Chain Bridge

BANCORP, INC.

2021 Annual Report

Attentive Personal Service

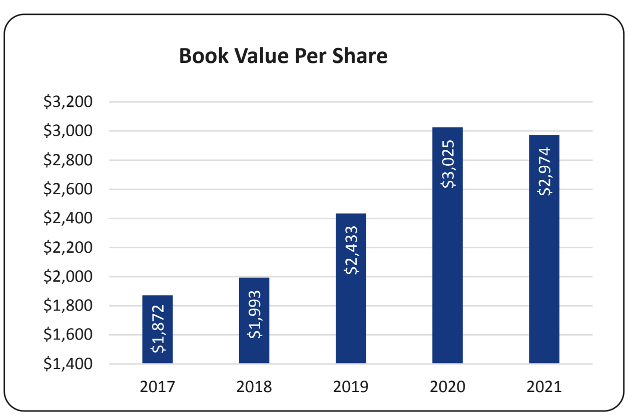
Leading Edge Technology

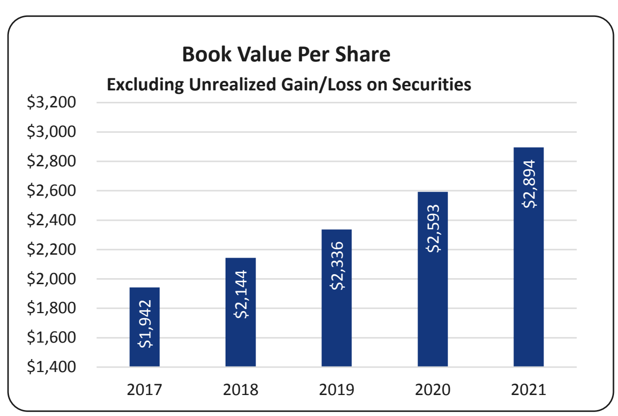
Fortress Balance Sheet

Chain Bridge Bancorp, Inc.
Consolidated Financial Highlights

	Years Ended December 31, 2021	2020	Change
Performance Measures and Yields			
Consolidated net income	$ 7,048,718	$ 6,000,482	17.47%
Return on average assets (ROAA)	0.70%	0.60%	0.10%
Return on average risk-weighted assets [1]	2.02%	1.95%	0.07%
Return on average equity (ROAE)	10.18%	9.02%	1.16%
Yield on earning assets (%)	2.15%	2.43%	(0.28%)
Cost of funds (%)	0.03%	0.12%	(0.09%)
Net interest margin (Fully Tax Equivalent)	2.12%	2.32%	(0.20%)
Balance Sheet Highlights			
Total assets	$ 1,218,153,554	$ 881,506,900	38.19%
U.S. Treasury securities (fair value)	$ 446,200,041	$ 162,120,970	175.23%
Total investment grade securities (fair value)	$ 791,786,809	$ 444,823,168	78.00%
Total loans (net of loans held for sale)	$ 283,919,621	$ 342,675,743	(17.15%)
SBA Paycheck Protection Program (PPP) Loans, outstanding balance	$ 21,319,352	$ 92,016,217	(76.83%)
Total deposits	$ 1,140,872,375	$ 797,750,197	43.01%
Trust Department: Total custody and managed assets, year end	$ 355,928,607	$ 21,898,731	1525.34%
Asset Quality (%)			
Non-performing assets / assets	0.00%	0.00%	0.00%
Texas ratio [2]	0.00%	0.00%	0.00%
Risk-weighted asset density [3]	30.81%	36.25%	(5.44%)
Loan loss reserves / gross loans	1.29%	1.21%	0.08%
Loan loss reserves / gross loans excluding PPP loans	1.39%	1.64%	(0.25%)
Net charge offs (recoveries) / average loans	0.00%	0.00%	0.00%
Regulatory Capital Information			
Tier 1 risk-based capital	$ 67,649,302	$ 60,600,584	11.63%
Tier 1 risk-based ratio	18.03%	18.97%	(0.94%)
Total regulatory capital	$ 71,309,302	$ 64,596,584	10.39%
Total regulatory capital ratio	19.00%	20.22%	(1.22%)
Chain Bridge Bancorp, Inc. Share Information			
Number of shares outstanding	23,372	23,372	0.00%
Book value per share	$ 2,973.63	$ 3,025.30	(1.71%)
Book value per share, excluding unrealized gain/loss on securities	$ 2,894.46	$ 2,592.87	11.63%
Net income per share	$ 301.59	$ 256.74	17.47%

[1] Average is calculated using the last five quarter ends.
[2] Texas ratio is defined as nonperforming assets plus delinquent loans as a percent of tangible equity and reserves.
[3] Risk-weighted asset density measures the riskiness of the Bank's assets. It is calculated as risk-weighted assets divided by total assets.





Chain Bridge
BANCORP, INC.

March 4, 2022

Dear Fellow Shareholder:

Chain Bridge Bancorp, Inc. (the "Company") parent of Chain Bridge Bank, N.A. ("Chain Bridge" or the "Bank"), earned net income of $7,048,718, or $301.59 per share, in 2021, versus $6,000,482, or $256.74 per share, in 2020. Return on average equity was 10.18% in 2021 versus 9.02% in 2020.

Book value per share was $2,973.63 on December 31, 2021, a decrease of 1.71% from $3,025.30 as of December 31, 2020. Excluding the unrealized gain on securities, book value per share was $2,894.46 at year-end 2021, an increase of 11.63% over $2,592.87 at year-end 2020.

As of December 31, 2021, Chain Bridge reported zero non-performing assets for the 10th consecutive year.

For the third consecutive year, the Company elected not to issue a dividend but rather to retain all earnings in order to support the Company's balance sheet growth.

Balance Sheet Growth

The Company's total assets ended 2021 at $1.2 billion, up from $882 million at year-end 2020. Noninterest-bearing deposits grew $340 million, from $588 million at year-end 2020 to $928 million at year-end 2021. Excluding $275 million in short-term U.S. treasury bills held only briefly at year end, bonds increased by $72 million during the year. Loans overall declined due to the runoff of Small Business Administration (SBA) Paycheck Protection Program (PPP) loans booked primarily during the previous year. The Bank experienced heavy demand for residential mortgages in 2021, including both purchase and refinance activity, but only subdued demand for commercial loans, most likely due to pandemic-related uncertainty.

At year-end 2021, the Bank held nearly $400 million in immediately repriceable assets ($124 million in cash and $275 million in treasury bills with a remaining maturity of just a few days). The Bank thus entered 2022 with a liquid position comprising approximately one-third of its assets. While interest revenue from cash was minimal in 2021, interest revenue from cash may increase if, as currently anticipated, the Federal Reserve raises overnight interest rates in 2022.

SBA Paycheck Protection Program

The Bank at year-end 2021 had $21 million of PPP loans, down from $92 million at year-end 2020. As the SBA approved loan forgiveness applications, PPP balances declined and the Bank recorded the remaining SBA income from the forgiven loans. Chain Bridge earned $2.3 million in SBA PPP income in 2021, compared to $700 thousand in 2020.

Congress created the PPP program in March 2020 to provide emergency funding of wages, rent, and certain other obligations of employers that were adversely impacted by Covid-19. The program allowed banks to issue a forgivable SBA loan at a 1% interest rate to eligible borrowers.

In late 2020, Congress authorized two additional rounds of PPP funding that included a second draw of PPP loans for borrowers whose revenues dropped more than 25% in any quarter of 2020 versus the same quarter of 2019. The same general loan conditions of the first draw applied to the second draw. Total PPP funding was exhausted on May 31, 2021.

At the end of December 2021, the Bank had processed forgiveness applications for all 585 PPP loans made during the first two rounds of funding and 218 of the 290 loans made during the third round. It expects to complete forgiveness processing on the remaining loans by the end of the second quarter of 2022.

The contribution of PPP income to the Bank's 2021 earnings reflected its nearly two-year commitment to provide and service these loans. Like most banks, Chain Bridge was inundated at the onset of the program with applications from clients and non-clients alike. Chain Bridge was able to handle virtually all of its PPP loan demand without referring away potential borrowers to other lenders. In fact, Chain Bridge often received PPP referrals from other banks. Approximately 60% of the first-round borrowers were new to the Bank.

The PPP initiative worked well for Chain Bridge and its clients. Nearly all Bank associates participated in the effort at different points by repurposing their expertise in areas like commercial banking and fiduciary services toward this novel government loan program.

Trust & Wealth Department

The Chain Bridge Trust & Wealth Department opened at the very end of 2020 and had its first full year of operations in 2021. The Department offers services such as trustee, investment adviser, discretionary investment manager, executor, custodian, agent or assignee, administrator, and guardian, among other roles.

The Department also offers financial planning with an experienced Certified Financial Planner (CFP). Financial planning can help clients determine how much they should save during their working years and how much they can spend in retirement. It can also help clients make non-investment decisions that have important investment implications, such as how to finance a home purchase or a child's college education.

An investor's most important strategic decision is how to allocate investment assets between stocks and bonds. Studies show that asset allocation selection (and not securities or fund selection) is the greatest single determinant of long term investment performance. While selecting an asset allocation between stocks and bonds may sound easy, it requires careful consideration.

In order to guide a client's asset allocation, the Department considers the client's risk tolerance, goals, time horizon, liquidity needs, and tax consequences. Of these factors, risk tolerance is sometimes the most important. Risk tolerance depends not only on the client's *willingness* to take risk but also on his or her *ability* to take risk. While *willingness* to take risk may depend on psychological characteristics, the *ability* to take risk often turns on quantitative factors, including financial position, current and future earnings, current and future liabilities, and investment horizon. Chain Bridge devotes considerable attention to understanding the unique needs and circumstance of each client in order to recommend the most appropriate asset allocation for that client.

Once an asset allocation is selected, Chain Bridge Trust & Wealth attempts to pursue the broadest possible diversification at the lowest possible cost — both for stocks and bonds. The Department generally uses broad-based, total market, low cost index funds to maximize diversification and minimize costs.

By using broad-based, total market, low cost index funds, the Department seeks to minimize single-security risk, industry risk, sector risk, country risk, geographic risk and even investing "style" (e.g. "growth" versus "value") risk while taking only market risk (which is plenty). The aim is not to beat the market (which academic studies show is nearly impossible over long periods of time) but rather to earn as close to the market's returns as possible. This is the time-tested investment philosophy championed by the late John C. Bogle, founder of the Vanguard Group and father of the index fund.

Investors, even those with good investment plans, can sometimes be their own worst enemies. Sometimes they develop a conviction that the market is going to go up or down and get tempted to "time the market." Sometimes they read about a "hot" stock or a "hot" fund and get tempted to chase its past performance. Sometimes they get euphoric and are tempted to pile in as markets top, or they get panicked and are tempted to bail out as markets bottom.

Chain Bridge Trust & Wealth encourages clients to ignore the day-to-day, and even the year-to-year, fluctuations of the markets and to, instead, focus only on the long-term or, in Bogle's famous words, to just "stay the course." Only when staying invested for the long term, and not being distracted by current news or market noise, are most clients likely to enjoy the miracle of compounding returns.

In its first full year of operations, the Department hit the ground running and established many new investment, custodial and fiduciary relationships. The Department almost immediately helped the Bank better and more fully serve its existing clients, sometimes in ways the Board had not anticipated. Many of the Department's referrals have come from trust and estates practitioners who appreciate the attentive personal service that has always been a hallmark of Chain Bridge Bank, N.A.

Litigation

On June 12, 2020, Blue Flame Medical LLC ("Blue Flame") sued Chain Bridge Bank, N.A. in United States District Court for the Eastern District of Virginia (the "District Court") for honoring a request by California's bank, JPMorgan Chase Bank, N.A. ("JPMorgan"), to cancel a $457 million wire to Chain Bridge, for the benefit of Blue Flame, on March 26, 2020. Blue Flame, which had been formed on March 23, 2020 and which had opened its account at Chain Bridge on March 25, 2020, alleged that the wire was originally intended as California's down payment on a $609 million order for 100 million N95 masks. Blue Flame claimed that Chain Bridge's accommodation of JPMorgan's wire-cancellation request was impermissible under federal regulations governing wire transfers, and both asserted lost profits and sought the return of the wire. Blue Flame further asserted state-law claims arising out of the same accommodation and Chain Bridge's diligence communications with California officials.

On September 8, 2020, the District Court dismissed five of the ten counts in Blue Flame's complaint.

On October 13, 2020, Chain Bridge filed a third-party complaint against JPMorgan for indemnification under Federal Reserve Regulation J which provides that a sending bank which cancels a wire is liable to the receiving bank for "any loss and expense, including reasonable attorney's fees, incurred by the bank as a result of the cancellation . . ."

