Chain Bridge

BANCORP, INC.

2022 ANNUAL REPORT

Attentive Personal Service

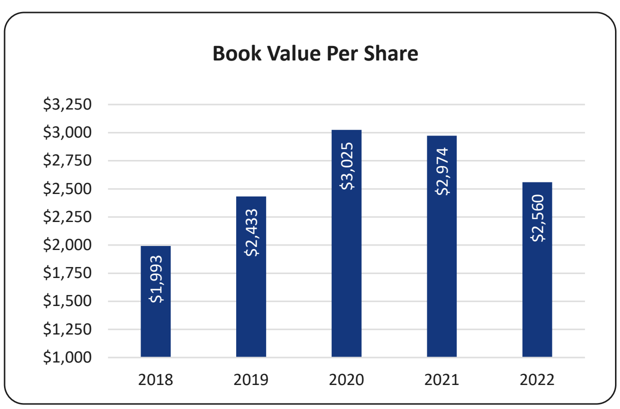
Leading Edge Technology

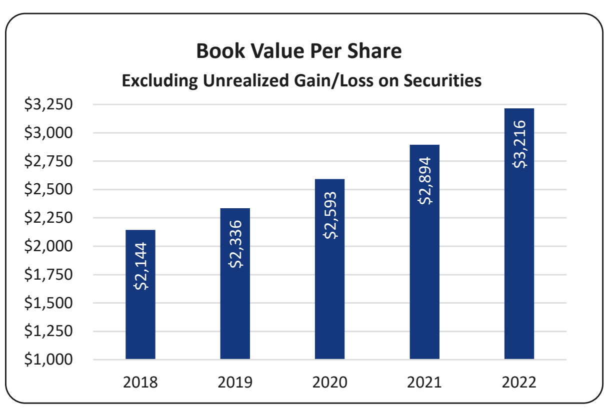
Fortress Balance Sheet

Chain Bridge Bancorp, Inc.
Consolidated Financial Highlights

	Years Ended December 31, 2022	2021	Change
Performance Measures and Yields			
Consolidated net income	$ 8,281,180	$ 7,048,718	17.48%
Return on average assets (ROAA)	0.65%	0.70%	(0.05%)
Return on average risk-weighted assets [1]	2.02%	2.02%	0.00%
Return on average equity (ROAE)	12.79%	10.18%	2.61%
Yield on earning assets	2.18%	2.15%	0.03%
Cost of funds	0.11%	0.03%	0.08%
Net interest margin (Fully Tax Equivalent)	2.08%	2.12%	(0.04%)
Balance Sheet and Other Highlights			
Total assets	$ 1,030,683,857	$ 1,218,153,554	(15.39%)
Average cash balances held at the Federal Reserve Bank	$ 394,300,295	$ 230,920,633	70.75%
U.S. Treasury securities [2]	$ 200,078,020	$ 446,200,041	(55.16%)
Total investment grade securities [2]	$ 592,649,117	$ 791,786,809	(25.15%)
Total loans	$ 320,192,778	$ 283,919,621	12.78%
SBA Paycheck Protection Program (PPP) Loans	$ --	$ 21,319,352	(100.00%)
Total deposits	$ 952,953,867	$ 1,140,872,375	(16.47%)
Trust Department: Total custody and managed assets	$ 141,823,608	$ 355,928,607	(60.15%)
Asset Quality (%)			
Non-performing assets / assets	0.00%	0.00%	0.00%
Texas ratio [3]	0.00%	0.00%	0.00%
Risk-weighted asset density [4]	43.33%	30.81%	12.52%
Loan loss reserves / gross loans	1.40%	1.29%	0.11%
Loan loss reserves / gross loans excluding PPP loans (non-GAAP)	1.40%	1.39%	0.01%
Net charge offs (recoveries) / average loans	0.00%	0.00%	0.00%
Chain Bridge Bancorp, Inc. Regulatory Capital Information			
Tier 1 risk-based capital	$ 86,430,482	$ 67,649,302	27.76%
Tier 1 risk-based ratio	19.35%	18.03%	1.32%
Total regulatory capital	$ 90,912,482	$ 71,309,302	27.49%
Total regulatory capital ratio	20.36%	19.00%	1.36%
Chain Bridge Bancorp, Inc. Share Information			
Number of shares outstanding	26,872	23,372	14.98%
Book value per share	$ 2,559.65	$ 2,973.63	(13.92%)
Book value per share, excluding unrealized gain/loss on securities (non-GAAP)	$ 3,216.38	$ 2,894.46	11.12%
Earnings per share, basic and diluted	$ 324.26	$ 301.59	7.52%

[1] Average is calculated using the last five quarter ends.
[2] Available for sale securities are reported at fair value, and held to maturity securities are reported at carrying value.
[3] Texas ratio is defined as nonperforming assets plus delinquent loans as a percent of tangible equity and loan loss reserves.
[4] 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.

Chain Bridge Bancorp, Inc.
1445-A Laughlin Avenue
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703-748-2005
chainbridgebank.com

March 3, 2023

Dear Fellow Shareholder:

Chain Bridge Bancorp, Inc. (the "Company"), parent of Chain Bridge Bank, National Association (the "Bank") (collectively, "Chain Bridge"), earned consolidated net income of $8,281,180 in 2022 compared to $7,048,718 in 2021, resulting in a 12.79% return on average equity in 2022, up from 10.18% in 2021.

Earnings per weighted common share increased by 8% to $324.26 in 2022 from $301.59 in 2021. At year-end 2022, book value per share was $2,559.65, compared to $2,973.63 in 2021. On a non-GAAP basis, excluding the unrealized gain or loss on securities, book value per share was $3,216.38 in 2022, up from $2,894.46 in 2021.

As of December 31, 2022, the Company reported tier 1 capital of $86.4 million and total regulatory capital of $90.9 million, resulting in a tier 1 risk-based capital ratio of 19.35% and a total regulatory capital ratio of 20.36%. Additionally, Chain Bridge reported no non-performing assets at year-end 2022, marking the eleventh consecutive year-end with such a report.

Income Statement

Chain Bridge's net interest income rose by 28% to $26,101,395 in 2022, primarily due to an increase in the Bank's average earning assets, as well as the positive impact of rising interest rates. Chain Bridge's fully tax equivalent net interest margin was 2.08% in 2022, compared to 2.12% in 2021.

Non-interest income decreased by 5% in 2022, to $3,109,747, due in part to a one-time recoupment of legal fees recorded in 2021 that did not recur in 2022. Operating expenses increased by 17% to $18,225,924, mostly as a result of growth in employee headcount, higher salaries and employee benefits, as well as regulatory assessments and state franchise taxes.

The provision for loan losses was $822,000 in 2022, an increase of $1,352,000 from 2021, on account of higher loan balances and a precautionary increase in the level of general reserves.

Chain Bridge's pre-tax net income was $10,163,218, an increase of 19% compared to 2021, while income tax expense increased by 24% to $1,882,038. As a result, Chain Bridge recorded a net income of $8,281,180 in 2022, an increase of 17% compared to 2021.

Balance Sheet

The Bank experienced a $281.6 million rise in average deposit balances. However, political deposit outflows following the mid-term elections caused a $187.9 million year-end over year-end decrease in deposits. The Bank funded the outflows with cash assets, bringing its total assets down from $1.2 billion at December 31, 2021 to $1.0 billion at December 31, 2022.

At the close of 2022, total securities decreased to $595.2 million from $793.8 million the previous year. Of this amount, available-for-sale debt securities constituted $279.6 million, while held-to-maturity securities made up $312.6 million.

As of December 31, 2022, the Bank's bond portfolio consisted of a range of fixed income securities, weighted towards U.S. Treasury securities (34%), municipal bonds (39%), and corporate bonds (21%). U.S. Government agency bonds, mortgage-backed securities, and collateralized mortgage obligations and asset-backed securities represented smaller portions of the portfolio.

In 2022, loans increased by $36.3 million or 13%, rising from $283.9 million to $320.2 million. Excluding Small Business Administration Paycheck Protection Program (“PPP”) loans, gross loans increased by 22%, from $263.1 million to $320.2 million. The balance of PPP loans was zero at the close of the year.

The loan growth was driven by an increase of $27.7 million in residential mortgage loans, which rose by 16%, and a $25.1 million increase in commercial loans (excluding PPP loans), which rose by 36%. The allowance for loan losses increased to $4.5 million in 2022, compared to $3.7 million in 2021.

Rising interest rates positively impacted Chain Bridge's earnings in 2022, but also caused a decline in the market value of its bonds. The inverse relationship between interest rates and bond prices resulted in the lower attractiveness of older bonds and a consequent decline in their market price.

Regulators offer banks the option to exclude bond price fluctuations from their regulatory capital calculations, which the Bank chose to exercise. This choice helps prevent interest rate changes from affecting the Bank's regulatory capital. Notably, the Company's tier 1 capital increased by $18.8 million or 28% from $67.6 million at the end of 2021 to $86.4 million at the end of 2022, with earnings accounting for 44% of the increase and the $10,500,000 private placement of common equity in Q2 2022 (*see,* **Private Placement**, below) accounting for the remaining 56%.

Generally Accepted Accounting Principles (GAAP) require that securities categorized as "available for sale" be marked to market value, with the difference recorded in stockholders' equity as "accumulated other comprehensive income or loss." The Bank has historically categorized all its securities as "available for sale" and marked them to market value, even though it holds them to maturity. Effective March 1, 2022, the Bank transferred approximately 52% of its bond portfolio from the "available for sale" category to the "held to maturity" category at its then-current market value, reflecting an unrealized loss of $6.7 million. Bonds categorized as "held to maturity" are treated as long-term assets, similar to loans, appearing on the balance sheet at their amortized cost instead of being marked to market.

At December 31, 2022, the equity component of the balance sheet titled "accumulated other comprehensive (loss) income" was $17.6 million, including an unrealized loss on “held to maturity” bonds of $5.7 million and an unrealized loss on “available for sale” bonds of $16.6 million, both net of tax benefit totaling $4.7 million, compared to a cumulative unrealized gain, net of taxes, of $1.9 million at December 31, 2021. As a result, the GAAP book value of total stockholders' equity decreased by 1%, to $68.8 million at December 31, 2022, from $69.5 million at December 31, 2021, despite the Company raising an additional $10,500,000 million in common equity and earning an additional $8,281,180 million in 2022. On a per-share basis, book value declined 14%, from $2,973.63 on December 31, 2021, to $2,559.65 on December 31, 2022. On a non-GAAP basis, excluding the unrealized gain or loss on securities, book value per share increased by 11%, from $2,894.46 on December 31, 2021, to $3,216.38 on December 31, 2022.

Rising interest in 2022 had the effect of lowering the Company’s GAAP book value, without impacting the Bank’s regulatory capital. At the same time, rising rates helped to increase the Bank’s net interest income.

