other companies (include partnerships) if 25% or more of voting securities or proportionate interest in a partnership are held. (List the name of the company and the percentage of voting securities owned, controlled or held with power to vote)
Cynthia Flanders Kensington, MD 20895	Leadership/Career Coach Skipjack Partners LLC DBA Manage Fearlessly	Director	Director (Congressional Bank)	N/A	0.19%	N/A	Skipjack Partners LLC 100%
John K. Delaney Potomac, MD 20854	Chairman / CEO	Director and CEO	Director & Executive Chairman (Congressional Bank)	Friends of John Delaney campaign beneficiary	10.15%	N/A	Friends of John Delaney 100%
John K. Delaney Potomac, MD 20854	Chairman / CEO	Director and CEO	Director & Executive Chairman (Congressional Bank)	Cloister Cottage Managing Member	10.15%	N/A	Cloister Cottage 50.0%
John K. Delaney Potomac, MD 20854	Chairman / CEO	Director and CEO	Director & Executive Chairman (Congressional Bank)	Capital Hill Ventures Managing Member	10.15%	N/A	Capital Hill Ventures 50.0%
John K. Delaney Potomac, MD 20854	Chairman / CEO	Director and CEO	Director & Executive Chairman (Congressional Bank)	Acceleration Acquisiton Co. Managing Member	10.15%	N/A	Acceleration Acquisiton Co. 75.0%
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	1200 3rd Street Holdings LLC (TC)	8.42%	N/A	1200 3rd Street Holdings LLC (TC)
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	1200 3rd Street LLC (TC)	8.42%	N/A	1200 3rd Street LLC (TC)
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	1200 3rd Street Manager LLC	8.42%	N/A	1200 3rd Street Manager LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	125 Worth Partners LLC	8.42%	N/A	125 Worth Partners LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	2112 New Hampshire Unit Owners	8.42%	N/A	2112 New Hampshire Unit Owners
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	220 MD LLC	8.42%	N/A	220 MD LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	555 Thayer Ave. Assoc. LP	8.42%	N/A	555 Thayer Ave. Assoc. LP
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	9304 Rapley Preserve LLC	8.42%	N/A	9304 Rapley Preserve LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Adams BV I LLC	8.42%	N/A	Adams BV I LLC

Item 4
INSIDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/21

[1]	[2]	[3]	[3][b]	[3][c]	[4][a] Percentage of Voting Shares in Bank Holding Company	[4][b] Percentage of Voting Shares in Subsidiaries (include names of	[4][c] List names of other companies (include partnerships) if 25% or more of voting securities or proportionate interest
Names/Addresses	Principal Occupation if Other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries	Title & Position with Other Businesses where person is a director, trustee, partner or executive officer (include names of other businesses)	(including options, warrants or other securities or rights that can be converted into or exercised for voting securities) (a)	subsidiary(s) of the holding company	in a partnership are held. (List the name of the company and the percentage of voting securities owned, controlled or held with power to vote)
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Adams BV II LLC	8.42%	N/A	Adams BV II LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Adams Newport LLC	8.42%	N/A	Adams Newport LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Adams Newport Manager LLC	8.42%	N/A	Adams Newport Manager LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	AK Cedar Chase, LLC	8.42%	N/A	AK Cedar Chase, LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	American Cedar Chase Management, LLC	8.42%	N/A	American Cedar Chase Management, LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Americana Apartments LLC	8.42%	N/A	Americana Apartments LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Ashley Section One Holdings, LLC	8.42%	N/A	Ashley Section One Holdings, LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Ashley Section Two Holdings, LLC	8.42%	N/A	Ashley Section Two Holdings, LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Bamboo Capital, LLC	8.42%	N/A	Bamboo Capital, LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Bamboo Firenzi, LLC	8.42%	N/A	Bamboo Firenzi, LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Blair Mill Investors LLC	8.42%	N/A	Blair Mill Investors LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Bradford Place Investors LLC	8.42%	N/A	Bradford Place Investors LLC
J.R. Schuble Potomac, MD 20859	Management LLC	Director	N/A	Bradford Place LLC	8.42%	N/A	Bradford Place LLC
J.R. Schuble	President and Managing Member of Dreyfuss Management LLC	Director	N/A	BYRD II LLC	8.42%	N/A	BYRD II LLC

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CONGRESSIONAL BANCSHARES, INC.: 0003391129
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Names/Addresses	Principal Occupation if Other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries	Title & Position with Other Businesses where person is a director, trustee, partner or executive officer (include names of other businesses)	Percentage of Voting Shares in Bank Holding Company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities) (a)	Percentage of Voting Shares in Subsidiaries (include names of holding company	List names of other companies (include partnerships) if 25% or more of voting securities or proportionate interest in a partnership are held. (List the name of the company and the percentage of voting securities owned, controlled or held with power to vote)
Potomac, MD 20859							
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	BYRD LLC	8.42%	N/A	BYRD LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Carbon Energy Partners LLC	8.42%	N/A	Carbon Energy Partners LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	CAW Associates, LLC	8.42%	N/A	CAW Associates, LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Centerport Enon Joint Venture	8.42%	N/A	Centerport Enon Joint Venture
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Centerport Master Plan Company LLC	8.42%	N/A	Centerport Master Plan Company LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Centerport Residential LP	8.42%	N/A	Centerport Residential LP
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Century I-66 Investors LLC	8.42%	N/A	Century I-66 Investors LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Century I-66 LLC	8.42%	N/A	Century I-66 LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Century Innovation Investors LLC	8.42%	N/A	Century Innovation Investors LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Century Innovation LLC	8.42%	N/A	Century Innovation LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Century Partners LLC	8.42%	N/A	Century Partners LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Convergene LLC	8.42%	N/A	Convergene LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Crane Avenue GP, LLC	8.42%	N/A	Crane Avenue GP, LLC

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AS OF 12/31/21

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Names/Addresses	Principal Occupation if Other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries	Title & Position with Other Businesses where person is a director, trustee, partner or executive officer (include names of other businesses)	(including options, warrants or other securities or rights that can be converted into or exercised for voting securities) (a)	subsidiary(s) of the holding company	in a partnership are held. (List the name of the company and the percentage of voting securities owned, controlled or held with power to vote)
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Crane Avenue LP	8.42%	N/A	Crane Avenue LP
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Crestwood LLC	8.42%	N/A	Crestwood LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Crestwood Manager LLC	8.42%	N/A	Crestwood Manager LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	DBI Spring Ridge LLC	8.42%	N/A	DBI Spring Ridge LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Democracy Capital Corporation	8.42%	N/A	Democracy Capital Corporation
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	DPIII Holdings LLC	8.42%	N/A	DPIII Holdings LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Drexel Park Two, LLC	8.42%	N/A	Drexel Park Two, LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Dreyfuss Holdings LLC	8.42%	N/A	Dreyfuss Holdings LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Dreyfuss Investments LLC	8.42%	N/A	Dreyfuss Investments LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Dreyfuss Management LLC	8.42%	N/A	Dreyfuss Management LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Dreyfuss Management Services, Inc.	8.42%	N/A	Dreyfuss Management Services, Inc.
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Dreyfuss Manager LLC	8.42%	N/A	Dreyfuss Manager LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Dreyfuss RAVA LLC	8.42%	N/A	Dreyfuss RAVA LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	DSJ LLC	8.42%	N/A	DSJ LLC

Item 4
INSIDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/21

[1]	[2]	[3]	[3][b]	[3][c]	[4][a] Percentage of Voting Shares in Bank Holding Company	[4][b] Percentage of Voting Shares in Subsidiaries (include names of	[4][c] List names of other companies (include partnerships) if 25% or more of voting securities or proportionate interest
Names/Addresses	Principal Occupation if Other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries	Title & Position with Other Businesses where person is a director, trustee, partner or executive officer (include names of other businesses)	(including options, warrants or other securities or rights that can be converted into or exercised for voting securities) (a)	subsidiary(s) of the holding company	in a partnership are held. (List the name of the company and the percentage of voting securities owned, controlled or held with power to vote)
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	East Fairfax LLC	8.42%	N/A	East Fairfax LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Enon Cook LLC	8.42%	N/A	Enon Cook LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Essex Investment LLC	8.42%	N/A	Essex Investment LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Finance Service Group LLC	8.42%	N/A	Finance Service Group LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Financial Management Solutions LLC	8.42%	N/A	Financial Management Solutions LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Freedom 1-66 Land LLC	8.42%	N/A	Freedom 1-66 Land LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Freedom Innovation Land LLC	8.42%	N/A	Freedom Innovation Land LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	FTMD Laurel LLC	8.42%	N/A	FTMD Laurel LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	FTMD Manager LLC	8.42%	N/A	FTMD Manager LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Green Fuel Solutions LLC	8.42%	N/A	Green Fuel Solutions LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Hanover Developer LLC	8.42%	N/A	Hanover Developer LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Hanover Harman LLC	8.42%	N/A	Hanover Harman LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Hanover Ridge North LLC	8.42%	N/A	Hanover Ridge North LLC

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INSIDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/21

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Names/Addresses	Principal Occupation if Other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries	Title & Position with Other Businesses where person is a director, trustee, partner or executive officer (include names of other businesses)	(including options, warrants or other securities or rights that can be converted into or exercised for voting securities) (a)	subsidiary(s) of the holding company	in a partnership are held. (List the name of the company and the percentage of voting securities owned, controlled or held with power to vote)
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Hulls Land, LLC	8.42%	N/A	Hulls Land, LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	J SCHUBLE 2021 TRUST	8.42%	N/A	J SCHUBLE 2021 TRUST
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	J/S Brookville LLC	8.42%	N/A	J/S Brookville LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	J/S Key LLC	8.42%	N/A	J/S Key LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	KSC 1200 3rd Street Capital LLC	8.42%	N/A	KSC 1200 3rd Street Capital LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	KSC 1200 3rd Street Equity LLC	8.42%	N/A	KSC 1200 3rd Street Equity LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	KSC 1200 3rd Street Syndication LLC	8.42%	N/A	KSC 1200 3rd Street Syndication LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Lava Rock LLC	8.42%	N/A	Lava Rock LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Marketshare Chesterfield LLC	8.42%	N/A	Marketshare Chesterfield LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Marketshare of NC LLC	8.42%	N/A	Marketshare of NC LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Marketshare Properties LLC	8.42%	N/A	Marketshare Properties LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Medallion Peninsula LLC	8.42%	N/A	Medallion Peninsula LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Metro Contractors LLC	8.42%	N/A	Metro Contractors LLC
J.R. Schuble	President and Managing Member of Dreyfuss Management LLC	Director	N/A	MT Holdings LLC	8.42%	N/A	MT Holdings LLC

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CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/21

[1]	[2]	[3]	[3][b]	[3][c]	[4][a] Percentage of Voting Shares in Bank Holding Company	[4][b] Percentage of Voting Shares in Subsidiaries (include names of	[4][c] List names of other companies (include partnerships) if 25% or more of voting securities or proportionate interest
Names/Addresses	Principal Occupation if Other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries	Title & Position with Other Businesses where person is a director, trustee, partner or executive officer (include names of other businesses)	(including options, warrants or other securities or rights that can be converted into or exercised for voting securities) (a)	subsidiary(s) of the holding company	in a partnership are held. (List the name of the company and the percentage of voting securities owned, controlled or held with power to vote)
Potomac, MD 20859							
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	MT Investments LLC	8.42%	N/A	MT Investments LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	MT Manager LLC	8.42%	N/A	MT Manager LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	MT Partners LLC	8.42%	N/A	MT Partners LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Penn Center GP LLC	8.42%	N/A	Penn Center GP LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Penn Center LP	8.42%	N/A	Penn Center LP
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Prime Holdings Group LLC	8.42%	N/A	Prime Holdings Group LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Python CAW LLC	8.42%	N/A	Python CAW LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Python Finacial Solutions 401K Trust	8.42%	N/A	Python Finacial Solutions 401K Trust
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Python Financial Solutions, Inc.	8.42%	N/A	Python Financial Solutions, Inc.
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Royal Oak LLC	8.42%	N/A	Royal Oak LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	RUFFIN CENTER LLC	8.42%	N/A	RUFFIN CENTER LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Rugby Personnel Svcs., Inc.	8.42%	N/A	Rugby Personnel Svcs., Inc.
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Shiv Krupa LLC	8.42%	N/A	Shiv Krupa LLC

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INSIDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/21

[1]	[2]	[3]	[3][b]	[3][c]	[4][a]	[4][b]	[4][c]
Names/Addresses	Principal Occupation if Other than with Bank Holding Company	Title & Position with Bank Holding Company	Title & Position with Subsidiaries	Title & Position with Other Businesses where person is a director, trustee, partner or executive officer (include names of other businesses)	Percentage of Voting Shares in Bank Holding Company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities) (a)	Percentage of Voting Shares in Subsidiaries (include names of holding company subsidiary(s) of the holding company)	List names of other companies (include partnerships) if 25% or more of voting securities or proportionate interest in a partnership are held. (List the name of the company and the percentage of voting securities owned, controlled or held with power to vote)
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Silver Spring House LLC	8.42%	N/A	Silver Spring House LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Spring Ridge I LLC	8.42%	N/A	Spring Ridge I LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Suburban Tower Holdings LLC	8.42%	N/A	Suburban Tower Holdings LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	TradePort 81 Land I LLC	8.42%	N/A	TradePort 81 Land I LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	TradePort 81 Land II LLC	8.42%	N/A	TradePort 81 Land II LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	TradePort 81 LLC	8.42%	N/A	TradePort 81 LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	TradePort 95 Land LLC	8.42%	N/A	TradePort 95 Land LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Treehouse Investors LLC	8.42%	N/A	Treehouse Investors LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	Viper Holdings LLC	8.42%	N/A	Viper Holdings LLC
J.R. Schuble Potomac, MD 20859	President and Managing Member of Dreyfuss Management LLC	Director	N/A	WestDulles Station, LLC	8.42%	N/A	WestDulles Station, LLC
Mark Wendel Rockville, MD 20852	N/A	Assistant Secretary	Treasurer & Assistant Secretary, EVP & Chief Financial Officer (Congressional Bank)	N/A	0.19%	N/A	N/A

Forbright, Inc. and Subsidiaries
Consolidated Financial Statements
December 31, 2021 and 2020

FORBRIGHT, INC. AND SUBSIDIARIES

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Report of Independent Auditors

To the Shareholders and the Board of Directors of Forbright, Inc. and subsidiaries

Opinion

We have audited the consolidated financial statements of Forbright, Inc. and subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, 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.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Forbright Inc.'s internal control over financial reporting, including internal control over the preparation of regulatory financial statements, in accordance with the instructions to *Federal Financial Institutions Examination Council Consolidated Reports of Condition and Income (Call Report)* as of December 31, 2021, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated July 1, 2022, expressed an unmodified opinion thereon.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Ernst & Young LLP

July 1, 2022

Independent Auditors' Report

Board of Directors and Stockholders of Forbright, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Forbright, Inc. (formerly Congressional Bancshares, Inc.) and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company 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.