On September 23, 2021, the District Court entered an order of Summary Judgement in favor of Chain Bridge, and against Blue Flame, on all remaining counts of Blue Flame's ten-count complaint. Separately, and on the same day, the District Court entered an order of Summary Judgement in favor of Chain Bridge, and against JPMorgan, on Chain Bridge's third-party complaint for indemnification of Chain Bridge's losses, including attorney's fees and other litigation expenses.

On October 21, 2021, both Blue Flame and JPMorgan appealed the District Court's decision to the United States Court of Appeals for the Fourth Circuit (the "Fourth Circuit"). Those appeals are now pending.

On January 26, 2022, Chain Bridge and JPMorgan reached a Settlement Agreement requiring JPMorgan to pay Chain Bridge for incurred attorney's fees and litigation expenses. The Settlement Agreement does not resolve Chain Bridge's claims for indemnification from JPMorgan, or any claims or defenses by JPMorgan, for any loss and expense incurred in relation to JPMorgan's and Blue Flame's appeals of the District Court's judgments, or in relation to other future litigation related to the subject matter of the case. The financial impact of the Settlement Agreement is reflected in the audited financial statements, and further described in the Notes to Consolidated Financial Statements, included in this Annual Report.

The Company believes that the District Court's ruling in favor of Chain Bridge, and against Blue Flame, is correct and is vigorously defending that ruling before the Fourth Circuit. The Company also believes that the District Court's ruling in favor of Chain Bridge, and against JPMorgan, is correct and is vigorously defending that ruling before the Fourth Circuit.

Management is currently unable to predict the outcome or determine the potential impact, if any, that could result from the final resolution of Blue Flame's and JPMorgan's appeals. Chain Bridge therefore has not recorded a loss contingency for the lawsuit.

Outlook for the Year Ahead

Since March 2020, the Federal Reserve has kept its policy rate of interest at close to zero. Two years of zero interest rates have lowered the net interest margins of Chain Bridge and of nearly all banks. Should the Federal Reserve raise its overnight policy rate in 2022, that would likely improve Chain Bridge's net interest margin and net interest income.

While deposit growth has been robust for the past two years, commercial loan demand, aside from PPP loans, has nevertheless been weak. Toward the end of 2021, the Bank started to see increased commercial loan demand which has so far continued into the first quarter of 2022.

Even if the Federal Reserve increases interest rates several times in 2022, those rates, and bank spread income, will still be at historically low levels. Moreover, should the yield curve continue to flatten, with short term rates rising while long term rates rise less or stay the same, that could pose a new challenge for the banking industry which relies on the spread between short and longer term rates.

To protect itself from a continued low interest rate and flat yield curve environment, management continues to develop non-interest sources of revenues. In addition to building the Trust & Wealth department (which earns non-interest revenue), management is considering how to increase interchange revenue from both debit and credit cards. Management intends to promote greater use of its corporate and consumer debit cards in 2022, as well as to consider bringing its corporate credit card offerings in-house.

Chain Bridge's growth in recent years suggests that its strategy of combining attentive personal service, leading-edge technology and balance sheet safety and soundness, is working. Management will continue to build upon this formula's success in 2022 and beyond.

Thank you to all the Chain Bridge associates who worked so hard in 2021 to serve clients and grow the Bank. Thanks, as well, to all the shareholders, directors and clients for their ongoing loyalty and support of the Bank.

Sincerely,

Peter G. Fitzgerald

Peter G. Fitzgerald,
Chairman of the Board

PGF/hn

Chain Bridge Bancorp, Inc. Board of Directors:

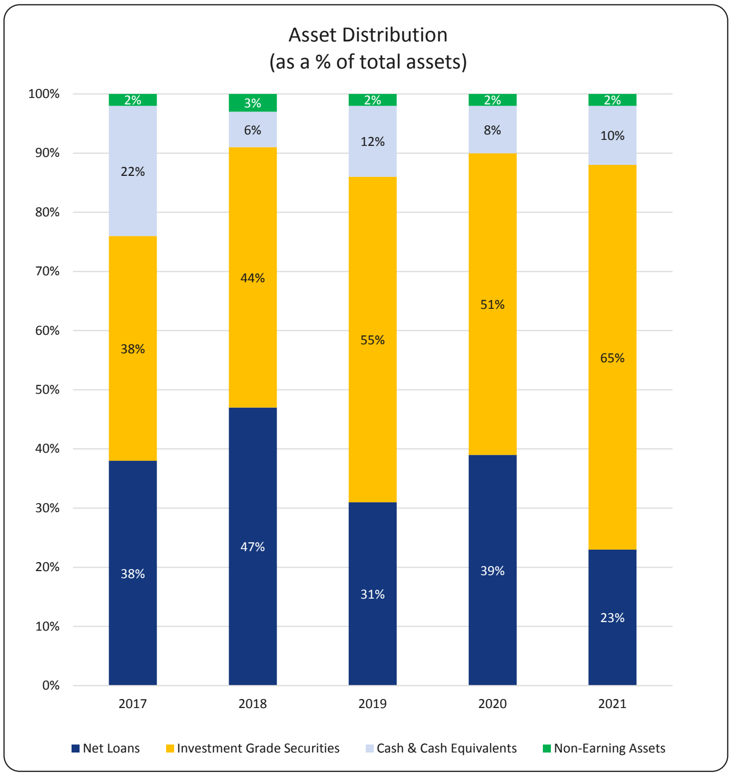
Peter G. Fitzgerald, Chairman
Paul Shiffman, Vice Chairman
John J. Brough, CEO
David M. Evinger, President & Corporate Secretary
Andrew J. Fitzgerald
Thomas G. Fitzgerald, Jr.
Philip F. Herrick
Thomas E. Jacobi, Sr.
Paul Leavitt
Philip A. Odeen

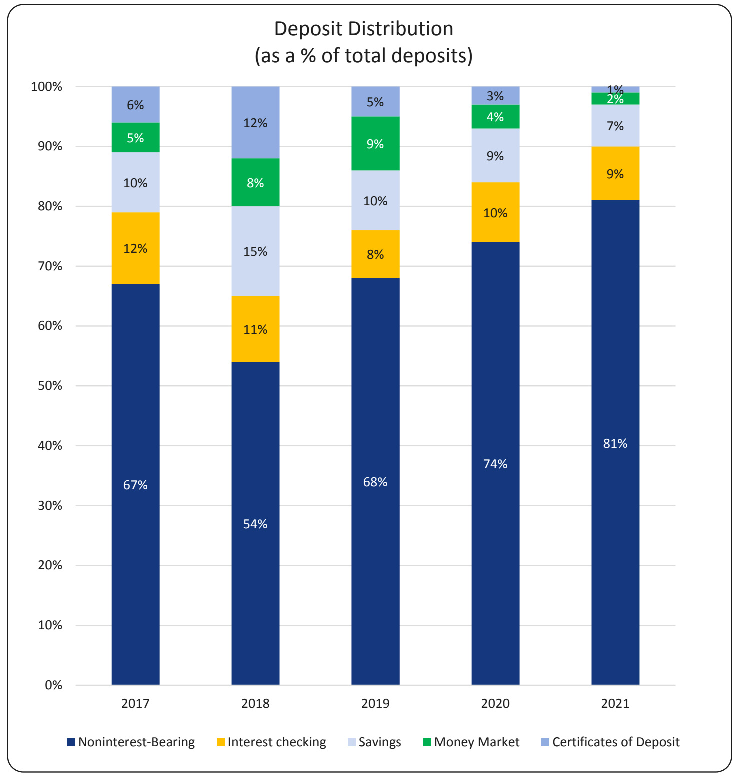
Chain Bridge Bank, N.A. Board of Directors:

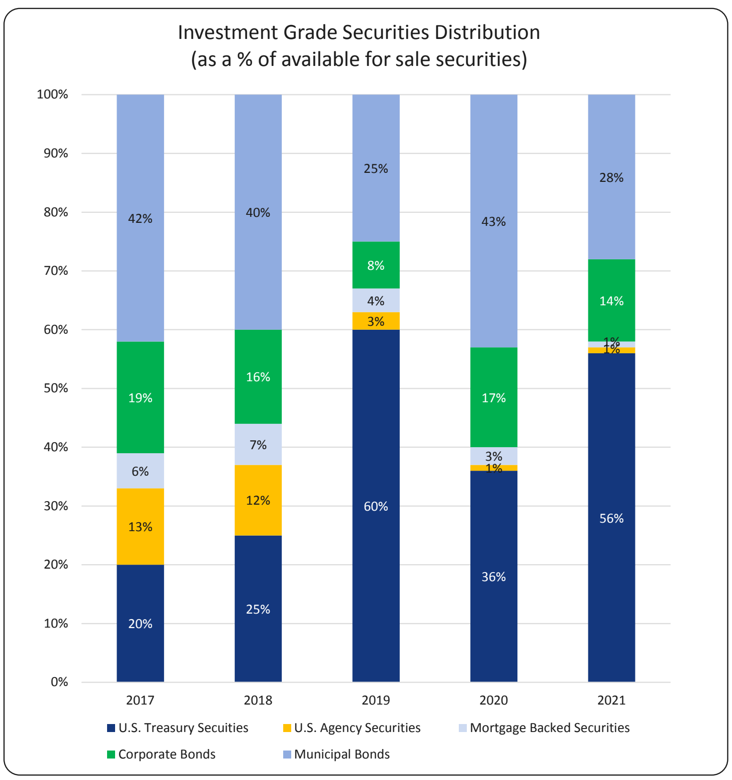
Peter G. Fitzgerald, Chairman
Philip F. Herrick, Vice Chairman
John J. Brough, CEO
David M. Evinger, President
Benita Thompson-Byas
Joseph M. Fitzgerald
Thomas E. Jacobi, Sr.
Michelle L. Korsmo
Paul Leavitt
Christopher S. Lippman *
Jonathan E. Missner
Elizabeth M. O'Shea
Paul Shiffman
W. Michael Wheat

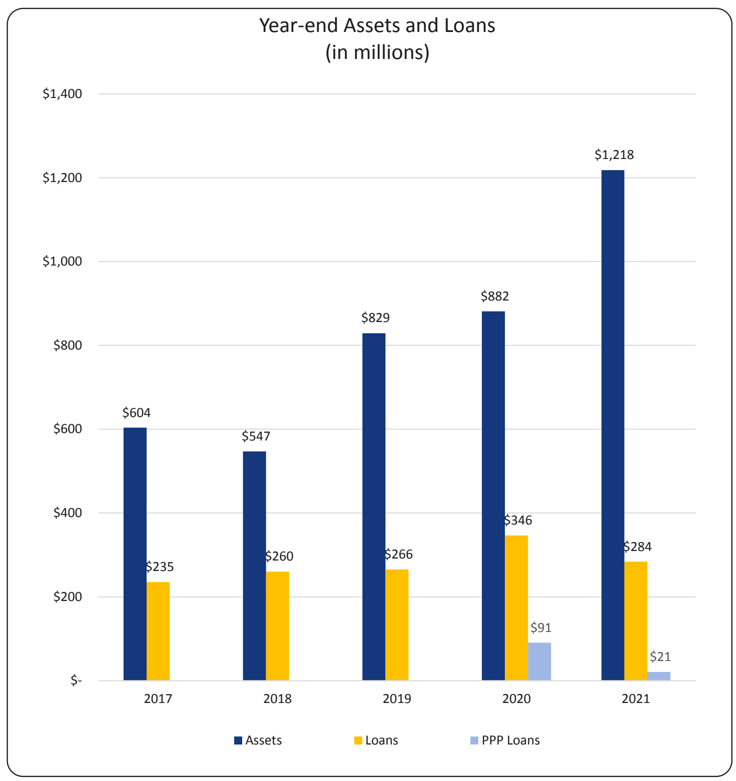
* Joined Board of Directors in January 2022