Commercial Deposits

Chain Bridge, a commercial bank specializing in the high-growth political and issue advocacy industry, has experienced a compounded annual growth rate of 12% in deposits from 2017 to 2022. What sets Chain Bridge apart from other banks with similar deposit growth rates is the quality of its deposits. As of the end of 2022, 99% of the Bank's deposits were regulatory core deposits, and 86% were in transaction accounts. Additionally, Chain Bridge's earning assets were 3.5 times higher than its interest-bearing liabilities.

Chain Bridge's expertise and reputation in the political and issue advocacy industry has allowed the Bank to establish itself as a premier commercial bank for federal political committees, including national party committees, candidate committees, Super PACs, and tax-exempt 527 and 501(c)(4) issue advocacy organizations, with a deep industry familiarity and a loyal client base. The Bank's strategy focuses on niche target markets to inform product development, establish expertise and a strong reputation in specific areas, and leverage that expertise as it grows and expands into adjacent markets. The Bank’s success in sequencing into related governmental affairs practices, communications and digital messaging firms, think tanks, the large corporate PAC market, and broader trade association segments, is evidence of the effectiveness of the strategy.

Chain Bridge's commercial transaction account business has grown significantly as reflected in the rising number of wire transfers processed, which grew at a compounded annual growth rate of 23% from 2017 to 2022. Other transaction and payment volumes indicate comparable activity growth in recent years. The Operations Department has repeatedly augmented infrastructure and personnel to accommodate the growth.

Management believes that the federal political committee and related public affairs markets offer continued growth opportunities. The Bank has seen a steady flow of new transaction account deposits from professionals in corporate governmental affairs practices, political advertising agencies, federal political committees, 527s, 501(c)(4)s, and trade associations. This flow of referrals is a testament to Bank's reputation as a trusted partner in the public affairs sector.

Trust & Wealth

Chain Bridge Bank, N.A.'s Trust & Wealth department continues to mature and expand, providing wealth management, financial planning, and fiduciary services as trustee, co-trustee, asset manager, investment adviser, discretionary investment manager, executor, custodian, agent or assignee, administrator, and guardian, among other roles.[1] Despite being operational for only two years, the Trust & Wealth Department has started to carve out niches in special needs and structured settlement trusts. As a result, it has an increasing pipeline of referrals from trust and estates practitioners. The Trust & Wealth department's integration into Chain Bridge Bank, N.A.'s suite of services has further strengthened the institution as a full-service provider. The commercial and consumer deposit and loan departments, as well as the residential mortgage department, and Trust & Wealth department, each benefit from cross-referrals, generating valuable synergies that reinforce the Bank's overall capabilities.

National bank trust departments can offer significant support to individual trustees who are responsible for managing family or other trusts. Trustee duties can be demanding and time-consuming, particularly with regard to trust accounting and communicating regularly with beneficiaries. National bank trust departments have specialized expertise, knowledge, and regulatory oversight to help manage trusts effectively. They provide a comprehensive range of trust accounting and administrative services, including specialized software and IT platforms to ensure compliance with trust law requirements. National bank trust departments are also equipped to handle both publicly traded and unique assets, such as art, real estate, and private equity. In contrast, non-trust financial services firms may not be specifically equipped to manage trusts and perform trust accounting.

[1] Please note that investments purchased through the Trust & Wealth department of Chain Bridge Bank, N.A. are not insured by the Federal Deposit Insurance Corporation (FDIC). Investments held in trust accounts are not deposits and are not guaranteed by the Bank. Investment products may lose value and there is no guarantee of performance. Before investing, please carefully consider the investment objectives, risks, charges, and expenses of the investment product. We encourage you to consult with your financial advisor before making any investment decisions.

In addition to providing superior trust administration services, national bank trust departments also offer asset custody services that are separate from the bank's assets and provide greater protection for client assets. It is important for individual trustees to evaluate the specific offerings and regulatory requirements of any institution before entrusting assets.

By engaging Chain Bridge Trust & Wealth as their "agent for trustee," "custodian," or "successor trustee," individual trustees can better ensure that they are fulfilling their obligations to the trust and the beneficiaries. Contact Gregory Smolen, Trust & Wealth department manager, at gsmolen@chainbridgebank.com to learn more.[2]

Litigation

In September 2021, the District Court for the Eastern District of Virginia issued a Summary Judgment in favor of Chain Bridge Bank, N.A. and against Blue Flame Medical, LLC ("Blue Flame") on all remaining counts in Blue Flame's lawsuit against Chain Bridge, as well as a Summary Judgment in favor of Chain Bridge and against JPMorgan Chase Bank, N.A. ("JPMorgan") on Chain Bridge's third-party complaint for indemnification.

Subsequently, in October 2021, both Blue Flame and JPMorgan appealed the District Court's decisions to the Fourth Circuit. In December 2021, both Blue Flame and JPMorgan filed their appellant briefs, and Chain Bridge filed its response brief in February 2022. Blue Flame and JPMorgan filed their Reply Briefs on March 14, 2022. On October 27, 2022, the Fourth Circuit heard oral arguments regarding the consolidated appeals from Blue Flame and JPMorgan. As of the date of this communication, the Fourth Circuit has not yet issued a decision on these appeals.

Private Placement

In Q1 of 2022, the Company's Board of Directors (the "Board") authorized a private placement offering, under Rule 506(b) of U.S. Securities and Exchange Commission (SEC) Regulation D (the "Offering"), to raise up to 3,500 shares at a price of $3,000.00 per share for additional common equity capital. The Board aimed to maintain a fortress balance sheet during the pre-election period when the Bank was experiencing exceptionally elevated deposits and average assets.

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[2] Please note that neither Chain Bridge Bank, N.A. nor its employees are authorized to offer tax, legal, or accounting advice. The information provided in this letter is not intended to serve as a substitute for professional tax, legal, or accounting guidance, and should not be relied upon as such. Chain Bridge strongly encourages you to seek advice from your own tax, legal, and accounting advisors prior to making any financial decisions.

The Board extended the Offering to all existing shareholders and a limited number of non-shareholders. Investors bought all 3,500 shares for a total of $10,500,000 by the subscription deadline of April 27, 2022. The Offering closed on May 20, 2022, and on June 28, 2022, the Company invested $10,000,000 of the Offering proceeds in the Bank, with the remaining $500,000 retained at the Company level for paying Company expenses.

The issuance of the 3,500 common shares sold in the Offering raised the Company's total outstanding shares by 15%, from 23,372 to 26,872. As a result of dilution caused by the issuance of additional shares, the Company's earnings per average common share increased by only 8%, despite the Company's net income increasing by 17% in 2022.

Changes to Legal Structure, Governance and Financial Reporting Standards

Chain Bridge, a national banking business with a strong market position in certain federal political and advocacy segments, expects deposits may resume growing in the second half of 2023 and into 2024, ahead of the 2024 general elections, despite a decline in political deposits at year-end 2022. The Board is exploring options to finance potential future growth, including the possibility of eventually taking the Company public (which would, along with other potential options, potentially provide some liquidity for existing shareholders).

In connection with steps to enhance the corporate governance framework of the Company, the Board recommended changing the Company's state of incorporation from Virginia to Delaware (the "Reincorporation"). Delaware is a leading jurisdiction for U.S. corporations, generally, and, in particular, for publicly-traded corporations on U.S. stock exchanges, known for its sophisticated corporate statute, well-developed body of case law, and a special court, the Delaware Court of Chancery, dedicated to adjudicating corporate and business law disputes. At its July 12, 2022 meeting, the Board approved, adopted and declared advisable the Reincorporation and authorized management to effect the Reincorporation. Shareholders approved the Reincorporation at a special meeting in September, and the Reincorporation became effective on September 30, 2022.

Other corporate governance enhancements include expanding the size of the Board and adding all Bank directors to the Board. The expansion of the Board has enabled the Board's Committees, such as the Audit, Compensation, and Governance and Nominating Committees, to operate at the parent Company level. This modification aligns with SEC regulations and exchange listing rules concerning Board operations. The Company-level committees, including a Risk Committee, started operating on the Reincorporation's effective date, and the Bank's Board of Directors subsequently dissolved its overlapping committees. The Board believes these changes allow for enhanced governance and oversight of the Company's operations, financial reporting, and executive and director compensation.

In 2022, Chain Bridge successfully fulfilled the audit requirements for Insured Depository Institutions (IDIs) over $1 billion in assets under Part 363 of the Federal Deposit Insurance

Company Improvement Act (FDICIA) for the first time. The Company previously operated with assets between $500 million and $1 billion which required an annual audit and management statement of responsibility for establishing and maintaining an adequate internal control structure over financial reporting (ICFR). However, as the Company's consolidated total assets exceeded $1 billion at the end of 2021, it was required to comply with the higher level of IDI requirements in 2022. These requirements include a management evaluation of the operating effectiveness of ICFR *and* an independent public accountant's attestation report concerning the institution's ICFR structure.

In addition, for calendar year 2022, Chain Bridge commissioned its auditors to conduct a more prescriptive type of financial statement audit than in previous years. Rather than commissioning a financial statement audit conducted in accordance with Generally Accepted Audited Standards (GAAS) established by the American Institute of Certified Public Accountants (AICPA), the Company commissioned a financial statement audit conducted in accordance with the requirements of the Public Company Accounting Oversight Board (PCAOB). Although GAAS audits and PCAOB audits are similar, a PCAOB audit is a more detailed and prescriptive form of audit specific to audits of public companies, while a GAAS audit provides a broader set of guidelines applicable to all types of audit engagements.

Purchases and Sales of Company Shares

The Company currently does not have a public market for its shares as it is privately held. Notwithstanding the Board's consideration of funding options, which could include a public listing, there is no such public listing now and there can be no assurance one will exist in the future

Meanwhile, for shareholders who wish to buy or sell shares while the Company remains private, the Board has directed management to list the Company's shares on the over-the-counter market through one of the OTC Market Group's quotation services. The Company is currently in the process of registering its common shares with the Depository Trust Company (DTC) and applying for listing on the OTCQX quotation service. However, it is important to note that there is no guarantee that the application will be accepted, and even if the shares are listed on the over-the-counter market, there is no guarantee that a liquid market for the Company's shares will develop or be maintained. The Company will notify shareholders if the application to trade on the OTC is accepted.

Outlook for the Year Ahead

Looking ahead to 2023, Chain Bridge remains cautiously optimistic about the potential for continued net interest income growth. Despite a projected decline in average assets, higher interest rates in 2023 may enable the Bank to earn increased interest income from cash held at the Federal Reserve, reinvestment of maturing securities at the new higher rates, and new loans. Additionally, the Bank anticipates that deposits associated with the 2024 election cycle may begin rising in the second half of 2023.

Although there is a possibility that high interest rates could suppress loan demand, Chain Bridge's lending specializations, such as non-conforming residential mortgages, may provide some demand consistency. The Bank also plans to introduce its own credit card for commercial clients in 2023, with the aim of better serving existing clients.