Audit of Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 1, 2022 expressed an adverse opinion thereon.

FORVIS,LLP

(Successor to Dixon Hughes Goodman LLP)
Tysons, VA
July 1, 2022

FORBRIGHT, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(dollars in thousands)

	December 31, 2021	December 31, 2020
ASSETS		
Cash and due from banks	\$ 20,465	\$ 202,418
Federal funds sold	114	115
Interest-bearing deposits with banks	1,157,896	15,058
Cash and cash equivalents	1,178,475	217,591
Investment securities available-for-sale (at fair value)	24,953	24,267
Investment securities held-to-maturity (at cost)	7,501	7,501
Equity investments	3,139	1,045
Mortgage loans held-for-sale (at fair value)	8,836	60,018
Other loans held-for-sale (at fair value)	588,002	215,920
Loans held for investment (at fair value)	100,325	37,690
Loans held for investment (at amortized cost)	2,681,793	1,263,622
Allowance for loan losses	(30,555)	(13,271)
Net loans held for investment (at amortized cost)	2,651,238	1,250,351
Deferred taxes, net	22,365	8,233
Accrued interest receivable	14,847	6,691
Goodwill and other intangible assets, net	37,181	28,804
Other assets	41,046	28,555
Total assets	\$ 4,677,908	\$ 1,886,666
LIABILITIES		
Noninterest-bearing deposits	\$ 453,529	\$ 354,674
Interest bearing deposits	3,336,944	1,034,479
Total deposits	3,790,473	1,389,153
Line of credit	—	11,000
Federal Reserve Bank - PPPLF	102,887	242,243
Secured borrowings	35,377	17,612
Long-term borrowings, net	173,316	50,694
Total other borrowed funds	311,580	321,549
Other liabilities	34,569	24,087
Total liabilities	4,136,622	1,734,789
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.001 and \$0.01 par value per share as of December 31, 2021 and 2020, respectively, 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, 103,200,000 shares authorized, 40,015,219 shares at \$0.001 par value per share, and 11,748,551 shares \$0.01 par value per share, issued and outstanding as of December 31, 2021 and 2020, respectively	40	117
Additional paid-in capital	456,044	92,483
Retained earnings	85,017	59,154
Accumulated other comprehensive income	185	123
Total stockholders' equity	541,286	151,877
Total liabilities and stockholders' equity	\$ 4,677,908	\$ 1,886,666

See notes to the consolidated financial statements

FORBRIGHT, INC. AND SUBSIDIARIES
Consolidated Statements of Income

	For the Years Ended	
	December 31, 2021	December 31, 2020
<i>(dollars in thousands, except per share amounts)</i>		
INTEREST INCOME		
Loans held for investment (interest and fees)	\$ 106,119	\$ 58,018
Loans held-for-sale (interest and fees)	21,840	9,340
Interest and dividends on investment securities	837	969
Deposits with banks	399	575
Total interest income	129,195	68,902
INTEREST EXPENSE		
Deposits	6,893	10,665
Other borrowings	3,550	555
Long-term borrowings	3,488	3,374
Total interest expense	13,931	14,594
Net interest income	115,264	54,308
Provision for loan losses	21,275	6,870
Net interest income after provision for loan losses	93,989	47,438
NON-INTEREST INCOME		
Gain on sale of loans	9,926	3,879
Investment advisory fees	16,600	15,240
Mortgage banking activities	3,349	7,313
Other non-interest income	6,470	2,517
Total non-interest income	36,345	28,949
NON-INTEREST EXPENSE		
Compensation and benefits	63,551	38,403
Occupancy expense	4,378	4,377
Professional fees	7,159	3,159
Information technology	6,907	6,592
FDIC insurance	805	658
Marketing and business development	2,020	153
Amortization of intangible assets	956	956
Other non-interest expense	9,169	6,139
Total non-interest expense	94,945	60,437
Income before income taxes	35,389	15,950
Income tax expense	9,526	3,792
Net income	\$ 25,863	\$ 12,158
Net income per common share amounts:		
Basic net income per common share	\$ 0.84	\$ 1.05
Diluted net income per common share	\$ 0.84	\$ 1.02

See notes to the consolidated financial statements

FORBRIGHT, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

<i>(dollars in thousands)</i>	For the Years Ended	
	December 31, 2021	December 31, 2020
Net income	\$ 25,863	\$ 12,158
Other comprehensive income/(loss):		
Net change in unrealized gain on investments available-for-sale	75	186
Related income tax expense	(13)	(49)
Reclassification of gain on investments available-for-sale to income	—	(2)
Related income tax expense	—	1
Total other comprehensive income, net	62	136
Total comprehensive income	\$ 25,925	\$ 12,294

See notes to the consolidated financial statements

FORBRIGHT, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity

<i>(dollars in thousands)</i>	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income/ (loss)	Total
	Shares	Amount				
Balance as of December 31, 2019	11,609,222	\$ 116	\$ 90,594	\$ 46,996	\$ (13)	\$ 137,693
Net income	—	—	—	12,158	—	12,158
Other comprehensive income, net of tax	—	—	—	—	136	136
Total other comprehensive income						12,294
Common stock repurchase	(9,242)	—	(86)	—	—	(86)
Issuance of common stock	148,571	1	377	—	—	378
Stock-based compensation	—	—	1,598	—	—	1,598
Balance as of December 31, 2020	11,748,551	117	92,483	59,154	123	151,877
Net income	—	—	—	25,863	—	25,863
Other comprehensive income, net of tax	—	—	—	—	62	62
Total other comprehensive income						25,925
Common stock repurchase	(971,879)	(1)	(12,274)	—	—	(12,275)
Issuance of common stock, net of costs	29,065,914	29	366,014	—	—	366,043
Acquisition of Energy Loan Network	37,879	—	511	—	—	511
Restricted stock vesting, net of tax withholding	134,754	—	(148)	—	—	(148)
Stock-based compensation	—	—	9,353	—	—	9,353
Conversion of \$0.01 par to \$0.001 par	—	(105)	105	—	—	—
Balance as of December 31, 2021	40,015,219	\$ 40	\$ 456,044	\$ 85,017	\$ 185	\$ 541,286

See notes to the consolidated financial statements

FORBRIGHT, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

<i>(dollars in thousands)</i>	For the Years Ended	
	December 31, 2021	December 31, 2020
OPERATING ACTIVITIES		
Net income	\$ 25,863	\$ 12,158
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and intangible asset amortization	3,127	3,050
Provision for loan losses	21,275	6,870
Net deferred loan fee amortization	(18,536)	(12,549)
Net decrease/(increase) in mortgage loans originated for sale	41,447	(49,595)
Net increase in other loans originated for sale	(360,385)	(136,564)
Gain on sale of loans held-for-sale	(9,926)	(3,879)
Stock-based compensation	9,353	1,598
Deferred income taxes	(14,145)	(3,689)
Increase in accrued interest receivable	(8,156)	(2,887)
Increase in other assets	(14,102)	(6,074)
Increase in other liabilities	10,048	8,351
Net cash used in operating activities	(314,137)	(183,210)
INVESTING ACTIVITIES		
Net increase in loans held for investment (at amortized cost)	(1,377,927)	(547,647)
Net (increase)/decrease in loans held for investment (at fair value)	(61,421)	26,397
Net increase in equity investments	(2,094)	(146)
Purchase of investment securities available-for-sale	(8,417)	(5,000)
Proceeds, maturities, prepayments and calls of securities available-for-sale	7,798	1,640
Cash paid for the acquisition of The Energy Loan Network, net of cash acquired	(8,829)	—
Other	(1,129)	(2,018)
Net cash used in investing activities	(1,452,019)	(526,774)
FINANCING ACTIVITIES		
Net increase in deposits	2,401,319	471,404
Proceeds from issuance of subordinated notes, net	122,457	—
Proceeds from Federal Reserve Bank borrowings	—	412,321
Repayments of Federal Reserve Bank borrowings	(139,356)	(170,078)
Net (repayments of)/proceeds from line of credit	(11,000)	11,000
Net decrease in repurchase agreements	—	(523)
Repurchase of common stock	(12,275)	(86)
Issuance of common stock, net of costs	365,895	378
Net cash provided by financing activities	2,727,040	724,416
Net increase in cash and cash equivalents	960,884	14,432
Beginning cash and cash equivalents	217,591	203,159
Ending cash and cash equivalents	\$ 1,178,475	\$ 217,591
Supplemental cash flow disclosures:		
Interest Payments	\$ 13,998	\$ 14,005
Income tax payments	\$ 21,807	\$ 4,988
Loans held-for-sale transferred to loans held for investment (at amortized cost)	\$ 7,934	\$ 6,082
Loans held-for-sale transferred to loans held for investment (at fair value)	\$ 27,741	\$ 6,527
Tenant improvement allowance received	\$ —	\$ 3,023

See notes to the consolidated financial statements

FORBRIGHT, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Forbright, Inc. (formerly known as Congressional Bancshares, Inc.) (the “Parent”) is a Delaware chartered financial holding company that along with its subsidiaries (collectively the “Company”), serves the needs of individuals, small and medium sized businesses, and professional concerns. Forbright Bank (formerly known as Congressional Bank) (with its subsidiaries, the “Bank”), a wholly owned bank subsidiary of the Company began operations and opened its first branch location in Potomac, Maryland in October 2003. Services include accepting deposits, extending commercial, consumer and real estate term loans and lines of credit, and investment advisory services to clients throughout the United States.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”), as applicable to financial institutions, and include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The typical condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. A controlling financial interest may also exist in entities through arrangements that do not involve voting interests, such as a variable interest entity (“VIE”), when a reporting entity concludes it is the primary beneficiary of the VIE. The Company has determined that it is not the primary beneficiary of any VIE’s. Management has considered material subsequent events for disclosure and recognition through July 1, 2022, the date the Consolidated Financial Statements were available to be issued and determined that there were no subsequent events.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the valuation of the deferred tax asset, the valuation of stock-based compensation awards, valuation of intangible assets associated with the acquisition, and the determination of fair value of financial assets and liabilities.

Segment Reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”) for purposes of allocating resources and evaluating financial performance. The Company determined that the Chief Executive Officer is the CODM, who reviews financial information on a consolidated basis when deciding how to allocate resources and assess performance. Accordingly, the Company has determined there is only one reportable segment and operating unit structure.

Operating, Accounting and Reporting Considerations Related to COVID-19

In response to this crisis, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was passed by Congress and signed into law on March 27, 2020.

Some of the provisions applicable to the Company include, but are not limited to:

- Accounting for loan modifications – The CARES Act provided that a financial institution may elect to suspend: (1) the requirements under GAAP for certain loan modifications that would otherwise be categorized as a troubled debt restructuring (“TDR”); and (2) any determination that such loan modifications would be considered a TDR, including the related impairment for accounting purposes. The Company has elected this as a policy change.
- Paycheck Protection Program (“PPP”) – The CARES Act established the PPP, an expansion of the Small Business Administration (“SBA”)’s 79a loan program and the Economic Injury Disaster Loan Program, administered directly by the SBA.

The Paycheck Protection Program Liquidity Facility (“PPPLF”), authorized under section 13(3) of the Federal Reserve Act, is intended to facilitate lending by eligible borrowers to small business under the PPP of the CARES Act. Under the PPPLF the Federal Reserve Bank will lend to eligible borrowers on non-recourse basis an amount up to the amount of PPP loans issued, with PPP loans as collateral. See Note 8 - Borrowed Funds for more information on the PPPLF.

Risks and Uncertainties

In the normal course of its business, the Company primarily encounters two significant types of risk: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk, and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or re-price at different speeds, or on a different basis, than its interest-earning assets. Credit risk is the risk of default on the Company's loan and investment portfolios that result from the borrowers' or issuer's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral loans and investments, and the underlying collateral.

The Company is subject to the regulations of various government agencies. These regulations periodically can and do change significantly. The Company will also undergo periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions resulting from the regulators' judgments based on information available to them at the time of their examinations.

Concentration of Credit Risk

The Company's portfolio consists primarily of commercial loans to small and medium-sized, privately owned businesses in a limited number of industries and markets. As of December 31, 2021, the single largest industry concentration in the Company's loan portfolio was healthcare. If any particular industry or market were to experience economic or financial difficulties, the overall timing and amount of collections on the Company's loans to clients operating in those industries may differ from what is expected, which could have a material adverse impact on the Company's financial condition or results of operations.

Along with other risks inherent in these loans, such as the deterioration of the underlying businesses or collateral securing these loans, this concentration of borrowers presents a risk that, if one or more of these relationships were to become delinquent or suffer default, the Company could be exposed to material losses. Even if these loans are adequately collateralized, an increase in classified assets could harm the Company's reputation with regulators and inhibit the Company's ability to execute its business plan.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, federal funds sold, restricted cash, and interest-bearing deposits held with banks. Interest-bearing deposits with banks include money market accounts that have no maturity date and are carried at cost.

Investment Securities

Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale and are carried at fair value, with unrealized gains and losses reported in Accumulated other comprehensive income. Realized gains and losses on the sale of securities available-for-sale are included in non-interest income and, when applicable, are reported as a reclassification adjustment, net of tax, from Accumulated other comprehensive income. Gains and losses on sales of securities are determined using the specific-identification method.

The Company determines the appropriate classification of securities at the time of purchase. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. The amortized cost of individual securities is written down through a charge to earnings when fair value declines below amortized cost and the decline is considered to be other than temporary. In cases where fair value is less than amortized cost and the Company intends to sell a debt security, it is more likely than not to be required to sell a debt security before recovery of its amortized cost, or the Company does not expect to recover the entire amortized cost of a debt security, an other-than-temporary impairment ("OTTI") is considered to have occurred and is recognized in earnings equal to the entire difference between the debt security's amortized cost and its fair value as of the balance sheet date. If the Company does not intend to sell the security, does not expect to recover the entire amortized cost of the security, and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost, the OTTI is allocated between: (a) the amount representing the credit factors; and (b) the amount related to all other factors. Once allocated, the amount of the OTTI related to credit factors is recognized in earnings while the amount related to other factors is recognized as a component of other comprehensive income, net of tax. Subsequently, the Company accounts for the other-than-temporarily impaired debt security as if the security had been purchased on the measurement date of the OTTI at an amortized cost equal to the previous amortized cost, less the OTTI recognized in earnings.

