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.

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.

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, Don Cole
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

03/30/2020
Date of Signature

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

- [x] 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. ______

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

December 31, 2019
Month / Day / Year

N/A
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

6701 Democracy Boulevard, Suite 400
(Mailing Address of the Holding Company) Street / P.O. Box

Bethesda	MD	20817
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@congressionalbank.com
E-mail Address

https://www.congressionalbank.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."

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 BETHESDA, MD.
The data are as of 12/31/2019. Data reflects information that was received and processed through 03/05/2020.

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	

Item 2a
ORGANIZATION CHART

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/19

Sequence Number	Full Legal Name	LEI	Physical Address City	State/Country	State of Incorporation
1	Congressional Bancshares, Inc.	NO LEI	Bethesda	Maryland	Maryland
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

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

SECURITIES HOLDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/19

Congressional Bancshares
Stock Ownership of 5% or >

Item 3

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[a]
John Delaney Chevy Chase, MD, USA	USA	1,536,997	-	13.24%	13.24%
Jason Fish (FBF Partners, L.P. & Sebastes Capital LLC) San Francisco, CA, USA	USA	1,536,997	-	13.24%	13.24%
J.R. Schuble Potomac, MD, USA	USA	1,502,164	-	12.94%	12.94%
Total		4,576,158	-	39.42%	39.42%
Total Outstanding Shares		11,609,222			

[a] 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.

	Shares	
Mr. Schuble's ownership includes:	955,486	shares held by J.R. Schuble
	472,625	shares held by Dreyfuss Holdings, LLC
	66,500	shares held by Blair Mill Investors, LLC
	7,553	shares held by Python Financia Solutions, Inc.
	1,502,164	

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[a]
N/A	N/A	N/A	N/A	N/A	N/A

Item 4
INSIDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/19

[1] Names/Addresses	[2] Principal Occupation if Other than with Bank Holding Company	[3] Title & Position with Bank Holding Company	[3][b] Title & Position with Subsidiaries	[3][c] Title & Position with Other Businesses (include names of other businesses)	[4][a] 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)	[4][b] Percentage of Voting Shares in Subsidiaries (include names of subsidiary(s)) of the holding company	[4][c] 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)
Stuart Marshall Bloch Washington, DC 20008	Attorney	Director	Director (Congressional Bank)	J.C. Associates Partner	2.48%	N/A	J.C. Associates 50%
Jason M. Fish San Francisco, CA 94115	CIO, Director	Director	Director (Congressional Bank)	N/A	13.24%	N/A	N/A
Michael Gelman Chevy Chase, MD 20815	Foundation Manager	Director	N/A	Mid Atlantic Media Director	2.85%	N/A	Mid Atlantic Media 41%
Christopher Jones Potomac, MD 20854	Business Owner / Real Estate Development and Property Management & Advisory	Director & Treasurer	Director (Congressional Bank)	N/A	1.48%	N/A	N/A
John Lane Potomac, MD 20854	N/A	Director	N/A	N/A	1.37%	N/A	N/A
Don Cole Potomac, MD 20854	N/A	Director, President & CEO	President & CEO (Congressional Bank)	N/A	0.43%	N/A	N/A
Cynthia Flanders Kensington, MD 20895	Leadership/Career Coach Skipjack Partners LLC DBA Manage Fearlessly	Director	Director (Congressional Bank)	Verit Advisors LLC- Senior Advisor Argan, Inc. (AGX) Director	0.12%	N/A	N/A
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	Campbell Blvd. Pizza, Inc. Shareholder Officer	1.76%	N/A	Campbell Blvd. Pizza, Inc. 70.0%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	Chain Bridge Rd Pizza, Inc. Shareholder/Officer	1.76%	N/A	Chain Bridge Road Pizza, Inc. 74.0%

Item 4
INSIDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/19

[1] Names/Addresses	[2] Principal Occupation if Other than with Bank Holding Company	[3] Title & Position with Bank Holding Company	[3][b] Title & Position with Subsidiaries	[3][c] Title & Position with Other Businesses (include names of other businesses)	[4][a] 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)	[4][b] Percentage of Voting Shares in Subsidiaries (include names of subsidiary(s)) of the holding company	[4][c] 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)
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	* Clemenza LLC Managing Member * Denotes entity in which ownership of Robert Rubin is owned via the Robert K. Rubin Revocable Living trust (Robert K. Rubin, Trustee)	1.76%	N/A	Clemenza, Inc. 50.0%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	* Hyman Roth LLC Managing Member * Denotes entity in which ownership of Robert Rubin is owned via the Robert K. Rubin Revocable Living trust (Robert K. Rubin, Trustee)	1.76%	N/A	Hyman Roth LLC 50.0%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	* Moe Green LLC Managing Member * Denotes entity in which ownership of Robert Rubin is owned via the Robert K. Rubin Revocable Living trust (Robert K. Rubin, Trustee)	1.76%	N/A	Moe Greene LLC 50.0%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	Darnestown Road Pizza, Inc. Shareholder Officer	1.76%	N/A	Darnestown Road Pizza, Inc. 75.0%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	* V. Corleone, LLC Managing Member * Denotes entity in which ownership of Robert Rubin is owned via the Robert K. Rubin Revocable Living trust (Robert K. Rubin, Trustee)	1.76%	N/A	V. Corleone, LLC 50.0%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	Luca Brasi, LLC Managing Member * Denotes entity in which ownership of Robert Rubin is owned via the Robert K. Rubin Revocable Living trust (Robert K. Rubin, Trustee)	1.76%	N/A	Luca Brasi, LLC 50.0%

Item 4
INSIDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/19

[1] Names/Addresses	[2] Principal Occupation if Other than with Bank Holding Company	[3] Title & Position with Bank Holding Company	[3][b] Title & Position with Subsidiaries	[3][c] Title & Position with Other Businesses (include names of other businesses)	[4][a] 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)	[4][b] Percentage of Voting Shares in Subsidiaries (include names of subsidiary(s)) of the holding company	[4][c] 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)
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	Westlake Drive Pizza, Inc. Shareholder Officer	1.76%	N/A	Westlake Drive Pizza, Inc. 70.0%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	* 1073 Wisconsin Ave., LLC Managing Member * Denotes entity in which ownership of Robert Rubin is owned via the Robert K. Rubin Revocable Living trust (Robert K. Rubin, Trustee)	1.76%	N/A	1073 Wisconsin Ave., LLC 50.0%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	Tessio LLC Managing Member	1.76%	N/A	Tessio LLC 50%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	* Barzini, LLC Managing Member * Denotes entity in which ownership of Robert Rubin is owned via the Robert K. Rubin Revocable Living trust (Robert K. Rubin, Trustee)	1.76%	N/A	Barzini, LLC 50.0%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	Old Keene Mill Road Pizza Inc. President	1.76%	N/A	Old Keene Mill Road Pizza Inc. 70.0%
Robert Rubin Rockville, MD 20854	Business Owner / Restaurant and Real Estate Investment	Director & Secretary	Director & Secretary (Congressional Bank)	Kingstown Blvd Pizza Inc. President	1.76%	N/A	Kingstown Blvd Pizza Inc. 70.0%
John K. Delaney Chevy Chase, MD 20815	Chairman / CEO	Director & Chairman	Director & Chairman (Congressional Bank)	Friends of John Delaney campaign beneficiary	13.24%	N/A	Friends of John Delaney 100%
John K. Delaney Chevy Chase, MD 20815	Chairman / CEO	Director & Chairman	Director & Chairman (Congressional Bank)	Key Bridge I, LLC LLC member	13.24%	N/A	Key Bridge I, LLC 99.0%

Item 4
INSIDERS

CONGRESSIONAL BANCSHARES, INC.: 0003391129
AS OF 12/31/19

[1] Names/Addresses	[2] Principal Occupation if Other than with Bank Holding Company	[3] Title & Position with Bank Holding Company	[3][b] Title & Position with Subsidiaries	[3][c] Title & Position with Other Businesses (include names of other businesses)	[4][a] 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)	[4][b] Percentage of Voting Shares in Subsidiaries (include names of subsidiary(s)) of the holding company	[4][c] 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)
John K. Delaney Chevy Chase, MD 20815	Chairman / CEO	Director & Chairman	Director & Chairman (Congressional Bank)	Key Bridge Investments LLC Managing Member	13.24%	N/A	Key Bridge Investments LLC 100.0%
John K. Delaney Chevy Chase, MD 20815	Chairman / CEO	Director & Chairman	Director & Chairman (Congressional Bank)	Friends of St. Patrick's Episcopal Day School, LLC LLC Member - Manager	13.24%	N/A	Friends of St. Patrick's Episcopal Day School, LLC 37.2755%
John K. Delaney Chevy Chase, MD 20815	Chairman / CEO	Director & Chairman	Director & Chairman (Congressional Bank)	John Delaney Grantor Retained Annuity Trust	13.24%	N/A	John Delaney Grantor Retained Annuity Trust 100%
J.R. Schuble Potomac, MD 20859	Investor	Director	N/A	Associates Apartments Inc. Director	12.94%	N/A	Associates Apartments Inc. 50%
J.R. Schuble Potomac, MD 20859	Investor	Director	N/A	Dreyfuss Management Services Inc President/Director	12.94%	N/A	Dreyfuss Management Services, Inc. 50%
J.R. Schuble Potomac, MD 20859	Investor	Director	N/A	DSJ LLC Managing Member	12.94%	N/A	DSJ LLC 50%
J.R. Schuble Potomac, MD 20859	Investor	Director	N/A	J/S Key LLC Managing Member	12.94%	N/A	J/S Key LLC 50%
J.R. Schuble Potomac, MD 20859	Investor	Director	N/A	Rugby Personnel Services, Inc. President/Director	12.94%	N/A	Rugby Personnel Services, Inc. 50%
Mark Wendel Mclean, VA 22102	N/A	Assistant Secretary	Treasurer & Assistant Secretary, EVP & Chief Financial Officer (Congressional Bank)	N/A	0.13%	N/A	N/A

Congressional Bancshares, Inc.

Consolidated Financial Statements and Independent Auditors' Report

December 31, 2019 and 2018

Congressional Bancshares, Inc.

Index

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors and Stockholders
of Congressional Bancshares, Inc.

We have audited the accompanying consolidated financial statements of Congressional Bancshares, Inc. and Subsidiary which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 of 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 auditor's 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

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

DIXON HUGHES GOODMAN LLP

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Congressional Bancshares, Inc. and Subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Tysons, Virginia
March 27, 2020

Congressional Bancshares, Inc.