The Board and Board Committees will be implementing several disciplines and best practices commonly used by publicly traded companies. The Audit Committee will lead the process of overseeing financial reporting, monitoring the adequacy of the internal control structure, and selecting and overseeing the external auditor. The Governance and Nominating Committee will lead the process of implementing a plan for Board composition, monitoring and making recommendations related to corporate governance, evaluating the performance and effectiveness of the Board and management, ensuring that the Board is composed of qualified individuals with varied perspectives and skill sets, and reviewing and assessing the Company’s executive succession planning process.

* * *

I would like to take this opportunity to extend my gratitude once more to our clients and shareholders for their steadfast commitment and support. Additionally, I would like to reiterate my appreciation to Chain Bridge's associates for their unwavering passion and dedication. As I have previously stated, the most valuable assets of Chain Bridge are not its loans, bonds, or cash, but its people.

Very truly yours,

Peter G. Fitzgerald

Peter G. Fitzgerald,
Chairman of the Board

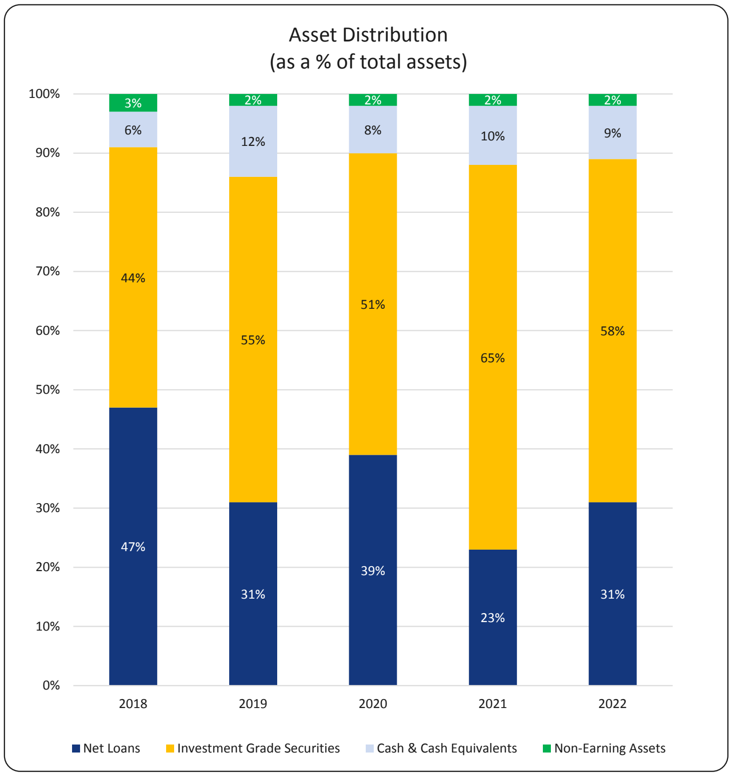
PGF/hn

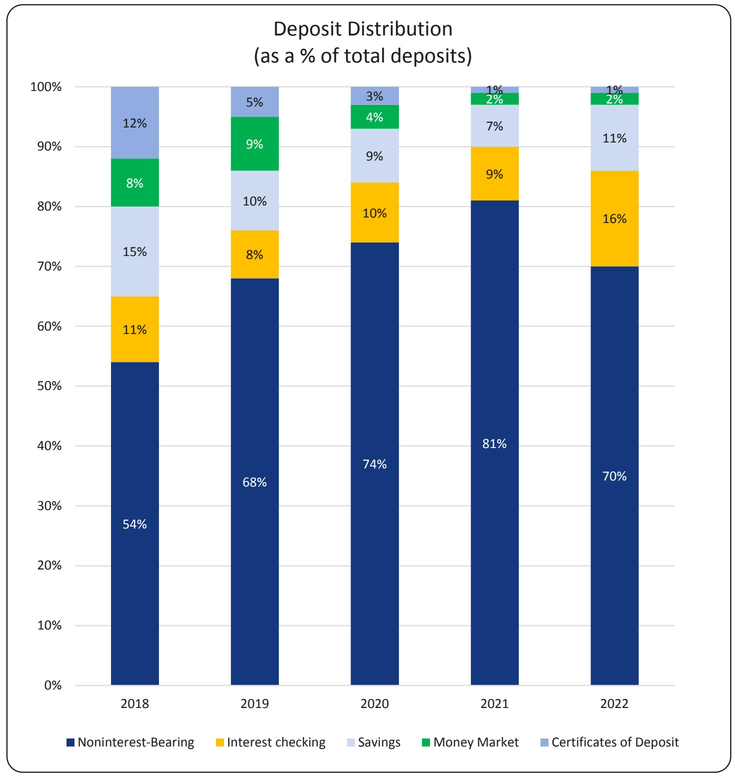
Enclosures

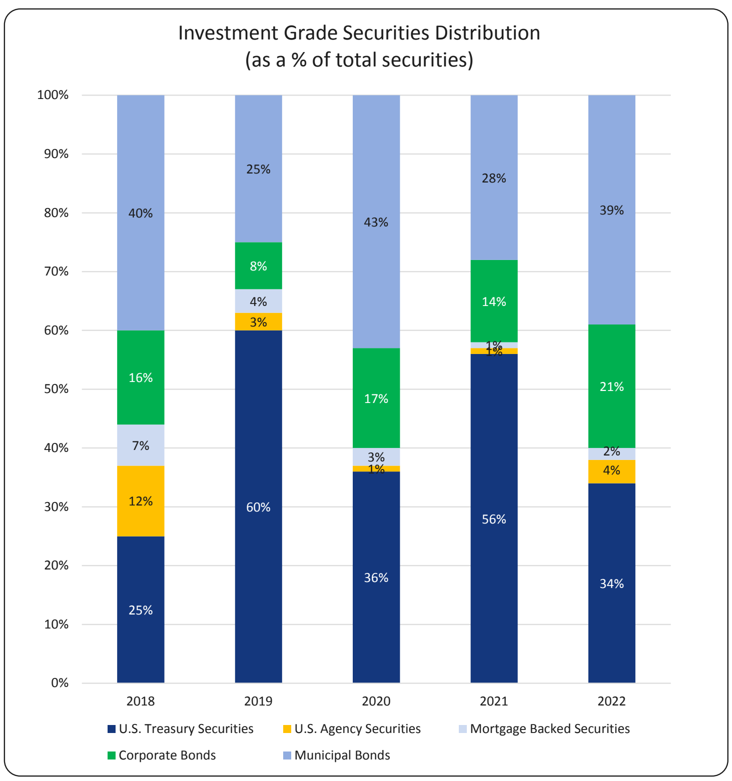
CAUTION ABOUT FORWARD-LOOKING STATEMENTS

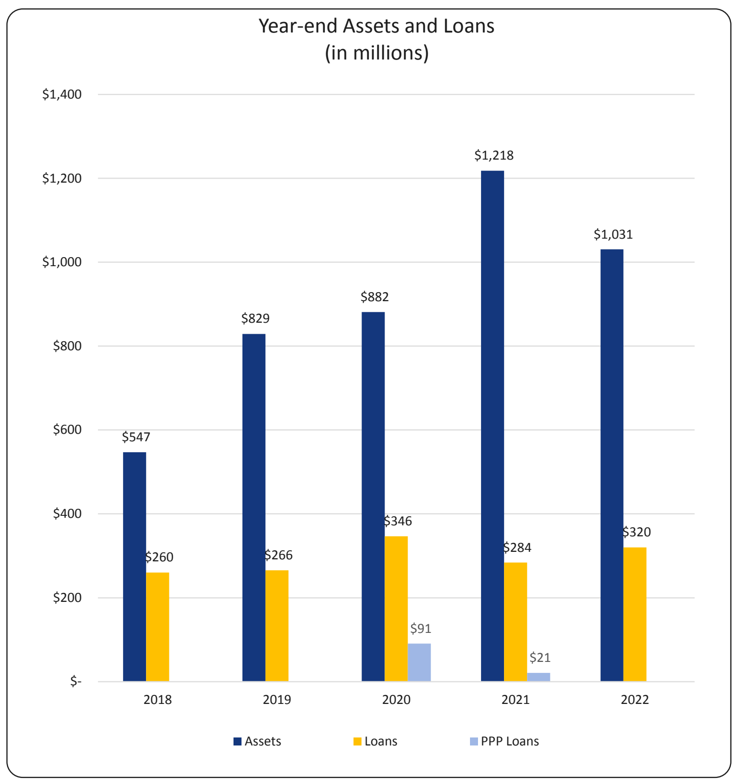
This letter contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements of goals, intentions, and expectations as to future trends, plans, events, potential options to finance potential future growth, or results of Chain Bridge's operations and policies and regarding general economic conditions. Forward-looking statements are not historical facts or statements of current conditions, but instead represent only Chain Bridge's beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control. Such statements may be identified by words such as "believe", "may", "would", "could", "expect", "anticipate", "intend", "estimate" and "target" and similar expressions or the negative of such words. Because of the uncertainties and the assumptions on which this discussion and the forward-looking statements are based, actual future operations and results may differ materially from those indicated herein. Important factors that could have such a result include: market interest rates and inflation; disruptions in the financial markets; economic conditions; changes in laws, rules, and regulatory requirements, including capital and liquidity requirements affecting Chain Bridge's businesses, and Chain Bridge's ability to address those requirements; actions by government agencies, including those that impact money supply; Chain Bridge's ability to maintain its reputation; Chain Bridge's ability to effectively defend itself against cyber attacks and other attempts by unauthorized parties to access its or its customers' information or to disrupt its systems; Chain Bridge's ability to attract and retain key personnel; adverse judicial or regulatory proceedings; competitive pressures among depository and other financial institutions, including non-bank financial technology providers; changes in customer behavior; and changes in customers', suppliers' and other counterparties' performance and creditworthiness. Readers are cautioned against placing undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date made. Chain Bridge does not assume any duty and does not undertake any obligation to update forward-looking statements. The Company's and the Bank's past results are not necessarily indicative of future performance.

