Trustar Bank

Consolidated Financial Statements
December 31, 2021 and 2020

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

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Trustar Bank

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Independent Auditor's Report

Board of Directors
Trustar Bank
Great Falls, Virginia

Opinion

We have audited the consolidated financial statements of Trustar Bank and its subsidiary (the Bank), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive loss, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for a reasonable period of time.

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

BDO USA, LLP

Philadelphia, Pennsylvania
March 17, 2022

Consolidated Financial Statements

Trustar Bank

Consolidated Balance Sheets

(in thousands)

December 31,	2021	2020
Assets		
Cash (currency and coin)	800	610
Interest-bearing balances due from banks	91,717	53,906
Cash and cash equivalents	92,517	54,516
Securities held to maturity, at amortized cost	12,430	-
Securities available for sale, at fair value	4,099	-
Securities classified as trading, at fair value	26,709	-
Loans held for sale	1,971	1,618
Loans receivable, net of allowance for loan losses of 2021: $3,691; 2020 $2,439	373,162	267,092
Bank premises and equipment, net	1,208	1,318
Accrued interest receivable	1,055	799
Restricted investment in bank stock, at cost	1,289	969
Goodwill	1,150	1,162
Other assets	385	342
Total Assets	515,975	327,816
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing demand	96,574	52,469
Interest-bearing demand	18,936	13,963
Money market	230,153	147,788
Savings	7,109	3,630
Time deposits	84,202	41,002
Total deposits	436,974	258,852
FHLB advances	30,000	20,000
Accrued interest payable	45	39
Other liabilities	2,154	2,103
Total Liabilities	469,173	280,994
Shareholders' Equity		
Preferred stock, $5.00 par value; authorized 1,000,000 shares; 0 shares issued and outstanding at December 31, 2021 and 2020	-	-
Common stock, $5.00 par value; authorized 25,000,000 shares; 5,505,084 shares issued and outstanding at December 31, 2021 and 5,502,500 shares issued and outstanding at Deember 31, 2020.	27,525	27,513
Additional paid-in capital	28,447	28,137
Accumulated deficit	(9,160)	(8,828)
Accumulated other comprehensive loss	(10)	-
Total Shareholders' Equity	46,802	46,822
Total Liabilities and Shareholders' Equity	515,975	327,816

See accompanying notes to financial statements.

Trustar Bank

Consolidated Statements of Operations

(in thousands)

Years Ended December 31,		2021	2020
Interest income			
Interest and fees on loans	$	14,561	8,280
Interest and dividends on securities		493	16
Interest-bearing balances due from banks		45	251
Total interest income:		15,099	8,547
Interest expense			
Deposits		1,731	1,369
Borrowings		237	129
Total Interest expense:		1,968	1,498
Net interest income		13,131	7,049
Provision for loan losses		1,252	1,594
Net interest income after provision for loan losses		11,879	5,455
Non-interest income (loss):			
Other non-interest income:		675	200
Gain on sale of mortgage loans, net		1,197	(77)
Loss on trading securities		(617)	-
Total non-interest income (loss):		1,255	123
Non-interest expenses:			
Salaries and employee benefits		8,785	5,687
Occupancy		1,575	913
Data processing		443	272
Network services		480	341
Professional services		651	401
Advertising		43	287
Regulatory assessments		539	684
Other operating expenses		950	1,022
Total non-interest expenses:		13,466	9,607
Net loss before income tax benefit		(332)	(4,029)
Income taxes		-	-
Net loss	$	(332)	(4,029)

See accompanying notes to financial statements.

Trustar Bank

Consolidated Statement of Comprehensive Loss

(in thousands)

Year End December 31,	2021	2020
Net Loss	$ (332)	$ (4,029)
Other comprehensive loss		
Unrealized holding loss on securities avaible for sale	(10)	-
Income tax benefit	-	-
Other comprehensive loss	(10)	-
Total comprehensive loss	$ (342)	$ (4,029)

See accompanying notes to financial statements.

Trustar Bank

Consolidated Statement of Shareholders' Equity

(in thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2020	$ 27,513	$ 27,828	$ (4,799)	$ -	$ 50,542
Stock compensation expense	-	309	-	-	309
Net loss	-	-	(4,029)	-	(4,029)
Balance, December 31, 2020	$ 27,513	$ 28,137	$ (8,828)	$ -	$ 46,822
Net loss	-	-	(332)	-	(332)
Other comprehensive loss	-	-	-	(10)	(10)
Net proceeds from the exercise	12	12	-	-	24
Stock compensation expense	-	298	-	-	298
Balance, December 31, 2021	$ 27,525	$ 28,447	$ (9,160)	$ (10)	$ 46,802

See accompanying notes to financial statements.

Trustar Bank

Consolidated Statements of Cash Flows

(in thousands)

December 31,	2021	2020
Cash Flows from Operating Activities		
Net loss	$ (332)	$ (4,029)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net amoritization of discounts and premiums	22	-
Provision for loan losses	1,252	1,594
Loans originated for sale	(77,149)	(4,747)
Gain on sale	1,197	(77)
Proceeds received from sale	75,593	3,678
Increase in trading securities	(27,326)	-
Loss on sale of trading securities	617	-
Stock compensation expense	298	309
Depreciation of premises and equipment	323	221
Increase in accrued interest receivable & other assets	(287)	(477)
Increase in accrued interest payable & other liabilities	63	1,214
Net Cash Used in Operating Activities	(25,729)	(2,314)
Cash Flows from Investing Activities		
Net increase in loans	(107,322)	(185,498)
Purchase of available for sale securities	(4,116)	-
Purchase of held to maturity securities	(12,445)	-
Purchase of restricted bank stock	(320)	(920)
Purchases of premises and equipment	(213)	(882)
Cash used in acquisition	-	(1,256)
Cash provided by acquisition	-	21
Net Cash Used in Investing Activities	(124,416)	(188,535)
Cash Flows from Financing Activities		
Net increase in deposits	178,122	178,159
Proceeds from FHLB borrowings	10,000	20,000
Proceeds from the exercise of Class A & B warrants	24	-
Net Cash Provided by Financing Activities	188,146	198,159
Net increase in cash and cash equivalents	38,001	7,310
Cash and Cash Equivalents, Beginning	54,516	47,206
Cash and Cash Equivalents, Ending	$ 92,517	$ 54,516
Supplementary Disclosures of Cash Flow Information		
Cash paid during the period for interest	$ 1,962	$ 1,467
Fair value of assets acquired	-	659
Fair value of liabilities acquired	-	586

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Organization and Nature of Operations

Trustar Bank (the "Bank") was incorporated on December 8, 2018 under the laws of the Commonwealth of Virginia and is a Virginia state-chartered bank. The Bank obtained its certificate of authorization to do business on May 30, 2019, commenced operations on July 10, 2019 and is a full-service bank providing personal and business lending and deposit services. As a state-chartered bank, the Bank is subject to regulation by the Commonwealth of Virginia State Corporation Commission and the Federal Deposit Insurance Corporation. The Bank maintains its principal office in Great Falls, Virginia and provides financial services primarily to greater Washington, D.C. metropolitan area.