Balance Sheet Information

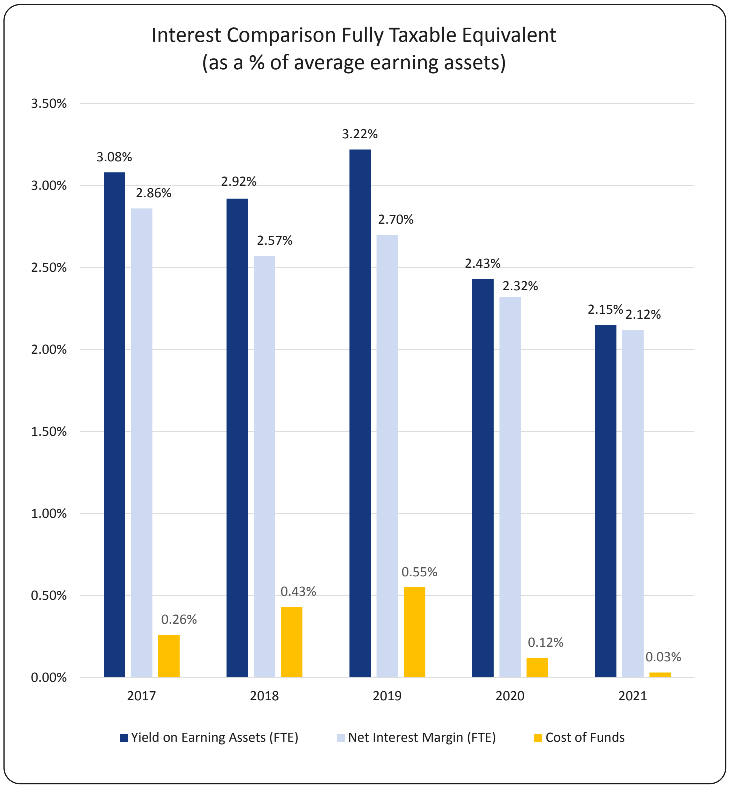


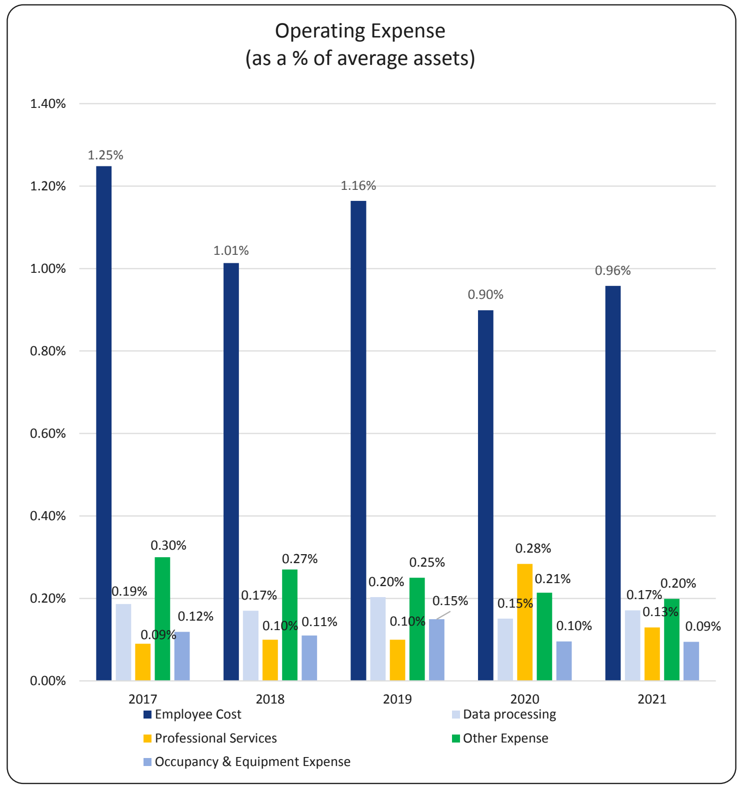


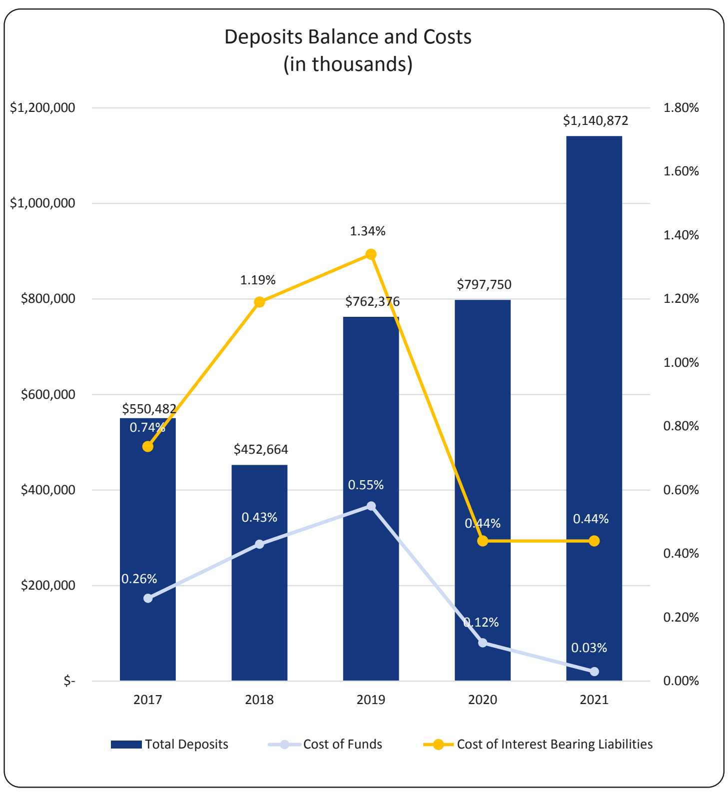


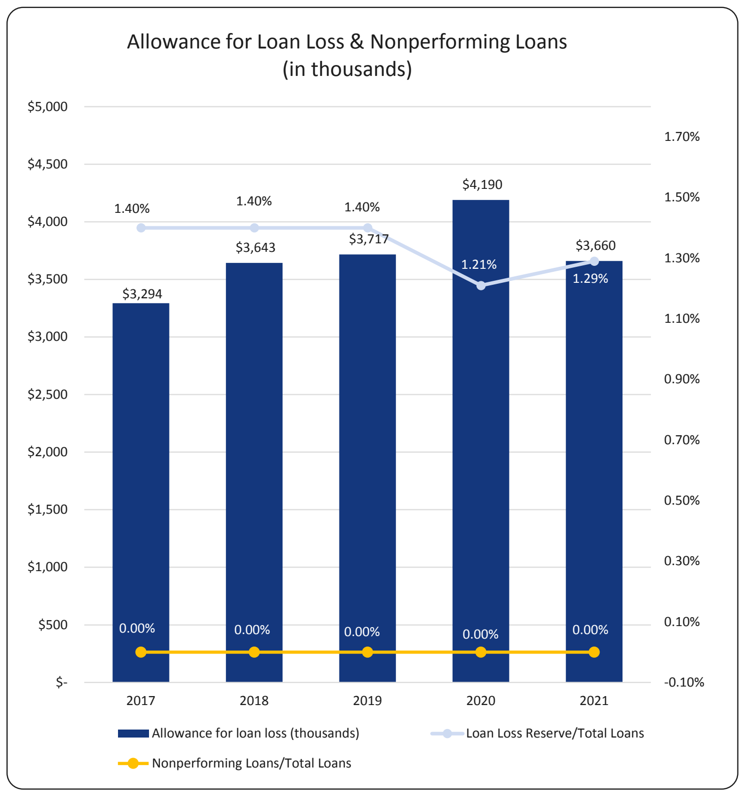


Income Statement and Asset Quality Information

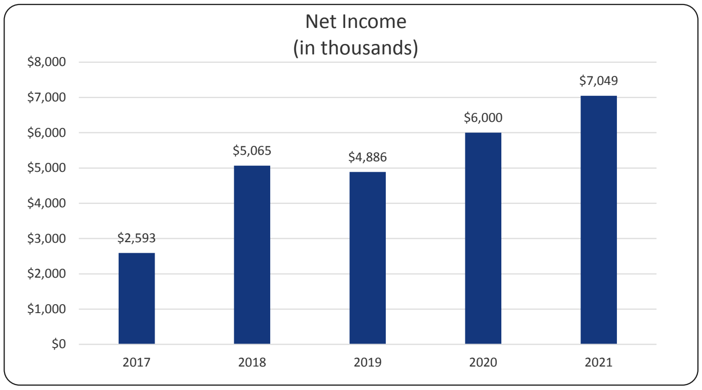


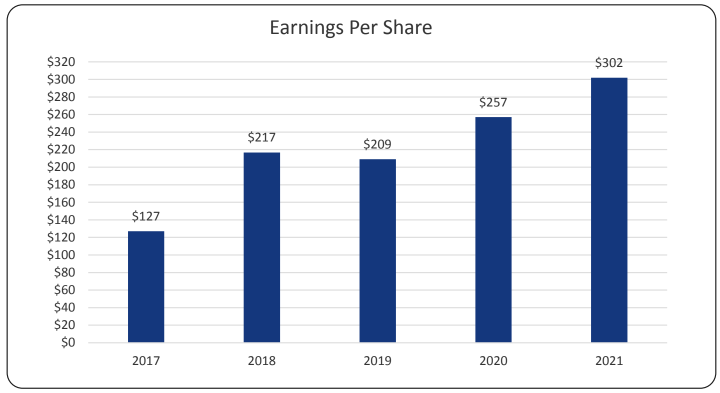


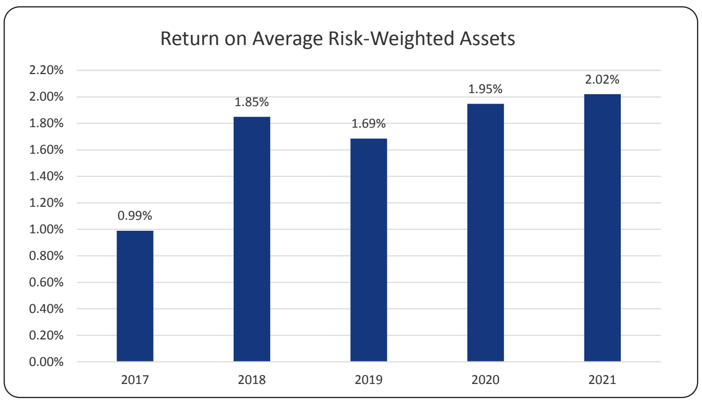


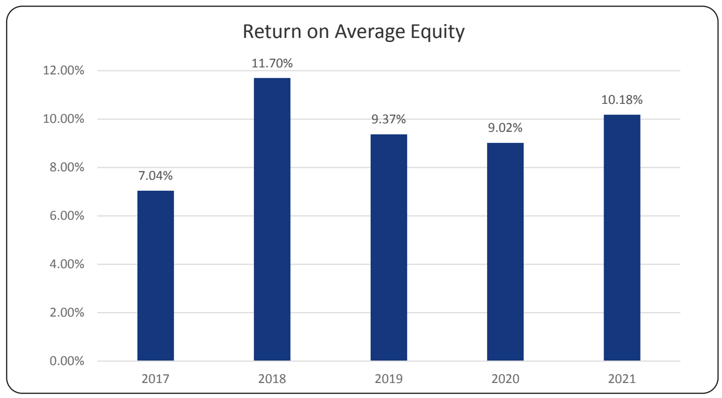


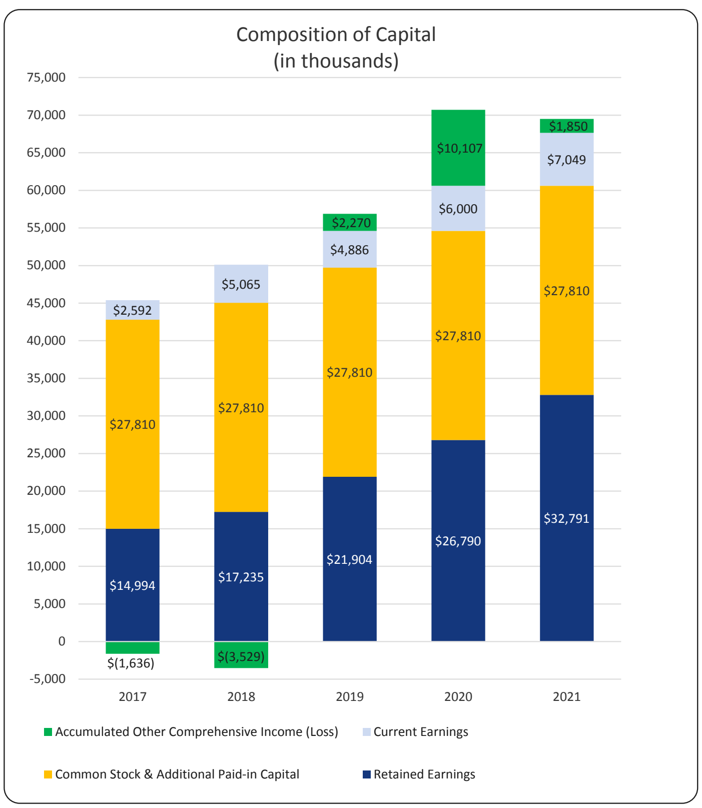
Equity Information and Returns

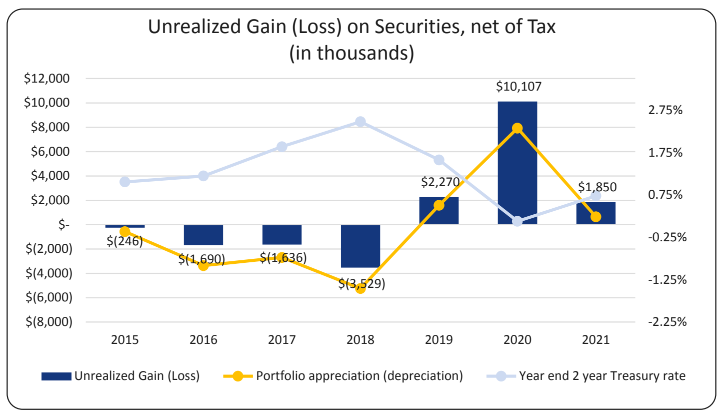


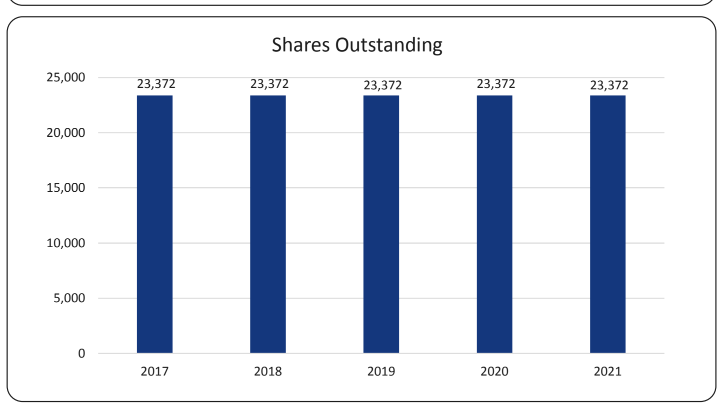






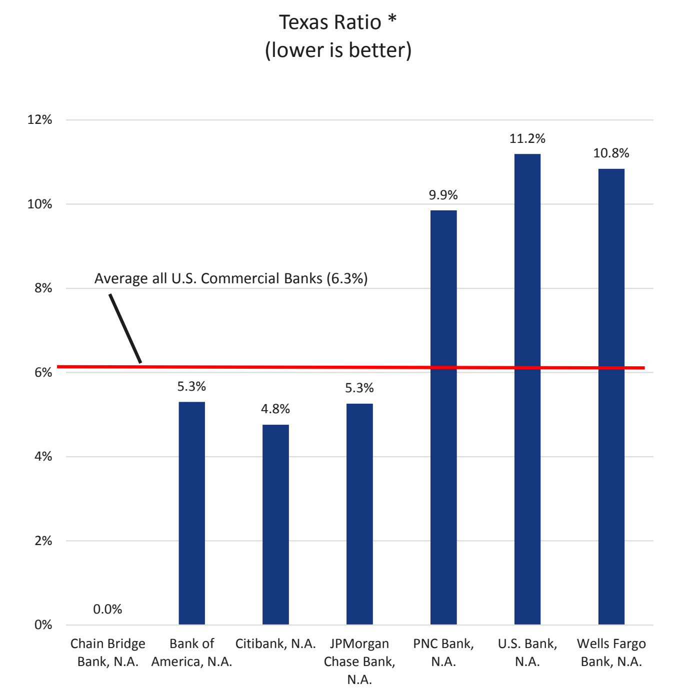




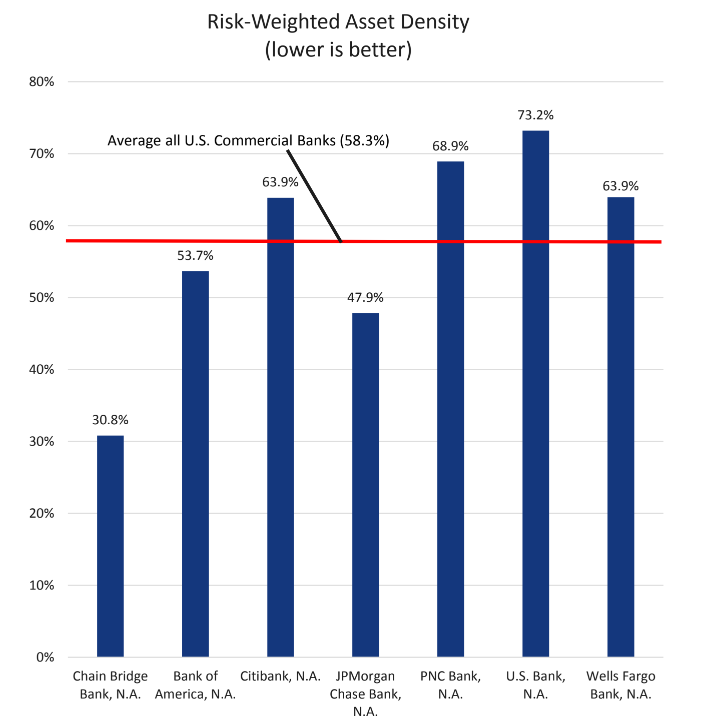


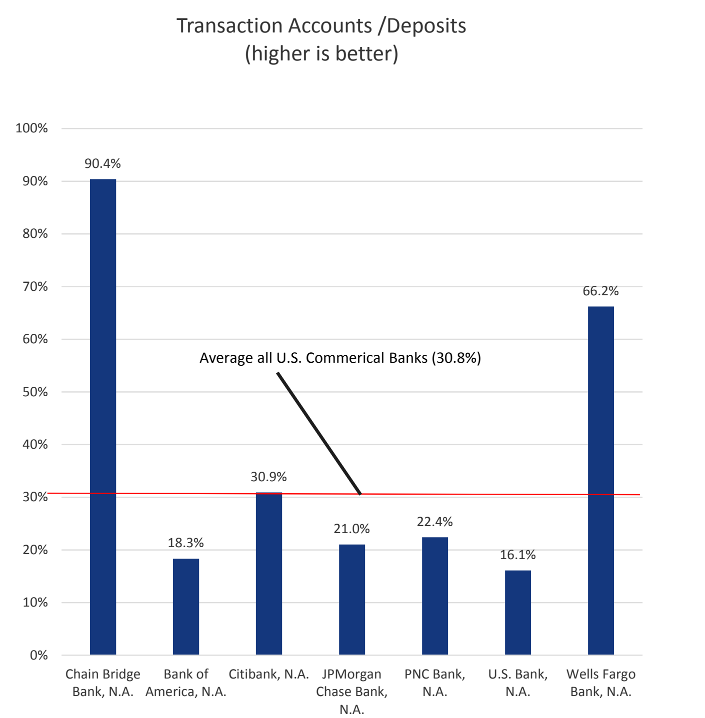
Industry Comparison

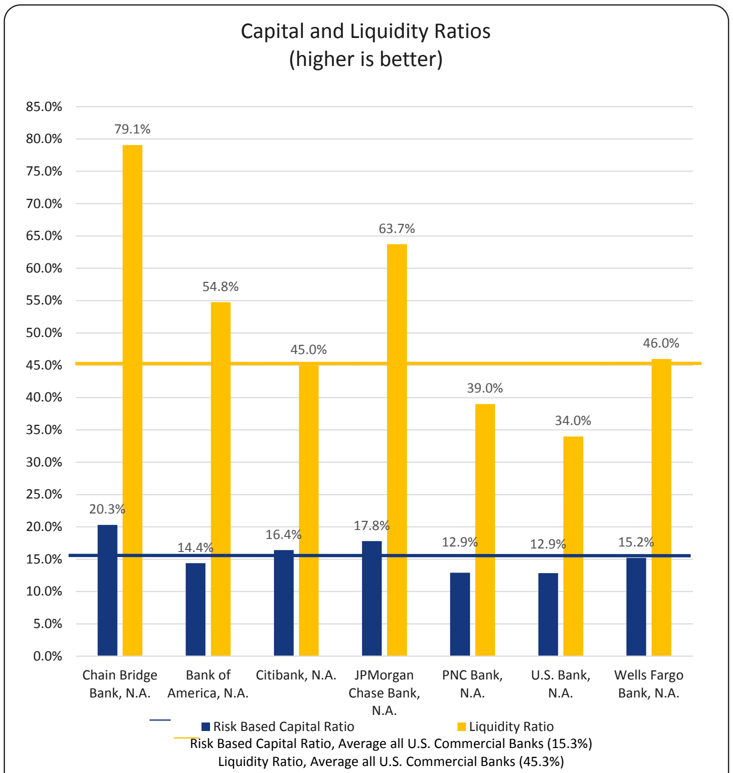
(Bank-Level Information)



*Texas ratio is defined as nonperforming assets plus delinquent loans as a percent of tangible equity and reserves.







Chain Bridge Bancorp, Inc.
and Subsidiary

McLean, Virginia

Consolidated Financial Report

December 31, 2021

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Chain Bridge Bancorp, Inc.
McLean, Virginia

Opinion

We have audited the consolidated financial statements of Chain Bridge Bancorp, Inc. and its subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive (loss) income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control 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 Company'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the consolidated financial highlights and the letter to shareholders, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
February 28, 2022

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Balance Sheets

	December 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 123,876,743	$ 76,221,311
Securities available for sale, at fair value	791,246,041	444,273,576
Equity securities, at fair value	540,768	549,592
Restricted securities, at cost	2,032,600	2,458,700
Loans held for sale	- -	3,779,554
Loans, net of allowance for loan losses of $3,660,000 in 2021 and $4,190,000 in 2020	280,259,621	338,485,743
Premises and equipment, net of accumulated depreciation of $5,799,029 in 2021 and $5,275,993 in 2020	10,492,884	11,171,452
Accrued interest receivable	3,568,409	3,614,253
Other assets	6,136,488	952,719
Total assets	$ 1,218,153,554	$ 881,506,900
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 928,392,740	$ 588,270,108
Savings, interest-bearing checking and money market accounts	199,610,956	190,289,031
Time, $250,000 and over	5,483,404	9,896,820