Equity Investments

Equity investments include required investments in the common stock of the Federal Home Loan Bank of Atlanta ("FHLB"), investments in other correspondent banks, and investments in other entities that the Company determines are appropriately

aligned with its strategic initiatives. These investments do not have a readily determinable fair value as their ownership is restricted, and they lack an active market for trading. Accordingly, these securities are carried at cost, and are evaluated for impairment.

The Company's determination as to whether an equity investment is impaired is based on management's assessment of the ultimate recoverability of its par value rather than recognizing temporary declines in its value. The determination of whether the decline affects the ultimate recoverability of the Company's investment is influenced by available information regarding various factors. These factors include, among others, the significance of the decline in net assets of the investment as compared to the capital stock amount reported by these companies, and the length of time a decline has persisted; commitments by such companies to make payments required by law or regulation and the level of such payments in relation to the operating performance of the issuing company; and the overall liquidity position of the issuing company. Based on its most recent analysis of available information regarding the financial condition of the issuing companies, management concluded that no impairment existed in the carrying value of its equity investments.

Loans Held-for-Sale

Mortgage loans held-for-sale are carried under the fair value option, as described in Accounting Standards Codification ("ASC") 825-10-25 "Financial Instruments", on an aggregate basis. Gains and losses on mortgage loans held-for-sale are recorded in mortgage related activities in non-interest income. Mortgage loans are sold on a servicing released basis, therefore there is no intangible asset recorded for the value of servicing these loans.

The Company has elected the fair value option for other loans originated or acquired and intended for sale in the secondary market. Gains and losses on other loan sales (sales proceeds minus carrying value) are recorded in non-interest income.

Periodically the Company determines that it has the intent and ability to hold loans previously held-for-sale as held for investment loans, due to market conditions or changes in the Company's strategy. Loans transferred from held-for-sale to held for investment continue to be treated as held-for-sale for cash flow purposes as operating activity. Alternatively, if the Company no longer has the intent to hold loans for investment and transfers them to held-for-sale, cash flow impacts will remain as if those loans were still held for investment as investing activity.

Loans Held for Investment Carried at Fair Value

The Company elected the fair value option for certain of its loans. Origination fees and costs, and premiums and discounts are recognized in income when incurred for loans where the fair value option has been applied. Unrealized gains and losses on changes in fair value are recognized in Other non-interest income in the Consolidated Statements of Income.

The Company has entered into forward loan purchase agreements to acquire commercial and consumer loans originated on various platforms. Due to the mostly short-term duration of these loans, the Company determined that it would be more appropriate to carry these loans under the fair value option, rather than carrying them at amortized cost. The loans do not have origination fees or costs because they are acquired, and all premiums or discounts are recognized in Other non-interest income in the Consolidated Statements of Income at acquisition.

Loans Held for Investment Carried at Amortized Cost

Loans held for investment at amortized cost are recorded at their principal balance outstanding, net of any unearned income and deferred loan origination fees and costs. Interest on loans is accrued and credited to income based on the principal amount and contract rate on the loan. Loan origination fees and direct origination costs are deferred and recognized on a net basis as an adjustment to the yield on the related loans using the interest method. When interest accrual is discontinued, all unpaid accrued interest is reversed. While a loan is in non-accrual status, interest is recognized as cash is received to the extent it exceeds outstanding unpaid principal. Loans may be returned to accrual status when the loan is brought current by the borrower and, in the judgment of management, the ability to collect the remaining principal and interest is no longer in doubt. Loans that management has the intent and the ability to hold for the foreseeable future or until maturity or payoff, and for which management has not made a fair value option election, as discussed above, are carried at amortized cost.

Acquired Loans

Loans acquired through the completion of a transfer, including loans acquired in a business combination, that have evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. The difference between the undiscounted cash flows expected at acquisition and the investment in the loan, or the "accretable yield," is recognized as interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows

expected at acquisition, or the “non-accretable difference,” are not recognized as a yield adjustment or as a loss accrual or a valuation allowance. Significant increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield of the loan over its remaining life. Decreases in expected cash flows are recognized as impairment. Valuation allowances on these impaired loans reflect only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately are not to be received).

For loans acquired which are not considered to have deteriorated credit quality at acquisition, the difference between the loan’s principal balance at the time of purchase and the fair value is recognized as an adjustment to yield over the life of the loan. The Company regularly acquires loans from various loan origination platforms in groups and accounts for each purchase as a separate pool of loans. Premiums and discounts on loan purchases are amortized for the entire pool using the effective yield method. These loan purchases generally occur shortly after origination and therefore have been determined to not be impaired at acquisition.

Loan Fees and Costs

Non-refundable fees and certain direct costs associated with the origination of loans held for investment at amortized cost, with the exception of PPP loans, are amortized to income over the contractual life of the related loans using the straight-line method, which approximates the effective yield method, and recognized as fee income should a payoff occur early. Non-refundable fees and certain direct costs associated with the origination of PPP loans are amortized to income over the expected life of the related loans and any remaining amount is recognized in income if an early payoff occurs. Recognition of deferred fees and costs as fee income are discontinued on non-accrual loans until they return to accrual status or are charged-off.

Allowance for Loan Losses

For loans held for investment carried at amortized cost, an allowance for loan losses is established through a provision for loan losses charged to earnings. Loans are charged-off against the allowance when management believes the inability to collect the remaining, unpaid loan balance has been confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectability of the loans in light of historical experience, growth and composition of the loan portfolio, delinquency trends, economic conditions, and various other qualitative factors. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as subsequent information becomes available. While the Company uses the best information available in making its evaluation, future additions to the allowance for loan losses may be necessary.

The allowance for loan losses consists of specific and general components, as follows:

- A specific allowance is established for impaired loans. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled payments when due. Loans that experience insignificant 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 by either the present value of future cash flows discounted at the loan’s effective interest rate, the loan’s observable market price, or the fair value of the collateral less costs to sell if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.
- The general allowance for loan losses is established for loans that do not meet the definition of an impaired loan. To calculate the general component of the allowance for loan losses, the loan portfolio is grouped into loans with similar risk characteristics, primarily by regulatory classification. An estimated loss rate is applied to each group based on historical loss factors adjusted, as appropriate, by various qualitative factors.

In certain circumstances, the Company may agree to grant a concession or loan modification to a borrower experiencing financial difficulty that it would not otherwise consider. The Company classifies loans with such modifications or concessions as troubled debt restructurings. Troubled debt restructurings are separately identified for disclosure purposes, and impairment is measured using the present value of estimated future cash flows using the loan’s effective rate at inception. If a troubled debt restructuring is considered a collateral dependent loan, the loan is reported at the fair value of the collateral, less costs to sell. 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. Impairment related to troubled debt restructurings is recognized through the specific component of the allowance for loan losses.

Off-Balance Sheet Instruments

In the ordinary course of business, the Company enters into off-balance-sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded.

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 legally 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. See Note 4 - Loans regarding sales of loans.

In certain instances, the transfer of a financial asset or a participating interest in a financial asset does not meet the requirement to meet the conditions noted above to be considered a sale of the financial asset. In those instances, the Company recognizes a secured borrowing on the balance sheet instead of a reduction of the loan balance. See Note 8 - Borrowed Funds for more information on the secured borrowings.

Accrued Interest Receivable

Interest on loans and investments is recognized as earned. Accrual of interest is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet future payments as they become due, including when a loan is 90 days past due.

Investment Advisory Fees

Investment advisory fees are recognized as services are performed based on a contractual annual percentage of the outstanding balance of the loans during the period for which the Company provides services.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the sum of the estimated fair values of tangible and identifiable intangible assets acquired less the estimated fair value of the liabilities assumed. Core deposit intangibles represent the estimated fair value of long-term acquired deposit relationships. The customer relationship intangible represents the estimated fair value of acquired long-term customer relationships. The core deposit intangible is being amortized over 10 years and the customer relationship intangible is being amortized over 20 years. The core deposit and customer relationship intangibles are periodically reviewed for triggering events of possible impairment. Goodwill is not amortized, but is evaluated for impairment, by analyzing certain qualitative factors to determine if it is more likely than not to be impaired. If it is determined that it is more likely than not that goodwill may be impaired, then a quantitative analysis is performed to calculate the amount of the impairment, if any. To the extent an impairment is calculated, it would be recognized in earnings in the period of the impairment. As of December 31, 2021, the annual impairment test date, the Company determined that goodwill and other intangible assets were not impaired.

Comprehensive Income

Comprehensive income is comprised of the net income and other comprehensive income/(loss), which includes unrealized gains and losses, net of tax, on available-for-sale securities, which is the Company's sole component of accumulated other comprehensive income/(loss). The only item reclassified out of accumulated other comprehensive income/(loss) and into income was a realized gain on the sale of securities available-for-sale.

Advertising

In addition to general advertising and marketing, the Company generates certain business and incurs expense through referral programs and similar business development programs. Advertising costs and other business development expenses are expensed as incurred and included as Marketing and business development in Non-interest expenses in the Consolidated Statements of Income.

Income Taxes

The Company accounts for income taxes using the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying and tax basis of

assets and liabilities. A valuation allowance is recorded if, based upon the evidence available, it is more likely than not that some portion or all of the net deferred tax assets will not be realized.

Recognition and measurement of tax positions is based on management's evaluation of relevant tax code and appropriate industry information about audit proceedings for comparable positions at other organizations.

The income tax returns of the Company for 2018, 2019, and 2020 are subject to examination by income taxing authorities, generally for three years after they were filed. If the Company identifies an uncertain tax position, an accrual for the estimated tax is recognized in the period the potential tax is identified. The Company has elected to recognize any estimated penalties and interest on its income tax liabilities as a component of its provision for income taxes. See Note 15 - Income Taxes for more information on the Company's income tax position.

Stock-based Compensation

The Company recognizes compensation expense for the grant-date fair value of stock options and other equity-based compensation. For both employees and non-employees, the Company recognizes expense over the requisite service period, which is generally the vesting period. Forfeitures of awards are recognized and accounted for when the forfeiture occurs. Stock awards are classified as either an equity award or a liability award, and this classification is dependent upon the method by which the stock-based payment is ultimately settled. Equity classified awards are valued as of the grant date using either an observable market price or a valuation methodology. Liability classified awards are valued at fair value at each reporting date. All of the Company's stock options and other equity-based compensation arrangements are classified as equity awards. See Note 12 - Stock-based Compensation for information on the Company's stock-based compensation.

Fair Value Measurements

In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. Fair value measurements are further discussed in Note 19 - Fair Value of Financial Instruments.

New Accounting Standards

Accounting Standards Adopted in 2021 and 2020

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging Accounting Standards Update*. The amendments in the ASU improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. This update was effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The adoption of this guidance did not have a material effect on the consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08 *Receivables-Nonrefundable Fees and other Costs*. The ASU shortens the amortization period for certain callable debt securities held at a premium. This update was effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The adoption of this guidance did not have a material effect on the consolidated financial statements.

Accounting Standards Pending Adoption

In February 2016, the FASB issued ASU No. 2016-02 *Leases*. From the lessee's perspective, the new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement for the lessee. From the lessor's perspective, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing lease. If the lessor doesn't convey risks and rewards or control, an operating lease results. The ASU is effective for fiscal years, and interim periods, beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparable period presented in the financial statements, with certain practical expedients available. A modified retrospective transition approach is required for lessors for sales-type, direct financing, and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements. The implementation will not require an adjustment to beginning retained earnings.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new guidance replaces the incurred loss impairment methodology in current GAAP with an expected credit loss methodology and requires consideration of a broader range of information to determine credit loss estimates. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Purchased credit impaired loans will receive an allowance account at the acquisition date that represents a component of the purchase price allocation. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses, with such allowance limited to the amount by which fair value is below amortized cost. The guidance is effective for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. Early adoption is permitted starting with fiscal years beginning after December 31, 2018. The Company is in the process of evaluating the impact of this pronouncement.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*, which provides option guidance to ease the burden in accounting for, or recognizing the effects from, reference rate reform on financial reporting. The new standard is a result of the London Interbank Offered Rate (“LIBOR”) being discontinued as an available benchmark rate. The guidance is elective and provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference LIBOR, or another reference rate, expected to be discontinued. The changes in the ASU are effective for all entities between March 12, 2020 and December 31, 2022. The Company is still evaluating the impact the guidance will have on its consolidated financial results but anticipates an insignificant impact.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the consolidated financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

Regulation D of the Federal Reserve Act requires the Company to maintain reserve balances with the Federal Reserve Bank based principally on the type and amount of the Company’s deposits. Balances maintained are included in interest bearing deposits with banks as of December 31, 2021, and in cash and due from banks as of December 31, 2020 in the Consolidated Balance Sheets. Due to provisions of the CARES Act, there was no required reserve balance as of December 31, 2021 or 2020.

The following schedule presents the composition of the Company’s cash and cash equivalents as of December 31, 2021 and 2020:

<i>(in thousands)</i>	2021	2020
Cash and due from banks	\$ 20,450	\$ 202,343
Federal funds sold	114	115
Interest-bearing deposits with banks	1,147,896	5,058
Restricted cash	10,015	10,075
Cash and cash equivalents	<u>\$ 1,178,475</u>	<u>\$ 217,591</u>

As of December 31, 2021 and 2020, the Company had \$10 million of restricted cash as required by the covenants of a credit line. See Note 8 - Borrowed Funds for more information on the credit line.