On November 4, 2020, the Bank acquired 100% of Granite Mortgage, LLC, which is operating as a wholly-owned subsidiary. During 2021, Granite Mortgage, LLC changed its name to Trustar Mortgage, LLC ("Trustar Mortgage"). Trustar Mortgage primarily originates and sells residential mortgage loans in the greater Washington, D.C. area.

Basis of Presentation

The accounting and financial reporting policies of the Bank conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The policies that materially affect the determination of financial position, results of operations and cash flow are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiary, Trustar Mortgage, LLC. All intercompany accounts and transactions have been eliminated in consolidation.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of deferred tax assets.

Concentrations of Credit Risk

The Bank grants commercial loans, commercial mortgages, residential mortgages and consumer loans to businesses and individuals. Most of the Bank's activities are with customers located in the Greater Washington, D.C. metropolitan area. The concentration of credit by type of loan is set forth in Note 4. Its debtors' ability to honor their contracts is influenced by the region's economy.

Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are purchased or sold for one day periods. As of December 31, 2021 and 2020, the Bank did not have any federal funds sold, but rather overnight cash deposits held at the Federal Reserve Bank, the Federal Home Loan Bank, and its principal correspondent bank.

Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Securities classified as available-for-sale are those securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Securities available-for-sale are carried at fair value. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Unrealized gains and losses are reported as increases or decreases in other comprehensive income, net of the deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Securities classified as trading securities are bought principally for the purpose of selling them in the near term, thus held for only a short period of time. Trading securities are presented on the balance sheet at fair value at the end of each reporting period. Realized and unrealized gains and losses resulting from the change in fair value are included in non-interest income.

Securities classified as held-to-maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by a method which approximates the interest method over the terms of the securities.

Other-than-temporary impairment accounting guidance specifies that (a) if a company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more likely than not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment should be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security. The Bank recognized no other-than-temporary impairment charges during the years ended December 31, 2021 and 2020.

Loans Held for Sale ("LHFS")

Mortgage loans originated for sale are carried at fair value pursuant to the fair value option election under U.S. GAAP. Fair value is determined based on outstanding investor commitments or, in the absence of such commitments, on current investor yield requirements or third-party pricing models. LHFS are sold with the mortgage servicing rights released. At December 31, 2021 and December 31, 2020, the fair value adjustment to loans held for sale amounted to $16,527 and 11,518, respectively, which is included in net gain on sale of mortgage loans on the statement of operations. Fair value is determined on an aggregate basis based on commitments from investors to purchase such loans and upon prevailing market rates and are evaluated on a recurring basis.

Representations and warranty reserves

Representation and warranty reserves are maintained to account for expected losses related to loans the Company may be required to repurchase or the indemnity payments the Company may have to make to purchasers. The Company originates and sells residential mortgage loans in the secondary market. When the Company sells mortgage loans, it makes customary representations and warranties to the purchasers about various characteristics of each loan, such as the ownership of the loan, the validity of the lien securing the loan, the nature and extent of underwriting standards applied, and the types of documentation being provided. These representations and warranties are generally enforceable over the life of the loan. If a defect in the origination process is identified, the Company may be required to either repurchase the loan or indemnify the purchaser for losses it sustains on the loan. If there are no such defects, the Company has no liability to the purchaser for losses it may incur on such loans.

The representation and warranty reserve reflects management's best estimate of probable lifetime loss based on borrower performance, repurchase demand behavior, and historical loan defect experience. The reserve considers both the estimate of expected losses on loans sold during the current accounting period as well as adjustments to the Company's previous estimate of expected losses on loans sold. Management monitors the adequacy of the overall reserve and adjusts the level of reserve, as necessary, after consideration of other qualitative factors.

At the time a loan is sold, the representation and warranty reserve is recorded as a decrease in Gain on loans, net, on the statements of operations and recorded in Other Liabilities on the Company's balance sheets. Changes to the reserve are recorded as an increase or decrease to Gain on loans, net, on the statements of operations. Management estimates that no reserve was necessary as of December 31, 2021 and 2020, respectively.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts over the contractual life of the loan.

The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following classes: commercial and industrial, commercial real estate, and commercial construction. Consumer loans consist of the following classes: 1-4 family residential, home equity, and other consumer.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans, including impaired loans, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The allowance for loan losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on utilization of peer group statistics, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. For loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers pools of loans by loan class including commercial loans not considered impaired, as well as smaller balance homogeneous loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors.

These qualitative risk factors include:

1. Volume and severity of past due, classified and nonaccrual loans and other loan modifications.
2. Nature and volume of the portfolio and terms of loans.

3. Lending policies and procedures, including underwriting standards and collections, charge-off & recovery practices.
4. Experience, ability and depth of lending management and staff.
5. National and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.
6. Unfunded commitments & concentration of credit.
7. Quality of the Bank's loan review process.
8. Effect of external factors, such as competition and legal and regulatory requirements.
9. Loans with identified incomplete financial documentation.
10. Effect of economic impact due to the Coronavirus pandemic.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A majority of the Bank's loan assets are loans to business owners of many types. The Bank makes commercial loans for real estate development, equipment financing, accounts receivable and inventory financing and other purposes as required by the customer base.

The Bank's credit policies determine advance rates against the different forms of collateral that can be pledged against commercial loans. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, equipment, eligible accounts receivable and finished inventory or raw material. Individual loan advance rates may be higher or lower depending upon the financial strength of the borrower and/or the term of the loan.

Commercial loans are made to entrepreneurs, proprietors, professionals, partnerships, LLP's, LLC's and corporations. The assets financed are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets, such as accounts receivable and inventory, to cash. Commercial term loans may have maturities up to 10 years and generally have fixed interest rates for five to ten years. Commercial lines of credit are renewed annually and generally carry variable interest rates. Typical collateral for commercial loans include the borrower's accounts receivable, inventory and machinery and equipment.