Balance Sheet Information

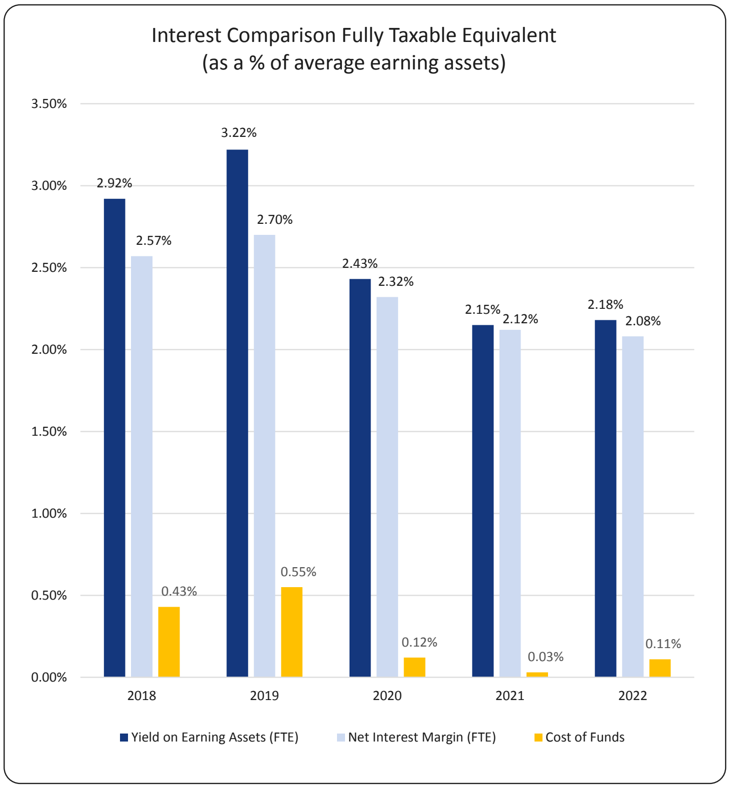


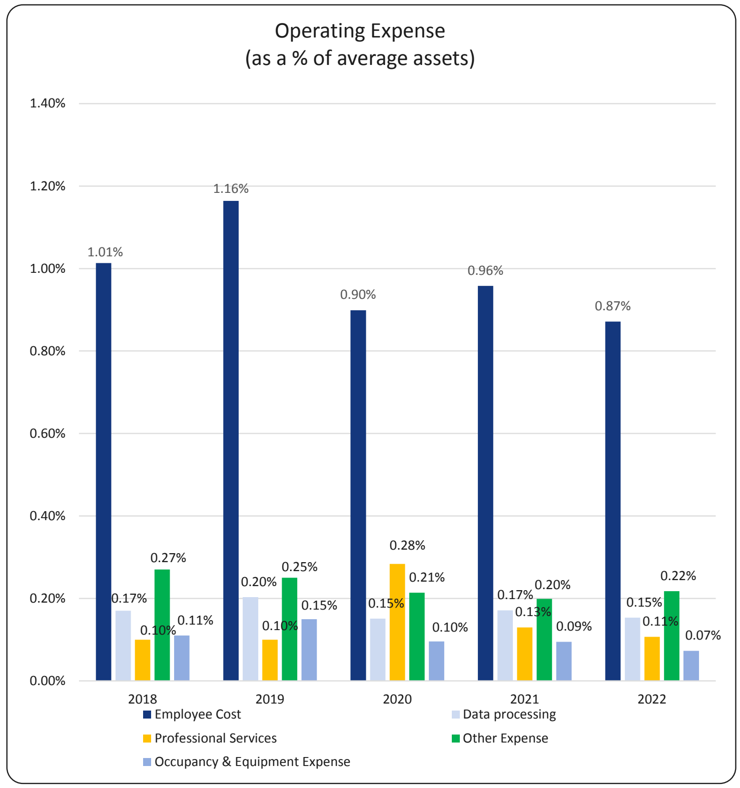


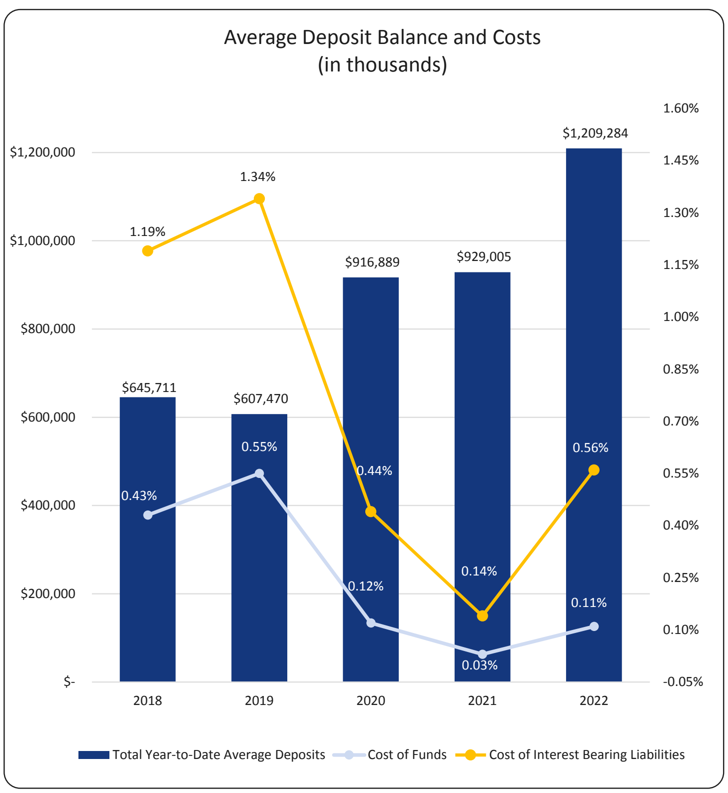


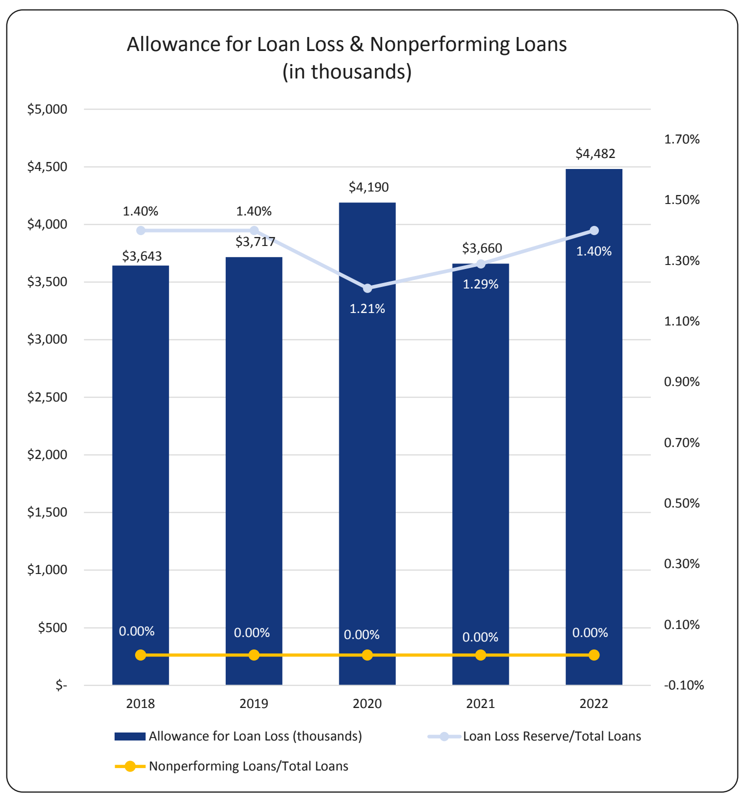


Income Statement and Asset Quality Information

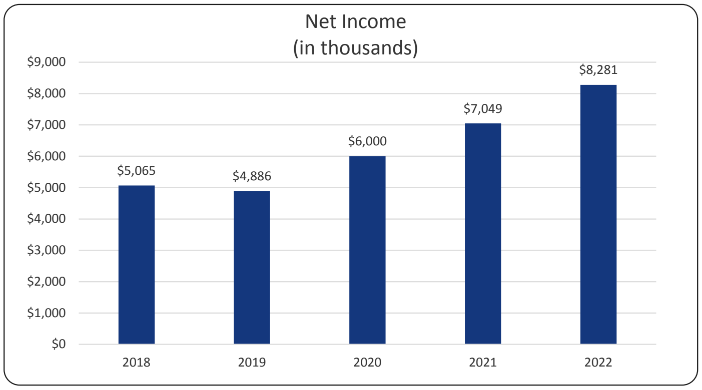


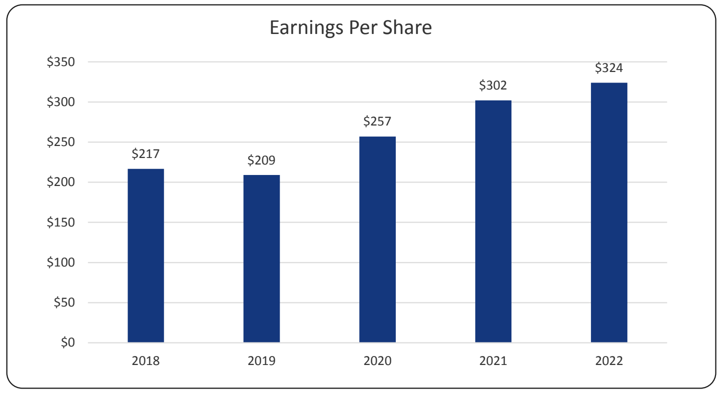


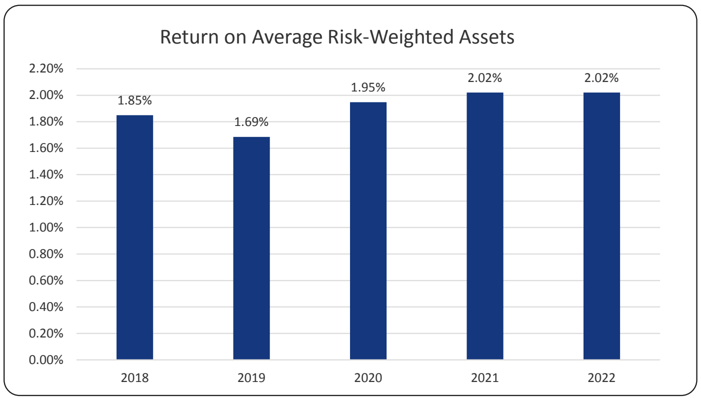


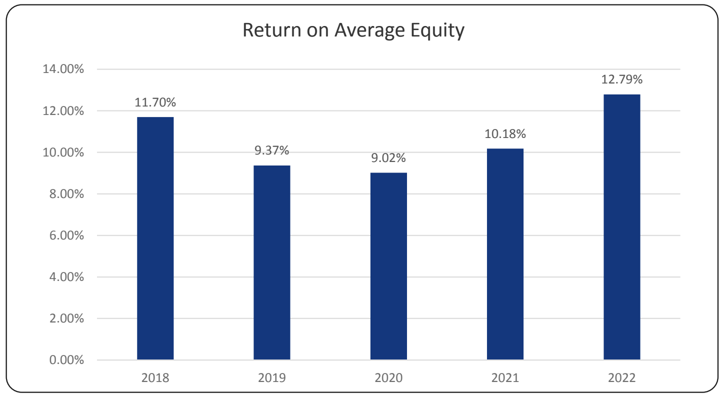


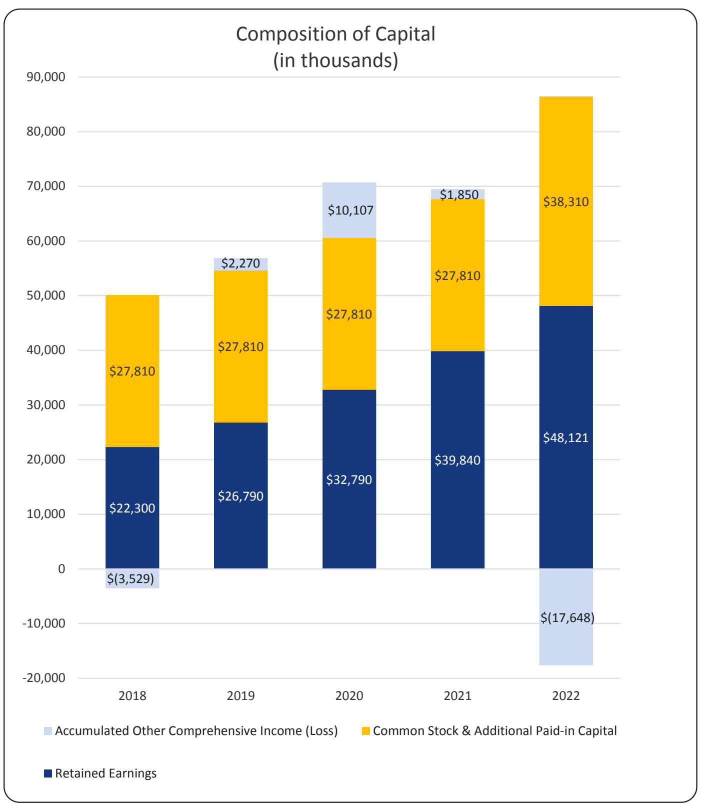
Equity Information and Returns

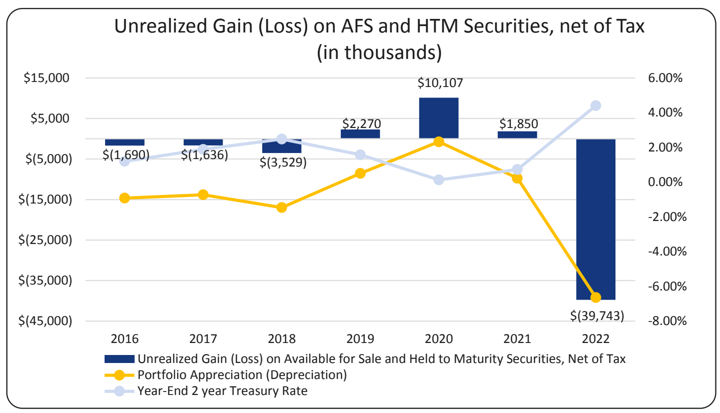


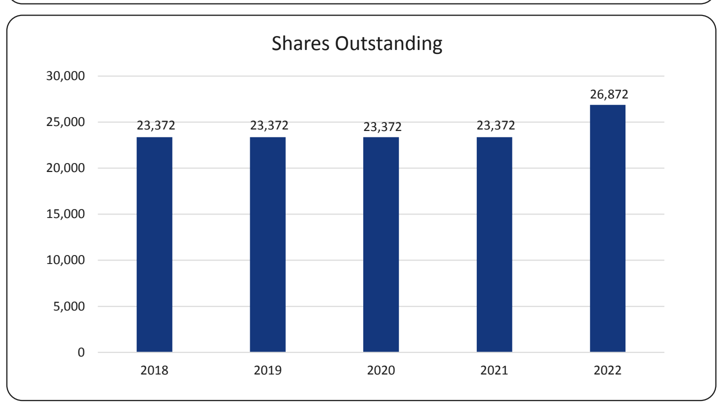






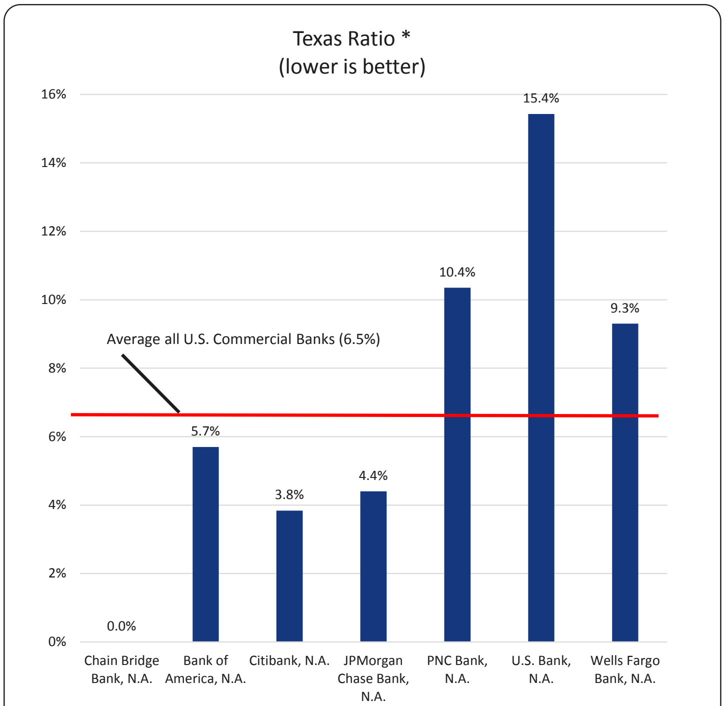




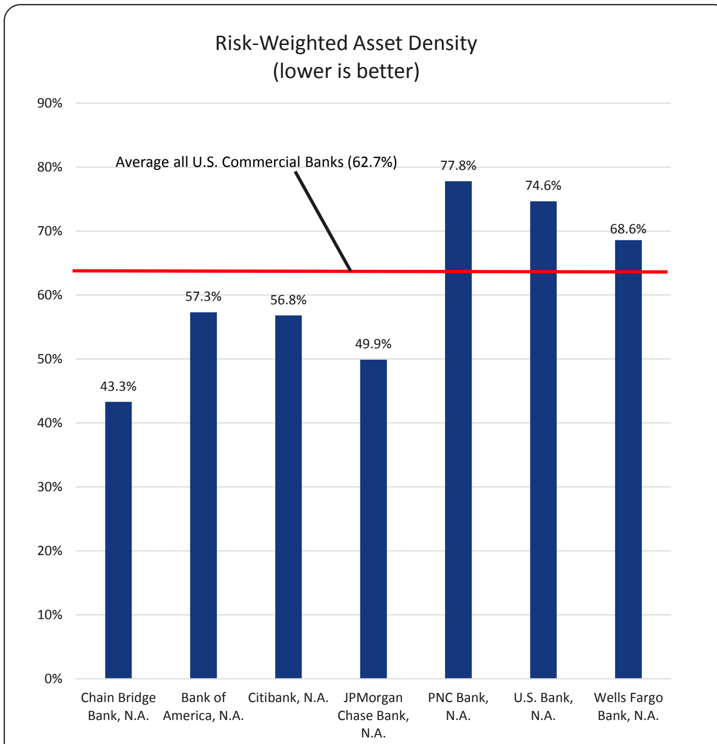


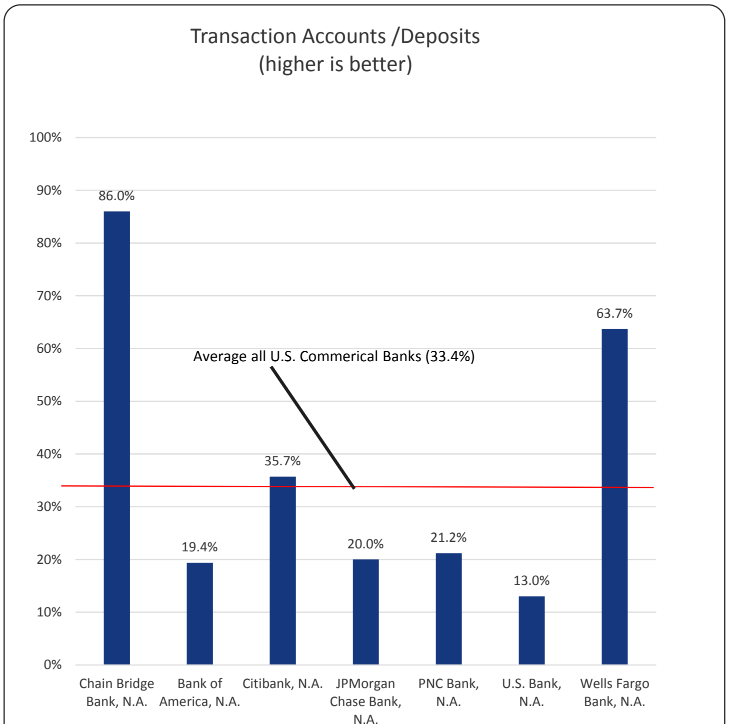
Industry Comparison

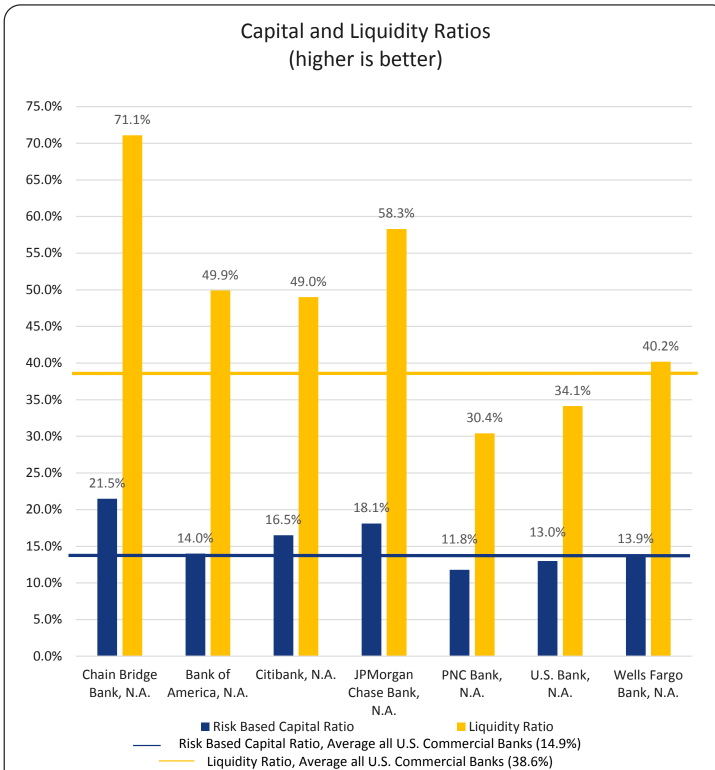
(Bank-Level Information)



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







Chain Bridge Bancorp, Inc. Board of Directors:

Chain Bridge Bancorp, Inc.
and Subsidiary

McLean, Virginia

Consolidated Financial Report

December 31, 2022

C O N T E N T S

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Chain Bridge Bancorp, Inc. and its subsidiary (the Company) as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive loss, changes in stockholders' equity, and cash flows for each of the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit for the year ended December 31, 2022 in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. We conducted our audit for the year ended December 31, 2021 in accordance with auditing standards generally accepted in the United States of America (GAAS). The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Yount, Hyde & Barbour, P.C.

We have served as the Company's auditor since 2007.