NOTE 3 - INVESTMENT SECURITIES

Investment Securities Available-For-Sale

Investment securities available-for-sale at December 31, 2021 and 2020, consisted of the following securities:

<i>(in thousands)</i>	2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed and asset-backed	\$ 14,766	\$ 68	\$ (29)	\$ 14,805
Municipal bonds	8,445	235	(33)	8,647
Corporate bonds	1,500	1	—	1,501
Total investment securities available-for-sale	<u>\$ 24,711</u>	<u>\$ 304</u>	<u>\$ (62)</u>	<u>\$ 24,953</u>

<i>(in thousands)</i>	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed and asset-backed	\$ 13,068	\$ 49	\$ (189)	\$ 12,928
Municipal bonds	5,032	323	—	5,355
Corporate bonds	6,000	3	(19)	5,984
Total investment securities available-for-sale	<u>\$ 24,100</u>	<u>\$ 375</u>	<u>\$ (208)</u>	<u>\$ 24,267</u>

Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without penalties. The amortized cost and fair value of available-for-sale securities as of December 31, 2021 and 2020, by contractual maturity are shown in the following tables:

<i>(in thousands)</i>	2021		2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mortgage-backed and asset-backed:				
One year or less	\$ —	\$ —	\$ 1,500	\$ 1,501
One to five years	2	2	5	5
Five to ten years	3,651	3,647	3,956	3,931
After ten years	11,113	11,156	7,607	7,491
Municipal bonds:				
One year or less	—	—	—	—
One to five years	—	—	—	—
Five to ten years	2,011	2,039	1,013	1,065
After ten years	6,434	6,608	4,019	4,290
Corporate Bonds:				
One year or less	—	—	4,500	4,489
One to five years	1,500	1,501	1,500	1,495
Five to ten years	—	—	—	—
After ten years	—	—	—	—
	<u>\$ 24,711</u>	<u>\$ 24,953</u>	<u>\$ 24,100</u>	<u>\$ 24,267</u>

There were no sales of investment securities during 2021 or 2020.

As of December 31, 2021, the company did not pledge investment securities to secure repurchase agreements, FHLB advances, or for any other purposes required or permitted by law.

Information pertaining to securities available-for-sale with gross unrealized losses as of December 31, 2021 and 2020, aggregated by investment category and length of time that individual securities have been in a continuous loss position are in the following tables:

		2021					
		12 Months or Less		12 Months or More		Total	
(in thousands)	Number of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed and asset-backed	4	\$ —	\$ —	\$ 4,066	\$ (29)	\$ 4,066	\$ (29)
Municipal bonds	3	3,383	(33)	—	—	3,383	(33)
Total	7	\$ 3,383	\$ (33)	\$ 4,066	\$ (29)	\$ 7,449	\$ (62)

		2020					
		12 Months or Less		12 Months or More		Total	
(in thousands)	Number of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed and asset-backed	6	\$ 4,362	\$ (86)	\$ 4,770	\$ (103)	\$ 9,132	\$ (189)
Corporate bonds	2	4,481	(19)	—	—	4,481	(19)
Total	8	\$ 8,843	\$ (105)	\$ 4,770	\$ (103)	\$ 13,613	\$ (208)

Management has evaluated these securities for other than temporary impairment. Consideration was given to the length of time and the extent to which the fair value had been less than cost, and the financial condition and near-term prospects of the issuer, and the intent of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipatory recovery in fair value. These unrealized losses relate principally to interest rate market conditions and are not indicative of credit-related matters, such as the issuers' ability to repay the obligations. The Company has the intent and ability to hold these available-for-sale securities for a period of time sufficient to allow for any anticipated recovery. The decline in fair value is attributable to changes in interest rates and low liquidity, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired as of December 31, 2021 or 2020.

Investment Securities Held-to-Maturity

Investment securities held-to-maturity as of December 31, 2021 and 2020 consisted of the following:

		2021			
(in thousands)		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed		\$ 1	\$ —	\$ —	\$ 1
Corporate bonds		7,500	75	—	7,575
Total investment securities held-to-maturity		\$ 7,501	\$ 75	\$ —	\$ 7,576

		2020			
(in thousands)		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed		\$ 1	\$ —	\$ —	\$ 1
Corporate bonds		7,500	117	(30)	7,587
Total investment securities held-to-maturity		\$ 7,501	\$ 117	\$ (30)	\$ 7,588

Expected maturities of investment securities held-to-maturity may differ from contractual maturities because issuers may have the right to call or prepay obligations without penalties. The amortized cost and fair value of securities as of December 31, 2021 and 2020 by contractual maturity in the following tables:

<i>(in thousands)</i>	2021		2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mortgage-backed:				
One year or less	\$ —	\$ —	\$ —	\$ —
One to five years	1	1	—	—
Five to ten years	—	—	1	1
After ten years	—	—	—	—
Corporate bonds:				
One year or less	—	—	—	—
One to five years	—	—	—	—
Five to ten years	7,500	7,575	7,500	7,587
After ten years	—	—	—	—
Total	<u>\$ 7,501</u>	<u>\$ 7,576</u>	<u>\$ 7,501</u>	<u>\$ 7,588</u>

There were no investment securities in a gross loss position as of December 31, 2021. Information pertaining to securities held-to-maturity with gross unrealized losses as of December 31, 2020, aggregated by investment category and length of time that individual securities have been in a continuous loss position are as follows:

<i>(in thousands)</i>	Number of Securities	2020					
		12 Months or Less		12 Months or More		Total	
		Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate bonds	1	\$ 1,970	\$ (30)	\$ —	\$ —	\$ 1,970	\$ (30)
Total	1	<u>\$ 1,970</u>	<u>\$ (30)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,970</u>	<u>\$ (30)</u>

Management has evaluated these securities for other than temporary impairment. Consideration was given to the length of time and the extent to which the fair value had been less than cost, and the financial condition and near-term prospects of the issuer, and the intent of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipatory recovery in fair value. These unrealized losses relate principally to interest rate market conditions and are not indicative of credit-related matters, such as the issuers' ability to repay the obligations. The Company has the intent and ability to hold these available-for-sale securities for a period of time sufficient to allow for any anticipated recovery. The decline in fair value is attributable to changes in interest rates and low liquidity, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired as of 2020.

Equity Investments

The Company holds equity investments for various business purposes. The following is a summary of the carrying amounts of those investments as of December 31, 2021 and 2020 are in the following schedule:

<i>(in thousands)</i>	2021	2020
Federal Home Loan Bank of Atlanta stock	\$ 920	\$ 1,000
Other bank stock	45	45
Other equity investments	2,174	—
Total equity investments	<u>\$ 3,139</u>	<u>\$ 1,045</u>

None of the Company's equity investments have been written down for impairments or other adjustments to their carrying amounts. All equity securities of the Company are currently carried at their original cost.

NOTE 4 - LOANS

The Company holds loans in four separate categories: mortgage loans held-for-sale, other loans held-for-sale, loans held for investment at fair value, and loans held for investment at amortized cost. In the ordinary course of business to manage overall portfolio management strategies, when the intentions of the Company's ability and interest with respect to loans change, the Company will transfer loans between loans held-for-sale and loans held for investment. During the year ended December 31, 2021 the Company transferred \$27.7 million other loans held-for-sale to held for investment at fair value and transferred \$7.9 million mortgage loans from held-for-sale to held for investment at amortized cost. During the year ended December 31, 2020, the Company transferred other loans held-for-sale with a carrying value of \$6.5 million to loans held for investment at fair value and \$6.1 million mortgage loans from loans held-for-sale to loans held for investment at amortized cost. There were no loans transferred from held for investment to held-for-sale during the years ended December 31, 2021 or 2020.

Loans Held-for-Sale

As of December 31, 2021 and 2020, the Company had \$8.8 million and \$60.0 million, respectively, of mortgage loans held-for-sale, with unrealized losses of \$1.8 million and unrealized gains of \$1.8 million recognized in Mortgage banking activities in the Consolidated Statements of Income for the years ended December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, the Company sold mortgage loans held-for-sale of \$272.6 million and \$182.5 million with realized gains on mortgage loans sold of \$6.0 million and \$4.0 million, respectively, recognized in Mortgage banking activities in the Consolidated Statements of Income.

As of December 31, 2021 and 2020, the Company had \$588.0 million and \$215.9 million, respectively, of other loans held-for-sale, with unrealized losses of \$1.9 million and \$2.3 million recognized in Other non-interest income in the Consolidated Statements of Income for the years ended December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, the Company sold other loans held-for-sale of \$914.9 million and \$460.6 million with realized gains of \$9.9 million and \$3.9 million, respectively, recognized in Gain on sale of loans in the Consolidated Statements of Income.

Loans Held for Investment at Fair Value

Loans held for investment at fair value, by loan category, as of December 31, 2021 and 2020, are presented in the following table:

<i>(in thousands)</i>	2021	2020
Commercial real estate	\$ 39	\$ 39
Commercial	71,072	36,819
Consumer	29,214	832
Total loans held for investment at fair value	<u>\$ 100,325</u>	<u>\$ 37,690</u>

The table above includes total unrealized fair value loss adjustments recognized as of December 31, 2021 and 2020, of \$1.5 million and \$396 thousand, respectively. During 2021, the Company entered into a multi-year forward flow loan purchasing arrangement to acquire commercial and consumer loans shortly after their origination. During the year ended December 31, 2021, the Company acquired \$72.2 million of loans held for investment at fair value under the arrangement.

Loans Held for Investment at Amortized Cost

Loans held for investment at amortized cost, by loan category, as of December 31, 2021 and 2020, are presented in the following table:

<i>(in thousands)</i>	2021	2020
Commercial real estate	\$ 1,221,707	\$ 532,370
Commercial	995,948	245,910
Paycheck Protection Program	100,260	350,342
Residential real estate	119,848	106,394
Consumer	122,468	28,606
Solar	121,562	—
Total loans held for investment at amortized cost	<u>\$ 2,681,793</u>	<u>\$ 1,263,622</u>

During 2021, the Company entered into a multi-year forward flow solar loan purchasing arrangement to acquire solar loans shortly after their origination. During the year ended December 31, 2021, the Company acquired \$148.0 million of loans under the arrangement.

Total outstanding loans held for investment, at amortized cost, are net of unearned income, including net deferred fees and discounts of \$56.7 million and \$14.7 million as of December 31, 2021 and 2020, respectively. Net deferred loan fees as of December 31, 2021 and 2020, included \$3.2 million and \$4.4 million, respectively, in net deferred fees related to PPP loans.

The Company manages its credit products and the respective exposure to loan losses by the following specific portfolio categories, which are levels at which the Company develops and documents its systematic methodology to determine the allowance for loan losses. Descriptions of the loan categories are:

- **Commercial Real Estate** - Commercial real estate loans are primarily secured by various types of commercial real estate including healthcare facilities, office, retail, warehouse, industrial, other non-residential types of properties and are made to owners and/or occupiers of such property. The category also includes loans for the construction of those property types. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of a business or real estate project and thus may be subject to adverse conditions in the commercial real estate market or in the general economy. Within this category, loans are further bifurcated between loans secured by owner-occupied properties and investment (nonowner-occupied) properties, as loans secured by investment properties exhibit higher risk.
- **Commercial** - These loans consist primarily of commercial and industrial loans for the financing of accounts receivable, property, plant and equipment, and other general corporate needs. Within this category, there is further distinction among lender finance loans, health care asset based-loans, and corporate loans, which are typically cash flow loans (including leveraged loans). The market area for health care loans and corporate loans is national with geographic diversification. Of primary concern in commercial lending is the borrower's creditworthiness and ability to successfully generate cash flow from their business to service the debt.
- **Paycheck Protection Program** - These loans are a result of the CARES Act passed by Congress in response to the COVID-19 pandemic. The PPP loans are low interest notes to small business customers to cover payroll expense and to a lesser extent other various expense ranging from interest on mortgage obligations, rent, utilities, and interest on outstanding debt. The loans are 100% guaranteed by the SBA. The loans are intended to be forgivable if the borrower maintains employees and complies with the CARES Act. Unless otherwise identified, PPP loans are included with commercial loans for disclosure purposes.
- **Residential Real Estate** - These loans are secured by residential real estate and are further bifurcated to isolate first lien mortgages, second lien mortgages, and home equity lines of credit. Residential first lien mortgages are evaluated for adequacy of repayment sources at time of approval based upon measures including credit scores, debt-to-income and collateral values. Second mortgages and home equity lines are typically secured by second mortgages on the borrower's primary residence and carry a higher level of risk, which is mitigated by prudent loan to value requirements.
- **Consumer** - These loans consist primarily of loans made to individuals for personal, family, and household purposes purchased from technology enabled lenders. These loans are unsecured and therefore may entail greater risk than certain other types of loans.
- **Solar** - The loans in this portfolio category generally represent home solar loans purchased through a forward flow purchase agreement. Each purchase represents a pool of loans that meet agreed upon credit, diversification, and other terms.

Loans to Related Parties

The Company has loan transactions with some of its officers, directors, and material investors, and their immediate family members and affiliated entities. The following table summarizes the activity of loans with officers and directors for the years ended December 31, 2021 and 2020:

<i>(in thousands)</i>	2021	2020
Balance as of January 1	\$ 1,950	\$ 1,987
Additions	39,410	1,221
Repayments	(10,519)	(1,258)
Balance as of December 31	<u>\$ 30,841</u>	<u>\$ 1,950</u>

See Note 17 - Related Party Transactions for more information on loans to related parties.

NOTE 5 - CREDIT QUALITY ASSESSMENT**Allowance for Loan Losses**

For loans held for investment carried at amortized cost, an allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loans are charged-off against the allowance when management believes the inability to collect a portion or all of the remaining, unpaid loan balance has been confirmed. Subsequent recoveries, if any, are credited to the allowance. See Note 1 - Significant Accounting Policies for more information on the Company's accounting policy for the allowance for loan losses.

The following schedule summarizes the activity in the allowance for loan losses for loans held for investment at amortized cost for the years ended December 31, 2021 and 2020:

<i>(in thousands)</i>	2021	2020
Beginning balance as of January 1	\$ 13,271	\$ 7,063
Provision for loan losses	21,275	6,870
Loan charge-offs	(4,258)	(1,119)
Loan recoveries	267	457
Net charge-offs	<u>(3,991)</u>	<u>(662)</u>
Ending balance as of December 31	<u>\$ 30,555</u>	<u>\$ 13,271</u>

Loans held-for-sale and loans held for investment at fair value do not require an allowance because they are carried at fair value and therefore any changes to the cost basis in the loan is recognized in earnings in the period of the change.