Consolidated Balance Sheets

December 31, 2019 and 2018

ASSETS	2019	2018
Cash and due from banks	$ 187,937,252	$ 47,392,293
Federal funds sold	114,392	113,413
Interest bearing deposits in other banks	15,107,599	15,240,051
Investment securities available-for-sale, at fair value	20,981,070	28,478,741
Investment securities held to maturity, at amortized cost	7,501,373	7,502,108
FHLB stock at cost	854,800	859,600
Loans held for sale carried at fair value	91,772,143	85,049,639
Loans held for invesrtment carried at fair value	57,103,514	53,213,558
Loans held for investment carried at amortized cost		
Loans held for investment carried at amortized cost, net	680,817,274	674,656,380
Allowance for loan losses	(7,063,001)	(5,514,703)
Net loans held for investment at amortized cost	673,754,273	669,141,677
Deferred tax asset, net	4,610,374	4,632,144
Bank premises and equipment, net	4,436,105	4,559,386
Accrued interest receivable	3,054,460	3,548,928
Other real estate owned	201,810	-
Intangible assets, other than goodwill	17,603,562	18,550,946
Goodwill	12,157,478	12,207,478
Cash surrender value of life insurance	8,063,998	7,935,134
Other assets	15,570,932	8,902,961
Total assets	$ 1,120,825,135	$ 967,328,057
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Non-interest bearing deposits	$ 244,208,343	$ 230,695,535
Interest bearing accounts	668,053,715	561,664,357
Total deposits	912,262,058	792,359,892
Other borrowed funds		
Subordinated notes, net	47,832,494	23,514,932
Junior subordinated obligations	2,862,565	2,845,174
Repurchase agreements and other short-term borrowings	523,176	1,451,835
Total other borrowed funds	51,218,235	27,811,941
Other liabilities	19,563,122	16,486,124
Total liabilities	983,043,415	836,657,957
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value per share, 5,000,000 shares authorized, no shares issued	-	-
Common stock, $.01 par value per share, 20,000,000 shares authorized, 11,609,222 and 11,711,439 shares issued and outstanding at December 31, 2019 and 2018	116,092	117,114
Additional paid-in capital	90,594,252	90,550,048
Accumulated other comprehensive loss	(12,756)	(524,031)
Retained earnings	47,084,132	40,526,969
Total stockholders' equity	137,781,720	130,670,100
Total liabilities and stockholders' equity	$ 1,120,825,135	$ 967,328,057

See notes to consolidated financial statements

Congressional Bancshares, Inc.

Consolidated Statements of Income

Years ended December 31, 2019 and 2018

	2019	2018
INTEREST INCOME		
Loans (interest and fees)	$ 60,050,620	$ 55,628,186
Investment securities	1,136,618	1,126,589
Deposits in other banks	1,835,020	1,630,162
Federal funds sold	2,430	4,278
Total interest income	63,024,688	58,389,215
INTEREST EXPENSE		
Deposits	12,256,632	7,560,391
Other borrowed funds	2,227,859	2,156,034
Total interest expense	14,484,491	9,716,425
Net interest income	48,540,197	48,672,790
Provision for loan losses	4,470,000	(223,532)
Net interest income after provision for loan losses	44,070,197	48,896,322
NON-INTEREST INCOME		
Service fees on deposit accounts	461,033	508,834
Loss on sale of investment securities	(112,711)	-
Gains on loans held for sale	5,156,622	17,095,691
Investment advisory fees	15,580,132	14,632,451
Other income	1,734,496	3,394,814
Total non-interest income	22,819,572	35,631,790
NON-INTEREST EXPENSES		
Salaries and employee benefits	33,703,325	37,899,704
Occupancy	5,368,404	5,156,908
Depreciation and amortization of Bank premises	1,766,133	1,571,214
Amortization of intangible assets	947,384	897,726
Data procesing	2,943,676	3,201,186
Professional fees	4,503,912	2,980,286
FDIC assessments	395,174	597,867
Advertising and mortgage lead expense	1,350,868	3,300,329
Travel	717,629	872,232
Loan fees and expense	639,191	2,001,252
Merger related expenses	48,032	482,790
Referral fees	1,689,652	1,938,430
Other expenses	3,677,690	4,272,822
Total non-interest expenses	57,751,070	65,172,746
INCOME BEFORE INCOME TAXES	9,138,699	19,355,366
Provision for income taxes	2,581,536	5,263,070
NET INCOME	$ 6,557,163	$ 14,092,296

See notes to consolidated financial statements

Congressional Bancshares, Inc.

Consolidated Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	2019	2018
Net Income	$ 6,557,163	$ 14,092,296
Other comprehensive income (loss), net of tax:		
Change in unrealized holding (losses) gains on securities held for sale net of tax of $(184,419) in 2019 and net of tax benefit of $39,758 in 2018	511,275	(110,100)
Reclassification adjustment for loss realized in income net of tax benefit of $30,646 in 2019	82,065	-
Total other comprehensive income (loss), net of tax	593,340	(110,100)
Comprehensive Income	$ 7,150,503	$ 13,982,196

See notes to consolidated financial statements

Congressional Bancshares, Inc.

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2019 and 2018

	Common stock					
	Shares	Amount	Additional paid-in capital	Retained Earnings	Accumulated other comprehensive loss	Total stockholders' equity
Balance, December 31, 2017	9,744,640	$ 97,446	$ 74,136,372	$ 26,434,673	$ (413,931)	$ 100,254,560
Net income	-	-	-	14,092,296	-	14,092,296
Acquisition of Alliance	750,000	7,500	7,492,500			7,500,000
Other comprehensive loss, net of tax	-	-	-	-	(110,100)	(110,100)
Stock warrants excercised	1,131,770	11,318	8,563,553			8,574,871
Stock based compensation	85,029	850	357,623	-	-	358,473
Balance, December 31, 2018	11,711,439	117,114	90,550,048	40,526,969	(524,031)	130,670,100
Net income	-	-	-	6,557,163	-	6,557,163
Other comprehensive income, net of tax	-	-	-	-	511,275	511,275
Stock repurchase	(237,500)	(2,375)	(1,897,625)			(1,900,000)
Issuance of stock	90,000	900	1,009,100			1,010,000
Stock based compensation	45,283	453	932,729	-	-	933,182
Balance, December 31, 2019	11,609,222	$ 116,092	$ 90,594,252	$ 47,084,132	$ (12,756)	$ 137,781,720

See notes to consolidated financial statements

Congressional Bancshares, Inc.

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 6,557,163	$ 14,092,296
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,713,517	2,468,940
Provision for loan losses	4,470,000	(223,532)
Mortgage loans originated for sale	(177,786,472)	(353,561,405)
Proceeds of mortgage loans sold	182,218,335	395,445,210
Net amortization on securities	131,771	221,713
Net loan accretion income	(3,902,909)	(4,077,586)
Loss on sale of investment securities	112,711	-
Impairment of investment securities	-	25,000
Gain on sale of mortgage and commercial loans held for sale	(5,156,622)	(17,095,691)
Net purchase of commercial loans held for sale	(18,265,510)	(69,347,717)
Unrealized loss on commercial loans held for sale	897,628	471,307
Loss on disposal of fixed assets	150,050	95,920
Proceeds of other real estate owned sold	73,559	295,104
Loss on sale of other real estate owned	1,051	(27,095)
Impairment of other real estate owned	-	(34,261)
Increase in cash surrender value of bank-owned life insurance policies	(128,864)	(138,412)
Accretion of certificate of deposits fair value adjustment	(941)	(3,512)
Amortization of subordinated notes issuance costs	67,198	60,951
Amortization of fair value junior subordinated obligations	17,391	17,391
Stock-based compensation	933,182	160,833
Deferred income taxes	(162,649)	(1,412,260)
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	494,468	(150,859)
(Increase) decrease in other assets	(66,355)	2,543,288
Increase in other liabilities	3,126,998	(299,716)
Net cash used in operating activities	(3,505,300)	(30,474,093)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid to acquire Alliance, net	-	(70,229,525)
Net increase in loans held for investment carried at fair value	5,821,534	(5,159,573)
Net (increase) decrease in loans held for investment carried at amortized cost	(3,797,460)	26,025,586
Net decrease in interest bearing deposits in other banks	132,452	25,072,911
Net decrease in FHLB stock	4,800	186,500
Net (increase) decrease in federal funds sold	(979)	2,044,391
Purchase of securities available for sale	(3,010,000)	(2,000,000)
Proceeds from maturities, prepayments and calls of securities available for sale	4,358,002	4,947,258
Purchase of bank premises and equipment	(1,792,902)	(2,408,505)
Net cash Provided by (used in) investing activities	1,715,447	(21,520,957)

See notes to consolidated financial statements

Congressional Bancshares, Inc.

Consolidated Statements of Cash Flows - Continued

December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on FHLB borrowings	-	(7,000,000)
Proceeds from Subordinated notes	24,250,364	-
Net decrease in securities sold under agreements to repurchase	(928,659)	(634,655)
Net increase in non-interest bearing deposits	13,512,808	54,209,911
Net increase (decrease) in interest bearing deposits	106,390,299	(82,198,095)
Stock repurchase	(1,900,000)	-
Issuance of stock	1,010,000	-
Stock warrants exercised	-	8,772,511
Net cash provided by (used in) financing activities	142,334,812	(26,850,328)
Net increase (decrease) in cash and cash equivalents	$ 140,544,959	$ (78,845,378)
Cash and cash equivalents, beginning of year	47,392,293	126,237,671
Cash and cash equivalents, end of year	$ 187,937,252	$ 47,392,293
Supplemental disclosures:		
Interest paid during the year	$ 13,783,659	$ 9,635,311
Income taxes paid during the year	$ 3,675,352	$ 3,795,531
Loans held for sale transferred to loans receivable a fair value	$ 9,436,060	$ 12,961,658
Loans held for sale transferred to loans receivable at amortized cost	$ 1,934,077	$ 3,785,583
Loans receivable transferred to other real estate owned	$ 276,420	$ -
Noncash investing activities:		
Acqusition:		
Assets acquired (excluding goodwill)	$ -	$ 95,791,594
Liabilities assumed	-	3,715,603
Purchase price	-	100,090,531
Goodwill recorded	-	8,014,540

Congressional Bancshares, Inc.

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Congressional Bancshares, Inc. (Bancshares) is a Maryland-chartered holding company serving the needs of individuals, small and medium sized businesses and professional concerns in the Washington, DC Metropolitan area. Bancshares operates Congressional Bank, a wholly owned subsidiary, as a community bank, emphasizing personal service and flexibility in the face of increasing standardization by the large national and super-regional banks who maintain local branch networks. Congressional Bank began operations and opened its first branch location in Potomac, Maryland in October 2003. Bancshares provides full service commercial banking to individuals and businesses. Services include accepting deposits and extending real estate, consumer and commercial loans and lines of credit in and outside the Washington, DC Metropolitan area.