Commercial real estate loans include long-term loans financing commercial properties, either owner occupied or rental properties. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. Commercial real estate loans require a loan to value ratio of not greater than 80%. Loan amortizations vary from one year to 25 years and terms typically do not exceed ten years. Interest rates can be either floating or adjustable periods of up to five years with either a rate reset provision or a balloon payment.

Commercial construction loans include loans to finance the construction or rehabilitation of either commercial properties or 1 to 4 family residential structures. The vast majority of the commercial construction portfolio finances 1 to 4 family residential properties. The commercial construction

portfolio is focused on small spot lot builders and smaller building companies. These loans carry variable interest rates and are usually interest only loans with maturities ranging from one year to three years.

Consumer home equity loans, home equity lines of credit, 1-4 family residential mortgages and residential construction loans are secured by the borrower's residential real estate in either a first or second lien position. Consumer home equity loans require a loan to value ratio of not greater than 85% with limited exceptions. Home equity lines of credit have variable rates and 10-year terms. Closed-end home equity loans have maturities up to 15 years and carry fixed interest rates. Residential mortgages have 5/1 adjustable rates with 30-year terms.

Other consumer loans include installment loans, car loans and overdraft lines of credit. The majority of these loans are unsecured.

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 principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and industrial loans, commercial real estate loans and commercial construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance for loan losses is established for an impaired loan if its carrying value exceeds its estimated fair value.

For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets. Loans whose terms are modified are classified as troubled debt restructurings if the Bank grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a temporary reduction in interest rate or an extension of a loan's stated maturity date. Nonaccrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification. Loans classified as troubled debt restructurings are designated as impaired.

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for commercial and consumer loans. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans criticized special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass. All loans were rated pass at December 31, 2021 and December 31, 2020.

In addition, Federal regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for loan losses is adequate.

Transfers of Financial Assets

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) 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 (3) 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 stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized to expense over the shorter of the term of the respective lease or the estimated useful life of the improvements.

Restricted Investment in Bank Stock

Restricted investment in bank stock at December 31, 2021 and 2020 is comprised of Federal Home Loan Bank ("FHLB") stock and is an equity interest in the FHLB, which does not have readily determinable fair values for purposes of FASB ASC Topic 320, Accounting for Certain Investments in Debt and Equity Securities, because ownership is restricted and the stock lacks a market. This stock is required for membership and can only be sold back to the member institution and is recoded at cost.

Unlike other types of stock, FHLB stock is acquired primarily for the right to receive advances and loan participations rather than for the purpose of maximizing dividends or stock growth. Management's determination of whether this investment is impaired is based on their assessment of the ultimate recoverability of the cost rather than by recognizing temporary declines in value. Management believes no impairment charge is necessary related to the restricted stock as of December 31, 2021 and 2020.

Goodwill

Goodwill represents the excess purchase price paid over the fair value of the net assets acquired in a business combination and is allocated to the Bank's reporting units.

Goodwill is not amortized but is tested for impairment periodically. We assess goodwill for potential impairment annually as of December 31, or during the year if an event or other circumstances indicates that we may not be able to recover the carrying amount of the asset. As of December 31, 2021 and 2020, we determined that there was no evidence of impairment of goodwill.

Interest Rate Lock Commitments

The Bank enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (interest rate lock commitments). Interest rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. The Bank does not designate these derivatives as hedging instruments and, accordingly, recognizes the change in their fair value in earnings. The fair value for interest rate lock commitments is based on current market interest rates versus the committed interest rates. The fair value for interest rate lock commitments is recorded in other assets on the balance sheet.

Share-Based Compensation

The Bank follows the guidance set forth in FASB ASC Topic 718, *Compensation - Stock Compensation*. This guidance requires the Bank to recognize compensation costs related to share-based payment transactions and measure the cost based on the grant-date fair value of the award. The cost will be recognized over the period during which the employee, director, or organizer is required to provide services in exchange for the award.

Advertising Costs

The Bank follows the policy of charging the costs of advertising to expense as incurred. Advertising expense totaled $42,982 and $287,000 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

Current income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the current period taxable income. The Bank determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, net operating loss carryforwards, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense (benefit) results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Bank accounts for uncertain tax positions if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold consider the facts, circumstances, and information available at the reporting date and is subject to management's judgment. The Bank had no uncertain tax positions at December 31, 2021 and 2020.

The Bank recognizes interest and penalties on income taxes, if any, as a component of the provision for income taxes. There were no interest and penalties recognized during the years ended December 31, 2021 and 2020.

Federal and state tax returns for the years ended December 31, 2021 and 2020 are open for examination as of December 31, 2021.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the balance sheet when they are funded.

Certain Regulatory Developments Relating to the COVID-19 Pandemic

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President. The CARES Act provided approximately $2.2 trillion in direct economic relief in response to the public health and economic impacts of COVID-19. Many of the CARES Act's programs are, and remain, dependent upon the direct involvement of U.S. financial institutions like the Bank. These programs have been implemented through rules and guidance adopted by federal departments and agencies, including the U.S. Department of Treasury, the Federal Reserve, and other federal bank regulatory authorities, including those with direct supervisory jurisdiction over the Bank. Furthermore, as the COVID-19 pandemic evolves, federal regulatory authorities continue to issue additional guidance with respect to the implementation, lifecycle, and eligibility requirements for the various CARES Act programs as well as industry-specific recovery procedures for COVID-19. Set forth below is a brief overview of select provisions of the CARES Act and other regulations and supervisory guidance related to the COVID-19 pandemic that are applicable to the operations and activities of the Company.