The following tables detail activity in the allowance for loan losses for loans held for investment carried at amortized cost, by loan category, for the years ended December 31, 2021 and 2020. An allowance for loan losses is not allocated to PPP loans as these loans are secured by the SBA. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories:

(in thousands)	For the Year Ended December 31, 2021					
	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Solar	Total
Allowance for loan losses:						
Balance as of January 1, 2021	\$ 5,965	\$ 5,204	\$ 989	\$ 1,113	\$ —	\$ 13,271
Provision for loan losses	7,677	9,862	(611)	3,012	1,335	21,275
Loan charge-offs	—	(3,217)	(15)	(770)	(256)	(4,258)
Loan recoveries	—	146	32	89	—	267
Net charge-offs	—	(3,071)	17	(681)	(256)	(3,991)
Balance as of December 31, 2021	<u>\$ 13,642</u>	<u>\$ 11,995</u>	<u>\$ 395</u>	<u>\$ 3,444</u>	<u>\$ 1,079</u>	<u>\$ 30,555</u>
Individually evaluated for impairment	\$ —	\$ 560	\$ 148	\$ 206	\$ 113	\$ 1,027
Collectively evaluated for impairment	13,642	11,435	247	3,238	966	29,528
Total allowance for credit losses	<u>\$ 13,642</u>	<u>\$ 11,995</u>	<u>\$ 395</u>	<u>\$ 3,444</u>	<u>\$ 1,079</u>	<u>\$ 30,555</u>
Loans held for investment at amortized cost:						
Individually evaluated for impairment	\$ 9,528	\$ 6,353	\$ 5,742	\$ 206	\$ 113	\$ 21,942
Collectively evaluated for impairment	1,212,179	1,089,855	114,106	122,262	121,449	2,659,851
Total loans held for investment at amortized cost	<u>\$ 1,221,707</u>	<u>\$ 1,096,208</u>	<u>\$ 119,848</u>	<u>\$ 122,468</u>	<u>\$ 121,562</u>	<u>\$ 2,681,793</u>
Allowance for loans to loan type ratio:						
Individually evaluated for impairment	— %	8.81 %	2.58 %	100.00 %	100.00 %	4.68 %
Collectively evaluated for impairment	1.13 %	1.05 %	0.22 %	2.65 %	0.80 %	1.11 %
Total loans held for investment at amortized cost	1.12 %	1.09 %	0.33 %	2.81 %	0.89 %	1.14 %

For the Year Ended December 31, 2020

<i>(in thousands)</i>	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Balance as of January 1, 2020	\$ 3,481	\$ 2,067	\$ 803	\$ 712	\$ 7,063
Provision for loan losses	2,628	2,903	436	903	6,870
Loan charge-offs	(144)	(61)	(296)	(618)	(1,119)
Loan recoveries	—	295	46	116	457
Net charge-offs	(144)	234	(250)	(502)	(662)
Ending balance as of December 31, 2020	<u>\$ 5,965</u>	<u>\$ 5,204</u>	<u>\$ 989</u>	<u>\$ 1,113</u>	<u>\$ 13,271</u>
Individually evaluated for impairment	\$ 1	\$ 1,953	\$ 248	\$ 83	\$ 2,285
Collectively evaluated for impairment	5,964	3,251	741	1,030	10,986
Total allowance for credit losses	<u>\$ 5,965</u>	<u>\$ 5,204</u>	<u>\$ 989</u>	<u>\$ 1,113</u>	<u>\$ 13,271</u>
Loans held for investment at amortized cost:					
Individually evaluated for impairment	\$ 10,515	\$ 8,154	\$ 8,252	\$ 83	\$ 27,004
Collectively evaluated for impairment	521,855	588,098	98,142	28,523	1,236,618
Total loans held for investment at amortized cost	<u>\$ 532,370</u>	<u>\$ 596,252</u>	<u>\$ 106,394</u>	<u>\$ 28,606</u>	<u>\$ 1,263,622</u>
Allowance for loans to loan type ratio:					
Individually evaluated for impairment	0.01 %	23.95 %	3.01 %	100.00 %	8.46 %
Collectively evaluated for impairment	1.14 %	0.55 %	0.76 %	3.61 %	0.89 %
Total loans held for investment at amortized cost	1.12 %	0.87 %	0.93 %	3.89 %	1.05 %

The following tables present information related to impaired loans held for investment carried at amortized cost, by category, as of December 31, 2021 and 2020:

For the Year Ended December 31, 2021

<i>(in thousands)</i>	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Solar	Total
Impaired loans with a specific allowance:						
Non-accruing	\$ —	\$ 339	\$ —	\$ 206	\$ 113	\$ 658
Restructured accruing	—	3,321	816	—	—	4,137
Restructured non-accruing	—	2,693	—	—	—	2,693
Total	—	6,353	816	206	113	7,488
Related allowance	<u>\$ —</u>	<u>\$ 560</u>	<u>\$ 148</u>	<u>\$ 206</u>	<u>\$ 113</u>	<u>\$ 1,027</u>
Impaired loans without a specific allowance:						
Non-accruing	\$ 4,105	\$ —	\$ 4,663	\$ —	\$ —	\$ 8,768
Restructured accruing	—	—	—	—	—	—
Restructured non-accruing	1,534	—	263	—	—	1,797
Total	<u>\$ 5,639</u>	<u>\$ —</u>	<u>\$ 4,926</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,565</u>
Total impaired loans:						
Non-accruing	\$ 4,105	\$ 339	\$ 4,663	\$ 206	\$ 113	\$ 9,426
Restructured accruing	—	3,321	816	—	—	4,137
Restructured non-accruing	1,534	2,693	263	—	—	4,490
Total	<u>\$ 5,639</u>	<u>\$ 6,353</u>	<u>\$ 5,742</u>	<u>\$ 206</u>	<u>\$ 113</u>	<u>\$ 18,053</u>
Unpaid contractual balance	<u>\$ 6,244</u>	<u>\$ 11,036</u>	<u>\$ 6,785</u>	<u>\$ 206</u>	<u>\$ 113</u>	<u>\$ 24,383</u>
Average impaired loans for the period	\$ 9,167	\$ 11,259	\$ 7,150	\$ 61	\$ 26	\$ 27,663
Contractual interest due on impaired loans	51	163	688	12	8	922
Interest income on impaired loans recognized on an accrual basis	—	74	—	10	—	84
Interest income on impaired loans recognized on a cash basis	—	—	—	—	—	—

For the Year Ended December 31, 2020

<i>(in thousands)</i>	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Total
Impaired loans with a specific allowance:					
Non-accruing	\$ 650	\$ 697	\$ 4,191	\$ 83	\$ 5,621
Restructured accruing	—	—	419	—	419
Restructured non-accruing	—	7,425	—	—	7,425
Total	650	8,122	4,610	83	13,465
Related allowance	\$ 1	\$ 1,953	\$ 248	\$ 83	\$ 2,285
Impaired loans without a specific allowance:					
Non-accruing	\$ 9,347	\$ —	\$ 2,637	\$ —	\$ 11,984
Restructured accruing	—	—	—	—	—
Restructured non-accruing	382	—	559	—	941
Total	\$ 9,729	\$ —	\$ 3,196	\$ —	\$ 12,925
Total impaired loans:					
Non-accruing	\$ 9,997	\$ 697	\$ 6,828	\$ 83	\$ 17,605
Restructured accruing	—	—	419	—	419
Restructured non-accruing	382	7,425	559	—	8,366
Total	\$ 10,379	\$ 8,122	\$ 7,806	\$ 83	\$ 26,390
Unpaid contractual balance	\$ 11,341	\$ 10,062	\$ 8,955	\$ 83	\$ 30,441
Average impaired loans for the period	\$ 7,712	\$ 8,202	\$ 9,405	\$ 1,006	\$ 26,325
Contractual interest due on impaired loans	223	87	484	83	877
Interest income on impaired loans recognized on an accrual basis	—	—	12	—	12
Interest income on impaired loans recognized on a cash basis	—	—	—	—	—

Credit Quality

The Company uses several credit quality indicators to manage credit risk in an ongoing manner. The risk rating system is central to the overall credit risk management discipline and the important first step in effectively monitoring the credit quality of the portfolio. Credit risk ratings are applied individually to those classes of assets that have significant or unique credit characteristics that benefit from a case-by-case evaluation. Groups of assets that are underwritten and structured using standardized criteria and characteristics, such as statistical models (e.g., credit scoring or payment performance), are typically risk rated and monitored collectively. These are typically assets to individuals in the classes which comprise the consumer portfolio category.

The following are the definitions of the Company's credit quality indicators:

Acceptable Risk (or better) - Assets in all classes that comprise the commercial and consumer portfolio categories that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the asset agreement. Management believes that there is a low likelihood of loss related to those assets that are considered Acceptable Risk or better.

Higher Risk - Assets in this category may demonstrate weaker credit fundamentals with an above-average chance of resulting in a default combined with a lower risk of loss to create an overall risk profile which requires appropriate monitoring but do not present potential weaknesses or a warrant a lower rating.

Special Mention - Assets in this category exhibit potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may, at some future date, result in deterioration of the repayment prospects for the asset. "Special Mention" assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. While potentially weak, the asset is currently marginally acceptable and no loss of principal or interest is envisioned.

Substandard - A substandard asset is inadequately protected by the current sound worth and paying capacity of the borrower or the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the

deficiencies are not corrected. Loss potential, which existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard.

Doubtful - Assets in this category have all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.

Loss - Assets classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. As a practical matter, the Company will not carry this rating on its reports, as it is the Company's policy to immediately charge these accounts off in the period they are deemed uncollectible.

The Company's credit quality indicators are periodically updated on a case-by-case basis. The following table presents by class and by credit quality indicator, the recorded investment in the Company's loans as of December 31, 2021 and 2020:

For the Year Ended December 31, 2021						
<i>(in thousands)</i>	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Solar	Total
Acceptable risk (or better)	\$ 1,024,932	\$ 1,128,356	\$ 100,872	\$ 151,453	\$ 121,449	\$ 2,527,062
Higher risk	82,776	11,414	10,520	23	—	104,733
Special mention	104,510	18,929	3,530	—	—	126,969
Substandard	9,528	8,581	4,926	206	113	23,354
Doubtful	—	—	—	—	—	—
Loss	—	—	—	—	—	—
Total loans held for investment	<u>\$ 1,221,746</u>	<u>\$ 1,167,280</u>	<u>\$ 119,848</u>	<u>\$ 151,682</u>	<u>\$ 121,562</u>	<u>\$ 2,782,118</u>

For the Year Ended December 31, 2020					
<i>(in thousands)</i>	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Total
Acceptable risk (or better)	\$ 416,573	\$ 585,723	\$ 83,538	\$ 28,505	\$ 1,114,339
Higher risk	55,813	18,431	14,161	18	88,423
Special mention	45,449	7,160	1,308	—	53,917
Substandard	14,574	21,757	7,387	915	44,633
Doubtful	—	—	—	—	—
Loss	—	—	—	—	—
Total loans held for investment	<u>\$ 532,409</u>	<u>\$ 633,071</u>	<u>\$ 106,394</u>	<u>\$ 29,438</u>	<u>\$ 1,301,312</u>

The following table provides information on non-performing assets as of December 31, 2021 and 2020:

	For the Year Ended December 31, 2021					
<i>(in thousands)</i>	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Solar	Total
Non-accrual loans	\$ 5,639	\$ 3,055	\$ 4,926	\$ 206	\$ 113	\$ 13,939
Loans 90 days or more past due and still accruing	—	—	—	—	—	—
Performing restructured loans	—	3,450	816	—	—	4,266
Non-performing loans	5,639	6,505	5,742	206	113	18,205
Other real estate owned	—	—	—	—	—	—
Total non-performing assets	<u>\$ 5,639</u>	<u>\$ 6,505</u>	<u>\$ 5,742</u>	<u>\$ 206</u>	<u>\$ 113</u>	<u>\$ 18,205</u>

	For the Year Ended December 31, 2020					
<i>(in thousands)</i>	Commercial Real Estate	Commercial	Residential Real Estate	Consumer		Total
Non-accrual loans	\$ 10,380	\$ 9,474	\$ 7,387	\$ 915		\$ 28,156
Loans 90 days or more past due and still accruing	—	—	—	—		—
Performing restructured loans	—	—	419	—		419
Non-performing loans	10,380	9,474	7,806	915		28,575
Other real estate owned	—	—	25	—		25
Total non-performing assets	<u>\$ 10,380</u>	<u>\$ 9,474</u>	<u>\$ 7,831</u>	<u>\$ 915</u>		<u>\$ 28,600</u>

The following table presents by class, an aging analysis and the recorded investments in past due loans held for investment as of December 31, 2021 and 2020:

	For the Year Ended December 31, 2021					
<i>(in thousands)</i>	Commercial Real Estate	Commercial	Residential Real Estate	Consumer	Solar	Total
Past due loans:						
30 - 59 days past due	\$ 8,195	\$ —	\$ 3,061	\$ 118	\$ 493	\$ 11,867
60 - 89 days past due	2,967	—	710	279	286	4,242
90 or more days past due	—	—	3,383	206	113	3,702
Total past due loans	11,162	—	7,154	603	892	19,811
Current loans	1,210,584	1,167,280	112,694	151,079	120,670	2,762,307
Total loans held for investment	<u>\$ 1,221,746</u>	<u>\$ 1,167,280</u>	<u>\$ 119,848</u>	<u>\$ 151,682</u>	<u>\$ 121,562</u>	<u>\$ 2,782,118</u>

	For the Year Ended December 31, 2020					
<i>(in thousands)</i>	Commercial Real Estate	Commercial	Residential Real Estate	Consumer		Total
Past due loans:						
30 - 59 days past due	\$ 7,350	\$ 311	\$ 5,507	\$ 13		\$ 13,181
60 - 89 days past due	5,298	—	1,816	97		7,211
90 or more days past due	3,557	—	3,175	83		6,815
Total past due loans	16,205	311	10,498	193		27,207
Current loans	516,204	632,760	95,896	29,245		1,274,105
Total loans held for investment	<u>\$ 532,409</u>	<u>\$ 633,071</u>	<u>\$ 106,394</u>	<u>\$ 29,438</u>		<u>\$ 1,301,312</u>

The restructuring of a loan is considered a TDR if both (i) the borrower is experiencing financial difficulties (ii) the creditor has granted a concession and (iii) is not a short-term modification made in response to COVID-19. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses.