Winchester, Virginia
March 10, 2023

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Balance Sheets

	December 31, 2022	December 31, 2021
Assets		
Cash and due from banks	$ 6,773,145	$ 3,028,217
Interest-bearing deposits in other banks	91,889,968	120,848,526
Total cash and cash equivalents	$ 98,663,113	$ 123,876,743
Securities available for sale, at fair value	279,596,208	791,246,041
Securities held to maturity, at carrying value	312,567,291	- -
Equity securities, at fair value	485,618	540,768
Restricted securities, at cost	2,500,900	2,032,600
Loans, net of allowance for loan losses of $4,482,000 in 2022 and $3,660,000 in 2021	315,710,778	280,259,621
Premises and equipment, net of accumulated depreciation of $6,300,012 in 2022 and $5,799,029 in 2021	10,079,737	10,492,884
Accrued interest receivable	4,313,033	3,568,409
Other assets	6,767,179	6,136,488
Total assets	$ 1,030,683,857	$ 1,218,153,554
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 666,493,146	$ 928,392,740
Savings, interest-bearing checking and money market accounts	273,888,277	199,610,956
Time, $250,000 and over	5,374,103	5,483,404
Other time	7,198,341	7,385,275
Total deposits	$ 952,953,867	$ 1,140,872,375
Short-term borrowings	5,000,000	5,000,000
Accrued interest payable	20,087	5,979
Accrued expenses and other liabilities	3,926,989	2,775,518
Total liabilities	$ 961,900,943	$ 1,148,653,872
Stockholders' Equity		
Preferred stock		
No par value and $1 par value, 100,000 and 10,000 shares authorized, respectively, and no shares issued and outstanding	$ - -	$ - -
Common stock		
$1 par value, 200,000 and 50,000 shares authorized, 26,872 and 23,372 shares issued and outstanding, respectively	26,872	23,372
Additional paid-in capital	38,283,095	27,786,595
Retained earnings	48,120,515	39,839,335
Accumulated other comprehensive (loss) income	(17,647,568)	1,850,380
Total stockholders' equity	$ 68,782,914	$ 69,499,682
Total liabilities and stockholders' equity	$ 1,030,683,857	$ 1,218,153,554

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Income

For the Years Ended December 31, 2022 and 2021

	2022	2021
Interest and Dividend Income		
Interest and fees on loans	$ 11,311,115	$ 12,507,337
Interest and dividends on securities, taxable	9,190,140	6,440,293
Interest on securities, tax-exempt	1,293,961	1,425,986
Interest on interest-bearing deposits in banks	5,589,092	315,011
Total interest and dividend income	$ 27,384,308	$ 20,688,627
Interest Expense		
Interest on deposits	$ 1,081,831	$ 163,195
Interest on short-term borrowings	201,082	137,634
Total interest expense	$ 1,282,913	$ 300,829
Net Interest Income	$ 26,101,395	$ 20,387,798
Provision for (Recovery of) Loan Losses	822,000	(530,000)
Net interest income after provision for (recovery of) loan losses	$ 25,279,395	$ 20,917,798
Noninterest Income		
Deposit placement services income	$ 1,542,600	$ 20,825
Service charges on accounts	1,153,618	978,860
Trust and wealth management income	335,103	344,952
Gain on sale of mortgage loans	17,785	412,488
Other income	60,641	1,519,972
Total noninterest income	$ 3,109,747	$ 3,277,097
Noninterest Expenses		
Salaries and employee benefits	$ 11,172,906	$ 9,647,555
Data processing and communication expenses	1,964,610	1,724,643
Professional services	1,367,310	1,308,036
Occupancy and equipment expenses	932,399	952,216
FDIC and regulatory assessments	847,511	423,815
Virginia bank franchise tax	627,312	451,423
Directors fees	370,850	307,900
Other operating expenses	943,026	818,758
Total noninterest expenses	$ 18,225,924	$ 15,634,346
Net income before taxes	$ 10,163,218	$ 8,560,549
Income Tax Expense	1,882,038	1,511,831
Net income	$ 8,281,180	$ 7,048,718
Earnings per common share, basic and diluted	$ 324.26	$ 301.59

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Loss
For the Years Ended December 31, 2022 and 2021

	2022	2021
Net income	$ 8,281,180	$ 7,048,718
Other comprehensive loss:		
Unrealized holding losses on securities available for sale, net of tax of ($3,983,156) in 2022 and ($2,194,747) in 2021	$ (14,984,253)	$ (8,256,433)
Unrealized holding losses on available for sale securities transferred to held to maturity, net of tax of ($1,397,516) in 2022	(5,257,320)	- -
Amortization of unrealized holding losses on available for sale securities transferred to held to maturity, net of tax of $197,643 in 2022	743,625	- -
Other comprehensive loss, net of tax	$ (19,497,948)	$ (8,256,433)
Comprehensive loss	$ (11,216,768)	$ (1,207,715)

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Net income	$ 8,281,180	$ 7,048,718
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	500,983	523,036
Premium amortization and discount accretion on investment securities, net	2,708,414	2,705,373
Recovery of impairment loss on securities recognized in earnings	(6,948)	(14,738)
Fair value adjustment on equity security	62,860	15,805
Provision for (recovery of) loan losses	822,000	(530,000)
Loss on sales and disposals of premises and equipment	- -	192,818
Gain on sale of mortgage loans	(17,785)	(412,488)
Origination of loans held for sale	(1,576,615)	(18,880,605)
Proceeds from sale of loans	1,594,400	23,072,647
Deferred income tax (benefit) expense	(168,796)	272,451
Changes in assets and liabilities:		
Decrease (increase) in accrued interest receivable and other asset	3,976,479	(4,558,494)
Increase in accrued interest payable, accrued expenses and other liabilities	1,165,579	75,057
Net cash provided by operating activities	$ 17,341,751	$ 9,509,580
Cash Flows from Investing Activities		
Securities available for sale:		
Purchases of securities	$ (471,543,976)	$ (907,651,301)
Proceeds from calls, maturities and paydowns	674,773,347	547,537,020
Securities held to maturity:		
Purchases of securities	(32,033,439)	- -
Proceeds from calls, maturities and paydowns	504,198	- -
(Purchase) redemption of restricted securities, net	(468,300)	426,100
Reinvestment of dividends on equity security	(7,710)	(6,981)
Net (increase) decrease in loans	(36,273,157)	58,756,122
Proceeds from sales of premises and equipment	- -	65,000
Purchases of premises and equipment	(87,836)	(102,286)
Net cash provided by (used in) investing activities	$ 134,863,127	$ (300,976,326)
Cash Flows from Financing Activities		
Net (decrease) increase in non-interest bearing, savings, interest-bearing checking and money market deposits	$ (187,622,273)	$ 349,444,557
Net (decrease) in time deposits	(296,235)	(6,322,379)
Net (decrease) increase in short-term borrowings	- -	(4,000,000)
Proceeds from stock issuance	10,500,000	- -
Net cash (used in) provided by financing activities	$ (177,418,508)	$ 339,122,178
Net (decrease) increase in cash and cash equivalents	$ (25,213,630)	$ 47,655,432
Cash and cash equivalents, beginning of period	123,876,743	76,221,311
Cash and cash equivalents, end of period	$ 98,663,113	$ 123,876,743
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	$ 1,268,805	$ 316,614
Cash payments for taxes	$ 1,670,000	$ 717,086
Supplemental Disclosures of Noncash Investing Activities		
Fair value adjustment for available for sale securities	$ (18,967,409)	$ (10,451,180)
Fair value adjustment for available for sale securities transferred to held to maturity	$ (6,654,836)	$ - -
Transfer of available for sale securities to held to maturity, at fair value	$ 281,501,768	$ - -

See Notes to Consolidated Financial Statements.

Chain Bridge Bancorp, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2022 and 2021

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
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
Net income	- -	- -	8,281,180	- -	8,281,180
Other comprehensive loss	- -	- -	- -	(19,497,948)	(19,497,948)
Issuance of of common stock	3,500	10,496,500	- -	- -	10,500,000
Balance at December 31, 2022	$ 26,872	$ 38,283,095	$ 48,120,515	$ (17,647,568)	$ 68,782,914

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. (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 Company was originally formed as a Virginia corporation, but converted to a Delaware corporation on September 30, 2022. In conjunction with this conversion, the Board approved the number of authorized preferred shares to increase from 10,000 at $1 par value, to 100,000 at no par value and the number of common shares to increase from 50,000 at $1 par value to 200,000 at $1 par value.

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. The Bank's primary deposit products are noninterest-bearing checking, interest-bearing checking and time deposits. Deposits are predominantly commercial in type and come from political committees, trade associations and other nonprofits, and businesses. Political committee deposits have a high level of seasonality because they revolve around federal elections. The Bank's primary lending products are mortgage-related loans, the vast majority of which are consumer, mortgages, home equity loans, and home equity lines of credit, primarily within the Washington, D.C. metro area.

In February 2020, the Bank expanded its services to include a Trust and Wealth Department after the Bank received approval from the Office of the Comptroller of Currency to exercise full "fiduciary powers." This approval authorized the bank to serve as trustee, investment advisor, discretionary investment manager, executor, custodian, agent or assignee, administrator, or guardian, among other roles.

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.

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 loss. 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.

Transfers of debt securities into the held to maturity classification from the available for sale classification are made at fair value on the date of transfer. The unrealized holding gain or loss on the date of the transfer is reported in accumulated other comprehensive loss and in the carrying value of the held to maturity securities. Such amounts are amortized over the remaining contractual lives of the securities. The net impact to income from the amortization and accretion of the unrealized loss at date of transfer is zero.

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 loss.

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, the experience and depth of lending staff, 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.

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.

During management's review of the adequacy of the allowance, particular risk characteristics associated with a segment of the loan portfolio are also considered. These characteristics are detailed below:

- Commercial and industrial loans that are not secured by real estate or other marketable collateral carry risks associated with the continued and successful operation of a business. The repayment of these loans heavily depends on the profitability and cash flows from the business. Additional risks related an industry or key person may impact the ability for the business to operate profitably or continue operations.
- Commercial real estate mortgages carry risks associated with the tenancy of the property and the repayment of these loans depends on the net operating income from the property. Additional risk relates to the value of collateral where depreciation occurs and the appraisal is less precise.
- Residential real estate mortgage loans carry risks associated with the income and continued credit-worthiness of the borrower and changes in the value of the collateral.
- Other consumer loans carry risks associated with the continued income and 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.

All loans, regardless of type, are assigned a loan risk classification grade during the underwriting process. The Company categorizes commercial loans into risk categories based on relevant information about the ability of the borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. Consumer loans are provided a risk rating based on the type of loan. This risk classification grade is an important component that triggers the addition of a loan to the watch list report. 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 presented to the Board monthly. 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 management 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. The existence of one or more of these scenarios might also cause a loan officer to evaluate if the loan risk classification grade assigned at origination should be modified:

- Financial Statement Analysis – As customer financial statements are received, they are 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.
- Delinquent Real Estate Taxes – Delinquent property taxes are often a sign a borrower is experiencing cash flow issues. The Bank monitors real estate property tax payments using a third-party services. The Bank carefully reviews delinquent tax notices as these are generated
- Overdrafts – If a borrower's deposit account is overdrawn on a consistent basis this is an indication of an income or cash flow problem.
- 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, 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.