Alliance Partners LLC and its affiliates (Alliance) (wholly owned subsidiaries) is an asset management and advisory firm focused on helping financial institutions optimize their asset strategies and build profitable and balanced loan and investment portfolios. Alliance's primary source of revenue is serving as advisor to the community and regional banks who are members of BancAlliance Inc. (BancAlliance), as well as earning interest income received on loans either held for sale or held for investment. For its role as advisor, Alliance receives an advisory fee based upon the average outstanding loan balance for which it provides advisory services. As part of the relationship with BancAlliance, Alliance generally purchases and holds an interest equal to at least 2% of the total loan commitment made by BancAlliance on behalf of its members. Alliance also manages loan portfolios and purchases and sells loans, for its own account and that of clients, outside of BancAlliance.

Subsequent Events

Management has considered material subsequent events for disclosure and recognition through March 27, 2020 the date the consolidated financial statements were available to be issued. Public health issues and the economic dislocation resulting from the current corona virus pandemic could affect the stability of Congressional Bank's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, and adversely impact Congressional Bank's employee base. Any of these could result in loss of revenue, and / or cause the Company to incur additional expenses. Management has established and enacted disaster recovery policies and procedures, and both The Federal Reserve and the US Congress have taken actions to mitigate the economic impact of this pandemic. However, as of March 27, 2020, the date the consolidated financial statements were available to be issued, many uncertainties remain and the ultimate impact on the Company's financial condition and results of operations cannot be accurately quantified.

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, as applicable to financial institutions, and include the accounts of Bancshares, Congressional Bank and Alliance (collectively "the Bank"). All significant inter-company 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. Our relationship with BancAlliance as described in Note 11 includes the potential absorption of certain BancAlliance expenses, which we consider a variable interest in a VIE. We have determined that we are not the primary beneficiary of BancAlliance. At December 31, 2019 and 2018, the amounts due to us from BancAlliance were $881,704 and $700,626, respectively.

Reclassifications

Certain reclassifications have been made to prior period balances to conform to the current year presentation with no impact on net income or stockholders' equity as previously reported.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and determination of fair value of financial assets and liabilities.

Concentration of Credit Risk

The Bank offers commercial and industrial loans, specialized lending, such as health care asset-based loans and participations in larger syndicated loans in and outside of the Washington, DC Metropolitan area. Interest bearing deposits in banks are held in several financial institutions, and the balances in these accounts, at times, exceed FDIC insurance limits. Deposits are largely obtained from customers in the Washington, DC Metropolitan area.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks for the purpose of the statement of cash flows.

Interest Bearing Deposits in Other Banks

Interest bearing deposits in other banks include money market accounts that have no maturity date and are carried at cost. The Bank had certificates of deposits in banks with remaining maturities of five and nine months at December 31, 2018. The Bank had no certificate of deposits in banks at December 31, 2019.

Investment Securities

Debt securities are classified as held-to-maturity when the Bank 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 with readily determinable fair values are classified as available-for-sale and are carried at fair value with unrealized gains (losses) reported in accumulated other comprehensive income. Realized gains (losses) on securities available for sale are included in other income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. Gains and losses on sales of securities are determined using the specific-identification method.

The Bank 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 cost basis of individual securities is written down through a charge to earnings when declines in fair value below amortized cost are considered to be other than temporary. In cases where fair value is less than amortized cost and the Bank 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 basis, or the Bank does not expect to recover the entire amortized cost basis of a debt security, an other-than-temporary impairment is considered to have occurred. If the Bank intends to sell the debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the debt security's amortized cost basis and its fair value at the balance sheet date. If the Bank does not expect to recover the entire amortized cost basis of the security, the Bank does not intend to sell the security and it is not more likely than not that the Bank will be required to sell the security before recovery of its amortized cost basis, the other-than-temporary impairment 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 other-than-temporary impairment 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 applicable taxes. Subsequently, the Bank accounts for the other-than-temporarily impaired debt security as if the security had been purchased on the measurement date of the other-than-temporary impairment at an amortized cost basis equal to the previous amortized cost basis less the other-than-temporary impairment recognized in earnings. The cost basis of individual equity securities is written down to estimated fair value through a charge to earnings when declines in value below cost are considered to be other than temporary.

Federal Home Loan Bank Stock

Federal Home Loan Bank (FHLB) stock represent required investments in the common stock of a correspondent bank. These securities do not have a readily determinable fair value as their ownership is restricted, and they lack an active market for trading. Additionally, all repurchases of such stock occur at par. Accordingly, these securities are carried at cost, and are periodically evaluated for impairment.

The Bank's determination as to whether its investment in FHLB stock 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 our investment is influenced by available information regarding various factors. These factors include, among others, the significance of the decline in net assets of the issuing banks as compared to the capital stock amount reported by these banks, and the length of time a decline has persisted; commitments by such banks to make payments required by law or regulation and the level of such payments in relation to the operating performance of the issuing bank; and the overall liquidity position of the issuing bank. Based on its most recent analysis of publicly available information regarding the financial condition of the issuing banks, management concluded that no impairment existed in the carrying value of this stock.

Loans Held for Sale

The Bank has elected fair value option for loans originated and intended for sale in the secondary market. Gains and losses on loan sales (sales proceeds minus carrying value) are recorded in other income, and direct loan origination costs and fees are expensed as incurred and are included in the determination of the gain or loss on sales. Mortgage loans are sold on a servicing released basis, therefore there is no intangible asset recorded for the value of such servicing.

Derivatives

Derivatives are recognized as assets and liabilities on the consolidated balance sheets and measured at fair value. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair vale may require significant management judgment or estimation.

The Bank enters into interest rate lock commitments to originate residential mortgage loans whereby the interest rate on the loan is determined prior to funding. These interest rate lock loan commitments that relate to the origination of a mortgage loan to be held for sale upon funding are considered derivative instruments under the derivatives and hedging accounting guidance. Loan commitments that are derivatives are recognized at fair value on the consolidated balance sheets in other assets. Interest rate lock commitments totaled $98,319 and $925,018 as of December 31, 2019 and 2018, respectively.

The Bank evaluates all loan sale agreements to determine whether they meet the definition of a derivative. To protect against the price risk inherent in derivative loan commitments, the Company sells loans on both a “mandatory delivery” and “best efforts” basis to mitigate the risk of potential decreases in the value of loans that would result from the derivative loan commitments. The Bank also uses mortgage-backed security hedges and pairoffs to mitigate interest rate risk by entering into securities and mortgage-backed securities trades with brokers.

Loans Receivable Carried at Fair Value

The Bank has elected the fair value option, as described in ASC 825-10-25, for all loans held by the subsidiaries acquired from Alliance on January 31, 2018. The policy election is inclusive of the loans held as of the subsidiary acquisition date and all subsequent loans acquired by the subsidiary. Gains and losses on changes in fair value are recognized in other income.

Loans Receivable Carried at Amortized Cost

Interest on loans is accrued and credited to income based on the principal amount and contract rate on the loan. Loan origination fees and certain 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. 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, generally when a loan is 90 days past due. The accrual of interest on some loans, however, may continue even after the loan becomes 90 days past due in special circumstances that management deems appropriate. 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. 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.

Except for the loans held by Alliance, loans that management has the intent and the ability to hold for the foreseeable future or until maturity or payoff are carried at principal balances outstanding, reduced by any charge-off or specific valuation accounts and net of any deferred fees or costs on originated loans and allowance for loan losses. Held for investment loans owned by Alliance are carried at fair value, as disclosed above.

Loans Acquired

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 “nonaccretable 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.

Loan Fees and Costs

Non-refundable fees and certain direct costs associated with the origination of loans are amortized to income over the contractual life of the related loans and recognized as fee income should a payoff occur early. 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

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to operations. 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 Bank 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 Bank 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 component of the allowance for loan losses is established for loans that do not meet the definition of impaired. 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 Bank may agree to grant a concession or loan modification to a borrower experiencing financial difficulty that it would not otherwise consider. The Bank 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. 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 Bank 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 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 Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Bank Premises and Equipment

Bank premises and equipment are reported at cost less accumulated depreciation and amortization. Depreciation and amortization are recorded using the straight-line method over the estimated useful life of the related asset as follows: furniture and equipment, 3 to 10 years, software 3 to 5 years. Amortization of leasehold improvements is recognized over the lesser of the estimated useful life of the asset or the term of the lease. Maintenance and repairs are charged to operating expense as incurred.

Accrued Interest Receivable

Interest on loans is recognized as earned. Accrual of loan interest is discontinued and a reserve established on existing accruals if management believes that after considering collateral value, economic and business conditions and collection efforts, the borrower's financial condition is such that collection of interest is doubtful.

Other Real Estate Owned (OREO)

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs incurred after acquisition are generally expensed. If the fair value of the asset declines, an impairment loss is recorded.

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 assets acquired less the estimated fair value of the liabilities assumed related to the acquisition of American Bank Holdings, Inc. in 2016 and the acquisition of Alliance Partners LLC in 2018. Core deposit intangibles represent the estimated fair value of long-term deposit relationships acquired from American Bank Holdings. The customer relationship intangibles represent the estimated fair value of long-term customer relationships acquired from Alliance Partners LLC. The core deposit intangible is being amortized over 10 years. The customer relationship intangible is being amortized over 20 years. The core deposit and customer relationship intangibles are periodically reviewed for reasonableness. Goodwill has an indefinite useful life and is evaluated for impairment annually or more frequently if events and circumstances indicate that the asset might be impaired.

Bank Owned Life Insurance

The Bank invests in bank owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchase of life insurance by the Company on a select group of officers and directors whereby it is the owner and beneficiary of the policies. This life insurance is carried at the cash surrender value of the underlying policies and is included in other assets. Income from the increase in the cash surrender value of the policies is included in non-interest income.

Repurchase Agreements and Other Short-Term Borrowings

The Bank routinely enters into repurchase agreements with customers. As part of the repurchase agreements, the Bank uses marketable investment securities from its investment portfolio as collateral for the customer agreements. The repurchase agreements bear interest at a market rate.

The Bank maintains Fed Funds facilities with eight other financial institutions in the amount of $143 million. There were no borrowings outstanding on these facilities at December 31, 2019 and 2018.

Deferred Rent

Deferred rent is recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis exceed or are less than the cash payments required.

Comprehensive Income

Comprehensive income is comprised of the net income and other comprehensive income (loss), which includes unrealized gains and losses on available-for-sale securities, which is the Bank’s sole component of accumulated other comprehensive income (loss). The only item reclassified out of accumulated other comprehensive income (loss) was the realized loss on sale of securities available for sale, which is presented on a separate line item in the consolidated statements of income.