The following table presents amounts of the restructured loans at the date of restructuring as a TDR by loan category as of December 31, 2021 and 2020:

<i>(in thousands)</i>	For the Year Ended December 31, 2021			
	Commercial Real Estate	Commercial	Residential Real Estate	Total
Trouble debt restructurings:				
Accruing	\$ —	\$ 4,730	\$ 805	\$ 5,535
Non-accruing	1,607	239	178	2,024
Total troubled debt restructurings	<u>\$ 1,607</u>	<u>\$ 4,969</u>	<u>\$ 983</u>	<u>\$ 7,559</u>
Number of loans restructured	<u>3</u>	<u>3</u>	<u>5</u>	<u>11</u>
Specific allowance at the time of restructuring	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Restructured and subsequently defaulted	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

<i>(in thousands)</i>	For the Year Ended December 31, 2020	
	Commercial	Total
Trouble debt restructurings:		
Non-accruing	\$ 5,976	\$ 5,976
Total troubled debt restructurings	<u>\$ 5,976</u>	<u>\$ 5,976</u>
Number of loans restructured	<u>2</u>	<u>2</u>
Specific allowance at the time of restructuring	<u>\$ 414</u>	<u>\$ 414</u>
Restructured and subsequently defaulted	<u>\$ —</u>	<u>\$ —</u>

As of December 31, 2021, TDR loans totaled \$8.4 million, of which \$4.2 million were accruing and \$4.2 million were non-accruing. As of December 31, 2021, TDR loans had a specific reserve of \$603 thousand. As of December 31, 2020, TDR loans totaled \$9.2 million, of which \$419 thousand were accruing and \$8.7 million were non-accruing. As of December 31, 2020, TDR loans had a specific reserve of \$1.7 million. There were no commitments as of December 31, 2021 or 2020 to lend additional funds on loans classified as a TDR. During the year ended December 31, 2021, the Company restructured \$7.6 million loans as TDR's with no specific reserves at the time of restructuring. The restructurings consisted principally of interest rate reductions or payment deferrals and did not result in the reduction of principal. During December 31, 2020, the Company restructured \$6.0 million loans as TDR's with \$414 thousand of specific reserves at the time of restructuring. The restructurings consisted principally of interest rate reductions or payment deferrals and did not result in the reduction of principal.

NOTE 6 - GOODWILL AND OTHER INTANGIBLE ASSETS

The following table summarizes the gross carrying amount and accumulated amortization, by type of amortizing other intangible asset, and the carrying amount of non-amortizing other intangible assets and goodwill as of December 31, 2021 and 2020:

<i>(dollars in thousands)</i>	2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
Amortizing intangible assets:				
Core deposit intangible	\$ 1,491	\$ (895)	\$ 596	4.0 years
Customer relationship intangibles	18,742	(3,161)	15,581	15.0 years
Other	399	—	399	3.4 years
Total amortizing intangible assets	<u>\$ 20,632</u>	<u>\$ (4,056)</u>	16,576	
Indefinite life intangible asset			2,114	
Total intangible assets			18,690	
Goodwill			18,491	
Total goodwill and intangible assets, net			<u>\$ 37,181</u>	

<i>(dollars in thousands)</i>	2020			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
Amortizing intangible assets:				
Core deposit intangible	\$ 1,491	\$ (746)	\$ 745	5.0 years
Customer relationship intangible	16,142	(2,354)	13,788	17.1 years
Total amortizing intangible assets	<u>\$ 17,633</u>	<u>\$ (3,100)</u>	14,533	
Indefinite life intangible asset			2,114	
Total intangible assets			16,647	
Goodwill			12,157	
Total goodwill and intangible assets, net			<u>\$ 28,804</u>	

The following table presents the estimated future amortization expense for amortizing other intangible assets as of December 31, 2021:

<i>(in thousands)</i>	Amount
2022	\$ 1,440
2023	1,361
2024	1,361
2025	1,361
2026	1,132
Thereafter	9,921
Total amortizing other intangible assets	<u>\$ 16,576</u>

On December 30, 2021 the Company acquired The Energy Loan Network (“ELN”) for \$10.0 million in total consideration. The following table presents the consideration paid and the provisional fair values of identifiable assets acquired and identifiable liabilities assumed as of December 31, 2021:

<i>(dollars in thousands, except per share data)</i>	December 30, 2021
Purchase price:	
Cash consideration	\$ 9,500
Fair value of Voting Common Shares issued (37,879 shares) based on the Company’s share price of \$13.50	511
Total purchase price	10,011
Identifiable assets:	
Cash and cash equivalents	671
Customer relationship intangible asset	2,999
Other assets	606
Total identifiable assets	4,276
Identifiable liabilities:	
Total identifiable liabilities	599
Provisional fair value of net assets acquired	3,677
Provisional goodwill	\$ 6,334

As of December 31, 2021, the Company recognized goodwill related to the ELN acquisition of \$6.3 million, which remains open for the 12-month measurement period for possible adjustments to the fair value of acquired intangible assets, working capital, and deferred taxes. The goodwill is expected to be deductible for tax purposes over 15 years.

NOTE 7 - DEPOSITS

Deposit balances and the associated interest expense for the years ended December 31, 2021 and 2020, is presented in the following table:

<i>(in thousands)</i>	2021		2020	
	Balance	Interest Expense	Balance	Interest Expense
Noninterest-bearing deposits	\$ 453,529	\$ —	\$ 354,674	\$ —
Interest-bearing deposits:				
Demand	1,232,798	1,762	306,019	398
Money market savings	1,756,675	1,868	355,067	3,091
Savings	69,738	248	69,210	374
Time deposits less than \$250 thousand	174,833	2,236	177,581	4,020
Time deposits greater than \$250 thousand	102,900	779	126,602	2,782
Total interest-bearing deposits	3,336,944	6,893	1,034,479	10,665
Total deposits	\$ 3,790,473	\$ 6,893	\$ 1,389,153	\$ 10,665

As of December 31, 2021 and 2020, \$52 thousand and \$277 thousand, respectively, of demand deposit overdrafts were reclassified to loans and categorized as consumer loans. The related charge-offs and recoveries, if any, are reflected in the allowance for loan losses.

The following table presents the maturity of time deposits as of December 31, 2021, for the year indicated:

<i>(in thousands)</i>	Amount
2022	\$ 222,887
2023	39,589
2024	11,913
2025	3,204
2026	140
Total time deposits	<u>\$ 277,733</u>

The Company's time deposits of \$250 thousand or greater represented 2.7% of total deposits as of December 31, 2021 and are presented by maturity in the following table:

<i>(in thousands)</i>	Months to Maturity				Total
	3 or Less	Over 3 to 6	Over 6 to 12	Over 12	
Time deposits greater than \$250 thousand	\$ 6,708	\$ 9,588	\$ 62,880	\$ 23,724	\$ 102,900

Deposits received in the ordinary course of business from related parties held as of December 31, 2021 and 2020, were \$50.0 million and \$59.8 million, respectively. See Note 17 - Related Party Transactions for more information.

NOTE 8 - BORROWED FUNDS

Subordinated Debt

On December 22, 2021, the Company issued \$125.0 million of Fixed to Floating Rate Subordinated Notes ("2021 Notes"), which are non-callable for the first five years. The 2021 Notes are classified as Green Bonds in alignment with the International Capital Markets Association's ("ICMA") Green Bond Principles (2021). The 2021 Notes are unsecured and pay an initial interest rate of 4.0% semi-annually in arrears through January 1, 2027. Beginning January 1, 2027, through the earlier of maturity date of January 1, 2032 or the early redemption date, the interest rate will adjust quarterly equal to the three-month term Secured Overnight Financing Rate ("SOFR") plus 289 basis points, paid quarterly in arrears. The proceeds from the 2021 Notes were used for general corporate purposes. The Company has the option to redeem the 2021 Notes at par value, after five years.

In 2016, the Company issued Fixed Rate Subordinated Notes ("2016 Fixed Rate Notes") of \$17.0 million. The 2016 Fixed Rate Notes are unsecured, mature on December 30, 2026 and pay interest of 7.0% semi-annually in arrears. The Company has the option to redeem the 2016 Fixed Rate Notes at par value, after 5 years from the date of issuance.

In 2016, the Company issued Fixed to Floating Rate Subordinated Notes ("2016 Notes") of \$7.0 million. The 2016 Notes are unsecured, mature on December 30, 2026, and pay an initial interest of 6.5% semi-annually, in arrears. Beginning December 30, 2021, the 2016 Notes interest rate resets quarterly to an interest rate per annum equal to the three-month LIBOR plus 469.5 basis points, paid quarterly in arrears. If the three-month LIBOR is less than zero, the three-month LIBOR shall be deemed to be zero. The Company may redeem the 2016 Notes at par, after 5 years from issuance date.

In 2019, the Company issued Fixed to Floating Rate Subordinated Notes ("2019 Notes") of \$25.0 million. The 2019 Notes are unsecured, mature on December 1, 2029, and pay initial interest of 5.75% semi-annually in arrears. Beginning December 1, 2024, the interest rate on the 2019 Fixed to Floating Rate Notes shall reset quarterly to an interest rate per annum equal to the three-month SOFR plus 439 basis points, paid quarterly in arrears. If the three-month SOFR is less than zero, the three-month SOFR shall be deemed to be zero. The Company may redeem the 2019 Notes at par, after 5 years from issuance date.

The following table provides information on subordinated debt as of December 31, 2021 and 2020:

<i>(dollars in thousands)</i>	2021	2020
2016 Fixed Rate Notes due in 2026, 7.00%	\$ 17,000	\$ 17,000
2016 Notes, due in 2026, 4.91%	7,000	7,000
2019 Notes, due in 2029, 5.75%	25,000	25,000
2021 Notes, due in 2032, 4.00%	125,000	—
Less: Debt issuance costs	(3,449)	(1,050)
Total subordinated debt	170,551	47,950
Other	2,765	2,744
Total long-term borrowings	<u>\$ 173,316</u>	<u>\$ 50,694</u>

Other Borrowed Funds

As of December 31, 2021, the Company had a credit line with the FHLB with a maximum borrowing capacity of \$755.1 million, with no borrowings outstanding. In order to borrow under the credit line the Company must secure the borrowings with loans. Under the terms of the FHLB credit line, the Company is required to maintain sufficient collateral to secure these borrowings. As of December 31, 2021, the Company pledged eligible multi-family real estate loans with a book value of \$3.4 million, eligible 1-4 family first mortgages with a book value of \$23.2 million, and eligible home equity loans with a book value of \$3.8 million, to facilitate current and future transactions. The total collateral value assigned by the FHLB for these pledged loans and investments was \$30.4 million.

The Company maintains Fed Funds facilities with six other financial institutions in the amount of \$135.0 million. There were no borrowings outstanding on these facilities at December 31, 2021 and 2020.

As of December 31, 2021, the Company had a \$40.0 million credit line (“Credit Line”), with a maturity date of May 23, 2024 and an interest rate equal to Prime Rate plus 1.0%. As of December 31, 2021, there were no borrowings outstanding on the Credit Line and as of December 31, 2020, there was \$11.0 million outstanding. The Company must maintain a compensating deposit of \$10.0 million to maintain a reduced unused credit line fee. The loan is secured by all assets of the Company, including common stock. During the year ended December 31, 2021, the Company borrowed \$5.5 million and repaid \$16.5 million under the Credit Line. The Company borrowed \$18.0 million and repaid \$7.0 million during the year ended December 31, 2020 from the Credit Line. The Credit Line was amended on March 23, 2021. Under the previous agreement the borrowing limit was \$25.0 million with an interest rate of LIBOR plus 4.0%.

As of December 31, 2021 and 2020, the Company had \$102.9 million and \$242.2 million, respectively, remaining outstanding under the Federal Reserve Bank PPPLF at an interest rate of 0.35%, which is collateralized by, and cannot exceed the total amount of, PPP loans issued by the Company. During 2020, the Company borrowed \$412.3 million under the PPPLF, and repaid \$139.3 million and \$170.1 million during the years ended December 31, 2021 and 2020, respectively.

The Company has recognized \$35.4 million and \$17.6 million as of December 31, 2021 and 2020, respectively, for secured borrowings related to loans that were transferred to a third-party, however, failed to meet the qualifications of a true-sale of a participating interest. The Company has also presented \$35.4 million and \$17.6 million of related loan balances in Loans held for investment in the Consolidated Balance Sheet and in the related loan disclosures as of December 31, 2021 and 2020, respectively. See Note 4 - Loans and Note 5 - Credit Quality Assessment for more information on the Company’s loans and related credit quality. Associated with these secured borrowings, the Company has recognized \$2.8 million and \$135 thousand of interest expense for the years ended December 31, 2021 and 2020, respectively, presented in Other borrowings in Interest expense on the Consolidated Statements of Income.

NOTE 9 - STOCKHOLDERS’ EQUITY

The Company’s Articles of Incorporation authorizes 108,200,000 shares of stock, consisting of 51,600,000 shares of Voting Common Stock, par value \$0.001 per share (“Voting Common Stock”) and 51,600,000 shares of Non-Voting Common Stock, par value \$0.001 per share (“Non-Voting Common Stock”), and 5,000,000 shares of preferred stock (“Preferred Stock”), par value \$0.001. During 2021, in coordination with the capital raise on April 15, 2021, the Company changed the par value on its common stock and preferred stock from \$0.01 to \$0.001 and increased the total authorized number of shares outstanding to 108,200,000 from 20,000,000.

On April 15, 2021, the Company issued 5,831,224 shares of Voting Common Stock and 21,484,690 shares of Non-Voting Common Stock at \$12.63 per share, resulting in proceeds of \$342.5 million, net of \$2.5 million of equity issuance costs, which were recognized in Additional paid-in capital on the Company's Consolidated Balance Sheet.

On December 29, 2021, the Company issued 1,750,000 shares of Voting Common Stock resulting in proceeds of \$23.6 million, net of an estimated \$47 thousand of equity issuance costs, which were recognized in Additional paid-in capital on the Company's Consolidated Balance Sheet.

On December 30, 2021 in connection with the acquisition of ELN, the Company issued 37,879 shares of Voting Common Stock at a fair value \$13.50 per share, resulting in equity consideration of \$511 thousand.

During the year ended December 31, 2021, the Company repurchased 971,879 shares of Voting Common Stock at an average share price of \$12.63, for total consideration of \$12.3 million. Following the repurchase a reallocation occurred of 504,000 shares from Voting Common Stock to Non-Voting Common Stock.

As of December 31, 2021, the Company had 17,973,663 shares of Voting Common Stock, 22,041,556 shares of Non-Voting Common Stock, and no shares of Preferred Stock issued and outstanding.

NOTE 10 - ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The Company's accumulated other comprehensive income is comprised of unrealized gains and losses associated with available for-sale-securities. Realized gains and losses on available-for-sale securities impact the Company's net income as described in the following tables.