Other time	7,385,275	9,294,238
Total deposits	$ 1,140,872,375	$ 797,750,197
Short-term borrowings	5,000,000	9,000,000
Accrued interest payable	5,979	21,764
Accrued expenses and other liabilities	2,775,518	4,027,542
Total liabilities	$ 1,148,653,872	$ 810,799,503
Stockholders' Equity		
Preferred stock		
$1 par value, authorized 10,000 shares, no shares issued and outstanding	$ - -	$ - -
Common stock		
$1 par value, authorized 50,000 shares, 23,372 shares issued and outstanding	23,372	23,372
Additional paid-in capital	27,786,595	27,786,595
Retained earnings	39,839,335	32,790,617
Accumulated other comprehensive income	1,850,380	10,106,813
Total stockholders' equity	$ 69,499,682	$ 70,707,397
Total liabilities and stockholders' equity	$ 1,218,153,554	$ 881,506,900

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Income
For the Years Ended December 31, 2021 and 2020

	2021	2020
Interest and Dividend Income		
Interest and fees on loans	$ 12,507,337	$ 12,022,850
Interest and dividends on securities, taxable	6,440,293	9,323,069
Interest on securities, tax-exempt	1,425,986	1,247,378
Interest on interest bearing deposits in banks	315,011	532,261
Total interest and dividend income	$ 20,688,627	$ 23,125,558
Interest Expense		
Interest on deposits	$ 163,195	$ 830,822
Interest on short-term borrowings	137,634	247,145
Total interest expense	$ 300,829	$ 1,077,967
Net Interest Income	$ 20,387,798	$ 22,047,591
Provision for (Recovery of) Loan Losses	(530,000)	473,000
Net interest income after provision for (recovery of) loan losses	$ 20,917,798	$ 21,574,591
Noninterest Income		
Service charges on deposit accounts	$ 465,144	$ 888,589
Gain on sale of mortgage loans	412,488	316,066
Trust and wealth management income	344,952	2,751
Rent income	104,635	97,608
Gain on sale of securities, net	- -	112,763
Other income	1,949,878	618,087
Total noninterest income	$ 3,277,097	$ 2,035,864
Noninterest Expenses		
Salaries and employee benefits	$ 9,647,555	$ 8,961,901
Professional services	1,308,036	2,825,395
Data processing and communication expenses	1,724,643	1,507,442
Occupancy and equipment expenses	952,216	955,344
Virginia bank franchise tax	451,423	402,764
FDIC and regulatory assessments	423,815	537,500
Directors fees	307,900	322,976
Other operating expenses	818,758	812,112
Total noninterest expenses	$ 15,634,346	$ 16,325,434
Net income before taxes	$ 8,560,549	$ 7,285,021
Income Tax Expense	1,511,831	1,284,539
Net income	$ 7,048,718	$ 6,000,482
Earnings per common share, basic and diluted	$ 301.59	$ 256.74