Revenue Recognition

The Bank generally acts in a principal capacity, on its own behalf, in its contracts with customers. In these transactions, we recognize revenues and the related costs to generate those revenues on a gross basis. In certain, circumstances, we act in an agent capacity, on behalf of the customers with other entities, and recognize revenues and the related costs to provide our services on a net basis. Business lines where the Bank acts as an agent include interchange and debit card income, merchant services and check sales. Descriptions of our noninterest revenue-generating activities are broadly segregated as follows:

Service Charges on deposit accounts - These deposit account-related fees represent monthly account maintenance and transaction-based service fees such as overdraft fees, stop payment fees and charges for issuing cashier's checks and money orders. For account maintenance services, revenue is recognized at the end of the statement period when our performance obligation has been satisfied. All other revenues from transaction-based services are recognized at a point in time when the performance obligation has been completed.

Other service charges and fees - These include, but are not limited to, check cashing fees, internet banking fees, wire transfer fees and safe deposit fees. The performance obligation is fulfilled, and revenue is recognized, at the point in time the requested service is provided to the customer.

Interchange and debit card revenue - These represent interchange fees, included in Other service charges and fees, from customer debit and credit card transactions that are earned at the time a cardholder engages in a transaction with a merchant. Revenue is recognized when the performance obligation has been satisfied, which is upon completion of the card transaction. Additionally, costs associated with interchange and debit card revenue are netted against the fee income from such transactions.

Sales of Other Real Estate (OREO) - OREO property consists of foreclosed real estate used as collateral for loans. Revenue is generally recognized on the date of sale where the performance obligation of providing access and transferring control of the specified OREO property to the buyer in good faith and good title is satisfied.

Merchant services- These represent fees charged to merchants, included in Other non-interest income, for providing them the ability to accept and process the debit and credit card transaction. Revenue is recognized when the performance obligation has been satisfied, which is upon completion of the card transaction. Costs associated with merchant services transactions are netted against the fee income from such transactions.

Asset Management and Advisory Service Fees - Asset management and advisory service fees are accrued and reported as advisory income as services are performed. Such fees are based on pre-determined annual percentages of the average outstanding balance of the loans during the periods for which Alliance provides services.

Other - This consists of several forms of recurring revenue such as dividends on equity investments without a readily determinable fair value, Federal Home Loan Bank (FHLB) dividends, and income earned on changes in the cash surrender value of bank-owned life insurance, all of which are outside the scope of ASU 2014-09. The remaining miscellaneous income is the result of immaterial transactions where revenue is recognized when, or as, the performance obligation is satisfied.

Advertising and mortgage lead expense

As part of our strategy for locating potential clients in our mortgage banking business, we continually purchase lists of potential customers, or leads, from several vendors based upon publicly available demographic information. We expense the costs of these lists and any related services in the month that we receive invoices from these vendors.

Income Taxes

The Bank 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 bases 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 Bank for 2016, 2017, and 2018 are subject to examination by income taxing authorities, generally for three years after they were filed.

The Bank determined that as of December 31, 2019 and 2018, it has no material uncertain tax positions and no interest or penalties have been accrued. The Bank has elected to recognize any estimated penalties and interest on its income tax liabilities as a component of its provision for income taxes.

Stock-based Payment

The Bank recognizes compensation expense for the grant-date fair value of stock options and other equity-based compensation. The Bank recognizes expense over the requisite service period, which is generally the vesting period. 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 Bank’s stock options and other equity-based compensation arrangements are classified as equity awards.

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 Bank’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 17.

Risks and Uncertainties

In the normal course of its business, the Bank 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 Bank is subject to interest rate risk to the degree that its interest-bearing liabilities mature or re-price at different speeds, or on different bases, than its interest-earning assets. Credit risk is the risk of default on the Bank'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 underlying loans and investments.

The Bank is subject to the regulations of various government agencies. These regulations can and do change significantly from period to period. The Bank 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.

New Accounting Standards

Accounting Standards Adopted in 2019 and 2018

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).* The new guidance clarifies the classification within the statement of cash flows for certain transactions, including debt extinguishment costs, zero-coupon debt, contingent consideration related to business combinations, insurance proceeds, equity method distributions and beneficial interests in securitizations. The guidance also clarifies that cash flows with aspects of multiple classes of cash flows or that cannot be separated by source or use should be classified based on the activity that is likely to be the predominant source or use of cash flows for the item. This guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This new guidance clarifies the guidance for classification of certain cash receipts and payments within an entity's statements of cash flows. These items include debt prepayment or extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of BOLI policies, distributions received from equity method investees, and beneficial interests in securitization transactions. The amended guidance also specifies how to address classification of cash receipts and payments that have aspects of more than one class of cash flows. This guidance is effective for fiscal years beginning after

December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.* The new guidance eliminates the concept of APIC pools for stock-based awards and requires that the related excess tax benefits and tax deficiencies be classified as an operating activity in the statement of cash flows. The new guidance also allows entities to make a one-time policy election to account for forfeitures when they occur, instead of accruing compensation cost based on the number of awards expected to vest. Additionally, the new guidance changes the requirement for an award to qualify for equity classification by permitting tax withholding up to the maximum statutory tax rate instead of the minimum statutory tax rate. The new guidance is effective for annual periods beginning after December 15, 2017 and interim periods within annual periods beginning after December 15, 2018. The Bank adopted this guidance in 2018.

In January 2016, the FASB issued ASU No. 2016-01 *Financial Instruments-Overall (Topic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* which amends the guidance on the classification and measurement of financial instruments. Some of the amendments in this ASU include the following: (1) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value measured in net income; (2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (3) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; and (4) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value, among others. The amendments of ASU 2016-01 are effective for fiscal years beginning after December 15, 2018, and interim periods within these fiscal years beginning after December 15, 2019. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers,* which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principal of this ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU is effective for annual reporting periods beginning after December 15, 2018 and interim periods within annual reporting periods after December 15, 2019. The adoption of this guidance did not have a material effect on the consolidated financial statements. See revenue recognition section of Note 1.

Accounting Standards Pending Adoption

In August 2017, the FASB issued ("ASU") 2017-12, *Derivatives and Hedging Accounting Standards Update*. The amendments in the Update 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 will be 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 is not expected to have a material effect on the consolidated financial statements.

In March 2017, the FASB issued Accounting Standards Update ("ASU") 2017-08 *Receivables-Nonrefundable Fees and other Costs*. The Update shortens the amortization period for certain callable debt securities held at a premium. This update will be 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 is not expected to have a material effect on the consolidated financial statements.

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, 2023 and interim periods within those fiscal years. Early adoption is permitted starting with fiscal years beginning after December 31, 2018. The Company's management team has engaged a vendor with the software resources to assist with the implementation and is in process of evaluating the impact of this pronouncement.

In February 2016, the FASB issued Accounting Standard Update (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 beginning after December 15, 2019, and interim periods within these fiscal years beginning after December 15, 2020. 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 Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

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 – Merger

On January 31, 2018, Congressional Bancshares, Inc. and Congressional Bank acquired the operating business and a substantial portion of the assets of Alliance Partners LLC. The operating business acquired from Alliance Partners LLC, ("Alliance") is operated as a subsidiary of Congressional Bank and continues to operate using the name Alliance Partners LLC. Congressional engaged in this acquisition to diversify its revenue streams and expects to recognize synergies from the transaction by utilizing the Company's lower funding costs to increase the profitability of and expand Alliance's business model.

For the acquisition, Congressional paid to Alliance Partners LLC approximately $100 million, payable in cash and 750,000 shares of Congressional Bancshares common stock ("Common Stock"). Based on 9,744,640 shares of Common Stock outstanding immediately prior to the closing of the acquisition, the 750,000 shares constitute approximately 7.1% of the Common Stock. As of the date of the merger, Congressional acquired approximately $96 million of assets. The merger was accounted for under the acquisition accounting method whereby the assets and liabilities of Alliance were recorded at their estimated fair values as of the merger date.

The following table shows the consideration paid for Alliance common equity and the amounts of acquired identifiable assets and liabilities assumed as of the acquisition date.

Purchase price		
Cash paid	$	92,590,531
Value of common shares issued (750,000 shares)		7,500,000
Total purchase price	$	100,090,531
Identifiable assets		
Cash and due from banks	$	22,361,006
Loans held for sale		15,584,500
Loans receivable		34,497,103
Fixed assets		1,870,365
Customer relationship intangible		16,142,000
Trade name and trademark intangible		2,114,000
Other assets		3,222,620
Total identifiable assets	$	95,791,594
Identitfiable liabilities		
Severance and retention payments payable		1,750,000
Other liabilities		1,965,603
Total identifiable liabilities	$	3,715,603
Net assets acquired including identifiable assets	$	92,075,991
Resulting goodwill	$	8,014,540

In many cases, determining the fair value of the acquired assets and assumed liabilities the Company estimates cash flows expected to result from those assets and liabilities and discounts those cash flows at appropriate rates of interest. The most significant of these determinations related to the valuation of the loans acquired and the customer relationship intangible.

In connection with the acquisition of Alliance, the Company incurred acquisition related expenses of $143,468 during 2018.

Note 3 - Cash and Due from Banks

Regulation D of the Federal Reserve Act requires the Bank to maintain reserve balances with the Federal Reserve Bank based principally on the type and amount of the Bank's deposits. Balances maintained are included in cash and due from banks. At December 31, 2019 and 2018, the required reserve balance was $19,992,000 and $14,796,000, respectively.

Note 4 - Investment Securities

Investment securities held-to-maturity at December 31, 2019 and 2018 consisted of the following securities:

	2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency mortgage-backed securities	$ 1,373	$ 125	$ -	$ 1,498
Corporate bonds	7,500,000	226,197	-	7,726,197
Total investment securities	$ 7,501,373	$ 226,322	$ -	$ 7,727,695

	2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency mortgage-backed securities	$ 2,108	$ 177	$ -	$ 2,285
Corporate bonds	7,500,000	28,497	(176,000)	7,352,497
Total investment securities	$ 7,502,108	$ 28,674	$ (176,000)	$ 7,354,782

The amortized cost and fair value of securities as of December 31, 2019 and 2018 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without any penalties. Management expects certain of these securities to prepay or be called prior to their contractual maturity.