The following table presents the activity in accumulated other comprehensive income/(loss) for the years ended December 31, 2021 and 2020:

<i>(in thousands)</i>	Total	Tax Effect	Net
Unrealized gains/(losses) on investments available-for-sale:			
Balance as of January 1, 2020	\$ (17)	\$ 4	\$ (13)
Unrealized gains, net	186	(49)	137
Reclassification of unrealized gains to Net Income	(2)	1	(1)
Balance as of December 31, 2020	167	(44)	123
Unrealized gains, net	75	(13)	62
Balance as of December 31, 2021	<u>\$ 242</u>	<u>\$ (57)</u>	<u>\$ 185</u>

NOTE 11 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK, COMMITMENTS AND CONTINGENCIES

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recorded in the balance sheet. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Generally, commitments to extend credit are subject to annual renewal. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

A summary of financial instruments with off-balance sheet credit risk as of December 31, 2021 and 2020 is as follows:

<i>(in thousands)</i>	2021	2020
Commercial real estate development and construction	\$ 480,107	\$ 44,569
Residential real estate development and construction	23,127	22,090
Residential real estate mortgage loans	5,921	177,360
Lines of credit, primarily business lines	738,712	399,617
Standby letters of credit	1,601	1,774
Total commitments to extend credit and available lines of credit	<u>\$ 1,249,468</u>	<u>\$ 645,410</u>

The Company has entered into multiple forward flow loan purchase agreements, which could result in the combined purchase of up to \$1.1 billion of loans over the next four years.

The Company leases its headquarters space, five branch locations, and certain equipment under operating lease agreements. Future minimum lease payments under non-cancelable real estate and equipment leases having an initial term in excess of one year as of December 31, 2021, are as follows:

<i>(in thousands)</i>	Amount
2022	\$ 2,861
2023	2,823
2024	2,371
2025	2,295
2026	2,345
Thereafter	11,738
Total minimum lease payments	<u>\$ 24,433</u>

The Company is involved in various legal actions arising in the ordinary course of business. In the opinion of management and its counsel, the outcome of these matters will not have a significant adverse effect on the Company's Consolidated Financial Statements.

NOTE 12 - STOCK-BASED COMPENSATION

As of December 31, 2021, the Company had two stock-based plans, the 2006 Stock Incentive Plan (the "2006 Plan"), adopted on July 25, 2006, and the 2014 Stock Incentive Plan (the "2014 Plan"), which was adopted on June 25, 2014 to replace the 2006 Plan (collectively the "Plans"), and amended in April 2021 in connection with the Company's equity raise. There are no longer shares to be issued under the 2006 Plan. The 2014 Plan was amended to permit the granting of up to 11,500,000 shares of Voting Common Stock in stock-based awards, included restricted stock awards and stock options, to its employees and directors, an increase from 1,200,000 common shares prior to the amendment. The Company believes that such awards better align the interests of its employees with those of its shareholders.

As of December 31, 2021, there were 1,587,632 shares remaining to be issued under the 2014 Plan. Compensation expense is recognized on a straight-line basis over the vesting period of the stock option or restricted stock award granted. During the year ended December 31, 2021, compensation expense of \$8.6 million, \$752 thousand, and \$36 thousand was recognized in compensation expense, other expense, and professional fees associated with stock options and restricted stock awards granted to employees, directors, and consultants, respectively. During the year ended December 31, 2020, compensation expense of \$1.6 million was recognized in compensation expense associated with stock options and restricted stock awards granted to employees. The Company recognized a tax benefit of \$2.5 million and \$385 thousand, respectively, for the years ended December 31, 2021 and 2020, related to stock-based compensation expense.

Stock Options

Stock option awards are granted with an exercise price equal to the fair value of the Company's Voting Common Stock at the date of grant; those option awards generally vest based on five years of continuous service and have 10-year contractual terms. Certain option and share awards provide for accelerated vesting if there is a change in control (as defined in the Plans). Stock options issued can require meeting certain performance criteria prior to exercise.

The fair values of the options granted during the years ended December 31, 2021 and 2020, were determined using the Black-Scholes option-pricing model based on the following range of assumptions:

	2021	2020
Volatility	32%-48%	20.04% - 21.89%
Expected dividend yield	—%	—%
Expected term	4.0 - 6.5 years	5.0 years
Risk-free rate	0.36% - 1.29%	1.55% - 2.51%
Grant-date fair value	\$3.70 - \$5.23	\$2.13 - \$2.70

Since an active market for the Company's common stock does not exist, the expected volatility is based on the average annual historical volatility of common stock for comparable public banks in the banking industry. The estimated option life is derived from the "simplified method" formula. The risk-free rate is based upon the U.S. Treasury note rate in effect at the time of grant. The expected dividend yield is based upon implied and historical dividend declarations.

A summary of the activity of options outstanding activity for the year ended December 31, 2021, is presented in the following table:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2020	417,738	\$ 8.94	6.5 years	\$ 1,540
Granted	9,282,057	\$ 12.64		
Exercised	—	\$ —		\$ —
Forfeited or expired	—	\$ —		
Outstanding as of December 31, 2021	<u>9,699,795</u>	\$ 12.69	9.2 years	\$ 7,838
Exercisable as of December 31, 2021	<u>402,595</u>	\$ 9.46	5.6 years	\$ 1,625

The total intrinsic value of stock options exercised during the year ended December 31, 2020, was \$249 thousand. There were no options exercised during the year ended December 31, 2021.

A summary of the activity of unvested stock options activity for the year ended December 31, 2021, is presented in the following table:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2020	130,000	\$ 2.31
Granted	9,282,057	\$ 4.04
Vested	(114,857)	\$ 3.91
Forfeited	—	\$ —
Unvested as of December 31, 2021	<u>9,297,200</u>	\$ 4.02

The total fair value of stock options vested during the years ended December 31, 2021 and 2020, was \$449 thousand and \$242 thousand, respectively. As of December 31, 2021, there was \$25.9 million of unrecognized compensation cost related to stock options granted under the Plans, and is expected to be recognized over a weighted-average period of 2.7 years.

Restricted Stock Awards

During the years ended December 31, 2021 and 2020, the Company awarded 4,500 and 146,276 restricted stock awards, respectively, as part of employee compensation. The vesting terms for restricted stock awards granted range from two and a half to three years.

The following table summarizes the unvested restricted stock awards activity for the year ended December 31, 2021:

	Shares	Weighted-Average Grant-Date Fair Value
Balance as of December 31, 2020	146,106	\$ 9.83
Granted	4,500	\$ 12.63
Vested	(93,360)	\$ 10.12
Balance as of December 31, 2021	<u>57,246</u>	<u>\$ 9.57</u>

As of December 31, 2021, there was \$136 thousand of unrecognized compensation cost related to unvested restricted stock awards granted under the Plans, and is expected to be recognized over a weighted-average period of 0.8 years.

NOTE 13 - EMPLOYEE BENEFITS PLANS

The Company has a 401(k) defined contribution plan (“401(k) Plan”) covering all full-time employees. Employees become eligible to participate in the 401(k) Plan on the first day of the month that is 90 days after their hire date. Under the 401(k) Plan, a participant may elect to contribute up to 80% of their compensation to the extent the total dollar amount is permitted by law. Under the terms of the 401(k) Plan, the Company will make a matching contribution of 100% up to 4% of employee compensation contributed. Both employee contributions and employer matching contributions vest immediately. During the years ended December 31, 2021 and 2020, the Company made matching contributions of \$1.3 million and \$997 thousand, respectively. The Company may also make discretionary contributions for each participant. The amount of discretionary contribution, if any, is determined on an annual basis by the Board of Directors. No discretionary contributions were made by the Company during the years ended December 31, 2021 and 2020.

NOTE 14 - OTHER NON-INTEREST INCOME AND NON-INTEREST EXPENSE

The following tables present selected components of other non-interest income and other non-interest expense for the years ended December 31, 2021 and 2020:

<i>(in thousands)</i>	2021	2020
Fee income on loans	\$ 4,769	\$ 2,365
Service fees on deposit accounts	544	398
Other non-interest income	1,157	(246)
Total other non-interest income	<u>\$ 6,470</u>	<u>\$ 2,517</u>

<i>(in thousands)</i>	2021	2020
Loan administration	\$ 2,543	\$ 1,267
Employee recruiting and training	1,165	332
Directors fees	902	289
Other non-interest expense	4,559	4,251
Total other non-interest expense	<u>\$ 9,169</u>	<u>\$ 6,139</u>

NOTE 15 - INCOME TAXES

The components of income tax expense as of the years ended December 31, 2021 and 2020, are presented in the following table:

<i>(in thousands)</i>	2021	2020
Current income tax:		
Federal	\$ 18,945	\$ 5,391
State	4,726	2,090
Total current income tax expense	23,671	7,481
Deferred income tax:		
Federal	(12,203)	(2,788)
State	(1,942)	(901)
Total deferred income tax expense	(14,145)	(3,689)
Total income tax expense	<u>\$ 9,526</u>	<u>\$ 3,792</u>

The reconciliation of the income tax expense computed using the federal statutory rates and income tax expense recognized for the years ended December 31, 2021 and 2020, is in the following table:

	2021		2020	
<i>(dollars in thousands)</i>	Amount	Percentage of Pre-Tax Income	Amount	Percentage of Pre-Tax Income
Income tax at the federal statutory rate	\$ 7,432	21.0 %	\$ 3,349	21.0 %
State income tax, net of federal benefit	2,199	6.2 %	940	5.9 %
Adjustment of provision to tax return	—	— %	(565)	(3.5)%
Change in valuation allowance	18	0.1 %	53	0.3 %
Permanent items	(159)	(0.5)%	(34)	(0.2)%
Other	36	0.1 %	49	0.3 %
Total income tax expense and rate	<u>\$ 9,526</u>	<u>26.9 %</u>	<u>\$ 3,792</u>	<u>23.8 %</u>

The Company has uncertain income tax positions totaling \$1.1 million and \$792 thousand recorded as of December 31, 2021 and 2020, respectively, recognized in Other liabilities in the Consolidated Balance Sheets.

The components of net deferred tax assets and liabilities as of December 31, 2021 and 2020, are presented in the following table:

<i>(in thousands)</i>	2021	2020
Deferred tax assets:		
Loan loss reserve	\$ 7,926	\$ 3,734
Net operating losses and tax credit carryforwards	330	312
Deferred rent	1,223	269
Stock compensation	2,723	426
Loan fair value adjustments	416	480
Accrued bonuses	5,000	2,100
Deferred loan costs and fees	6,636	2,656
Other	130	—
Total deferred tax assets	24,384	9,977
Valuation allowance	(330)	(312)
Net deferred tax assets	24,054	9,665
Deferred tax liability:		
Depreciation and amortization	(1,632)	(541)
Unrealized gains on investment portfolio	(57)	(44)
Other	—	(847)
Total deferred tax liabilities	(1,689)	(1,432)
Deferred tax asset, net	<u>\$ 22,365</u>	<u>\$ 8,233</u>

NOTE 16 - NET INCOME PER COMMON SHARE

The calculation of net income per common share for the years ended December 31, 2021 and 2020 is presented in the following table:

<i>(in thousands, except per share data)</i>	2021	2020
Net income	\$ 25,863	\$ 12,158
Basic weighted-average common shares outstanding	30,684	11,620
Dilutive weighted-average common stock equivalents	216	283
Diluted weighted-average common shares outstanding	<u>30,900</u>	<u>11,903</u>
Basic net income per common share	\$ 0.84	\$ 1.05
Diluted net income per common share	\$ 0.84	\$ 1.02
Anti-dilutive stock options	351	404

NOTE 17 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has granted loans to and received deposits from principal officers and directors, and their affiliates. The aggregate amount of loans outstanding to directors and officers as of December 31, 2021 and 2020, was \$30.8 million and \$2.0 million, respectively, and the aggregate amounts of deposits from directors and officers as of December 31, 2021 and 2020, was \$50.0 million and \$59.8 million, respectively. For more information on the activity of loans and deposits with officers and directors see Note 4 - Loans and Note 7 - Deposits, respectively.

There is an employee of the Company that is one of 13 directors on the board of directors of BancAlliance, which creates a related party relationship with BancAlliance. During the years ended December 31, 2021 and 2020, the Company sold loans

with commitments totaling \$914.9 million and \$356.0 million to BancAlliance, resulting in a net gain of \$9.2 million and \$3.6 million, respectively. As of December 31, 2021 and 2020, the amounts due to the Company from BancAlliance were \$904 thousand and \$259 thousand, respectively, related to funding and expense advancements.

Two vendors are considered related parties because members of Company's board of directors are owners of the vendors. The Company incurred a non-material amount of expense related to these vendors for consulting services during the years ended December 31, 2021 and 2020.

NOTE 18 - REGULATORY MATTERS

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

The Company's and the Bank's actual capital amounts and ratios and selected minimum regulatory thresholds as of December 31, 2021 and 2020 are presented in the following table:

<i>(dollars in thousands)</i>	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2021:						
Total capital to risk-weighted assets:						
Company	\$ 707,061	18.51 %	\$ 305,655	8.00 %	\$ 382,068	10.00 %
Bank	\$ 596,138	15.63 %	\$ 305,213	8.00 %	\$ 381,516	10.00 %
Tier 1 capital to risk-weighted assets:						
Company	\$ 505,371	13.23 %	\$ 229,241	6.00 %	\$ 305,655	8.00 %
Bank	\$ 563,648	14.77 %	\$ 228,910	6.00 %	\$ 305,213	8.00 %
Common equity tier 1 to risk-weighted assets:						
Company	\$ 505,371	13.23 %	\$ 171,931	4.50 %	\$ 248,344	6.50 %
Bank	\$ 563,648	14.77 %	\$ 171,682	4.50 %	\$ 247,986	6.50 %
Tier 1 leverage ratio:						
Company	\$ 505,371	14.53 %	\$ 139,097	4.00 %	\$ 173,871	5.00 %
Bank	\$ 563,648	16.40 %	\$ 137,499	4.00 %	\$ 171,874	5.00 %
As of December 31, 2020:						
Total capital to risk-weighted assets:						
Company	\$ 311,528	22.39 %	\$ 111,332	8.00 %	\$ 139,165	10.00 %
Bank	\$ 171,962	12.60 %	\$ 109,198	8.00 %	\$ 136,498	10.00 %
Tier 1 capital to risk-weighted assets:						
Company	\$ 123,157	8.85 %	\$ 83,499	6.00 %	\$ 111,332	8.00 %
Bank	\$ 157,934	11.57 %	\$ 81,899	6.00 %	\$ 109,198	8.00 %
Common equity tier 1 to risk-weighted assets:						
Company	\$ 123,157	8.85 %	\$ 62,624	4.50 %	\$ 90,457	6.50 %
Bank	\$ 157,934	11.57 %	\$ 61,424	4.50 %	\$ 88,723	6.50 %
Tier 1 leverage ratio:						
Company	\$ 123,157	8.07 %	\$ 61,075	4.00 %	\$ 76,343	5.00 %
Bank	\$ 157,934	10.90 %	\$ 57,963	4.00 %	\$ 72,454	5.00 %

NOTE 19 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact. The Company uses valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, a fair value hierarchy for valuation inputs is utilized - that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy levels are as follows:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Financial assets measured at fair value on a recurring basis include securities available-for-sale, mortgage loans held-for-sale, certain other loans held-for-sale, and certain loans held for investment.