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive (Loss) Income

For the Years Ended December 31, 2021 and 2020

	2021	2020
Net income	$ 7,048,718	$ 6,000,482
Other comprehensive (loss) income:		
Unrealized holding (losses) gains on securities available for sale, net of tax of ($2,194,747) in 2021 and $2,106,790 in 2020	$ (8,256,433)	$ 7,925,548
Reclassification adjustment for gains included in net income, net of taxes of ($23,680) in 2020	- -	(89,083)
Other comprehensive (loss) income, net of tax	$ (8,256,433)	$ 7,836,465
Comprehensive (loss) income	$ (1,207,715)	$ 13,836,947

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Net income	$ 7,048,718	$ 6,000,482
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	523,036	553,631
Premium amortization and discount accretion on investment securities, net	2,705,373	2,144,478
(Recovery of) impairment loss on securities recognized in earnings	(14,738)	56,866
Fair value adjustment on equity security	15,805	(11,465)
(Recovery of) provision for loan losses	(530,000)	473,000
Gain on sale of securities	- -	(112,763)
Loss on sales and disposals of premises and equipment	192,818	- -
Gain on sale of mortgage loans	(412,488)	(316,066)
Origination of loans held for sale	(18,880,605)	(23,600,688)
Proceeds from sale of loans	23,072,647	20,137,200
Deferred income tax expense (benefit)	272,451	(468,837)
Changes in assets and liabilities:		
Increase in accrued interest receivable and other assets	(4,558,494)	(1,183,245)
Increase in accrued interest payable, accrued expenses and other liabilities	75,057	499,984
Net cash provided by operating activities	$ 9,509,580	$ 4,172,577
Cash Flows from Investing Activities		
Purchases of securities available for sale	$ (907,651,301)	$ (618,570,412)
Proceeds from calls, maturities, paydowns and sales of securities available for sale	547,537,020	633,005,436
Redemption (purchase) of restricted securities, net	426,100	(473,600)
Reinvestment of dividends on equity security	(6,981)	(9,965)
Net decrease (increase) in loans	58,756,122	(77,135,357)
Proceeds from sales of premises and equipment	65,000	- -
Purchases of premises and equipment	(102,286)	(467,202)
Net cash used in investing activities	$ (300,976,326)	$ (63,651,100)
Cash Flows from Financing Activities		
Net increase in non-interest bearing, savings, interest-bearing checking and money market deposits	$ 349,444,557	$ 58,607,686
Net decrease in time deposits	(6,322,379)	(23,233,445)
Net (decrease) increase in short-term borrowings	(4,000,000)	1,700,000
Net decrease in securities sold under agreements to repurchase	- -	(433,436)
Net cash provided by financing activities	$ 339,122,178	$ 36,640,805
Net increase (decrease) in cash and cash equivalents	$ 47,655,432	$ (22,837,718)
Cash and cash equivalents, beginning of period	76,221,311	99,059,029
Cash and cash equivalents, end of period	$ 123,876,743	$ 76,221,311
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	$ 316,614	$ 1,220,730
Cash payments for taxes	$ 717,086	$ 2,538,837
Supplemental Disclosures of Noncash Investing Activities		
Fair value adjustment for available for sale securities	$ (10,451,180)	$ 9,919,575

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2021 and 2020

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2019	$ 23,372	$ 27,786,595	$ 26,790,135	$ 2,270,348	$ 56,870,450
Net income	- -	- -	6,000,482	- -	6,000,482
Other comprehensive income	- -	- -	- -	7,836,465	7,836,465
Balance at December 31, 2020	$ 23,372	$ 27,786,595	$ 32,790,617	$ 10,106,813	$ 70,707,397
Net income	- -	- -	7,048,718	- -	7,048,718
Other comprehensive loss	- -	- -	- -	(8,256,433)	(8,256,433)
Balance at December 31, 2021	$ 23,372	$ 27,786,595	$ 39,839,335	$ 1,850,380	$ 69,499,682

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

Chain Bridge Bancorp, Inc., a Virginia corporation (the "Company"), is the holding company for Chain Bridge Bank, National Association (the "Bank"), a national banking association organized under the laws of the United States and headquartered in McLean, Virginia.

The Bank commenced regular operations on August 6, 2007 and is a member of the Federal Deposit Insurance Corporation. It is subject to the regulations of the Federal Deposit Insurance Corporation and the United States Office of the Comptroller of the Currency (OCC). Consequently, it undergoes periodic examinations by these regulatory authorities.

The Bank provides a variety of financial services to businesses and individuals through its offices in McLean, Virginia. The Bank's primary deposit products are noninterest-bearing checking, interest-bearing checking and time deposits, and its primary lending products are consumer, commercial, and commercial real estate loans.

Significant Accounting Policies

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. The more significant of these policies are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of Chain Bridge Bancorp, Inc. and its wholly-owned subsidiary, Chain Bridge Bank, N.A. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and 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.

Possible Impact of COVID-19 on Significant Estimates

Since the novel coronavirus ("COVID-19") was declared a pandemic in March 2020, COVID-19 has significantly affected the Company's communities, customers, and operations. COVID-19 continues to have a significant impact in 2021; however, the extent of its effects are dependent upon multiple factors, such as the extent of distribution and efficacy of vaccines, COVID-19 variants, additional government economic intervention/stimulus, and pandemic-related restrictions, among others. As a result, the ultimate effects of COVID-19 over the longer term cannot be reasonably estimated at this time. Risks and uncertainties arising from the pandemic remain and are primarily concerned with the ability of customers to fulfill their financial obligations to the Company as well as potential operational disruptions and the ability of the Company to generate demand for its products and services. Accordingly, estimates used in the preparation of our financial statements may be subject to significant adjustments in future periods.

Reclassification

Certain amounts reported in prior years may be reclassified to conform to the current year's presentation. None of those reclassifications were significant to stockholders' equity or net income.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and amounts due from banks and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

Securities

The Bank intends to maintain a safe and sound investment portfolio that provides earnings, liquidity and safety. To achieve these goals, the Bank utilizes a variety of investment sectors and instruments, along with appropriate pre-purchase and ongoing credit monitoring requirements. Obligations must be investment grade as defined by 12 CFR 1, meaning the security's issuer has adequate capacity to meet financial commitments under the security for the projected life of the asset and exposure.

To determine whether a prospective or currently held obligation meets investment grade criteria, the Bank obtains financial statements of the issuer, analyzes the issuer's ability to repay, and considers current ratings opinions of outside sources when available. The extent of the assessment of a security's qualification as "investment grade" will depend on the security itself, and the Bank maintains a structured policy setting forth the requirements for pre-purchase and ongoing assessments by security type and rating status. All new municipal, corporate and non-agency structured bond purchases undergo a customized analysis by the investment department prior to purchase. Thereafter, corporate bonds, non-agency structured assets, and non-rated municipal bonds will undergo an annual assessment by the investment department to assess the issuer's ability to meet current and prospective debt payment obligations. Rated municipal securities are reviewed by external parties on an ongoing basis. Such reviews will contain data to assess the issuer's credit wherewithal without sole reliance upon third-party credit ratings and encompass the issuer's financial condition, debt obligations, socio-economic environment and other factors. Further diligence is performed by the investment department when the external review identifies problematic issuers. By these practices, the Bank utilizes several approaches to its security assessments and avoids sole reliance on third-party credit ratings, but will incorporate third-party credit ratings within broader security reviews.

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Debt securities not classified as held to maturity or trading, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. The Bank classifies all debt securities as available for sale. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the debt securities. Gains and losses on the sale of debt securities are recorded on the trade date and are determined using the specific identification method.

Impairment of securities occurs when the fair value of a security is less than its amortized cost. For debt securities, impairment is considered other-than-temporary and recognized in its entirety in net income if either (1) the Bank intends to sell the security or (2) it is more likely than not that the Bank will be required to sell the security before recovery of its amortized cost basis. If, however, the Bank does not intend to sell the security and it is not more than likely that the Bank will be required to sell the security before recovery, management must determine what portion of the impairment is attributable to a credit loss, which occurs when the amortized cost of the security exceeds the present value of the cash flows expected to be collected from the security. If there is no credit loss, there is no other-than-temporary impairment. If there is a credit loss, other-than-temporary impairment exists and the credit loss must be recognized in net income and the remaining portion of impairment must be recognized in other comprehensive income.

The Bank regularly reviews debt securities for other-than-temporary impairment based on criteria that include the extent to which cost exceeds market price, the duration of that market decline, the financial health of and specific prospects for the issuer, the Bank's best estimate of the present value of cash flows expected to be collected from debt securities, the Bank's intention with regard to holding the security to maturity and the likelihood that the Bank would be required to sell the security before recovery.

Equity securities with readily determinable fair values are carried at fair value, with changes in fair value reported in net income. Any equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments. Restricted equity securities are carried at cost and are periodically evaluated for impairment based on the ultimate recovery of par value. The entirety of any impairment on equity securities is recognized in earnings.

The Bank uses certain correspondent banks for overnight borrowing and other purposes. The Bank maintains an investment in the capital stock of two correspondent banks: Community Bankers' Bank of Midlothian, Virginia and Pacific Coast Banker's Bank of Walnut Creek, California. The Bank maintains a required investment in the capital stock of the Federal Reserve Bank of Richmond, Virginia, and the Federal Home Loan Bank of Atlanta, Georgia. The Bank's investment in these correspondent stocks is recorded at cost based on the redemption provisions of these entities and is included in restricted securities on the consolidated balance sheets.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or fair value, determined in the aggregate. Fair value considers commitment agreements with investors and prevailing market prices. Loans originated by the Bank's mortgage banking division and held for sale to outside investors, are made on a pre-sold basis with servicing rights released. Gains and losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

Loans

The Bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by residential and commercial loans throughout the Washington, D.C. metropolitan area. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for the allowance for loan losses and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination and commitment fees and certain direct costs are deferred and the net amount is amortized as an adjustment of the related loan yield.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan becomes 90 days delinquent unless the credit is well-secured and in process of collection. Non-performing loans are placed either in nonaccrual status pending further collection efforts or charged off if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on loans in nonaccrual status is accounted for on the cash basis or cost recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level adequate to absorb losses deemed probable by management and is established through a provision for loan losses charged to earnings. The adequacy of the allowance is determined by management's review of the following: the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, the adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and the prevailing economic conditions. This review, done on a regular basis, is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Loans deemed uncollectible are charged against the allowance. Subsequent recoveries, if any, and provisions for loan losses are added to the allowance.

During these reviews, particular risk characteristics associated with a segment of the loan portfolio are also considered. These characteristics are detailed below:

- Commercial real estate and commercial loans that are not secured by real estate carry risks associated with the successful operation of a business and the repayment of these loans may depend on the profitability and cash flows of the business. Additional risk relates to the value of collateral other than real estate where depreciation occurs and the appraisal is less precise.
- Residential real estate closed-end loans carry risks associated with the continued credit-worthiness of the borrower and changes in the value of the collateral.
- Other consumer loans carry risks associated with the continued credit-worthiness of the borrower and the value of the collateral, such as home equity lines of credit and automobiles which may depreciate more rapidly than other assets. In addition, these loans may be unsecured. Consumer loans are more likely than real estate loans to be immediately affected in an adverse manner by job loss, divorce, illness or personal bankruptcy.

The primary tool used in managing and controlling problem loans is a watch list report. The report is a listing of all loans or commitments that are considered problem loans. The report is controlled by the Chief Credit Officer and the Chief Executive Officer. It is a primary responsibility of the loan officer to manage the credit risk within their loan portfolio. As such, they are proactive rather than reactive when considering the need to add a loan to the watch list report. Occurrence of any of the following criteria is a basis for adding a loan (other than consumer and residential mortgage loans) to the watch list report.

- Loans classified as substandard, doubtful or loss by bank examiners, external loan review, Chief Credit Officer or Chief Executive Officer based upon financial trends of the business.
- Loans on nonaccrual status.
- Loans more than 30 days delinquent.
- Loans renewed or extended without the capacity to repay the principal.
- Loans judgmentally selected by executive management or the Board of Directors due to unexpected changes or events which could have a potentially adverse effect on the borrower's ability to repay.

The following guidance has been given as an aid to loan officers in detecting problem loans.

- Financial Statement Analysis – As customer financial statements are received, they are immediately analyzed for any significant changes in the financial position or operating results.
- Delayed Financial Statements – If the Bank is having problems getting financial statements from a customer, a problem may be developing.
- Delinquent Principal or Interest – Delinquencies are often the first indication of a problem. The Bank carefully reviews each loan as soon as it becomes past due.
- Lack of Cooperation – It is in the borrower's best interest to cooperate with the Bank. We suspect a problem if the customer becomes uncooperative.
- Other – The following are additional warning signs which could mean a problem loan situation is developing: illness or death of a principal or key employee, overdrafts, family difficulties, unexpected renewals or unanticipated new borrowing, a too high or too low inventory level in comparison to industry standards, irresponsible behavior on the part of a borrower, trade payables begin to increase abnormally and cancellation of insurance.