	2019		2018	
	Amortized cost	Fair value	Amortized cost	Fair value
Due after five years through ten years	7,501,373	7,727,695	7,502,108	7,354,782
Total	$ 7,501,373	$ 7,727,695	$ 7,502,108	$ 7,354,782

Information pertaining to securities held to maturity with gross unrealized losses at December 31, 2018 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	2018					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	fair value	Unrealized loss
Corporate bonds	$ -	$ -	$ 1,824,000	$ (176,000)	$ 1,824,000	$ (176,000)
	$ -	$ -	$ 1,824,000	$ (176,000)	$ 1,824,000	$ (176,000)

Investment securities available-for-sale at December 31, 2019 and 2018 consisted of the following securities:

	2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency mortgage-backed securities	$ 4,330,281	$ -	$ (50,754)	$ 4,279,527
SBA securities	2,064,944	-	(56,338)	2,008,606
Collateralized loan obligations	3,021,658	-	(34,903)	2,986,755
Corporate bonds	6,501,980	22,528	(1,904)	6,522,604
Municipal bonds	5,035,173	103,805	-	5,138,978
Other investments	44,600	-	-	44,600
Total investment securities	$ 20,998,636	$ 126,333	$ (143,899)	$ 20,981,070

	2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency mortgage-backed securities	$ 11,754,287	$ 8,655	$ (545,038)	$ 11,217,904
SBA securities	5,878,193	92	(144,338)	5,733,947
Collateralized loan obligations	3,025,476	-	(50,115)	2,975,361
Corporate bonds	6,501,821	17,049	(19,341)	6,499,529
Municipal bonds	1,987,624	19,776		2,007,400
Other investments	44,600	-	-	44,600
Total investment securities	$ 29,192,001	$ 45,572	$ (758,832)	$ 28,478,741

The amortized cost and fair value of securities as of December 31, 2019 and 2018 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without any penalties. Management expects certain of these securities to prepay or be called prior to their contractual maturity.

	2019	
	Available-for-sale securities	
	Amortized cost	Fair value
Due within one year	18,185	18,028
Due after one year through five years	-	-
Due after five years through ten years	-	-
Due after ten years	2,046,759	1,990,578
Agency mortgage-backed securities corporate and municipal bonds and collateralized loan obligations	18,889,092	18,927,864
Other investments	44,600	44,600
Total	$ 20,998,636	$ 20,981,070

	2018	
	Available-for-sale securities	
	Amortized cost	Fair value
Due within one year	$ 174,767	$ 174,472
Due after one year through five years	1,360,335	1,326,612
Due after five years through ten years	-	-
Due after ten years	4,343,091	4,232,863
Agency mortgage-backed securities corporate bonds and collateralized loan obligations	23,269,208	22,700,194
Other investments	44,600	44,600
Total	$ 29,192,001	$ 28,478,741

Gross proceeds of $6,601,616 from sales of investments in December 2019 were received in January 2020. During 2019, gross losses of $112,711 were recognized. During 2018 there were no sales of investments.

At December 31, 2019, securities with a carrying value of $4,270,688 were pledged to secure repurchase agreements, Federal Home Loan Bank advances and for other purposes required or permitted by law.

Information pertaining to securities available for sale with gross unrealized losses at December 31, 2019 and 2018 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	2019					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	fair value	Unrealized loss
Agency mortgage-backed securities	$ -	$ -	$ 4,217,075	$ (50,501)	$ 4,217,075	$ (50,501)
SBA securities	-	-	2,008,606	(56,338)	2,008,606	(56,338)
Collateralized loan obligations	62,452	(253)	2,986,755	(34,903)	3,049,207	(35,156)
Corporate bonds	-	-	1,498,097	(1,904)	1,498,097	(1,904)
	$ 62,452	$ (253)	$ 10,710,533	$ (143,646)	$ 10,772,985	$ (143,899)

	2018					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	fair value	Unrealized loss
Agency mortgage-backed securities	$ 390,010	$ (12,595)	$ 10,247,446	$ (532,443)	$ 10,637,456	$ (545,038)
SBA securities	160,667	(632)	5,514,984	(143,706)	5,675,651	(144,338)
Collateralized loan obligations	-	-	2,975,361	(50,115)	2,975,361	(50,115)
Corporate bonds	-	-	4,480,659	(19,341)	4,480,659	(19,341)
	$ 550,677	$ (13,227)	$ 23,218,450	$ (745,605)	$ 23,769,127	$ (758,832)

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 Bank 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 Bank has the intent and ability to hold these available-for-sale securities for a period of time sufficient to allow for any anticipated recovery. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Bank 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 Bank does not consider these securities to be other-than-temporarily impaired at December 31, 2019 or 2018.

Note 5 - Loans Receivable

At certain times, when our intention with respect to a loan changes, we transfer loans between loans held for sale and loans held for investment as part of overall portfolio management strategies. During the years ended December 31, 2019 and 2018 we transferred loans with a carrying value of $9,436,060 and $12,961,658, respectively from loans held for sale to loans carried at fair value. During the years ended December 31, 2019 and 2018 we transferred loans with a carrying value of $1,934,077 and $3,785,583 from loans held for sale to loans held for investment at amortized cost. During the year ended December 31, 2018, we transferred $67.1 million from loans held for investment to loans held for sale. We incurred no losses during 2018 due to the lower of cost or fair value adjustment at the time of transfer.

Loans receivable carried at fair value at December 31, 2019 and 2018 consists of commercial loans.

Loans receivable, net of unamortized loan fees and costs and net of the allowance for loan losses, at December 31, 2019 and 2018 are summarized by type as follows:

	2019	2018
Loans measured at fair value		
Commercial	$ 57,103,514	$ 53,213,558

	2019	2018
Commercial real estate	$ 262,180,642	$ 98,220,512
Construction-commercial and residential	63,919,226	46,286,441
Commercial	216,849,487	372,571,941
Residential real estate	120,430,164	124,729,261
Consumer installment	20,287,396	36,290,270
Total loans receivable	683,666,915	678,098,425
Net deferred fees and costs	(2,849,641)	(3,442,045)
Allowance for loan losses	(7,063,001)	(5,514,703)
Total loans receivable, net	$ 673,754,273	$ 669,141,677

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

Commercial Real Estate

Commercial real estate loans are primarily secured by various types of commercial real estate including office, retail, warehouse, industrial and other non-residential types of properties and are made to owners and/or occupiers of such property. 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 segment, loans are further bifurcated between loans secured by owner occupied properties and investment (non-owner occupied) properties, as loans secured by investment properties exhibit higher risk.

Construction-Commercial and Residential

These loans consist of single-family residential projects, multi-family properties and commercial projects and are generally considered to involve a higher degree of risk than long-term financing on improved, occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estate of the property's value at completion of construction and estimated costs of construction, as well as the property's ability to attract and retain tenants.

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 segment, there is further bifurcation to isolate health care loans which consist primarily of asset-based loans to skilled nursing and assisted living facilities and corporate loans which are typically cash flow loans (including leveraged loans) asset-based or lender finance 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.

Residential Real Estate

These loans are secured by residential real estate and are further bifurcated to isolate first lien mortgages, second 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.

The following presents by class of loan, information related to non-accrual loans as of the years ended December 31:

	2019	2018
Commercial real estate	$ 8,403,268	$ 483,395
Commercial	9,468,981	7,292,491
Residential real estate	10,762,882	3,417,094
Consumer installment	86,517	285,414
Total nonaccrual loans	$ 28,721,648	$ 11,478,394

The following table presents by class, an aging analysis and the recorded investments in loans past due as of December 31, 2019 and 2018:

December 31, 2019	Loans 30-59 days past due (includes nonaccrual)	Loans 60-89 days past due (includes nonaccrual)	Loans 90 days or more past due (includes nonaccrual)	Total past due loans	Current loans	Total recorded investment in loans
Commercial real estate	$ 1,452,603	$ 387,694	$ 8,015,574	$ 9,855,871	$ 252,324,771	$ 262,180,642
Construction	-	-	-	-	63,919,226	63,919,226
Commercial	-	-	-	-	216,849,487	216,849,487
Residential real estate	5,682,977	1,717,430	3,626,814	11,027,221	109,402,943	120,430,164
Consumer installment	250,406	7,527	78,112	336,045	19,951,351	20,287,396
Total loans receivable	$ 7,385,986	$ 2,112,651	$ 11,720,500	$ 21,219,137	$ 662,447,778	$ 683,666,915

December 31, 2018	Loans 30-59 days past due (includes nonaccrual)	Loans 60-89 days past due (includes nonaccrual)	Loans 90 days or more past due (includes nonaccrual)	Total past due loans	Current loans	Total recorded investment in loans
Commercial real estate	$ 765,455	$ -	$ 54,834	$ 820,289	$ 97,400,223	$ 98,220,512
Construction	-	-	-	-	46,286,441	46,286,441
Commercial	5,379		5,217,622	5,223,001	367,348,940	372,571,941
Residential real estate	5,838,544	526,800	2,298,129	8,663,473	116,065,788	124,729,261
Consumer installment	273,702	124,049	-	397,751	35,892,519	36,290,270
Total loans receivable	$ 6,883,080	$ 650,849	$ 7,570,585	$ 15,104,514	$ 662,993,911	$ 678,098,425

The following table presents by class, information related to impaired loans as of December 31, 2019 and 2018:

	December 31, 2019							
	Unpaid contractual principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance	Average recorded investment	Interest income recognized	Cash basis interest income
Commercial real estate	$ 9,824,096	$ 442,528	$ 7,960,741	$ 8,403,269	$ 2,072,702	$ 6,913,500	$ 243,015	$ -
Commercial	12,824,097	4,599,543	4,869,438	9,468,981	423,895	4,585,013	203,911	-
Residential real estate	11,803,160	9,753,296	1,009,585	10,762,881	374,187	7,227,671	79,474	-
Consumer installment	72,973	-	86,517	86,517	82,226	-		-
Total impaired loans at December 31, 2019	$ 34,524,326	$ 14,795,367	$ 13,926,281	$ 28,721,648	$ 2,953,010	$ 18,726,184	$ 526,400	$ -

	December 31, 2018							
	Unpaid contractual principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance	Average recorded investment	Interest income recognized	Cash basis interest income
Commercial real estate	$ 617,360	$ 483,395	$ -	$ 483,395	$ -	$ 507,888	$ 180	$ -
Commercial	7,481,660	2,178,752	3,294,906	5,473,658	1,020,605	7,565,996	25,800	-
Residential real estate	5,493,619	3,057,092	1,361,425	4,418,517	449,676	4,650,018	93,826	-
Consumer installment	314,053	-	296,962	296,962	291,103	345,137	8,797	-
Total impaired loans at December 31, 2018	$ 13,906,692	$ 5,719,239	$ 4,953,293	$ 10,672,532	$ 1,761,384	$ 13,069,039	$ 128,603	$ -

Credit Quality Indicators

The Bank 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 segment.