In addition to a loan officer identifying the need to re-evaluate a loan's current risk classification grade based upon the detection of potential issues with the loan or the borrower, the Bank performs both internal and external loan reviews for a large portion of the portfolio. The external loan review function independently evaluates the Bank's underwriting and ongoing portfolio monitoring, which includes the confirmation of the grade or alternatively the recommendation to change the risk classification grade. The Bank's internal loan review process monitors the performance of commercial borrowers using a risk-based approach and includes the confirmation of the grade or alternatively the recommendation to change the risk classification grade.

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, 2022 and 2021.

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, 2022 and 2021.

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, 2022 or 2021.

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.

Private Placement

In the first quarter of 2022, the Company's Board of Directors authorized a private placement Offering, under Rule 506(b) of SEC Regulation D, to raise additional common equity capital. The Offering included an option to accept subscriptions up to 3,500 shares at a price of $3,000.00 per share. The 3,500 shares sold for a total of $10,500,000 by the subscription deadline of April 27, 2022.

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, 2022 and 2021. For the years ended December 31, 2022 and 2021, the weighted average number of shares outstanding for calculating basic and diluted earnings per share was 25,539 and 23,372 respectively.

Advertising Costs

The Company follows the policy of charging the production costs of advertising to expense as incurred. The Bank expensed $29,993 and $29,207 for advertising costs for the years ended December 31, 2022 and 2021, respectively.

Comprehensive Loss

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, 2022 and 2021, the Company’s other comprehensive loss relates to changes in unrealized gains and losses on available for sale securities and the unrealized losses on securities transferred from available for sale to held to maturity, net of tax. Items reclassified out of accumulated other comprehensive loss to net income relate solely to the amortization on securities transferred from available for sale to held to maturity.

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.

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").

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 in 2021. The remaining amount related to 2021 expenses was 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. Those appeals were heard October 27, 2022, and the Fourth Circuit has not yet issued a decision.

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. As of December 31, 2022, $22,156,918 of retained earnings is available to pay dividends.

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. The primary noninterest revenue streams within the scope of Topic 606 are discussed below.

Service Charges on Accounts

Service charges on accounts consist primarily of income from three areas. The Company earns income from account analysis income, monthly service charges, and income from overdraft, nonsufficient funds, and other deposit account related services as well as income from transaction-based services such as wire transfers and debit card fee income.

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.

Other account related service charges include transaction-based 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.

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.

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.

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 Company adopted ASU 2016-13 as of January 1, 2023 in accordance with the required implementation date and recorded the impact of adoption to retained earnings, net of deferred income taxes, as required by the standard. The adjustment recorded at adoption was not significant to the overall allowance for credit losses or shareholders' equity as compared to December 31, 2022 and consisted primarily of an adjustment for the establishment of the allowance for credit losses on held to maturity securities. The adjustment to the allowance for credit losses for loans and unfunded loan commitments was insignificant as well. Subsequent to adoption, the Company will record adjustments to its allowance for credit losses and reserves for unfunded commitments through the provision for credit losses in the consolidated statements of income.

The Bank is utilizing a third–party model to tabulate its estimate of current expected credit losses, using the weighted average remaining maturity method. In accordance with ASC 326, the Bank has segmented its loan portfolio based on similar risk characteristics in alignment with call report code. To further adjust the allowance for credit losses for expected losses not already included within the quantitative component of the calculation, the Bank may consider the following qualitative adjustment factors: levels of and trends in delinquencies and impaired loans; level of and trends in charge-off and recovery activity; trends in volume and terms of loans; effect of changes in risk selection and underwriting standards, and other changes in lending policies, procedures and practices; experience ability and depth of lending management and other staff; national and local economic trends and conditions; industry conditions and other external factors; effects of changes in credit concentrations; and changes in the quality of the Bank's loan review system and loan grading. The Bank's CECL implementation was overseen by a cross-functional governance committee including the CEO, CCO, CFO and Internal Control and Financial Reporting Manager, and included assessments of data availability, the suitability of the WARM method and loan segmentation, and relevant qualitative factors.

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 as of December 31, 2022 and 2021 are as follows:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available for sale:				
Securities of U.S. government and federal agencies	$ 104,413,792	$ - -	$ (5,011,455)	$ 99,402,337
Mortgage backed securities	11,489,385	900	(859,205)	10,631,080
Corporate bonds	65,856,285	1,865	(3,225,789)	62,632,361
State and municipal securities	114,461,901	51,815	(7,583,286)	106,930,430
Total securities available for sale	$ 296,221,363	$ 54,580	$ (16,679,735)	$ 279,596,208
Securities held to maturity:				
Securities of U.S. government and federal agencies	$ 125,427,682	$ - -	$ (12,696,607)	$ 112,731,075
Mortgage backed securities	1,219,852	- -	(25,530)	1,194,322
Corporate bonds	62,440,031	24,792	(4,787,149)	57,677,674
State and municipal securities	123,479,726	- -	(16,198,516)	107,281,210
Total securities held to maturity	$ 312,567,291	$ 24,792	$ (33,707,802)	$ 278,884,281
Total securities	$ 608,788,654	$ 79,372	$ (50,387,537)	$ 558,480,489

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available for sale:				
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 securities available for sale	$ 788,903,787	$ 6,484,712	$ (4,142,458)	$ 791,246,041

The Company reported a fair value loss of $62,860 and $15,805 in its equity security holding during 2022 and 2021, respectively. The losses reduced the other income component of noninterest income on the consolidated statements of income.

Securities with a carrying value of $10,928,565 and $11,041,704 were pledged to secure a line of credit with the Federal Reserve Bank at December 31, 2022 and 2021 respectively.

Proceeds from redemptions, paydowns and maturities of securities available for sale totaled $674,773,347 and $547,537,020 for 2022 and 2021, respectively. There were no sales of securities in 2022 and 2021.

Proceeds from redemptions, paydowns and maturities of securities held to maturity totaled $504,198 for 2022. There were no held to maturity securities at December 31, 2021.

During the first quarter of 2022, management continued to contemplate the accounting treatment of the Company's bond portfolio. Given the rapidly rising interest rates, the resulting effects on capital and to better reflect management's intention to hold certain securities until maturity, management approved the transfer of a portion of the portfolio from the available for sale accounting treatment to the held to maturity accounting treatment. Available for sale securities with a book value of $288,156,604 and an associated unrealized loss of $6,654,836 were transferred to the held to maturity classification at the fair value of $281,501,768. The Company did not have any investment securities classified as held to maturity as of December 31, 2021.

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, 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 holdings of municipal or corporate debt that equaled or exceeded 10.0% of stockholders' equity at December 31, 2022.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2022 is as follows:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ 44,027,197	$ 43,175,448	$ 1,017,093	$ 988,390
After one year through five years	194,059,459	184,175,573	154,352,007	142,798,428
After five years through ten years	51,608,889	46,290,366	150,396,107	129,418,348
Over ten years	6,525,818	5,954,821	6,802,084	5,679,115
Total	$ 296,221,363	$279,596,208	$ 312,567,291	$ 278,884,281

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, 2022 and 2021, investments in an unrealized loss position that were temporarily impaired are as follows:

	December 31, 2022				
	Less Than Twelve Months		Over Twelve Months		
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Unrealized Losses
Securities available for sale:					
Securities of U.S. government and federal agencies	$ (1,213,128)	$ 55,003,743	$ (3,798,327)	$ 44,398,595	$ (5,011,455)
Mortgage backed securities	(858,105)	10,528,178	(1,100)	66,130	(859,205)
Corporate bonds	(1,249,075)	41,303,030	(1,976,714)	19,848,681	(3,225,789)
State and municipal securities	(4,279,881)	83,288,048	(3,303,405)	22,126,609	(7,583,286)
Total securities available for sale	$ (7,600,189)	$ 190,122,999	$ (9,079,546)	$ 86,440,015	$ (16,679,735)
Securities held to maturity:					
Securities of U.S. government and federal agencies	$ (2,276,857)	$ 27,780,421	$ (10,419,750)	$ 84,950,654	$ (12,696,607)
Mortgage backed securities	(25,530)	1,194,322	- -	- -	(25,530)
Corporate bonds	(1,142,172)	15,389,637	(3,644,977)	39,876,417	(4,787,149)
State and municipal securities	(4,406,792)	43,777,728	(11,791,724)	63,503,482	(16,198,516)
Total securities held to maturity	$ (7,851,351)	$ 88,142,108	$ (25,856,451)	$ 188,330,553	$ (33,707,802)
Total securities	$ (15,451,540)	$ 278,265,107	$ (34,935,997)	$ 274,770,568	$ (50,387,537)

	December 31, 2021				
	Less Than Twelve Months		Over Twelve Months		
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Unrealized Losses
Securities available for sale:					
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 securities available for sale	$ (2,517,248)	$ 212,432,858	$ (1,625,210)	$ 48,005,463	$ (4,142,458)

At December 31, 2022 and 2021, 963 and 374 debt securities had unrealized losses with aggregate impairment of 8.28% and 0.53%, 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, 2022 and 2021, 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. The Bank recorded OTTI recoveries totaling $6,948 and $14,738, in 2022 and 2021, respectively, as other noninterest income on the consolidated statements of income.

Note 3. Loans

A summary of the balances of loans are as follows:

	December 31,	
	2022	2021
Commercial real estate	$ 62,257,771	$ 60,996,770
Commercial	31,813,789	28,790,464
Residential real estate closed-end	202,972,593	175,293,037
Other consumer loans	23,148,625	18,839,350
	$ 320,192,778	$ 283,919,621
Less allowance for loan losses	(4,482,000)	(3,660,000)
Loans, net	$ 315,710,778	$ 280,259,621

Overdrafts totaling $8,616 and $9,661 at December 31, 2022 and 2021, respectively, were reclassified from deposits to loans.

The totals above include deferred costs (net of deferred fees) of $333,628 at December 31, 2022 and deferred fees (net of deferred costs) of $189,551 at December 31, 2021.

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 $457,422 and $2,307,035 during 2022 and 2021, respectively. 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. The remaining unamortized origination fees and costs were recognized in full at the time of forgiveness.

A summary of the activity for the PPP loans is as follows:

	2022	2021
Beginning of year principal balance	$ 21,319,352	$ 92,016,217
PPP Loan originations	- -	38,300,365
SBA forgiveness granted and borrower repayments	(21,319,352)	(108,997,230)
End of year principal balance	$ - -	$ 21,319,352

The Bank had established a 0.25% loan loss reserve rate for outstanding PPP loans as of December 31, 2021 to allow for possible operational errors or disputes, or the very unlikely event that the SBA guarantee is not honored. There was no remaining PPP loan balance and no reserve recorded at December 31, 2022.