Paycheck Protection Program

The CARES Act included an allocation of $349 billion for loans to be issued by financial institutions through the SBA. This program is known as the Paycheck Protection Program ("PPP"). PPP loans are forgivable, in whole or in part, if the proceeds are used for payroll and other permitted purposes in accordance with the requirements of the PPP. These loans carry a fixed rate of 1.00% and a term of two or five years dependent on when they were booked, if not forgiven, in whole or in part. Payments are deferred for the first six months of the loan. The loans are 100% guaranteed by the SBA. The SBA pays the originating bank a processing fee ranging from 1% to 5%, based on the size of the loan. The SBA began accepting submissions for these PPP loans on Friday, April 3, 2020. The Paycheck Protection Program and Health Care Enhancement Act ("PPP / HCEA Act") was passed by Congress on April 23, 2020 and signed into law on April 24, 2020. The PPP / HCEA Act authorizes additional funding under the CARES Act of $310 billion for PPP loans to be issued by financial institutions through the SBA. On June 5, 2020, the President signed the Paycheck Protection Program Flexibility Act of 2020 ("Flexibility Act"). This Act provides a minimum maturity of 5 years for all PPP loans made on or after June 5, 2020. It also permits lenders and borrowers to extend the maturity date, by mutual agreement for PPP loans made prior to June 5, 2020. In addition, the Flexibility Act provided the ability to extend the covered period from 8 weeks after the date of disbursement of the PPP loan to 24 weeks. If the borrower does not apply for loan forgiveness within 10 months after the last day of the covered period, or if SBA determined the loan is not eligible for forgiveness, the PPP loan is no longer deferred and the borrower must begin paying principal and interest. On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act was signed into law by the President, which allowed an additional $284 million for second draw PPP loans to eligible small businesses.

During the year ended December 31, 2021, the Bank originated $26,164,000 of PPP loans, with associated deferred fees amounting to $1,098,000 at origination which are being accreted over the life of the loans, primarily five years. At December 31, 2021, $433,000 of deferred fees related to PPP loans remain to be accreted. PPP loans are fully guaranteed by the SBA and as such, the Bank does not expect any incurred losses on these loans and has not provided an allowance for loan losses for these loans as of December 31, 2021.

Troubled Debt Restructuring and Loan Modifications for Affected Borrowers

The CARES Act permits banks to suspend requirements under GAAP that certain loan modifications be characterized as TDRs and suspend any determination related thereto if (i) the loan modification is made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the COVID-19 emergency declaration and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. Under the Coronavirus Response and Relief Supplemental Appropriations Act, the suspension of requirements of GAAP for certain loan modifications that would otherwise be categorized as a TDR was extended until the earlier of 60 days after the termination of the COVID-19 national emergency, of January 1, 2022. Federal bank regulatory authorities also issued guidance to encourage banks to make loan modifications for borrowers affected by COVID-19 and to assure banks that they will not be criticized by examiners for doing so. Additionally, FASB accounting standard codification subtopic 310-40 allows for delays in payments that are insignificant in consideration to the total contractual amount due and the timing of the delay.

The Bank implemented a modification program to defer principal or principal and interest payments for borrowers that were directly impacted by the pandemic who were not more than 30 days past due as of December 31, 2019, all of which were modified in accordance with Cares Act. In accordance with the Cares Act, the Company has elected to not apply troubled debt restructuring classification to these modifications. Accordingly, these modifications would not be classified as TDRs. At December 31, 2021, all deferrals have resumed making payments.

The full impact of COVID-19 pandemic continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Bank's financial condition, results of operations, liquidity and capital levels. Management is actively monitoring the rapid developments of and uncertainties caused by the COVID-19 pandemic, including changes in interest rates, competition for deposits and quality loans, and credit performance and credit risk in the Bank's loan portfolio, all of which could have an adverse impact on the Bank's business, financial condition, operating results, liquidity and capital ratios in future periods.

2. Business Combination

On November 4, 2020, the Bank acquired 100% of Granite Mortgage, LLC, which was accounted for under FASB ASC 805, Business Combinations. The Bank assumed assets and liabilities associated with the acquisition in exchange for payment of approximately $1.3 million.

In accordance with ASC 805, the Bank expensed approximately $272,000 of direct acquisition costs and recorded $1.2 million of goodwill. The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed as of the effective date of the transaction (in thousands).

Total Consideration Paid	$	1,256
Recognized amounts of identifiable assets and liabilities assumed:		
Cash	$	21
Premises, furniture and equipment		101
Loans held for sale		472
Other assets		86
Warehouse loan		(453)
Other liabilities		(133)
Total identifiable net assets	$	94
Goodwill	$	1,162

During 2021, an adjustment of $11,657 was recorded which reduced goodwill from $1,161,712 to $1,150,055 as a result of the final valuation.

3. Securities

The amortized costs and fair value of securities at December 31,2021 are summarized as follows:

	Amoritized Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(In thousands)		
Corporate debt	4,109	-	(10)	4,099
Total available for sale	4,109	-	(10)	4,099
Corporate debt	6,412	-	(34)	6,378
Sub debt	6,018	28	-	6,046
Total held to maturity	12,430	28	(34)	12,424
Bond mutual funds	27,000	-	(291)	26,709
Total trading	27,000	-	(291)	26,709

The Bank had no securities at December 31, 2020.

The amortized cost and fair value of available for sale and held to maturity securities as of December 31, 2021, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without prepayment penalties.

	Available for Sale		Held to Maturity	
	Amoritized Cost	Fair Value	Amoritized Cost	Fair Value
Maturing				
Due under one year	-	-	-	-
Due after one year through five y	4,109	4,099	6,412	6,378
Due after five years through ten	-	-	6,018	6,046
Due after ten years	-	-	-	-
	4,109	4,099	12,430	12,424

The Bank had no security sales from the available for sale or held to maturity portfolios in 2021. All securities were purchased during 2021.

As all securities were purchased during 2021, no securities have been in an unrealized loss position for twelve months or longer at December 31, 2021. At December 31, 2021 three securities were in an unrealized loss position for less than twelve months due to interest rate fluctuations. None of the corporate issuers have defaulted on interest payments. The Bank does not intend to sell these securities and it is not more likely than not that the Bank will be required to sell these securities before a market price recovery or maturity. Therefore, no securities were deemed to be other-than-temporarily impaired.

4. Loans Receivable

The composition of loans receivable at December 31, 2021 and 2020 is as follows (in thousands):

	2021	2020
Commercial and industrial	$ 54,749	$ 76,349
Commercial real estate	171,997	115,697
Commercial construction	100,938	54,919
1-4 family residential	30,099	13,254
Home equity	18,878	9,842
Consumer	1,026	611
Total loans	377,687	270,672
Unearned net loan origination fees and costs	(834)	(1,140)
Allowance for loan losses	(3,691)	(2,439)
Net Loans	$ 373,162	$ 267,092

The Bank has no impaired, non-accrual or past due loans as of December 31, 2021 and 2020.