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

Acceptable Risk (or better)

Assets in all classes that comprise the commercial and consumer portfolio segments 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 Bank 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 Bank will not carry this rating on its reports, as it is the Bank’s policy to immediately charge these accounts off in the period they are deemed uncollectible.

The Bank'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 Bank's loans and leases as of December 31, 2019 and 2018:

December 31, 2019	Acceptable Risk(or better)	Higher Risk	Special mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 158,668,072	$ 86,768,892	$ 4,460,594	$ 12,283,084	$ -	$ -	$ 262,180,642
Construction	58,563,404	5,355,822	-	-	-	-	63,919,226
Commercial	161,991,403	32,728,367	6,595,669	15,534,048	-	-	216,849,487
Residential real estate	92,821,458	17,380,107	-	10,228,599	-	-	120,430,164
Consumer installment	20,227,128	60,268	-	-	-	-	20,287,396
Total loans receivable	$ 492,271,465	$ 142,293,456	$ 11,056,263	$ 38,045,731	$ -	$ -	$ 683,666,915

December 31, 2018	Acceptable Risk(or better)	Higher Risk	Special mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 77,786,729	$ 19,950,388	$ -	$ 483,395	$ -	$ -	$ 98,220,512
Construction	18,883,178	27,403,263	-	-	-	-	46,286,441
Commercial	199,758,077	151,841,840	10,524,731	10,447,293	-	-	372,571,941
Residential real estate	100,846,566	20,465,601	-	3,426,094	-	9,000	124,729,261
Consumer installment	35,899,402	107,013	-	283,855	-	-	36,290,270
Total loans receivable	$ 433,173,952	$ 219,768,105	$ 10,524,731	$ 14,640,637	$ -	$ 9,000	$ 678,098,425

Congressional Bancshares, Inc.

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

The following table details activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2019 and 2018. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories:

	Commercial real estate	Commercial	Residential real estate	Construction Commercial and Residential	Consumer Installment	Unallocated reserve	Total
For the year ended December 31, 2019							
Allowance for credit losses:							
Balance at beginning of period	$ 751,797	$ 2,212,349	$ 1,271,420	$ 129,263	$ 1,149,874	$ -	$ 5,514,703
Loans charged-off	(1,170,299)	(1,024,671)	(8,430)	-	(993,732)	-	(3,197,132)
Recoveries	-	530	43,197	-	231,703		275,430
Net loans charged-off	(1,170,299)	(1,024,141)	34,767	-	(762,029)	-	(2,921,702)
Provision for credit losses	3,629,416	878,918	(503,053)	141,181	323,538	-	4,470,000
Balance at end of period	$ 3,210,914	$ 2,067,126	$ 803,134	$ 270,444	$ 711,383	$ -	$ 7,063,001
December 31, 2019							
Allowance for credit losses:							
Individually evaluated for impairment	$ 2,072,702	$ 423,895	$ 374,187	$ -	$ 82,226	$ -	$ 2,953,010
Collectively evaluated for impairment	1,138,212	1,643,231	428,947	270,444	629,157	-	4,109,991
Total	$ 3,210,914	$ 2,067,126	$ 803,134	$ 270,444	$ 711,383	$ -	$ 7,063,001
Individually evaluated for impairment	$ 8,403,268	$ 9,468,981	$ 10,762,882	$ -	$ 86,517	$ -	$ 28,721,648
Collectively evaluated for impairment	253,777,374	207,380,506	109,667,282	63,919,226	20,200,879	-	654,945,267
Total loans	$ 262,180,642	$ 216,849,487	$ 120,430,164	$ 63,919,226	$ 20,287,396	$ -	$ 683,666,915

	Commercial real estate	Commercial	Residential real estate	Construction Commercial and Residentail	Consumer Installment	Unallocated reserve	Total
For the year ended December 31, 2018							
Allowance for credit losses:							
Balance at beginning of period	$ 1,274,534	$ 3,036,881	$ 987,160	$ 249,806	$ 1,520,889	$ -	$ 7,069,270
Loans charged-off	-	(1,983)	(245,340)	-	(1,678,936)	-	(1,926,259)
Recoveries	-	156,175	119,889	-	319,160	-	595,224
Net loans charged-off	-	154,192	(125,451)	-	(1,359,776)	-	(1,331,035)
Provision for credit losses	(522,737)	(978,724)	409,711	(120,543)	988,761	-	(223,532)
Balance at end of period	$ 751,797	$ 2,212,349	$ 1,271,420	$ 129,263	$ 1,149,874	$ -	$ 5,514,703
December 31, 2018							
Allowance for credit losses:							
Individually evaluated for impairment	$ -	$ 1,020,605	$ 449,676	$ -	$ 291,103	$ -	$ 1,761,384
Collectively evaluated for impairment	751,797	1,191,744	821,744	129,263	858,771	-	3,753,319
Total	$ 751,797	$ 2,212,349	$ 1,271,420	$ 129,263	$ 1,149,874	$ -	$ 5,514,703
Individually evaluated for impairment	$ 483,395	$ 5,473,658	$ 4,418,517	$ -	$ 296,962	$ -	$ 10,672,532
Collectively evaluated for impairment	97,737,117	367,098,283	120,310,744	46,286,441	35,993,308	-	667,425,893
Total loans	$ 98,220,512	$ 372,571,941	$ 124,729,261	$ 46,286,441	$ 36,290,270	$ -	$ 678,098,425

The restructuring of a loan is considered a troubled debt restructuring (TDR) if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. At December 31, 2019 $246,450 was included in specific reserve allocations for TDR's. At December 31, 2018, the Bank had no specific reserve allocations for TDR's.

Loans considered to be TDR loans totaled $6,465,668 and $2,659,219 as of December 31, 2019 and December 31, 2018, respectively. TDR loans also on nonaccrual as of December 31, 2019 and 2018 were $5,344,247 and $1,575,082, respectively.

The following table presents details related to loans identified as TDR's during the year ended December 31, 2019 and 2018:

	December 31, 2019		
	Number of Contracts	Pre-modification Outstanding Investment	Post-modification Outstanding Investment
Residential real estate	1	$ 4,400,000	$ 4,400,000
	1	$ 4,400,000	$ 4,400,000

The pre-modification and post-modification balances represent the balances outstanding immediately before and after modification of the loan. The loan was granted periods of interest only.

	December 31, 2018		
	Number of Contracts	Pre-modification Outstanding Investment	Post-modification Outstanding Investment
Residential real estate	3	$ 730,551	$ 732,408
	3	$ 730,551	$ 732,408

Note 6 - Premises and Equipment

Bank premises and equipment includes the following at December 31, 2019 and 2018:

	2019	2018
Computer hardware and software	$ 4,975,960	$ 4,386,572
Automobile	28,092	28,092
Furniture, fixtures and bank equipment	2,678,639	2,518,537
Leasehold improvements	3,295,673	2,768,735
	10,978,364	9,701,936
Less: Accumulated depreciation	(6,542,259)	(5,142,550)
Total bank premises and equipment, net	$ 4,436,105	$ 4,559,386
Depreciation and amortization on bank premises and equipment charged to expense	$ 1,766,133	$ 1,571,214

The Bank leases its operations space, four branch locations and certain equipment under operating lease agreements. These leases include rent escalation clauses, require the Bank to pay certain operating expenses and vary in their effective terms. Rent expense applicable to operating leases amounted to $3,043,942 and $2,948,367 during 2019 and 2018, respectively.

At December 31, 2019, future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

2020	$ 2,156,244
2021	1,574,589
2022	2,754,592
2023	2,760,443
2024	2,321,440
Thereafter	16,561,175
Total minimum lease payments	$ 28,128,483

Note 7 – Goodwill and Other Intangibles

The following is a summary of intangible assets subject to amortization and those not subject to amortization as of December 31, 2019:

	2019 Gross Carrying Amount	2019 Accumulated Amortization	2019 Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	$ 1,490,840	$ (596,336)	$ 894,504
Customer relationship intangible assets	16,142,000	(1,546,942)	14,595,058
Trade name and trademarks not subject to amortization			2,114,000
Intangible assets other than goodwill			17,603,562
Goodwill not subject to amortization			12,157,478
			$ 29,761,040

The following is a summary of intangible assets subject to amortization and those not subject to amortization as of December 31, 2018:

	2018 Gross Carrying Amount	2018 Accumulated Amortization	2018 Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	$ 1,490,840	$ (447,252)	$ 1,043,588
Customer relationship intangible assets	16,142,000	(748,642)	15,393,358
Trade name and trademarks not subject to amortization			2,114,000
Intangible assets other than goodwill			18,550,946
Goodwill not subject to amortization			12,207,478
			$ 30,758,424

The following table sets for the anticipated amortization expense for intangible assets for the years subsequent to 2019:

Year	Amount
2020	$ 897,726
2021	897,726
2022	897,726
2023	897,726
2024	897,726
Thereafter	11,000,932
	$ 15,489,562

Note 8 - Deposits

Deposit balances and interest expense on deposits as of December 31, 2019 and 2018 are summarized as follows:

	2019		2018	
	Balance	Interest expense	Balance	Interest expense
Noninterest-bearing deposits	$ 244,208,343	$ -	$ 230,695,535	$ -
Interest-bearing deposits:				
Savings	35,609,531	449,343	30,089,063	262,171
Demand (NOW)	55,224,323	157,902	50,954,983	151,711
Money Market Savings	275,397,102	4,412,297	255,757,818	3,294,597
Certificates of deposits	301,822,759	7,237,090	224,862,493	3,851,912
Total interest bearing deposits	668,053,715	12,256,632	561,664,357	7,560,391
Total deposits	$ 912,262,058	$ 12,256,632	$ 792,359,892	$ 7,560,391

At December 31, 2019, the scheduled maturities of time deposits are as follows:

2020	$ 197,744,201
2021	37,692,918
2022	16,202,514
2023	21,487,256
2024	18,255,870
2025	4,268,000
2026	6,172,000
Total	$ 301,822,759

Certificates of deposit, with balances that meet or exceed the FDIC insurance limit at the balance sheet date totaled $43,460,627 and $49,608,021 at December 31, 2019 and 2018, respectively.

Interest paid on certificates of deposit in excess of the FDIC insurance limit was approximately $1,122,908 and $780,542 during the years ended December 31, 2019 and 2018, respectively.

Deposits from related parties held by the Bank at December 31, 2019 and 2018 amounted to $98,378,459 and $76,582,505, respectively.