The allowance consists of specific, general and unallocated components. The specific component relates to loans (other than consumer and residential mortgage loans) that are classified as doubtful or substandard. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows, fair value of collateral less estimated selling costs, or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified and special mention loans and is based on historical loss experience adjusted for qualitative factors including the national and local economic environment, concentration growth trends in the nature and volume of the loan portfolio, levels and trends in delinquencies, impaired loans, charge-off/recovery activity, changes in underwriting standards and lending policies, experience and depth of lending management and staff, analysis of peer banks, and industry conditions. 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.

Characteristics of the Bank's risk classification grades are as follows:

- Pass – Pass rated loans are to persons or business entities with an acceptable financial condition, appropriate collateral margins, appropriate cash flow to service the existing loan, and an appropriate leverage ratio. Borrower has paid all obligations as agreed and it is expected that this type of payment history will continue. Acceptable personal guarantors support the loan as needed.
- Special Mention – Special Mention loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. Special mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.
- Substandard – Substandard assets are inadequately protected by the current sound worth and paying capacity of the borrower or of 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 some loss will be sustained if the deficiencies are not corrected.
- Doubtful – Doubtful assets have all the weaknesses inherent in assets 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.
- Loss – Loans in this category are considered uncollectible and of such little value that their continuance as bankable assets is not warranted.

The impairment of a loan occurs when it is probable that the Bank will be unable to collect all amounts when due according to the contractual terms of the loan agreement. Impairment is measured as the difference between the recorded investment in the loan and the evaluation of the present value of expected future cash flows, fair value of collateral less estimated selling costs or the observable market price of the loan. Loans that are collateral dependent (loans where repayment is expected to be provided solely by the underlying collateral) and for which management has determined foreclosure is probable are measured for impairment based on the fair value of the collateral less estimated selling costs. Large groups of smaller balance, homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures.

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to a borrower's financial condition, management may grant a concession to the borrower that it would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring as noted above for impaired loans. The Bank had no TDRs as of December 31, 2021 and 2020.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the assets' estimated useful lives. The estimated useful lives range from 3 to 8 years for furniture, fixtures and equipment, 10 years for improvements, and 40 years for buildings.

Foreclosed Properties

Assets acquired through, or in lieu of, loan foreclosure are held for sale. They are initially recorded at the assets’ fair market value at the date of foreclosure less estimated selling costs thus establishing a new cost basis. Subsequent to foreclosure, valuations of the assets are periodically performed by management. Adjustments are made to the lower of the carrying amount or fair market value of the assets less selling costs. Revenue and expenses from operations and valuation changes are included in non-interest expense. The Bank had no foreclosed assets during the years ending December 31, 2021 and 2020.

Rate Lock Commitments

The Bank enters into commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. The period of time between issuance of a loan commitment and closing and sale of the loan generally ranges from 30 to 120 days. The Bank protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the Bank commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. As a result, the Bank is not exposed to losses and will not realize significant gains related to its rate lock commitments due to changes in interest rates. The correlation between the rate lock commitments and the best efforts contracts is very high due to their similarity.

The fair value of rate lock commitments and best efforts contracts is not readily ascertainable with precision because rate lock commitments and best efforts contracts are not actively traded in stand-alone markets. Any gain or loss associated with rate lock commitments is considered immaterial.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating loss carryforwards, and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates and laws expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statements of income. The Company did not record a liability for unrecognized tax benefits at December 31, 2021 or 2020.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over financial assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the rights (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. There were no potentially dilutive shares as of December 31, 2021 and 2020. For the years ended December 31, 2021 and 2020, the weighted average number of shares outstanding for calculating basic and diluted earnings per share was 23,372.

Advertising Costs

The Company follows the policy of charging the production costs of advertising to expense as incurred. The Bank expensed $29,207 and $20,818 for advertising costs for the years ended December 31, 2021 and 2020, respectively.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. For the years ended December 31, 2021 and 2020, the Company’s other comprehensive (loss) income relates to changes in realized and unrealized gains and losses on available for sale securities, net of tax. Any reclassification out of accumulated other comprehensive income is a result of realized securities gains or losses and is included in the “Gain on sale of securities, net” line item on the Consolidated Statements of Income.

Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board's Accounting Standards Codification, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or 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 not quoted market prices for the Company’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.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in the principal or most advantageous market for that asset or liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Loss Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company’s management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company’s legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

On June 12, 2020, Blue Flame Medical LLC ("Blue Flame") sued Chain Bridge Bank, N.A. in United States District Court for the Eastern District of Virginia (the "District Court") for honoring a request by California's bank, JPMorgan Chase Bank, N.A. ("JPMorgan"), to cancel a $457 million wire to Chain Bridge, for the benefit of Blue Flame, on March 26, 2020. Blue Flame, which had been formed on March 23, 2020 and which had opened its account at Chain Bridge on March 25, 2020, alleged that the wire was originally intended as California's down payment on a $609 million order for 100 million N95 masks. Blue Flame claimed that Chain Bridge's accommodation of JPMorgan's wire-cancellation request was impermissible under federal regulations governing wire transfers, and both asserted lost profits and sought the return of the wire. Blue Flame further asserted state-law claims arising out of the same accommodation and Chain Bridge's diligence communications with California officials.

On September 8, 2020, the District Court dismissed five of the ten counts in Blue Flame's complaint.

On October 13, 2020, Chain Bridge filed a third-party complaint against JPMorgan for indemnification under Federal Reserve Regulation J which provides that a sending bank which cancels a wire is liable to the receiving bank for "any loss and expense, including reasonable attorney's fees, incurred by the bank as a result of the cancellation . . ."

On September 23, 2021, the District Court entered an order of Summary Judgement in favor of Chain Bridge, and against Blue Flame, on all remaining counts of Blue Flame's ten-count complaint. Separately, and on the same day, the District Court entered an order of Summary Judgement in favor of Chain Bridge, and against JPMorgan, on Chain Bridge's third-party complaint for indemnification of Chain Bridge's losses, including attorney's fees and other litigation expenses.

On October 21, 2021, both Blue Flame and JPMorgan appealed the District Court's decision to the United States Court of Appeals for the Fourth Circuit (the "Fourth Circuit"). Those appeals are now pending.

On January 26, 2022, Chain Bridge and JPMorgan reached a Settlement Agreement requiring JPMorgan to pay Chain Bridge for incurred attorney's fees and litigation expenses. The Settlement Agreement does not resolve Chain Bridge's claims for indemnification from JPMorgan, or any claims or defenses by JPMorgan, for any loss and expense incurred in relation to JPMorgan's and Blue Flame's appeals of the District Court's judgments, or in relation to other future litigation related to the subject matter of the case. The full amount of the settlement payment was recorded in other assets on the balance sheet. $1,608,951 of the proceeds related to professional services expenses incurred and recorded in 2020 and was reported as other income on the income statement. The remaining amount related to current year expenses and is reported as a reduction of professional services expense.

The Company believes that the District Court's ruling in favor of Chain Bridge, and against Blue Flame, is correct and is vigorously defending that ruling before the Fourth Circuit. The Company also believes that the District Court's ruling in favor of Chain Bridge, and against JPMorgan, is correct and is vigorously defending that ruling before the Fourth Circuit.

Management is currently unable to predict the outcome or determine the potential impact, if any, that could result from the final resolution of Blue Flame's and JPMorgan's appeals. Chain Bridge therefore has not recorded a loss contingency for the lawsuit.

Dividend Restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Holding Company or by the Holding Company to shareholders.

Revenue Recognition

Accounting Standards Codification Topic 606 ("ASC 606"), "Revenue from Contracts with Customers," creates a single framework for recognizing revenue from contracts with customers that fall within its scope and revises when it is appropriate to recognize gains or losses from the transfer of nonfinancial assets such as other real estate. The majority of the Company's revenues come from interest income and other sources, including loans and securities that are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented in non-interest income in the consolidated statements of income and are recognized as revenue when the Company satisfies its obligation to the customer.

Topic 606 is applicable to noninterest revenue streams such as service charges on deposit accounts, other service charges and fees, and credit and debit card fees. Noninterest revenue streams within the scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist primarily of account analysis income, monthly service charges, and income from overdraft, nonsufficient funds and other deposit account related services. The Company's performance obligation for account analysis and monthly service charges is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Payment for account analysis and service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts. Nonsufficient funds and other deposit account related service charges are transaction based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time.

Trust and Wealth Management Income

Trust and wealth management income represents monthly service charges due from clients in consideration for managing and administrating the customers' assets. Wealth management and trust services include investment management and advisory, custody of assets, trust services and similar fiduciary activities, and financial planning services. Revenue is recognized when the performance obligation is completed each month, which is generally the time that payment is received. Income for financial planning services is recorded when payment is received, usually in stages throughout the contract.

Other Service Charges

Other service charges include charges for wire transfers, safety deposit box rentals, lockbox, and other services. Safe deposit box rentals are charged to the customer on an annual basis and income is recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation. The Company's performance obligations for wire transfer and other service charges are largely satisfied, and the related revenue recognized, upon completion of the service. Payment is typically received immediately or in the following month. Other service charges are reported as other income on the consolidated income statement.

Debit and Credit Card Income

Debit card income is primarily comprised of interchange fee income. Interchange fees are earned whenever debit cards issued by the Company are processed through card payment networks such as Mastercard. The Company's performance obligation for interchange fee income is largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is received immediately or in the following month. Credit card income arises from the Bank's agency agreement with the First National Bank of Omaha. The Bank refers clients to this credit card provider and in return, receives a percentage of the profits earned on the referred accounts. Income is recorded on a quarterly basis as payments are received. Income from debit and credit cards is reported as other income on the consolidated income statement.

Recent Accounting Pronouncement

During June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments in this ASU, among other things, require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application is permitted.

The Company established a cross-functional governance committee to oversee the Company's implementation of the Current Expected Credit Loss (CECL) methodology and implementation. It has licensed software from a third party to assist the Company in calculating the allowance for credit losses under CECL using the remaining life method. The software integrates peer data and includes an economic forecast. It leverages information extracted from the Company's asset liability management platform, call report data, and other user-defined inputs. The validation of the model and data inputs is anticipated to occur in 2022 in conjunction with parallel observation of the new methodology. The Company is currently assessing the impact that ASU 2016-13 will have on its consolidated financial statements. The extent of the change will be dependent upon portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time.

Recently Adopted Accounting Development

On March 13, 2020, the United States President declared a national emergency in the face of a growing public health and economic crisis due to the COVID-19 global pandemic. The Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law on March 27, 2020 to help support individuals and businesses through loans, grants, tax changes and other types of relief. The most significant impacts of the Act related to accounting for loan modifications and establishment of the Paycheck Protection Program ("PPP"). On March 22, 2020, the five federal bank regulatory agencies ("the agencies") issued an interagency statement (subsequently revised on April 7, 2020) with respect to loan modifications and reporting for financial institutions working with clients affected by the coronavirus. The CARES Act, and the March 22, 2020 interagency guidance provide enhanced guidelines and accounting for COVID-19 related loan modifications.

Under Accounting Standards Codification 310-40, "Receivables – Troubled Debt Restructurings by Creditors," ("ASC 310-40"), a restructuring of debt constitutes a troubled debt restructuring ("TDR") if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The agencies confirmed with the staff of the FASB that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not to be considered TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented.

On August 3, 2020, the agencies released a joint statement on additional loan accommodations related to COVID-19. The agencies acknowledged that while some borrowers will be able to resume contractual payments at the end of an accommodation, others may be unable to meet their obligations due to continuing financial challenges. Among other things, the Interagency Statement addresses accounting and regulatory reporting considerations for additional loan modifications, including those accounted for under Section 4013 of the CARES Act. On December 21, 2020, the Consolidated Appropriations Act of 2021 ("CAA") was passed. The CAA extended or modified many of the relief programs first created by the CARES Act. It provided additional funding for the PPP and extended treatment of certain loan modifications related to the COVID-19 pandemic to the earlier of 60 days after the termination of the national emergency or January 1, 2022. Refer to Note 3 for details regarding the Bank's participation in the PPP and treatment of loan modifications arising from the COVID-19 pandemic.