5. Allowance for Loan Losses

The following tables summarize the activity in the allowance for loan losses by loan class for the year ended December 31, 2021, and information in regards to the allowance for loan losses and the recorded investment in loans receivable by loan class as of December 31, 2021 (in thousands):

	Allowance for Loan Losses				
	Beginning Balance	Charge-offs	Recoveries	Provisions	Ending Balance
Commercial & industrial	$ 470	$ -	$ -	$ 1	$ 471
Commercial real estate	909	-	-	568	1,477
Commercial construction	608	-	-	392	1,000
1-4 family residential	335	-	-	191	526
Home equity	100	-	-	84	184
Consumer	12	-	-	7	19
Unallocated	5	-	-	9	14
	$ 2,439	$ -	$ -	$ 1,252	$ 3,691

	Allowance for Loan Losses			Loans Receivable		
	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment
Commercial & industrial	$ 471	$ -	$ 471	$ 54,749	$ -	$ 54,749
Commercial real estate	1,477	-	1,477	171,997	-	171,997
Commercial construction	1,000	-	1,000	100,938	-	100,938
1-4 family residential	526	-	526	30,099	-	30,099
Home equity	184	-	184	18,878	-	18,878
Consumer	19	-	19	1,026	-	1,026
Unallocated	14	-	14	-	-	-
	$ 3,691	$ -	$ 3,691	$ 377,687	$ -	$ 379,904

The following tables summarize the activity in the allowance for loan losses by loan class for the year ended December 31, 2020, and information in regards to the allowance for loan losses and the recorded investment in loans receivable by loan class as of December 31, 2020 (in thousands):

	Allowance for Loan Losses				
	Beginning Balance	Charge-offs	Recoveries	Provisions	Ending Balance
Commercial & industrial	$ 130	$ -	$ -	$ 340	$ 470
Commercial real estate	390	-	-	519	909
Commercial construction	177	-	-	431	608
1-4 family residential	126	-	-	209	335
Home equity	15	-	-	85	100
Consumer	4	-	-	8	12
Unallocated	3	-	-	2	5
	$ 845	$ -	$ -	$ 1,594	$ 2,439

	Allowance for Loan Losses			Loans Receivable		
	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment
Commercial & industrial	$ 470	$ -	$ 470	$ 76,349	$ -	$ 76,349
Commercial real estate	909	-	909	115,697	-	115,697
Commercial construction	608	-	608	54,919	-	54,919
1-4 family residential	335	-	335	13,254	-	13,254
Home equity	100	-	100	9,842	-	9,842
Consumer	12	-	12	611	-	611
Unallocated	5	-	5	-	-	-
	$ 2,439	$ -	$ 2,439	$ 270,672	$ -	$ 379,904

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Bank's Internal risk rating system as of December 31, 2021 (in thousands):

	Commercial and Industrial	Commercial Real Estate	Commercial Construction	1-4 Family Residential	Home Equity	Consumer, Oher	Total
Pass	$ 54,749	$ 171,997	$ 100,938	$ 30,099	$ 18,878	$ 1,026	$ 377,687
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
	$ 54,749	$ 171,997	$ 100,938	$ 30,099	$ 18,878	$ 1,026	$ 377,687

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Bank's internal risk rating system as of December 31, 2020 (in thousands):

	Commercial and Industrial	Commercial Real Estate	Commercial Construction	1-4 Family Residential	Home Equity	Consumer, Oher	Total
Pass	$ 76,349	$ 115,697	$ 54,919	$ 13,254	$ 9,842	$ 611	$ 270,672
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
	$ 76,349	$ 115,697	$ 54,919	$ 13,254	$ 9,842	$ 611	$ 270,672

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past due status as of December 31, 2021 (in thousands):

	30-59 Days Past Due	30-59 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivables	Recorded Investment >90 Days and Accruing
Commercial and industrial	$ -	$ -	$ -	$ -	$ 54,749	$ 54,749	$ -
Commercial real estate	-	-	-	-	171,997	171,997	-
Commercial construction	-	-	-	-	100,938	100,938	-
1-4 family residential	-	-	-	-	30,099	30,099	-
Home equity	-	-	-	-	18,878	18,878	-
Consumer, other	-	-	-	-	1,026	1,026	-
	$ -	$ -	$ -	$ -	$ 377,687	$ 377,687	$ -

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past due status as of December 31, 2020 (in thousands):

	30-59 Days Past Due	30-59 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivables	Recorded Investment >90 Days and Accruing
Commercial and industrial	$ -	$ -	$ -	$ -	$ 76,349	$ 76,349	$ -
Commercial real estate	-	-	-	-	115,697	115,697	-
Commercial construction	-	-	-	-	54,919	54,919	-
1-4 family residential	-	-	-	-	13,254	13,254	-
Home equity	-	-	-	-	9,842	9,842	-
Consumer, other	-	-	-	-	611	611	-
	$ -	$ -	$ -	$ -	$ 270,672	$ 270,672	$ -

The Bank may grant a concession or modification for economic or legal reasons related to a borrower's financial condition that it would not otherwise consider resulting in a modified loan which is then identified as a troubled debt restructuring (“TDR”). The Bank may modify loans through rate reductions, extensions of maturity, interest only payments, or payment modifications to better match the timing of cash flows due under the modified terms with the cash flows from the borrowers' operations. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. TDRs are considered impaired loans for purposes of calculating the Bank's allowance for loan losses.

The Bank identifies loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower's financial statements, revenue projections, tax returns, and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions, and negative trends may result in a payment default in the near future.

There were no troubled debt restructurings during the years ended December 31, 2021 and 2020.

6. Bank Premises and Equipment

The components of premises and equipment at December 31, 2021 and 2020 are as follows (in thousands):

	Estimated Useful Lives	2021	2022
Leasehold improvements	3-10	$ 712	$ 630
Furniture	3-10	223	222
Office Equipment	3-10	219	178
Network Systems	3-10	248	243
Branch Systems & Equipment	3-10	310	225
Vehicles	5	112	113
Total fixed assets before depreciation		1,824	1,611
Accumulated depreciation		(616)	(293)
Net total fixed assets		$ 1,208	$ 1,318

Depreciation expense charged to operations amounted to $323,000 and $221,000 for the years ended December 31, 2021 and 2020, respectively.