Note 9 – Other Borrowed Funds

As of December 31, 2019, the Bank has a credit line with the Federal Home Loan Bank of Atlanta. In order to borrow under the agreement the Bank secures the borrowings with loans. Under the terms of this agreement, the Bank is required to maintain sufficient collateral to secure these borrowings. As of December 31, 2019, the Bank pledged eligible multi-family real estate loans with a book value of $2,273,485, eligible 1-4 family first mortgages with a book value of $39,599,705, and eligible home equity loans with a book value of $2,219,436, to facilitate current and future transactions. The total collateral value assigned by the Federal Home Loan Bank for these pledged loans and investments was $41,678,673.

There were no FHLB advances as of December 31, 2019 and 2018.

In 2016, Bancshares issued Fixed Rate Subordinated Notes of $17,000,000. The Notes are unsecured, mature on December 30, 2026 and pay interest at 7% semi-annually. Bancshares may redeem the Notes at its option, after 5 years from issuance date. The proceeds of the Notes will be used to fund the Bank's organic growth, potential acquisitions, and general corporate purposes.

In 2016, Bancshares issued Fixed to Floating Rate Subordinated Notes of $7,000,000. The Notes are unsecured mature on December 30, 2026 and pay interest semi-annually. The initial rate on the Notes was 6.5%. The interest rate shall reset quarterly to an interest rate per annum equal to the three-month LIBOR plus 4.695%. If the three-month LIBOR is less than zero, the three-month LIBOR shall be deemed to be zero. Bancshares may redeem the Notes at its option, after 5 years from issuance date. The proceeds of the Notes will be used to fund the Bank's organic growth, potential acquisitions, and general corporate purposes.

In 2019, Bancshares issued Fixed to Floating Rate Subordinated Notes of $25,000,000. The Notes are unsecured mature on December 1, 2029 and pay interest semi-annually. The initial rate on the Notes was 5.75%. The interest rate shall reset quarterly to an interest rate per annum equal to the three-month Secured Overnight Financing Rate (SOFR) plus .439%. If the three-month SOFR is less than zero, the three-month SOFR shall be deemed to be zero. Bancshares may redeem the Notes at its option, after 5 years from issuance date. The proceeds of the Notes will be used to fund the Bank's organic growth, potential acquisitions, and general corporate purposes.

Bancshares incurred issuance costs of $609,426 and $749,636 for the Fixed Rate and Fixed to Floating Rate Subordinated Notes for the 2016 and 2019 issuances, respectively. The issuance costs are netted against the Subordinated Notes on the accompanying Balance Sheet. The accumulated expense as of December 31, 2019 and 2018 was $191,556 and $124,358 respectively. The incurred issuance costs are being expensed over the life of the Notes of 10 years.

On April 22, 2003, American Bank Holdings Inc. (acquired by Bancshares on January 1, 2016), formed a wholly owned subsidiary, American Bank Holdings Statutory Trust I, for the purpose of participating in a trust preferred pooled offering to issue trust preferred securities which have a 30-year term, with no principal amortization and a 5-year call option and are guaranteed by the Company. The balance of the junior subordinated obligations was $2,862,565 and $2,845,174 as of December 31, 2019 and December 31, 2018, respectively. The subsidiary is not being consolidated in these financial statements in accordance with accounting guidance. The subsidiary's financial statements are not presented separately because they are not material. The trust issuer is a 100% owned finance subsidiary of the Company and the Company has fully and unconditionally guaranteed the securities. These securities pay interest at the rate of three-month LIBOR plus 3.3% (5.29% and 5.74% at December 31, 2019 and 2018, respectively) with a 12.5% interest rate cap for the first 5 years and adjust on a quarterly basis. The initial rate of these securities was 4.62%. The net proceeds from the Trust were used for general corporate purposes.

Note 10 - Income Taxes

The components of net deferred tax assets and liabilities as of December 31, 2019 and 2018 are as follows:

	2019	2018
Deferred tax assets:		
Loan loss reserves	$ 1,909,384	$ 1,393,655
Unrealized losses on investment portfolio	4,809	189,228
Net operating losses and tax credit carryforwards	405,911	372,263
Deferred rent	253,456	277,074
Stock compensation	367,173	280,769
Other	138,657	394,794
Depreciation and amortization	72,150	94,244
Accrued bonus	1,734,482	1,555,468
Deferred loan costs and fees	738,181	897,216
Total deferred tax assets	5,624,203	5,454,711
Less valuation allowance	(405,911)	(372,263)
Net deferred tax assets	5,218,292	5,082,448
Deferred tax liability:		
Depreciation and amortization	(607,918)	(450,304)
Total deferred tax liabilities	(607,918)	(450,304)
Deferred tax asset, net	$ 4,610,374	$ 4,632,144

The reconciliation of the income tax benefit computed based on statutory rates and income tax expense for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Federal income tax at the statutory rate	$ 1,919,127	$ 4,064,627
State income tax, net of federal effect	340,182	968,942
Permanent M-1's-federal	804	(33,290)
Other	287,775	124,467
Change in valuation allowance	33,648	138,324
	$ 2,581,536	$ 5,263,070

Provision for income taxes for the years ended December 31, 2019 and 2018 consist of the following:

	2019	2018
Current income taxes		
Federal	$ 2,322,962	$ 5,030,796
State	421,223	1,644,534
	2,744,185	6,675,330
Deferred income taxes		
Federal	(172,036)	(994,235)
State	9,387	(418,025)
	(162,649)	(1,412,260)
Total provision for income taxes	$ 2,581,536	$ 5,263,070

Note 11 - Related Party Transactions

In the ordinary course of business, the Bank has granted loans to principal officers and directors and their affiliates. The aggregate amount of such loans outstanding at December 31, 2019 and 2018 was $1,929,122 and $2,899,309, respectively. During 2019, new loans and line of credit advances to such related parties amounted to $176,636 in the aggregate and payments amounted to $1,146,823 in the aggregate. During 2018, new loans and line of credit advances to such related parties amounted to $251,428 in the aggregate and payments amounted to $2,792,625 in the aggregate.

In January 2018, the Bank acquired the operating business and a substantial portion of the assets of Alliance. Alliance's primary source of revenue is serving as custodial advisor to the community and regional banks who are members of BancAlliance, Inc (BancAlliance), for which it receives a fee. No acquisitions or mergers took place during 2019.

BancAlliance's loan program is managed by the Company and is, therefore, considered a related party. During 2019, the Company sold loans with commitments totaling $544 million to BancAlliance, resulting in a net gain of $1.8 million. During 2018, the Company sold loans with commitments totaling $635 million to BancAlliance, resulting in a net gain of $1.7 million.

During 2019 and 2018, the Company paid $77,000 and $65,000, respectively for BancAlliance's Director and Officers 2019-2020 and 2018-2019 insurance policies. The costs related to 2019 and 2020 are $61,000 and $16,000, respectively. BancAlliance agreed to reimburse the 2019 portions of the insurance policies. As such, the Company recorded a receivable in other assets in the consolidated balance sheet for the year ended December 31, 2019. As of December 31, 2019, the remaining $16,000 of the amount for the 2019-2020 insurance policy was recorded in prepaid expenses in other assets in the consolidated balance sheets. During 2018, the Company paid $65,000 for BancAlliance's Director and Officers 2018-2019 insurance policies. The costs related to 2018 and 2019 are $59,000 and $5,000, respectively, which BancAlliance agreed to reimburse in the year following the year incurred

During 2019, the Company paid $11,000 to BancAlliance to fund the 2018 tax preparation services. The cost of tax services was proportionately billed by BancAlliance to its members, based on average outstanding principal balances in 2018, and the Company was fully reimbursed by BancAlliance during 2019. During 2018, the Company paid $5,000 to BancAlliance to fund the 2017 tax preparation services. The cost of tax services was proportionately billed by BancAlliance to its members, based on average outstanding principal balances in 2017, and the Company was fully reimbursed by BancAlliance during 2018.

One of the Company's vendors is a related party, because one of the Company's board members owns a significant portion of that vendor. During 2019 and 2018, the Company incurred $243,000 and $223,000, respectively, in consulting services expense for the related party vendor. As of December 31, 2019, the Company recorded $61,000 in prepaid expenses in other assets in the consolidated balance sheets for the related party vendor.

Note 12 - Employee Benefit Plans

The Bank has a 401(k) defined contribution plan covering substantially all full-time employees and provides that an employee becomes eligible to participate immediately on employment provided they are 21 years of age or older. However, new employees will actually enter the plan once they reach the entry date which is defined as the first day of the plan quarter coinciding with or next following the date the participant satisfied the plan's eligibility requirement. Under the plan, a participant may elect to contribute a percentage of his or her compensation to the extent that is permitted by law. In 2019 and 2018, the Bank contributed $950,146 and $836,161 for the years ended December 31, 2019 and 2018, respectively. The Bank may also make, but is not required to make, discretionary contributions for each participant. The amount of contribution, if any, is determined on an annual basis by the Board of Directors. No discretionary contributions were made by the Bank during the years ended December 31, 2019 and 2018.

Note 13 - Stockholders' Equity

Share-based Awards

On July 25, 2006, the Congressional Bancshares, Inc. 2006 Stock Incentive Plan (the Plan) was adopted. This Plan was replaced by the Congressional Bancshares, Inc. 2014 Stock Incentive Plan which was adopted on June 25, 2014. The Plan permits the granting of share-based awards to its employees for up to 1,200,000 shares of common stock. Bancshares believes that such awards better align the interests of its employees with those of its shareholders.

Restricted Stock Units

As part of executive compensation, the Bank has awarded 293,797 restricted stock units as of December 31, 2019. The vesting terms have ranged from three to eight years. In 2019 and 2018 109,797 and 30,000 RSUs were awarded respectively. In 2019 and 2018, 52,599 RSU's and 34,000 RSUs vested, with an associated compensation expense of $953,941 and $286,720. The Bank has unvested RSU grants representing 95,198 shares from the Plan as December 31, 2019.

The following table summarizes the unvested restricted stock awards at December 31, 2019:

	RSUs	Weighted-average grant-date fair value
Balance at Janaury 1, 2018	63,000	$ 7.89
Issued	30,000	10.00
Forfeited	(21,000)	7.94
Vested	(34,000)	8.18
Balance at December 31, 2018	38,000	9.27
Issued	109,797	11.16
Forfeited	-	-
Vested	(52,599)	10.54
Balance at December 31, 2019	95,198	$ 10.75

Stock Warrants

In association with their original investment, certain shareholders, most of which are currently directors, were granted warrants to purchase additional common shares of Congressional Bancshares. 137,758 warrants were issued at exercise price of $6.26 per warrant and an expiration date of December 31, 2018. 131,770 of these warrants were exercised in 2018. Additionally, 1,000,000 warrants were issued at an exercise price of $7.75 per warrant and an expiration date of September 16, 2018. All of these warrants were exercised in 2018, and no warrants remained available to be exercised as of December 31, 2019.