Descriptions of assets and liabilities measured at fair value are as follows:

Mortgage-backed and asset-backed securities, and State and Municipal securities

The mortgage- and asset-backed securities include both commercial and residential mortgage-backed securities, collateralized loan obligations, and SBA loan securities. The state and municipal securities portfolio contains securities that are comprised of state and local government bonds. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, prepayment speeds, cash flows, live trading levels, trade execution data, credit information and the bond's terms and conditions, among other things. These securities are categorized as Level 2.

Corporate bonds

The corporate bonds portfolio is valued using a discounted cash flow model that uses a yield derived from a benchmark constant maturity spot rate plus maturity spread, to discount coupon and principal cash flows. The benchmark is the treasury or swap constant maturity curve updated throughout the day. The valuation methodology is maintained and employed by a third-party valuation specialist. The securities are categorized as Level 2.

Mortgage loans held-for-sale

The fair value of mortgage loans held-for-sale are determined using quoted secondary-market prices or investor commitments and are considered Level 2. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar loan or loan group, adjusted for the specific attributes of that loan, which would be used by other market participants.

Other loans held-for-sale and investment at fair value

The fair value of loans held-for-sale and investment is determined by using actual market transactions when available. In situations when market transactions are not available, an evaluation is made to determine if there are material market or loan-specific factors that impact the estimated fair value. Market factors include market indices and conditions for similar financial assets and loan-specific factors include non-standard original terms to the loan or changes in credit quality of the borrower. To the extent any material market or loan-specific factors are evident, the information is utilized to determine the best estimated fair value, typically using a discounted cash flow methodology. When estimating fair value using a discounted cash flow analysis, key inputs include the discount for risk of non-payment as well as the discount rate. This requires the use of significant judgement surrounding current market conditions and the credit quality of the borrowers. Due to the illiquid nature of the market for most of the loans, there is generally no readily available Level 1 or Level 2 quotes or prices on which it can rely. The Company seeks market price indications from a variety of sources, where available. Any such inputs are considered to be Level 3 valuation inputs for GAAP.

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

(in thousands)	2021			
	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investment securities available-for-sale:				
Mortgage-backed and asset-backed	\$ —	\$ 14,805	\$ —	\$ 14,805
Municipal bonds	—	8,647	—	8,647
Corporate bonds	—	1,501	—	1,501
Total investment securities available-for-sale	—	24,953	—	24,953
Mortgage loans held-for-sale	—	8,836	—	8,836
Other loans held-for-sale	—	—	588,002	588,002
Loans held for investment at fair value	—	—	100,325	100,325
Total assets	<u>\$ —</u>	<u>\$ 33,789</u>	<u>\$ 688,327</u>	<u>\$ 722,116</u>
Liabilities				
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2020, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

2020				
<i>(in thousands)</i>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investment securities available-for-sale:				
Mortgage-backed and asset-backed	\$ —	\$ 12,928	\$ —	\$ 12,928
Municipal bonds	—	5,355	—	5,355
Corporate bonds	—	5,984	—	5,984
Total investment securities available-for-sale	—	24,267	—	24,267
Mortgage loans held-for-sale	—	60,018		60,018
Other loans held-for-sale	—	—	215,920	215,920
Loans held for investment at fair value	—	—	37,690	37,690
Total assets	\$ —	\$ 84,285	\$ 253,610	\$ 337,895
Liabilities				
Total liabilities	\$ —	\$ —	\$ —	\$ —

The following table presents a reconciliation of the assets and liabilities that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2021:

<i>(in thousands)</i>	Balance as of December 31, 2020	Purchases	Sales	Pay-downs/ Maturities/ Calls	Transfers	Realized and Unrealized Gain/ (Loss)	Balance as of December 31, 2021
Assets							
Other loans held-for-sale	\$ 215,920	\$ 1,387,059	\$ (914,943)	\$ (84,854)	\$ (27,741)	\$ 12,561	\$ 588,002
Other loans held for investment at fair value	37,690	80,975	(3,854)	(42,576)	27,741	349	100,325
Total level 3 assets	\$ 253,610	\$ 1,468,034	\$ (918,797)	\$ (127,430)	\$ —	\$ 12,910	\$ 688,327

The following table presents a reconciliation of the assets and liabilities that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2020:

<i>(in thousands)</i>	Balance as of December 31, 2019	Purchases	Sales	Pay-downs/ Maturities/ Calls	Transfers	Realized and Unrealized Gain/ (Loss)	Balance as of December 31, 2020
Assets							
Other loans held-for-sale	\$ 82,418	\$ 610,303	\$ (460,644)	\$ (13,095)	\$ (6,527)	\$ 3,465	\$ 215,920
Other loans held for investment at fair value	53,547	19,703	—	(42,229)	6,527	142	37,690
Total level 3 assets	\$ 135,965	\$ 630,006	\$ (460,644)	\$ (55,324)	\$ —	\$ 3,607	\$ 253,610

The following tables present the quantitative inputs used in determining the fair value of the Company's level 3 assets measured on a recurring basis as of December 31, 2021 and 2020:

<i>(dollars in thousands)</i>	Fair value as of December 31, 2021	Valuation Technique	Unobservable Input	Range (Weighted Average)
Other loans held-for-sale	\$ 588,002	Discounted Cash Flow	Discount for Risk of Non-Payment Discount rate	2.5% - 25.0% (13.1%) 5.8% - 7.0% (6.3%)
Other loans held for investment at fair value	\$ 100,325	Discounted Cash Flow	Discount for Risk of Non-Payment Discount rate	2.5% - 25.0% (13.1%) 5.8% - 7.0% (6.3%)

<i>(dollars in thousands)</i>	Fair value as of December 31, 2020	Valuation Technique	Unobservable Input	Range (Weighted Average)
Other loans held-for-sale	\$ 215,920	Discounted Cash Flow	Discount for Risk of Non-Payment Discount rate	5.0% - 34.4% (17.2%) 5.2% - 6.5% (5.8%)
Other loans held for investment at fair value	\$ 37,690	Discounted Cash Flow	Discount for Risk of Non-Payment Discount rate	5.0% - 34.4% (17.2%) 5.2% - 6.5% (5.8%)

For the years ended December 31, 2021 and 2020, the Company did not transfer any assets to or from level 3.

Certain assets are measured at fair value on a nonrecurring basis; that is, not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets measured at fair value on a non-recurring basis as of December 31, 2021 and 2020 include the following:

2021				
<i>(in thousands)</i>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Impaired loans	\$ —	\$ —	\$ 17,026	\$ 17,026
Total	\$ —	\$ —	\$ 17,026	\$ 17,026

2020				
<i>(in thousands)</i>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Impaired loans	\$ —	\$ —	\$ 24,105	\$ 24,105
Total	\$ —	\$ —	\$ 24,105	\$ 24,105

Impaired loans are reported at fair value using either the present value of expected cash flows, the loans observable market price, or the fair value of collateral less estimated selling costs if the loan is collateral dependent. Although appraisals are obtained on collateral dependent loans, the appraised values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation and/or management's expertise and knowledge of the borrower's business, and therefore they are classified as Level 3. For impairments measured based on a discounted cash flow methodology, the discount rate is based on an observable inputs however the determination of expected cash flows requires management judgement, and therefore they are also classified as Level 3.

The Company discloses fair value information, based on the exit price notion, of financial instruments that are not measured at fair value in the financial statements. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Quoted market prices, where available, are shown as estimates of fair market values. Because no quoted market prices are available for a significant portion of the Company's financial instruments, the fair value of such instruments have been derived based on the amount and timing of future cash flows and estimated discount rates based on observable inputs (Level 2) or unobservable inputs (Level 3).

Present value techniques used in estimating the fair value of many of the Company's financial instruments are significantly affected by the assumptions used. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate cash settlement of the instrument. Additionally, the accompanying estimates of fair values are only representative of the fair values of the individual financial assets and liabilities, and should not be considered an indication of the fair value of the Company. Management utilizes internal models used in asset liability management to determine the fair values disclosed below.

The estimated fair values of the Company's financial instruments were as follows at December 31, 2021 and 2020:

<i>(in thousands)</i>	2021				
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	\$ 1,178,475	\$ 1,178,475	\$ 1,178,475	\$ —	\$ —
Investment securities available-for-sale	24,953	24,953	—	24,953	—
Investment securities held-to-maturity	7,501	7,576	—	7,576	—
Equity investments	3,139	3,139	—	3,139	—
Mortgage loans held-for-sale	8,836	8,836	—	8,836	—
Commercial loans held-for-sale	588,002	588,002	—	—	588,002
Loans held for investment at fair value	100,325	100,325	—	—	100,325
Loans held for investment at amortized	2,681,793	2,683,474	—	—	2,683,474
Accrued interest receivable	14,847	14,847	14,847	—	—
Financial liabilities:					
Time deposits	\$ 277,733	\$ 278,366	\$ —	\$ 278,366	\$ —
Other deposits	3,512,740	3,512,740	3,512,740	—	—
Subordinated debt	173,316	182,264	—	182,264	—
Secured borrowings	35,377	35,399	—	—	35,399
Federal Reserve Bank	102,887	102,746	—	102,746	—

<i>(in thousands)</i>	2020				
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	\$ 217,591	\$ 217,591	\$ 217,591	\$ —	\$ —
Investment securities available-for-sale	24,267	24,267	—	24,267	—
Investment securities held-to-maturity	7,501	7,588	—	7,588	—
Equity investments	1,045	1,045	—	1,045	—
Mortgage loans held-for-sale	60,018	60,018	—	60,018	—
Commercial loans held-for-sale	215,920	215,920	—	—	215,920
Loans held for investment at fair value	37,690	37,690	—	—	37,690
Loans held for investment at amortized	1,263,622	1,268,044	—	—	1,268,044
Accrued interest receivable	6,691	6,691	6,691	—	—
Financial liabilities:					
Time deposits	\$ 304,183	\$ 307,462	\$ —	\$ 307,462	\$ —
Other deposits	1,084,970	1,084,970	1,084,970	—	—
Subordinated debt	50,694	50,729	—	50,729	—
Secured borrowings	17,612	17,674	—	—	17,674
Federal Reserve Bank	242,243	242,429	—	242,429	—
NexBank line of credit	11,000	11,000	—	11,000	—

NOTE 20 - PARENT COMPANY FINANCIAL STATEMENTS

Financial statement for the Parent as of and for the years ended December 31, 2021 and 2020:

Balance Sheets

<i>(in thousands)</i>	2021	2020
Assets:		
Cash and cash equivalents	\$ 57,979	\$ 531
Equity investments	2,174	—
Loans held for investment	51,235	23,665
Allowance for loan loss	(645)	(322)
Net loans held for investment	50,590	23,343
Deferred tax assets	2,671	646
Accrued interest receivable	163	69
Investment in subsidiaries	600,335	186,929
Other assets	3,613	2,272
Total assets	\$ 717,525	\$ 213,790
Liabilities:		
Line of credit	\$ —	\$ 11,000
Subordinated debt	173,316	50,694
Other liabilities	2,923	219
Total liabilities	176,239	61,913
Stockholders' equity:		
Preferred stock, \$0.001 and \$0.01 par value per share as of December 31, 2021 and 2020, respectively, 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, 103,200,000 shares authorized, 40,015,219 shares at \$0.001 par value per share, and 11,748,551 shares \$0.01 par value per share, issued and outstanding as of December 31, 2021 and 2020, respectively	40	117
Additional paid-in capital	456,044	92,483
Retained earnings	85,017	59,154
Accumulated other comprehensive income	185	123
Total stockholders' equity	541,286	151,877
Total liabilities and stockholders' equity	\$ 717,525	\$ 213,790

Statements of Income

<i>(in thousands)</i>	2021	2020
INTEREST INCOME		
Interest income	\$ 1,608	\$ 627
Interest expense	3,630	3,434
Net interest expense	(2,022)	(2,807)
Provision for loan losses	323	322
Net interest expense after provision for loan losses	(2,345)	(3,129)
NON-INTEREST INCOME AND EXPENSE		
Other income	136	487
Other expense	9,123	342
Total non-interest income/(expense)	(8,987)	145
Loss before income tax benefit and equity in undistributed income of subsidiaries	(11,332)	(2,984)
Income tax benefit	(3,301)	(655)
Loss before equity in undistributed income of subsidiary	(8,031)	(2,329)
Equity in undistributed income of subsidiary	33,894	14,487
Net income	<u>\$ 25,863</u>	<u>\$ 12,158</u>

Statements of Cash Flows

<i>(in thousands)</i>	2021	2020
Cash flows from operating activities:		
Net income	\$ 25,863	\$ 12,158
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed income of subsidiary	(33,894)	(14,487)
Provision for allowance for loan losses	323	322
Change in deferred tax asset	(2,025)	(202)
Share based compensation	9,353	1,598
Net decrease in loans held-for-sale	—	5,614
Gain on loans sold	—	(354)
Increase in accrued interest receivable	(94)	(33)
Decrease in other assets	(1,441)	(907)
Increase in other liabilities	2,870	120
Net cash provided by operating activities	<u>955</u>	<u>3,829</u>
Cash flows from investing activities:		
Net increase in loans	(27,470)	(20,087)
Net increase in equity investments	(2,174)	—
Investment in subsidiary	(379,451)	(1,334)
Net cash used in investing activities	<u>(409,095)</u>	<u>(21,421)</u>
Cash flows from financing activities:		
Net (repayments of)/proceeds from line of credit	(11,000)	11,000
Proceeds from issuance of subordinated debt, net of costs	122,457	—
Repurchase of common stock	(12,275)	(86)
Issuance of common stock, net of costs	366,406	378
Net cash provided in financing activities	<u>465,588</u>	<u>11,292</u>
Net increase/(decrease) in cash and cash equivalents	<u>57,448</u>	<u>(6,300)</u>
Cash and cash equivalents at the beginning of the year	531	6,831
Cash and cash equivalents at the end of the year	<u>\$ 57,979</u>	<u>\$ 531</u>