7. Deposits

The components of deposits at December 31, 2021 and 2020 are as follows (in thousands):

December 31,	2021	2020
Demand, non interest-bearing	$ 96,574	52,469
Demand, interest-bearing	18,936	13,963
Money market	230,153	147,788
Savings	7,109	3,630
Time, <$250,000	33,714	12,773
Time, >= $250,000	50,488	28,229
Total Deposits	436,974	258,852

At December 31, 2021, the scheduled maturities of time deposits are as follows (in thousands):

December 31,		2021
2022	$	69,480
2023		7,710
2024		3,444
2025		594
2026		2,974
	$	84,202

8. Borrowings

The Bank had a $10.0 million unsecured federal funds overnight line of credit with PNC and a $10.0 million unsecured overnight line of credit with Pacific Coast Bankers' Bank (PCBB), as well as a $112.6 million maximum borrowing capacity with the Federal Home Loan Bank of Atlanta (FHLB). As of December 31, 2021, the Bank had $30.0 million in borrowings outstanding with the FHLB of Atlanta, with remaining credit availability of $82.6 million. FHLB borrowings held at December 31, 2021 mature in 2024 and 2025, $10.0 million at a fixed rate of 0.5405% and $20.0 million at fixed rates ranging from 0.656% to 1.231%, respectively.

9. Income Taxes

There was no federal or state income tax expense for the years ended December 31, 2021 or 2020 due to the losses incurred for the years ended December 31, 2021 and 2020.

Differences between the statutory tax rate of 21% and the effective rate are primarily the result of a valuation allowance on net deferred tax assets at December 31, 2021 and December 31, 2020.

The components of the net deferred asset as of December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
Deferred tax assets:		
Property equipment	$ 1	$ -
Organizational costs	204	196
Compensation accrual	201	163
ASC 842 Leases	19	12
Equity compensation	58	44
Disallowed contribution carryover	39	31
Intangible assets	36	54
Bad debt expense	873	512
Net operating loss carryforwards	976	1,008
Gross Deferred Tax Assets	2,407	2,020
Valuation allowance	(2,015)	(1,768)
Total Deferred Tax Assets, Net of Valuation Allowance	392	252
Deferred tax liabilities:		
Property equipment	-	(7)
Prepaid expenses	(42)	(34)
Deferred loan costs	(350)	(211)
Total Deferred Tax Liability	392	(252)
Net Deferred Taxes	$ -	$ -

In assessing the realizability of deferred tax assets at December 31, 2021, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and prudent, feasible and permissible as well as available tax planning strategies in making this assessment. Based on its review of all available evidence, Management determined it was more likely than not that the deferred tax assets will not be realized and accordingly has placed a full valuation allowance on the deferred tax asset. The deferred tax asset valuation may, in accordance with the requirements of generally accepted accounting principles, be reversed in future periods, depending upon Bank's financial position and results of operations in the future, among other factors.

The Bank has net operating loss carryforwards available for federal income tax purposes of approximately $4,089,017, which do not expire. The Bank has net operating loss carryforwards available for District of Columbia income tax purposes of approximately $326,307, which do not expire. The Bank has net operating loss carryforwards available for Maryland income tax purposes of approximately $844,357, which do not expire.

10. Lease Commitments

In 2019, the Bank entered into an operating lease agreement for back-office operations in Great Falls, Virginia. This lease commenced on April 1, 2019 and has a 3-year term. Lease expense for 2021 and 2020 totaled $116,238 and $113,000, respectively. The Bank leases this office from a member of the Board of Directors.

The Bank also leases office space in McLean, Virginia. The lease for this location, which houses the commercial lending, compliance and legal staff as well as a branch office, commenced on July 1, 2019. The total lease expense for the McLean facility for 2021 and 2020 was $319,821 and $310,000, respectively.

The Bank also entered into a 10-year lease agreement that commenced on June 1, 2021 for a branch office in Reston, Virginia. The lease expense for the Reston office was $170,347 for 2021.

In January 2021, the Bank entered into a multi-year sublease agreement with Capital One, which vacated the building, for its Great Falls branch office. The total lease expense for this location was $284,820 in 2021.

In February 2021, the Bank rented a small office located in Potomac, Maryland on a "month-to-month" basis. Lease payments for this location was $5,625 for 2021.

Trustar Mortgage entered into a three-year lease agreement in 2019 for office space located in Fairfax, VA. The lease will terminate in September 2022, at which time the lease will not be renewed, and the staff will relocate to the facility located in McLean, VA. The lease expense for this location was $77,094 in 2021. The total lease expense under this lease for the periods ended November 3, 2020 (Predecessor) and December 31, 2020 (Successor) was $65,192 and $6,229, respectively.

Future minimum lease payments by year and in the aggregate, under these lease agreements, are as follows (in thousands):

Year Ending December 31,		
2022	$	857
2023		768
2024		608
2025		192
2026		192
Thereafter		658
	$	3,275

Excludes "month-to-month" lease expense for Potomac, MD location.

11. Transactions with Related Parties

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal shareholders, their immediate families and affiliated companies (commonly referred to as related parties). There were 12 loans receivable totaling $20,735,000 and four loan receivables totaling $2,146,000 to related parties at December 31, 2021 and December 31, 2020, respectively. During 2021, $20,191,000 of advances were made and repayments totaled $1,602,000 on related party loans. During 2020, $2146,000 of advances were made and repayments totaled $250,000 on related party loans.

Deposits of related parties totaled $14,295,000 and $11,280,000 at December 31, 2021 and 2020.

12. 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 and letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the Bank's financial instrument commitments at December 31, 2021 and 2020 is as follows (in thousands):

December 31,	Contract Amount	
	2021	2020
Unfunded commitments under lines of credit	$ 90,802	$ 94,668
Letters of credit	124	-

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. 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 generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Outstanding letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Bank requires collateral supporting these letters of credit as deemed necessary. As of December 31, 2021 and 2020, the Bank had $124,000 and $0 in standby letters of credit with customers, respectively.

13. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of total, Tier 1, and Common Equity Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2021 and 2020, that the Bank meets all capital adequacy requirements to which it is subject. The Bank is considered well capitalized as of December 31, 2021 and 2020.