Stock Options

Option awards are generally granted with an exercise price equal to the market price of the Bancshares stock at the date of grant; those option awards generally vest based on 5 years of continuous service and have 10-year contractual terms. Share awards generally vest over five years. Certain option and share awards provide for accelerated vesting if there is a change in control (as defined in the Plan).

The compensation cost that has been charged against operations for options issued under the Plan totaled $47,245 and $79,605 for 2019 and 2018, respectively.

No options were granted during 2019. The fair values of the options granted during 2018 is determined using the Black- Scholes option-pricing model based on the following weighted average assumptions:

	2018
Weighted-average volatility	22.6%
Expected dividends	-
Expected term (in years)	5.00
Risk-free rate	2.51-2.90%

Since an active market for the Bank'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.

The weighted average fair value of options granted during 2018 using these assumptions were $2.16.

A summary of the options granted are presented below for the years ended December 31, 2019 and 2018, and changes during the years then ended are below:

Options	Shares	Weighted-average exercise price	Weighted-average remaining contractual term
Outstanding at January 1, 2018	430,138	$ 7.09	4.20
Granted	12,000	8.41	9.31
Exercised	(138,603)	6.74	-
Forfeited or expired	(3,025)	7.44	-
Outstanding at December 31, 2018	300,510	7.31	4.96
Granted	-	-	
Exercised	(17,958)	3.80	
Forfeited or expired	-	-	
Outstanding at December 31, 2019	282,552	$ 7.98	4.48
Exercisable at December 31, 2019	266,552	$ 7.43	4.03

A summary of the status of the Bank's non-vested stock options as of December 31, 2019 and 2018 and changes during the years then ended are presented below:

Nonvested stock options	Shares	Weighted-average grant-date fair value
Balance at January 1, 2018	42,852	$ 2.32
Granted	12,000	2.17
Vested	(18,852)	2.16
Forfeited	-	-
Balance at December 31, 2018	36,000	2.35
Granted	-	-
Vested	(20,000)	2.36
Forfeited	-	-
Balance at December 31, 2019	16,000	$ 2.33

As of December 31, 2019, there was $37,452 of total unrecognized compensation cost related to non-vested stock options granted under the Plan. That cost is expected to be recognized fully in 2020. The total fair value of stock options vested during the years ended December 31, 2019 and 2018 were $82,791 and $70,520, respectively.

Note 14 - Commitments and Contingencies

Bancshares entered into an employment agreement with its Chief Executive Officer (CEO) on January 23, 2018. In the event the CEO is terminated for reasons other than cause, death or disability, or if the CEO terminates employment for good reason, as set forth in his employment agreement, he will be entitled to a severance payment as defined in the employment agreement.

The Bank is involved in various legal actions arising in the ordinary course of business. In the opinion of management and counsel, the outcome of these matters will not have a significant adverse effect on the consolidated financial statements.

Note 15 - Financial Instruments with Off-Balance Sheet Risk

The Bank 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 Bank 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. Commitments to extend credit to existing and new borrowers approximated $198.1 million at December 31, 2019, which includes approximately $129.5 million with commitment maturities beyond one year.

Note 16 - 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 Basel III Capital Rules, a new comprehensive capital framework for U.S. banking organizations, became effective for Bancshares and the Bank on January 1, 2015 (subject to a phase-in period for certain provisions). Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of

Common Equity Tier 1 capital, Tier 1 capital and Total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted quarterly average assets (as defined).

Beginning January 1, 2019, the Basel III Capital Rules require the Bank to maintain (i) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% “capital conservation buffer” (which is added to the 4.5% Common Equity Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 7.0% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of Total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation) and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average quarterly assets.

The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and was phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reached 2.5% on January 1, 2019). The Basel III Capital Rules also provide for a “countercyclical capital buffer” that is applicable to only certain covered institutions and does not have any current applicability to the Bank. The capital conservation buffer is designed to absorb losses during periods of economic stress and, as detailed above, effectively increases the minimum required risk-weighted capital ratios. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets below the effective minimum (4.5% plus the capital conservation buffer and, if applicable, the countercyclical capital buffer) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The Bank's actual capital amounts and ratios and selected minimum regulatory thresholds as of December 31, 2019 and 2018 are presented in the following table:

	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019						
Total Capital (to risk weighted assets)	$ 148,783,778	16.65%	$ 71,502,800	8.00%	$ 89,378,500	10.00%
Tier 1 Capital (to risk weighted assets)	141,408,821	15.82%	53,627,100	6.00%	71,502,800	8.00%
CET1 Capital (to risk weighted assets)	141,408,821	15.82%	40,220,325	4.50%	58,096,025	6.50%
Tier 1 Capital (to average assets)	141,408,821	13.52%	43,011,280	4.00%	53,764,100	5.00%
As of December 31, 2018						
Total Capital (to risk weighted assets)	$ 112,898,905	13.54%	$ 66,681,680	8.00%	$ 83,352,100	10.00%
Tier 1 Capital (to risk weighted assets)	107,161,418	12.86%	$ 50,011,260	6.00%	$ 66,681,680	8.00%
CET1 Capital (to risk weighted assets)	107,161,418	12.86%	37,508,445	4.50%	$ 54,178,865	6.50%
Tier 1 Capital (to average assets)	107,161,418	11.09%	39,854,360	4.00%	$ 49,817,950	5.00%

Note 17 - 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 Bank 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 is 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 Bank's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Bank'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 Bank'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, loans held for sale, loans held for investment, and interest rate lock commitments.

U.S. Treasury securities are reported at fair value utilizing Level 1 inputs. U.S. government agency securities, mortgage-backed securities, collateralized loan obligations and corporate bonds are reported at fair value using Level 2 inputs. For these securities, the Bank obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. Other securities are reported at fair value utilizing Level 3 inputs. Other securities are not traded and are subject to the redemption provisions of the issuers.

The fair value of loans held for sale is 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 asset or assets, adjusted for the specific attributes of that loan, which would be used by other market participants.

The fair value of loans held for sale and investment by Alliance 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. This requires the use of significant judgement surrounding current market conditions and the credit quality of the borrowers. Fair values determined through actual market transactions are classified within Level 2 of the fair value hierarchy, while fair values determined through evaluation of material market or loan-specific factors are classified within Level 3 of the fair value hierarchy.

Interest rate lock commitments are recorded at fair value determined as the amount that would be required to settle each of these derivatives at the balance sheet date using Level 3 valuations which consider interest rate and terms, estimated pull-through rates and quoted investor prices less the costs to originate. The estimated pull-through rate used was approximately 56% of lock commitments taken and expenses of approximately 1% of loans closed.

The following table summarizes financial assets measured at fair value on a recurring basis as of December 31, 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

		Fair value measurements using		
Description	Fair value	Quoted prices in active markets for identical assets/ liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available for sale securities	$ 20,981,070	$ -	$ 20,936,470	$ 44,600
Loans held for sale	91,772,143	-	3,903,133	87,869,010
Loans held for investment	57,103,514	-	-	57,103,514
Interest rate lock commitments	98,319	-	-	98,319

The following table summarizes financial assets measured at fair value on a recurring basis as of December 31, 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

		Fair value measurements using		
Description	Fair value	Quoted prices in active markets for identical assets/ liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available for sale securities	$ 28,478,741	$ -	$ 28,434,141	$ 44,600
Loans held for sale	85,049,639	-	11,823,555	73,226,084
Loans held for investment	53,213,558	-	-	53,213,558
Interest rate lock commitments	925,018	-	-	925,018

The following table presents a reconciliation of the rate lock commitments which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods presented:

	December 31, 2019	December 31, 2018
Balance, beginning of year	$ 925,018	$ 917,618
Net gains (losses) included in realized and unrealized gains (losses) on mortgage banking activity in noninterest income	(826,699)	7,400
Balance, end of year	$ 98,319	$ 925,018

Certain financial 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, 2019 include the following:

		Fair value measurements using		
Description	Fair value	Quoted prices in active markets for identical assets/ liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Impaired loans	$ 25,768,638	$ -	$ -	$ 25,768,638
Other real estate owned	$ 201,810	$ -	$ -	$ 201,810

Financial assets measured at fair value on a non-recurring basis as of December 31, 2018 include the following:

		Fair value measurements using		
Description	Fair value	Quoted prices in active markets for identical assets/ liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Impaired loans	$ 8,911,148	$ -	$ -	$ 8,911,148

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, therefore are classified as level 3. For impairment measured based on a discounted cash flow methodology, the discount rate is based on an observable input however the determination of expected cash flows requires management judgement therefore is also conservatively classified as Level 3.

Foreclosed real estate assets have been valued using a market approach. The values were determined using market prices or similar real estate assets based on an independent appraisal. Refer to Note 1, summary of significant accounting policies – other real estate owned, for specific valuation details.

The estimated fair values of the Company's financial instruments were as follows at December 31, 2019 and 2018:

	2019		2018	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:				
Cash and due from banks (Level 1)	$ 187,937,252	$ 187,937,252	$ 47,392,293	$ 47,392,293
Federal funds sold (Level 1)	114,392	114,392	113,413	113,413
Interest bearing deposits (Level 1)	15,107,599	15,107,599	15,240,051	15,240,051
Investment securities available-for-sale (Levels 2 and 3)	20,981,070	20,981,070	28,478,741	28,478,741
Investment securities held-to-maturity (Level 2)	7,501,373	7,727,695	7,502,108	7,354,782
FHLB stock (Level 2)	854,800	854,800	859,600	859,600
Loans, net (Level 3)	680,817,274	734,857,120	674,656,380	723,713,204
Loans held for sale (Level 2)	91,772,143	91,772,143	85,049,639	85,049,639
Interest rate lock commitments (Level 3)	98,319	98,319	917,618	917,618
Accrued interest receivable (Level 2)	4,436,105	4,436,105	4,559,386	4,559,386
Financial liabilities:				
Non-interest bearing deposits (Level 2)	$ 244,208,343	$ 244,208,343	$ 230,695,535	$ 230,695,535
Interest bearing deposits (Level 2)	668,053,715	670,354,250	561,664,357	562,963,986
Borrowings-Junior Subordinated Debt (Level 2)	47,832,494	47,832,494	23,514,932	23,514,932
Borrowings-Subordinated Debt (Level 2)	2,862,565	2,862,565	2,845,174	2,845,174
Repurchase Agreements (Level 2)	523,176	523,176	1,451,835	1,451,835
Accrued interest payable (Level 2)	1,075,835	1,075,835	375,003	375,003