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, 2022 and 2021:

	December 31, 2022				
	Commercial Real Estate	**Commercial**	**Residential Real Estate Closed-End**	**Other Consumer Loans**	**Total**
Allowance for loan losses:					
Beginning of year	$ 875,476	$ 207,705	$ 2,284,178	$ 292,641	$ 3,660,000
Provision (recovery)	29,669	364,743	366,137	61,451	822,000
Charge-offs	- -	- -	- -	- -	- -
Recoveries of charge-offs	- -	- -	- -	- -	- -
End of year	$ 905,145	$ 572,448	$ 2,650,315	$ 354,092	$ 4,482,000
Reserves:					
Specific	$ - -	$ - -	$ - -	$ - -	$ - -
General	905,145	572,448	2,650,315	354,092	4,482,000
Total reserves	$ 905,145	$ 572,448	$ 2,650,315	$ 354,092	$ 4,482,000
Loans evaluated for impairment:					
Individually	$ - -	$ - -	$ - -	$ - -	$ - -
Collectively	62,257,771	31,813,789	202,972,593	23,148,625	320,192,778
Total Loans	$ 62,257,771	$ 31,813,789	$ 202,972,593	$ 23,148,625	$ 320,192,778

	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

Based on the most recent analysis performed, the risk category of loans by class of loans was as follows as of December 31, 2022 and 2021:

	December 31, 2022					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial real estate	$ 60,221,232	$ 1,626,307	$ 410,232	$ --	$ --	$ 62,257,771
Commercial	31,813,789	--	--	--	--	31,813,789
Residential real estate closed-end	202,972,593	--	--	--	--	202,972,593
Other consumer loans	23,148,625	--	--	--	--	23,148,625
Total Loans	$ 318,156,239	$ 1,626,307	$ 410,232	$ --	$ --	$ 320,192,778

	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

There were no impaired loans as of December 31, 2022 or 2021.

There were no nonaccrual loans, loans 90 days past due and still accruing, or past due for 30 or more days at December 31, 2022 and 2021.

There were no loan modifications classified as TDRs during the years ended December 31, 2022 and 2021. No loan modifications classified as a TDR in a prior year subsequently defaulted during 2022 or 2021.

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. All modifications existing at January 1, 2021 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 2022 and 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, 2022	December 31, 2021
Land	$ 2,257,915	$ 2,257,915
Building	9,230,692	9,230,692
Furniture, fixtures and equipment	2,094,947	2,007,711
Building improvements	2,402,184	2,402,184
Construction in process	394,011	393,411
	$ 16,379,749	$ 16,291,913
Less accumulated depreciation	6,300,012	5,799,029
Ending balance	$ 10,079,737	$ 10,492,884

For 2022 and 2021, depreciation expense was $500,983 and $523,036, respectively.

Note 5. Related Party Transactions

Officers, directors and their affiliates had credit outstanding of $12,550,932 and $13,481,971 at December 31, 2022 and 2021, respectively, with the Company. During 2022, total principal payments were $931,039. 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, 2022 and 2021 amounted to $15,145,602 and $21,328,493 respectively.

Note 6. Deposits

Remaining maturities on certificates of deposit are as follows:

2023	$ 9,511,440
2024	1,886,185
2025	639,797
2026	535,022
2027 and thereafter	- -
	$ 12,572,444

The Bank held no deposits classified as brokered at December 31, 2022 or 2021. The Bank held $78,239,504 of reciprocal deposits through Insured Cash Sweep services on its balance sheet at December 31, 2022. There were no reciprocal deposits on its balance sheet at December 31, 2021.

There was one customer with an individual deposit balance exceeding 5.00% of total deposits as of December 31, 2022. The total deposit balance related to this customer as of December 31, 2022 was $54,140,647 or 5.68% of total deposits.

There were three customers with individual deposit balances exceeding 5.00% 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.

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, 2022, the Bank had pledged collateral to provide credit availability of $1,533,665 with no outstanding balance. At December 31, 2021, the same secured line of credit had no collateral pledged and therefore no available or outstanding balance.

Short Term Borrowings

At December 31, 2022, the Company had an unsecured line of credit with a correspondent bank totaling $10,000,000 with an outstanding balance of $5,000,000. At December 31, 2021, the same line was fully drawn with $5,000,000 outstanding. The line matures December 6, 2023 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 6.44% and 2.34% at December 31, 2022 and 2021, respectively.

The Bank has unsecured federal fund purchase lines of credit with Community Bankers' Bank totaling $8,000,000 maturing March 14, 2023 and Pacific Coast Bankers' Bank totaling $50,000,000 maturing June 30, 2023. There were no outstanding federal funds purchased balances as of December 31, 2022 or 2021.

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, 2022 and 2021 are presented below:

	December 31, 2022	December 31, 2021
Deferred Tax Assets		
Securities available for sale	$ 4,691,125	$ - -
Allowance for loan losses	941,220	768,600
Deferred compensation	262,274	186,893
Depreciation	84,871	61,649
Deferred loan fees	- -	39,806
Organizational and start-up expenses	- -	6,290
Other	19,808	8,066
	$ 5,999,298	$ 1,071,304
Deferred Tax Liabilities		
Securities available for sale	$ - -	$ (491,873)
Deferred loan costs	(69,986)	- -
	$ (69,986)	$ (491,873)
Net deferred tax assets	$ 5,929,312	$ 579,431

Deferred tax assets are reported as other assets on the consolidated balance sheets.

The provision for income taxes charged to operations for the years ended December 31, 2022 and 2021, consists of the following:

	December 31, 2022	December 31, 2021
Current tax expense	$ 2,050,834	$ 1,239,380
Deferred tax (benefit) expense	(168,796)	272,451
Net provision for income taxes	$ 1,882,038	$ 1,511,831

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, 2022	December 31, 2021
Computed tax at applicable rate	$ 2,134,276	$ 1,797,715
Tax-exempt income	(269,347)	(296,470)
Other	17,109	10,586
Net provision for income taxes	$ 1,882,038	$ 1,511,831

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 2019.

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, 2022 and 2021, the following financial instruments whose contract amounts represent credit risk were outstanding:

	December 31,	
	2022	2021
Commitments to grant loans	$ 7,738,097	$ 7,959,464
Unfunded commitments under lines of credit	29,159,360	37,574,355
Standby letters of credit	3,273,519	3,158,624

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, 2022 and 2021 was $545,581 and $542,926, 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, 2022 and 2021.

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, 2022, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2022, 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, 2022 and 2021, the outstanding balance was $5,000,000.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
December 31, 2022	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(Amounts in Thousands)			
Total Risk-Based Capital						
Company	$ 90,912	20.356%	N/A	N/A	N/A	N/A
Bank	$ 95,856	21.463%	$ 46,894	10.500%	$ 44,661	10.000%
Tier 1 Risk-Based Capital						
Company	$ 86,430	19.352%	N/A	N/A	N/A	N/A
Bank	$ 91,374	20.459%	$ 37,962	8.500%	$ 35,729	8.000%
Common Equity Tier 1 Capital						
Company	$ 86,430	19.352%	N/A	N/A	N/A	N/A
Bank	$ 91,374	20.459%	$ 31,263	7.000%	$ 29,030	6.500%
Tier 1 Leverage Ratio						
Company	$ 86,430	7.640%	N/A	N/A	N/A	N/A
Bank	$ 91,374	8.077%	$ 45,251	4.000%	$ 56,564	5.000%

	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%

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 2022 and 2021, expense attributable to the plan amounted to $373,275 and $327,288, respectively. The 401(k) expense is reported as salaries and employee benefits on the consolidated statements of income.

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 (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 valued using fair value measurements that are considered to be Level 1 or Level 2. The Bank has contracted with a securities portfolio accounting service provider for valuation of its securities portfolio. Most security types are priced using the vendor’s internally developed pricing software, however, subscription pricing services may be used to supplement the internal pricing system. The software uses the discounted cash flow analysis based on the net present value of a security’s projected cash flow to arrive at fair market value. Generally, the methodology involves market quotes, current yields, proprietary models, as well as extensive quality control programs. Valuations for direct obligations of the U.S. Treasury, exchange listed stock and preferred stock are obtained from on-line real-time databases.

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, 2022:				
Available for sale securities:				
U.S. government and federal agencies	$ 99,402,337	$ 83,505,743	$ 15,896,594	$ - -
Mortgage backed securities	10,631,080	- -	10,631,080	- -
Corporate bonds	62,632,361	468,531	62,163,830	- -
State and municipal securities	106,930,430	- -	106,930,430	- -
Total available for sale securities	$ 279,596,208	$ 83,974,274	$ 195,621,934	$ - -
Mutual and exchange-traded funds	485,618	485,618	- -	- -
Total	$ 280,081,826	$ 84,459,892	$ 195,621,934	$ - -
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	$ - -

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, 2022 and 2021.

Note 13. Condensed Financial Statements of Parent Company

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

	December 31,	
Balance Sheets	**2022**	**2021**
Assets		
Cash	$ 96,687	$ 2,285
Investment in common stock of Chain Bridge Bank, N.A.	73,726,640	74,497,397
Total assets	$ 73,823,327	$ 74,499,682
Liabilities and Shockholders' Equity		
Short-term borrowings	$ 5,000,000	$ 5,000,000
Accrued expenses	40,413	- -
Total liabilities	$ 5,040,413	$ 5,000,000
Stockholders' equity	68,782,914	69,499,682
Total liabilities and stockholders' equity	$ 73,823,327	$ 74,499,682

Statements of Income	2022	2021
Dividend from Chain Bridge Bank, N.A.	$ 115,000	$ 95,000
Operating Expenses		
Professional services	$ 300,000	$ - -
Interest expense and fees on short-term borrowings	221,011	145,154
Marketing expenses	40,000	35,000
Total operating expenses	$ 561,011	$ 180,154
Loss before undistributed net income of Chain Bridge Bank, N.A.	$ (446,011)	$ (85,154)
Undistributed net income of Chain Bridge Bank, N.A.	8,727,191	7,133,872
Net income	$ 8,281,180	$ 7,048,718

Statements of Cash Flows	2022	2021
Cash Flows from Operating Activities		
Net income	$ 8,281,180	$ 7,048,718
Adjustments to reconcile net income to net cash used in operating activities:		
Undistributed net income of Chain Bridge Bank, N.A.	(8,727,191)	(7,133,872)
Increase in accrued expenses	40,413	- -
Net cash used in operating activities	$ (405,598)	$ (85,154)
Cash Flows from Investing Activities		
(Investment) Redemption in Chain Bridge Bank, N.A.	$ (10,000,000)	$ 4,000,000
Net cash (used in) provided by investing activities	$ (10,000,000)	$ 4,000,000
Cash Flows from Financing Activities		
Net proceeds from common stock issued	$ 10,500,000	$ - -
(Decrease) increase in short-term borrowings	- -	(4,000,000)
Net cash provided by (used in) financing activities	$ 10,500,000	$ (4,000,000)
Net increase (decrease) in cash and cash equivalents	$ 94,402	$ (85,154)
Cash and cash equivalents at beginning of period	2,285	87,439
Cash and cash equivalents at end of period	$ 96,687	$ 2,285

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 March 10, 2023.

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

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2022 Annual Report