The Bank's actual capital amounts and ratios at December 31, 2021 and 2020 are presented in the following table (in thousands):

December 31, 2021	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer Amount		To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets):	$ 49,353	12.48%	$ 31,630	8.00%	$ 41,514	10.50%	$ 39,538	10.00%
Tier 1 capital (to risk-weighted assets):	$ 45,662	11.55%	$ 17,792	4.50%	$ 27,676	7.00%	$ 25,699	6.50%
Common Equity Tier 1 capital (to risk-weighted a	$ 45,662	11.55%	$ 23,723	6.00%	$ 33,607	8.50%	$ 31,630	8.00%
Leverage capital (to average assets):	$ 45,662	9.79%	$ 18,660	4.00%	$ 30,322	6.50%	$ 23,325	5.00%

December 31, 2020	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer Amount		To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets):	$ 48,100	20.27%	$ 18,979	8.00%	24,910	10.50%	$ 23,724	10.00%
Tier 1 capital (to risk-weighted assets):	$ 45,661	19.25%	$ 10,676	4.50%	16,607	7.00%	$ 15,421	6.50%
Common Equity Tier 1 capital (to risk-weighted a	$ 45,661	19.25%	$ 14,234	6.00%	20,165	8.50%	$ 18,979	8.00%
Leverage capital (to average assets):	$ 45,661	14.96%	$ 12,206	4.00%	19,835	6.50%	$ 15,257	5.00%

The Bank is subject to certain restrictions on the amount of cash dividends that it may declare due to regulatory considerations.

14. Stock Compensation Plans

On February 24, 2020, the Board of Directors adopted the 2020 Stock Incentive Plan (the "2020 Plan"). The 2020 Plan provides for grants of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights, stock awards, and performance units to key employees, non-employee directors, and consultants or advisors of the Bank or its subsidiaries. The maximum number of shares available for issuance under the Plan is 1,000,000. As of December 31, 2021, only stock options and restricted grants have been issued.

Under the Plan, employees, non-employee directors, consultants or advisors are eligible to receive options to purchase shares of common stock at no less than the fair value on the date the option is granted. Each grant vests over a period determined by the grant agreement and expire no later than ten years from the date of the grant.

Employees, non-employee directors, consultants or advisors are eligible to receive grants of restricted stock under the Plan. Terms of each grant are specified in the grant agreement.

The weighted average grant-date calculated value of options granted to employees in 2021 and 2020 was $0.90 and $0.92, respectively. The calculated value of the options awarded under the option plans is estimated on the date of grant using the Black-Scholes valuation model with the following weighted average assumptions in 2021 and 2020, which is dependent upon certain assumptions as presented below:

December 31, 2021	
Expected life (in years)	10
Risk-free interest rate	1.63%
Expected volatility	20.00%
Expected dividend yield	0.00%

December 31, 2020	
Expected life (in years)	10
Risk-free interest rate	0.63%
Expected volatility	20.00%
Expected dividend yield	0.00%

The expected life of the options was estimated using the average vesting period of the options granted and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is the U.S. Treasury rate commensurate with the expected life of the options on the grant date. Volatility of the Bank's stock price in 2021 and 2020 was based on historical volatility of a selected peer group.

Information regarding the Bank's stock option plan for the years ended December 31, 2021 and 2020 is as follows (dollars in thousands, except exercise prices):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Options outstanding, January 1, 2021	99,250	$ 10.00	
Options granted	58,750	10.00	
Options exercised	-		
Options forfeited	26,500	10.00	
Options Outstanding, December 31, 2021	131,500	10.00	9.2 years
Options Exercisable, December 31, 2021	14,850	$ 10.00	8.3 years

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Options outstanding, January 1, 2020	-	$ -	
Options granted	99,250	10.00	
Options exercised	-	-	
Options forfeited	-	-	
Options Outstanding, December 31, 2020	99,250	10.00	9.3 years
Options Exercisable, December 31, 2020	-	$ -	-

Information pertaining to options outstanding at and for the year ended December 31, 2021 and 2020 is as follows:

	Shares	Weighted Average Grant Date Calculated Value
Nonvested options, January 1, 2021	99,250	$ 0.90
Granted	58,750	0.90
Vested	14,850	0.92
Forfeited	26,500	0.86
Nonvested options, December 31, 2021	116,650	$ 0.91

	Shares	Weighted Average Grant Date Calculated Value
Nonvested options, January 1, 2020	-	$ -
Granted	992,250	0.92
Vested	-	-
Forfeited	-	-
Nonvested options, December 31, 2020	992,250	$ 0.91

Stock-based compensation expense related to stock options for the years ended December 31, 2021 and 2020 totaled $23,286 and $18,000, respectively. The unamortized stock option expense was approximately $88,342 at December 31, 2021. Stock-based compensation awards are generally amortized over a period of five years from the date they are granted.

The following table provides information about nonvested restricted stock for the years ended December 31, 2021 and 2020:

	Shares	Weighted Average Grant Date Calculated Value
Outstanding at January 1, 2021	321,000	$ 6.70
Granted	10,000	8.37
Vested	49,500	6.70
Forfeited	-	-
Outstanding at December 31, 2021	281,500	$ 6.75

	Shares	Weighted Average Grant Date Calculated Value
Outstanding at January 1, 2020	-	$ -
Granted	321,000	6.70
Vested	-	-
Forfeited	-	-
Outstanding at December 31, 2020	321,000	$ 6.70

Stock-based compensation expense related to restricted stock for the year ended December 31, 2021 and 2020 totaled $274,714 and $291,000, respectively. Restricted stock grants vest over 1, 2, 3, or 10 year period. A total of 49,500 grants have vested as of December 31, 2021. The unamortized stock compensation cost related to restricted stock was approximately $2.3 million at December 31, 2021.

15. Shareholders' Equity

Stock Warrants

The Bank issued Class A and Class B stock purchase warrants in connection with its initial stock offering.

Class A warrants were issued as part of the stock purchase unit, with each unit consisting of 100 shares of common stock and 25 Class A warrants. Each Class A warrant is exercisable to acquire one share of common stock for an exercise price of $10.00 per share. Class A warrants expire on the fifth anniversary of the date that the Bank opened for business (July 10, 2019), subject to earlier

call for exercise after the third anniversary of the date that the Bank opened for business by the Bank's board of directors.

Class B warrants were issued in connection with its initial stock offering giving certain organizers and directors the right to purchase a total of 96,000 shares of common stock at the initial offering price of $10.00 per share. For organizers, the warrants serve as a reward and compensation for bearing the financial risk of the Bank's organization by advancing "seed money" for its organizational and pre-opening expenses. For the initial directors, the warrants serve as an incentive for them to build the Bank's business. Each Class B warrant is exercisable to acquire one share for an exercise price of $10.00 per share. Class B warrants expire on the tenth anniversary of the date that the Bank opened for business (July 10, 2019). If the Bank's federal or state regulators require the Bank raise additional capital, the Class B warrants must be exercised with 31 calendar days of the issuance of such capital directive.