Note 2. Securities

Amortized cost and fair value of debt securities available for sale as of December 31, 2021 and 2020 are as follows:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities of U.S. government and federal agencies	$ 452,358,088	$ 1,209,374	$ (1,313,200)	452,254,262
Mortgage backed securities	9,248,510	244,243	(940)	9,491,813
Corporate bonds	111,531,224	1,208,689	(1,368,345)	111,371,568
State and municipal securities	215,765,965	3,822,406	(1,459,973)	218,128,398
Total	$ 788,903,787	$ 6,484,712	$ (4,142,458)	$ 791,246,041

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities of U.S. government and federal agencies	$ 162,872,467	$ 2,468,979	$ (17,731)	165,323,715
Mortgage backed securities	11,833,338	649,637	(1,558)	12,481,417
Corporate bonds	72,347,350	2,738,286	(29,865)	75,055,771
State and municipal securities	184,426,987	7,078,917	(93,231)	191,412,673
Total	$ 431,480,142	$ 12,935,819	$ (142,385)	$ 444,273,576

The Company reported a fair value loss of $15,805 and a fair value gain of $11,465 in its equity security holding during 2021 and 2020, respectively. The gains and losses were recorded on the consolidated income statement in the noninterest other income line.

Securities with a carrying value of $11,041,704 and $11,154,159 were pledged to secure a line of credit with the Federal Reserve Bank at December 31, 2021 and 2020 respectively.

Proceeds from redemptions, paydowns and sales of securities totaled $547,537,020 and $633,005,436 for 2021 and 2020, respectively. There were no sales of securities in 2021. The gross realized gains on securities for 2020 totaled $124,807. The gross realized losses on securities for 2020 totaled $12,044.

There were no held to maturity securities at December 31, 2021 or 2020.

The Bank invests in a variety of investment types, principally obligations of the U.S. government and federal agencies, state and municipal agencies, and corporations. At December 31, 2021 and 2020, the Bank held obligations from a single municipal issuer that totaled 10.0% of stockholders' equity. The issuer is a component unit of the Commonwealth of Virginia established to create affordable housing within the state. The Bank invests in this issuer's bonds to support the Bank's Community Reinvestment Act initiatives. The bonds are AA+ rated by S&P and are subject to the Company's pre-purchase analysis and ongoing monitoring process. There were no other holdings of municipal or corporate debt that equaled or exceeded 10.0% of stockholders' equity at December 31, 2021 or 2020.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2021 is as follows:

	Amortized Cost	Fair Value
Within one year	$ 318,228,248	$ 318,593,419
After one year through five years	241,153,246	242,296,026
After five years through ten years	210,876,979	211,679,804
Over ten years	18,645,314	18,676,792
Total	$ 788,903,787	$ 791,246,041

Expected maturities may differ from contractual maturities if borrowers have the right to call or repay obligations with or without prepayment penalties.

At December 31, 2021 and 2020, investments in an unrealized loss position that were temporarily impaired are as follows:

	December 31, 2021				
	Less Than Twelve Months		Over Twelve Months		
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Unrealized Losses
Securities of U.S. government and federal agencies	$ (853,208)	$ 102,776,195	$ (459,992)	$ 12,154,652	$ (1,313,200)
Mortgage backed securities	(201)	132,787	(739)	51,319	(940)
Corporate bonds	(681,536)	44,029,338	(686,809)	23,218,535	(1,368,345)
State and municipal securities	(982,303)	65,494,538	(477,670)	12,580,957	(1,459,973)
Total	$ (2,517,248)	$ 212,432,858	$ (1,625,210)	$ 48,005,463	$ (4,142,458)

	December 31, 2020				
	Less Than Twelve Months		Over Twelve Months		
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Unrealized Losses
Securities of U.S. government and federal agencies	$ (17,731)	$ 12,614,453	$ - -	$ - -	$ (17,731)
Mortgage backed securities	- -	- -	(1,558)	74,063	(1,558)
Corporate bonds	(29,865)	8,381,346	- -	249,183	(29,865)
State and municipal securities	(92,413)	10,524,349	(818)	- -	(93,231)
Total	$ (140,009)	$ 31,520,148	$ (2,376)	$ 323,246	$ (142,385)

At December 31, 2021 and 2020, 374 and 40 debt securities had unrealized losses with aggregate depreciation of 0.53% and 0.03%, respectively, of the Bank's amortized cost basis. These unrealized losses related principally to interest rate movements and not the credit-worthiness of the issuer. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. As of December 31, 2021 and 2020, management determined that the unrealized losses in the investment portfolio were temporary. All of the securities are investment grade and management does not expect to be required to sell these securities before such time that they recover in value. Management will continue to monitor the securities in a loss position for future impairment.

The Bank completes reviews for other-than-temporary impairment (OTTI) at least quarterly. The methodology and significant inputs used to measure the amount of impairment include: securities with unrealized losses (the differences between fair values and the amortized book values) that are greater than 10% and longer than 12 months, securities that are not rated as investment grade by a national rating agency that have problematic credit profiles and securities on non-accrual or deferred status. In the noninterest other income line, the Bank recorded OTTI recoveries totaling $14,738 in 2021 and OTTI, net of recoveries, totaling $56,866 in 2020.

Note 3. Loans

A summary of the balances of loans are as follows:

	December 31, 2021	December 31, 2020
Commercial real estate	$ 60,996,770	$ 51,895,319
Commercial	28,790,464	102,968,405
Residential real estate closed-end	175,293,037	168,548,484
Other consumer loans	18,839,350	19,263,535
	$ 283,919,621	$ 342,675,743
Less allowance for loan losses	(3,660,000)	(4,190,000)
Loans, net	$ 280,259,621	$ 338,485,743

Overdrafts totaling $9,661 and $12,666 at December 31, 2021 and 2020, respectively, were reclassified from deposits to loans.

The totals above include deferred fees (net of deferred costs) of $189,551 and $1,309,913 at December 31, 2021 and 2020, respectively.

The Bank participated as a lender in the U.S. Small Business Administrations (SBA) Paycheck Protection Program (PPP) to support local small businesses and non-profit organizations. PPP loans have a two or five year term and earn interest at 1.0%. The PPP loan origination fees accrete to earnings evenly over the life of the loans, net of the loan costs, through interest and fees on loans. The Bank recorded loan origination fee income (net of origination costs) of $2,307,035 and $699,493 during 2021 and 2020, respectively. At December 31, 2021, the remaining PPP deferred fees, net of costs, to be recognized into income were $457,423. PPP loans are classified as commercial loans in the tables included in this footnote. Loans funded through the PPP are fully guaranteed by the SBA, and loans that meet certain regulatory criteria may be forgiven by the SBA. A summary of the activity for the PPP loans is as follows:

	2021	2020
Beginning of year principal balance	$ 92,016,217	$ - -
PPP Loan originations	38,300,365	95,065,543
SBA forgiveness granted	(108,430,388)	(1,477,719)
Borrower repayments	(566,842)	(1,571,607)
End of year principal balance	$ 21,319,352	$ 92,016,217

The 2021 balance has 27.35% of the loan balances maturing in the second quarter of 2022 and 72.65% of loan balances maturing in the first and second quarters of 2025 and 2026. The Bank has established a 0.25% loan loss reserve rate for outstanding PPP loans to allow for possible operational errors or disputes, or the very unlikely event that the SBA guarantee is not honored.

The following table presents the activity in the allowance for loan losses and the recorded investment in loans and impairment method by portfolio segment as of December 31, 2021 and 2020:

	December 31, 2021				
	Commercial Real Estate	Commercial	Residential Real Estate Closed-End	Other Consumer Loans	Total
Allowance for loan losses:					
Beginning of year	$ 983,719	$ 488,147	$ 2,403,571	$ 314,563	$ 4,190,000
Provision (recovery)	(108,243)	(280,442)	(119,393)	(21,922)	(530,000)
Charge-offs	- -	- -	- -	- -	- -
Recoveries of charge-offs	- -	- -	- -	- -	- -
End of year	$ 875,476	$ 207,705	$ 2,284,178	$ 292,641	$ 3,660,000
Reserves:					
Specific	$ - -	$ - -	$ - -	$ - -	$ - -
General	875,476	207,705	2,284,178	292,641	3,660,000
Total reserves	$ 875,476	$ 207,705	$ 2,284,178	$ 292,641	$ 3,660,000
Loans evaluated for impairment:					
Individually	$ - -	$ - -	$ - -	$ - -	$ - -
Collectively	60,996,770	28,790,464	175,293,037	18,839,350	283,919,621
Total Loans	$ 60,996,770	$ 28,790,464	$ 175,293,037	$ 18,839,350	$ 283,919,621

	December 31, 2020				
	Commercial Real Estate	Commercial	Residential Real Estate Closed-End	Other Consumer Loans	Total
Allowance for loan losses:					
Beginning of year	$ 798,195	$ 241,079	$ 2,306,879	$ 370,847	$ 3,717,000
Provision (recovery)	185,524	247,068	96,692	(56,284)	473,000
Charge-offs	- -	- -	- -	- -	- -
Recoveries of charge-offs	- -	- -	- -	- -	- -
End of year	$ 983,719	$ 488,147	$ 2,403,571	$ 314,563	$ 4,190,000
Reserves:					
Specific	$ - -	$ - -	$ - -	$ - -	$ - -
General	983,719	488,147	2,403,571	314,563	4,190,000
Total reserves	$ 983,719	$ 488,147	$ 2,403,571	$ 314,563	$ 4,190,000
Loans evaluated for impairment:					
Individually	$ - -	$ - -	$ - -	$ - -	$ - -
Collectively	51,895,319	102,968,405	168,548,484	19,263,535	342,675,743
Total Loans	$ 51,895,319	$ 102,968,405	$ 168,548,484	$ 19,263,535	$ 342,675,743

Based on the most recent analysis performed, the risk category of loans by class of loans was as follows as of December 31, 2021 and 2020:

	December 31, 2021					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 59,415,493	$ - -	$ 1,581,277	$ - -	$ - -	$ 60,996,770
Commercial	28,760,513	29,951	- -	- -	- -	28,790,464
Residential real estate closed-end	174,226,415	1,066,622	- -	- -	- -	175,293,037
Other consumer loans	18,839,350	- -	- -	- -	- -	18,839,350
Total Loans	$ 281,241,771	$ 1,096,573	$ 1,581,277	$ - -	$ - -	$ 283,919,621

	December 31, 2020					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 51,895,319	$ - -	$ 4,660,791	$ - -	$ - -	$ 56,556,110
Commercial	102,399,624	99,951	468,830	- -	- -	102,968,405
Residential real estate closed-end	162,800,196	1,087,497	- -	- -	- -	163,887,693
Other consumer loans	19,263,535	- -	- -	- -	- -	19,263,535
Total Loans	$ 336,358,674	$ 1,187,448	$ 5,129,621	$ - -	$ - -	$ 342,675,743

There were no impaired loans as of December 31, 2021 or 2020.

There were no nonaccrual loans, loans 90 days past due and still accruing, or past due for 30 or more days at December 31, 2021 and 2020.

There were no loan modifications classified as TDRs during the years ended December 31, 2021 and 2020. No loan modifications classified as a TDR in a prior year subsequently defaulted during 2021 or 2020.

In response to the COVID-19 pandemic, the Company offered a payment deferral program for its individual and business customers adversely affected by the pandemic in 2020. As of December 31, 2020, loans participating in the program totaled $6,724,623, or 1.97% of the Bank's loan balances. All modifications existing at December 31, 2020 involved deferment of principal, and there were no interest deferments. These loans were not considered TDRs because they were modified in accordance with the relief provisions of the CARES Act and recent interagency regulatory guidance. In 2021, no new customers were added to the payment deferral program and as of December 31, 2021, all previous deferral participants had resumed their normal payment schedule.

Note 4. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	December 31, 2021	December 31, 2020
Land	$ 2,257,915	$ 2,257,915
Building	9,230,692	9,230,692
Furniture, fixtures and equipment	2,007,711	1,933,834
Building improvements	2,402,184	2,349,688
Construction in process	393,411	675,316
	$ 16,291,913	$ 16,447,445
Less accumulated depreciation	5,799,029	5,275,993
Ending balance	$ 10,492,884	$ 11,171,452

For 2021 and 2020, depreciation expense was $523,036 and $553,631, respectively.

Note 5. Related Party Transactions

Officers, directors and their affiliates had credit outstanding of $13,481,971 and $9,848,994 at December 31, 2021 and 2020, respectively, with the Company. During 2021, total principal additions were $7,549,665 and total principal payments were $3,916,688. These transactions occurred in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with unrelated persons.

Deposits from related parties held by the Company at December 31, 2021 and 2020 amounted to $19,228,358 and $14,530,116 respectively.

Note 6. Deposits

Remaining maturities on certificates of deposit are as follows:

2022	$ 10,579,853
2023	774,161
2024	436,478
2025	169,460
2026	908,727
	$ 12,868,679

The Bank held no deposits classified as brokered at December 31, 2021 or 2020. The Bank held no reciprocal deposits through Insured Cash Sweep services on its balance sheet at December 31, 2021 or 2020.

There were three customers with individual deposit balances exceeding 5.0% of total deposits as of December 31, 2021. The total deposit balances related to these customers as of December 31, 2021 were $240,887,677 or 21.11% of total deposits.

There was one customer with an individual deposit balance exceeding 5.0% of total deposits as of December 31, 2020. The total deposit balances related to this customer as of December 31, 2020 was $57,399,044 or 7.19% of total deposits.

Note 7. Borrowings

Federal Home Loan Bank Advance

The Bank has a secured line of credit with the Federal Home Loan Bank which is renewed annually in December. The Bank pledges 1-4 family residential real estate loans within the Bank's loan portfolio to establish credit availability. At December 31, 2021, the Bank had no collateral pledged and therefore no available or outstanding balance. At December 31, 2020, the same secured line of credit had pledged collateral and an available balance of $1,537,115 with no outstanding balance.

Short Term Borrowings

At December 31, 2021, the Company had a fully drawn unsecured line of credit with a correspondent bank totaling $5,000,000. At December 31, 2020, the same line was fully drawn with $9,000,000 outstanding. The line matures December 7, 2022 and contains certain covenants regarding the Company's return on average assets, risk-based capital and payment of dividends. The interest rate on the line of credit was 2.34% and 2.40% at December 31, 2021 and 2020, respectively.

The Bank has unsecured federal fund purchase lines of credit with Community Bankers' Bank totaling $8,000,000 maturing February 22, 2022 and Pacific Coast Bankers' Bank totaling $20,000,000 maturing June 30, 2022. There were no outstanding federal funds purchased balances as of December 31, 2021 or 2020.

Note 8. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2021 and 2020 are presented below:

	December 31, 2021	December 31, 2020
Deferred Tax Assets		
Allowance for loan losses	$ 768,600	$ 879,900
Deferred compensation	186,893	132,552
Depreciation	61,649	31,304
Deferred loan fees	39,806	275,082
Organizational and start-up expenses	6,290	17,075
Other	8,066	7,842
	$ 1,071,304	$ 1,343,755
Deferred Tax Liabilities		
Securities available for sale	$ (491,873)	$ (2,686,621)
Net deferred tax assets (liabilities)	$ 579,431	$ (1,342,866)

The provision for income taxes charged to operations for the years ended December 31, 2021 and 2020, consists of the following:

	December 31, 2021	December 31, 2020
Current tax expense	$ 1,239,380	$ 1,753,376
Deferred tax expense (benefit)	272,451	(468,837)
Net provision for income taxes	$ 1,511,831	$ 1,284,539

The reasons for the difference between the Company's reported income tax expense and the amount computed by multiplying the statutory rate are as follows:

	December 31, 2021	December 31, 2020
Computed tax at applicable rate	$ 1,797,715	$ 1,529,854
Tax-exempt income	(296,470)	(261,819)
Other	10,586	16,504
Net provision for income taxes	$ 1,511,831	$ 1,284,539

The Company files an income tax return in the U.S. federal jurisdiction and is subject to the bank franchise tax in the Commonwealth of Virginia. With few exceptions, the Company is no longer subject to federal or state tax examinations for years prior to 2018.

Note 9. Financial Instruments With Off-Balance-Sheet Risk

The Company is party to credit related 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 standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2021 and 2020, the following financial instruments whose contract amounts represent credit risk were outstanding:

	December 31,	
	2021	**2020**
Commitments to grant loans	$ 7,959,464	$ 7,020,700
Unfunded commitments under lines of credit	60,764,838	60,828,974
Standby letters of credit	3,158,624	1,874,997

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. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Commercial and standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral supporting those commitments, if deemed necessary.

The Bank maintains its cash accounts in several correspondent banks. The total amount by which cash on deposit in those banks and federal funds sold exceeded the federally insured limits at December 31, 2021 and 2020 was $542,926 and $1,117,115, respectively.

The Bank may be required to maintain average balances with the Federal Reserve Bank. On March 26, 2020, The Federal Reserve reduced the reserve requirement to zero for thousands of depository institutions to support lending to households and businesses. Accordingly, the Bank had no minimum reserve requirement at December 31, 2021 and 2020.

Note 10. Minimum Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, financial institutions must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. A financial institution's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

The final rules implementing Basel Committee on Banking Supervision’s Capital guidelines for U.S. banks (Basel III rules) became effective on January 1, 2015, with full compliance with all of the new requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer was implemented in a phased approach from 0.0% for 2015 to 2.50% by 2019. Although the capital conservation buffer is not part of regulatory minimum risk-based capital requirements, it does determine the minimums that must be met to avoid limitation on paying dividends, engaging in share repurchases, and paying discretionary bonuses if capital level fall below the buffer amount. The net unrealized gain or loss is not included in computing regulatory capital.

Quantitative measures established by regulation to ensure capital adequacy require financial institutions to maintain minimum amounts and ratios (set forth in the table below) of Total, Tier 1, and common equity Tier 1 (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2021, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2021, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum Total risk-based, Tier 1 risk-based, common equity Tier 1 and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following tables set forth the capital position and analysis for the Company and Bank. Because total assets on a consolidated basis are less than $3 billion, the Company is not subject to the consolidated capital requirements imposed by federal regulations. However, the Company elects to include those ratios for this report. Minimum capital ratios below include phase-in of the capital conservation buffer. The Company has a borrowing from a correspondent bank which it uses to downstream capital to the Bank. At December 31, 2021 and 2020, the outstanding balance was $5,000,000 and $9,000,000, respectively.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
December 31, 2021	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Amounts in Thousands)			
Total Risk-Based Capital						
Company	$ 71,309	19.003%	N/A	N/A	N/A	N/A
Bank	$ 76,307	20.335%	$ 39,402	10.500%	$ 37,526	10.000%
Tier 1 Risk-Based Capital						
Company	$ 67,649	18.027%	N/A	N/A	N/A	N/A
Bank	$ 72,647	19.359%	$ 31,897	8.500%	$ 30,021	8.000%
Common Equity Tier 1 Capital						
Company	$ 67,649	18.027%	N/A	N/A	N/A	N/A
Bank	$ 72,647	19.359%	$ 26,268	7.000%	$ 24,392	6.500%
Tier 1 Leverage Ratio						
Company	$ 67,649	5.980%	N/A	N/A	N/A	N/A
Bank	$ 72,647	6.422%	$ 45,252	4.000%	$ 56,565	5.000%

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
December 31, 2020	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Amounts in Thousands)			
Total Risk-Based Capital						
Company	$ 64,597	20.217%	N/A	N/A	N/A	N/A
Bank	$ 73,509	23.006%	$ 33,549	10.500%	$ 31,952	10.000%
Tier 1 Risk-Based Capital						
Company	$ 60,601	18.966%	N/A	N/A	N/A	N/A
Bank	$ 69,513	21.756%	$ 27,159	8.500%	$ 25,561	8.000%
Common Equity Tier 1 Capital						
Company	$ 60,601	18.966%	N/A	N/A	N/A	N/A
Bank	$ 69,513	21.756%	$ 22,366	7.000%	$ 20,769	6.500%
Tier 1 Leverage Ratio						
Company	$ 60,601	6.364%	N/A	N/A	N/A	N/A
Bank	$ 69,513	7.300%	$ 38,090	4.000%	$ 47,612	5.000%

Note 11. Employee Benefit Plans

401(k) Plan

The Company has a 401(k) Plan whereby substantially all employees participate in the plan. Employees may contribute portions of their compensation subject to limits based on federal tax laws. The Company may make discretionary matching contributions to the plan. For 2021 and 2020, expense attributable to the plan amounted to $327,288 and $315,988, respectively.

Note 12. Fair Value Measurements

Fair Value Hierarchy

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels. These levels are:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

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

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

Securities

Debt securities available for sale and equity securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2). If the inputs used to provide the evaluation for certain securities are unobservable and/or there is little, if any, market activity then the security would fall to the lowest level of the hierarchy (Level 3).

The Company's investment portfolio is primarily valued using fair value measurements that are considered to be Level 2. The Bank has contracted with a third party FinSer, a securities portfolio accounting service for valuation of its securities portfolio. Depending on the type of security, FinSer utilizes three sources for security valuations, which include Standards & Poor's and the FinSer Pricing model, which evaluates securities based on their discounted cash flow analysis using the net present value of security's projected cash flow. Generally, the methodology includes broker quotes, proprietary modes, vast descriptive terms and conditions databases, as well as extensive quality control programs.

The vendor utilizes proprietary valuation matrices for valuing all municipal securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance and rating to incorporate additional spreads to the industry benchmark curves.

The following table presents the balances of financial assets measured at fair value on a recurring basis:

Description	Balances	Fair Value Measurements Using Level 1	Level 2	Level 3
As of December 31, 2021:				
Available for sale securities:				
U.S. government and federal agencies	$ 452,254,262	$ 446,200,042	$ 6,054,220	$ - -
Mortgage backed securities	9,491,813	- -	9,491,813	- -
Corporate bonds	111,371,568	499,149	110,872,419	- -
State and municipal securities	218,128,398	- -	218,128,398	- -
Total available for sale securities	$ 791,246,041	$ 446,699,191	$ 344,546,850	$ - -
Mutual and exchange-traded funds	540,768	540,768	- -	- -
Total	$ 791,786,809	$ 447,239,959	$ 344,546,850	$ - -
As of December 31, 2020:				
Available for sale securities:				
U.S. government and federal agencies	$ 165,323,715	$ 162,120,970	$ 3,202,745	$ - -
Mortgage backed securities	12,481,417	- -	12,481,417	- -
Corporate bonds	75,055,771	521,073	74,534,698	- -
State and municipal securities	191,412,673	- -	191,412,673	- -
Total available for sale securities	$ 444,273,576	$ 162,642,043	$ 281,631,533	$ - -
Mutual and exchange-traded funds	549,592	549,592	- -	- -
Total	$ 444,823,168	$ 163,191,635	$ 281,631,533	$ - -

Certain assets are measured at fair value on a nonrecurring basis in accordance with generally accepted accounting principles. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

Impaired Loans

Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan, fair value of the collateral or present value of cash flows. Fair value is measured based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the collateral is real estate. The value of real estate collateral is determined utilizing a market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Bank using observable market data (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property using an income approach or is over two years old, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Impaired loans allocated to the allowance for loan losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the consolidated statements of income. There were no impaired loans to be measured at fair value as of December 31, 2021 and 2020.

Note 13. Condensed Financial Statements of Parent Company

Financial information pertaining only to Chain Bridge Bancorp, Inc. is as follows:

Balance Sheets	December 31, 2021	December 31, 2020
Assets		
Cash	$ 2,285	$ 87,439
Investment in common stock of Chain Bridge Bank	74,497,397	79,619,958
Total assets	$ 74,499,682	$ 79,707,397
Liabilities and Shockholders' Equity		
Short-term borrowings	$ 5,000,000	$ 9,000,000
Total liabilities	$ 5,000,000	$ 9,000,000
Stockholders' equity	69,499,682	70,707,397
Total liabilities and stockholders' equity	$ 74,499,682	$ 79,707,397

Statements of Income	2021	2020
Dividend from Chain Bridge Bank, N.A.	$ 95,000	$ - -
Operating Expenses		
Interest expense and fees on short-term borrowings	$ 145,154	$ 260,373
Marketing expenses	35,000	35,000
	$ 180,154	$ 295,373
Loss before undistributed net income of Chain Bridge Bank	$ (85,154)	$ (295,373)
Undistributed net income of Chain Bridge Bank	7,133,872	6,295,855
Net income	$ 7,048,718	$ 6,000,482

Statements of Cash Flows	2021	2020
Cash Flows from Operating Activities		
Net income	$ 7,048,718	$ 6,000,482
Adjustments to reconcile net income to net cash used in operating activities:		
Undistributed net income of Chain Bridge Bank	(7,133,872)	(6,295,855)
Net cash used in operating activities	$ (85,154)	$ (295,373)
Cash Flows from Investing Activities		
Redemption (investment) in Chain Bridge Bank	$ 4,000,000	$ (1,400,000)
Net cash provided by (used in) investing activities	$ 4,000,000	$ (1,400,000)
Cash Flows from Financing Activities		
(Decrease) increase in short-term borrowings	(4,000,000)	1,700,000
Net cash (used in) provided by financing activities	$ (4,000,000)	$ 1,700,000
Net (decrease) increase in cash and cash equivalents	$ (85,154)	$ 4,627
Cash and cash equivalents at beginning of period	87,439	82,812
Cash and cash equivalents at end of period	$ 2,285	$ 87,439

Note 14. Subsequent Events

The Company evaluates subsequent events that have occurred after the balance sheet date but before the financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) non-recognized, or those that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. The Company evaluated subsequent events through February 28, 2022.

The Company did not identify any subsequent events that would have required adjustment to or disclosure in the financial statements.

Chain Bridge Bank, N.A.

1445-A Laughlin Avenue
McLean, VA 22101

chainbridgebank.com