The fair values of the Class A and B warrants were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0% for both, risk-free interest rate of 1.84% for Class A warrants and 2.05% for Class B warrants, expected life of 3 years for Class A warrants and 10 years for Class B warrants, and expected volatility of 20% for both. The fair value of Class A and B warrants was $1.62 and $3.29 per share, respectively.

December 31, 2021	Number of Warrants		Weighted-Average Exercise Price
Outstanding, beginning of year	1,468,500	$	10.00
Granted	-		
Exercised	2,584		10.00
Outstanding, end of year	1,465,916	$	10.00
Exercisable at end of year	1,465,916	$	10.00

December 31, 2020	Number of Warrants		Weighted-Average Exercise Price
Outstanding, beginning of year	1,468,500	$	10.00
Granted	-		-
Exercised	-		-
Outstanding, end of year	1,468,500	$	10.00
Exercisable at end of year	1,468,500	$	10.00

The warrants have a weighted-average remaining contractual life of 2.87 years at December 31, 2021.

16. Fair Value Measurements and Fair Values of Financial Instruments

Management uses its best judgment in estimating the fair value of the Bank's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Bank could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to these respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each reporting date.

The Bank uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. In accordance with the accounting guidance adopted by the Bank, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value measurement guidance establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Loans Held for Sale

Loans held for sale are classified within Level 2 of the valuation hierarchy.

For Level 2 loans held for sale, fair value is determined based on outstanding investor commitments or, in the absence of such commitments, on current investor yield requirements or third-party pricing models.

Securities at Fair Value

The Bank's available for sale and trading securities are reported at fair value. These securities are valued by an independent third party. The valuations are based on market data. They utilize evaluated pricing models that vary by asset and incorporate available trade, bid and other market information. For securities that do not trade on a daily basis, their evaluated pricing applications apply available information such as benchmarking and matrix pricing. The market inputs normally sought in the evaluation of securities include benchmark yields, reported trades, broker/dealer quotes (only obtained from market makers or broker/dealers recognized as market participants), issuer spreads, two-sided markets, benchmark securities, bid, offers and reference data. For certain securities additional inputs may be used or some market inputs may not be applicable. Inputs are prioritized differently on any given day based on market conditions.

Interest Rate Lock Commitments

The Bank estimates the fair value of interest rate lock commitments based on the value of the underlying mortgage loan, quoted mortgage-backed security (MBS) prices, and estimates of the fair value of the mortgage servicing rights and the probability that the mortgage loan will fund within the terms of the interest rate lock commitments.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2021 and 2020 is as follows (in thousands):

December 31, 2021	Total	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate lock - Forward commitments	$ 72	$ -	$ 72	$ -
Loans held for sale	1,971	-	1,971	-
Corporate debt	4,099	-	4,099	-
Bond mutual funds	26,709	26,709	-	-

December 31, 2020	Total	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Loans held for sale	$ 1,618	$ -	$ 1,618	$ -

There were no assets or liabilities measure at fair value on a nonrecurring basis at December 31, 2021 and 2020.

Below is management's estimate of the fair value of all financial instruments. The following information should not be interpreted as an estimate of the fair value of the entire Bank since a fair value calculation is only provided for a limited portion of the Bank's assets and liabilities. Due to a

wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Bank's disclosures and those of other companies may not be meaningful.

December 31, 2021 (in thousands)	Carrying Amount	Fair Value
Financial Assets:		
Cash (currency & coin)	$ 566	$ 566
Interest bearing balances due from banks	91,951	91,951
Securities held to maturities	12,430	12,424
Securities available for sale	4,099	4,099
Securities classified as trading	26,709	26,709
Loans held for sale	1,971	1,971
Loans receivable, net	373,162	372,708
Restricted investment in bank stock	1,289	1,289
Accrued interest receivable	1,055	1,055
Financial Liabilities:		
Noninterest-bearing demand deposits	96,574	96,574
Interest-bearing demand deposits	18,936	18,936
Money market	230,153	230,153
Savings	7,109	7,109
Time deposits	84,202	84,133
FHLB borrowings	30,000	29,669
Accrued interest payable	45	45
Off-balance sheet instruments	-	-

December 31, 2020 (in thousands)	Carrying Amount	Fair Value
Financial Assets:		
Cash (currency & coin)	$ 610	$ 610
Interest bearing balances due from banks	53,906	53,906
Loans held for sale	1,618	1,618
Loans receivable, net	267,092	269,198
Restricted investment in bank stock	969	969
Accrued interest receivable	799	799
Financial Liabilities:		
Noninterest-bearing demand deposits	52,469	52,469
Interest-bearing demand deposits	13,963	13,963
Money market	147,788	147,788
Savings	3,630	3,630
Time deposits	41,002	41,250
Accrued interest payable	39	39
Off-balance sheet instruments	-	-

17. Revenue Recognition

Topic 606's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled.

Management determined that revenue derived from financial instruments, including revenue from loans receivable, along with non-interest income resulting from other loans receivable related fees, are not within the scope of Topic 606.

Topic 606 is applicable to non-interest income streams such as service charges on deposits and other non-interest income. Non-interest revenue streams in-scope of Topic 606 are discussed below.

Service Charges and Activity Fees on Deposits

Service charges on deposit accounts consist of monthly ATM Income, Wire Transfer Fees, and other Deposit related fees. The Bank's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and therefore, the Bank's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts. The Bank's performance obligation for wire transfers and returned deposit fees, are largely satisfied, and related revenue recognized,

when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Other

Other non-interest income consists primarily of other non-recurring revenue which is not recorded in the categories listed above. This revenue is miscellaneous in nature and is recognized as income upon receipt.

The following presents non-interest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2021 and 2020 (in thousands).

		2021	2020
Non-Interest Income			
In-scope of Topic 606			
Service Charges and Activity Fees on Deposits	$	96	46
Other		203	-
Non-Interest Income (in-scope of Topic 606)		299	46
Non-Interest Income (out-of-scope of Topic 606)		956	77
Total Non-Interest Income	$	1,255	123

Contract Balances

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Bank's non-interest revenue streams are largely based on transactional activity. Consideration is often received immediately or shortly after the Bank satisfies its performance obligation and revenue is recognized. The Bank does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2021 and 2020, the Bank did not have any contract balances.

18. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2021 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 17, 2022, the date these financial statements were available to be issued.