UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________to ________.

Commission File Number: 001-40721

FINWISE BANCORP
(Exact Name of Registrant as Specified in its Charter)

Utah **(State or other jurisdiction of incorporation or organization)**	**83-0356689** **(I.R.S. Employer Identification No.)**
756 East Winchester, Suite 100 **Murray, Utah** **(Address of principal executive offices)**	**84107** **(Zip Code)**

Registrant's telephone number, including area code: (801) 501-7200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**FINW**	**The NASDAQ Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 14, 2022, the registrant had 12,850,357 shares of common stock, $0.001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the Company's current views with respect to, among other things, future events and its financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "might," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "project," "projection," "forecast," "budget," "goal," "target," "would," "aim" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry and management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. The inclusion of these forward-looking statements should not be regarded as a representation by us or any other person that such expectations, estimates and projections will be achieved. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

The following factors, among others, could cause our financial performance to differ materially from that expressed in such forward-looking statements, including, but not limited to, the following:

- the success of the financial technology industry, the development and acceptance of which is subject to a high degree of uncertainty, as well as the continued evolution of the regulation of this industry;
- the ability of our Strategic Program service providers to comply with regulatory regimes, including laws and regulations applicable to consumer credit transactions, and our ability to adequately oversee and monitor our Strategic Program service providers;
- our ability to maintain and grow our relationships with our Strategic Program service providers;
- changes in the laws, rules, regulations, interpretations or policies relating to financial institutions, accounting, tax, trade, monetary and fiscal matters, including the application of interest rate caps or maximums;
- our ability to keep pace with rapid technological changes in the industry or implement new technology effectively;
- conditions relating to the Covid-19 pandemic, including the severity and duration of the associated economic slowdown either nationally or in our market areas, and the response of governmental authorities to the Covid-19 pandemic and our participation in Covid-19-related government programs such as the Paycheck Protection Program ("PPP");
- system failure or cybersecurity breaches of our network security;
- our reliance on third-party service providers for core systems support, informational website hosting, internet services, online account opening and other processing services;
- general economic conditions, either nationally or in our market areas (including interest rate environment, government economic and monetary policies, the strength of global financial markets and inflation and deflation), that impact the financial services industry and/or our business;
- increased competition in the financial services industry, particularly from regional and national institutions and other companies that offer banking services;
- our ability to measure and manage our credit risk effectively and the potential deterioration of the business and economic conditions in our primary market areas;
- the adequacy of our risk management framework;
- the adequacy of our allowance for loan losses ("ALL");
- the financial soundness of other financial institutions;
- new lines of business or new products and services;
- changes in Small Business Administration ("SBA") rules, regulations and loan products, including specifically the Section 7(a) program, changes in SBA standard operating procedures or changes to the status of the Bank as an SBA Preferred Lender;
- changes in the value of collateral securing our loans;
- possible increases in our levels of nonperforming assets;
- potential losses from loan defaults and nonperformance on loans;
- our ability to protect our intellectual property and the risks we face with respect to claims and litigation initiated against us;
- the inability of small- and medium-sized businesses to whom we lend to weather adverse business conditions and repay loans;
- our ability to implement aspects of our growth strategy and to sustain our historic rate of growth;
- our ability to continue to originate, sell and retain loans, including through our Strategic Programs;

- the concentration of our lending and depositor relationships through Strategic Programs in the financial technology industry generally;
- our ability to attract additional merchants and retain and grow our existing merchant relationships;
- interest rate risk associated with our business, including sensitivity of our interest earning assets and interest bearing liabilities to interest rates, and the impact to our earnings from changes in interest rates;
- the effectiveness of our internal control over financial reporting and our ability to remediate any future material weakness in our internal control over financial reporting;
- potential exposure to fraud, negligence, computer theft and cyber-crime and other disruptions in our computer systems relating to our development and use of new technology platforms;
- our dependence on our management team and changes in management composition;
- the sufficiency of our capital, including sources of capital and the extent to which we may be required to raise additional capital to meet our goals;
- compliance with laws and regulations, supervisory actions, the Dodd-Frank Act, capital requirements, the Bank Secrecy Act, anti-money laundering laws, predatory lending laws, and other statutes and regulations;
- our ability to maintain a strong core deposit base or other low-cost funding sources;
- results of examinations of us by our regulators, including the possibility that our regulators may, among other things, require us to increase our ALL or to write-down assets;
- our involvement from time to time in legal proceedings, examinations and remedial actions by regulators;
- further government intervention in the U.S. financial system;
- natural disasters and adverse weather, acts of terrorism, pandemics, an outbreak of hostilities or other international or domestic calamities, and other matters beyond our control;
- compliance with requirements associated with being a public company;
- level of coverage of our business by securities analysts;
- future equity and debt issuances; and
- other factors listed from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"), including, without limitation, this Report, the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K") and subsequent reports on Form 10-Q and Form 8-K.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this Report, including those discussed in the section entitled "Risk Factors." If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date of this Report, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether because of new information, future developments or otherwise, except as required by law. New risks and uncertainties may emerge from time to time, and it is not possible for us to predict their occurrence. In addition, we cannot assess the impact of each risk and uncertainty on our business or the extent to which any risk or uncertainty, or combination of risks and uncertainties, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I

Item 1. Financial Statements

FinWise Bancorp
Consolidated Balance Sheets (Unaudited)
(in thousands, except share and par value amounts)

	September 30, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents		
Cash and due from banks	$ 410	$ 411
Interest-bearing deposits	92,053	85,343
Total cash and cash equivalents	92,463	85,754
Investment securities held-to-maturity, at cost	13,925	11,423
Investment in Federal Home Loan Bank (FHLB) stock, at cost	449	378
Strategic Program loans held-for-sale, at lower of cost or fair value	43,606	60,748
Loans receivable, net	200,485	198,102
Premises and equipment, net	6,830	3,285
Accrued interest receivable	1,672	1,548
Deferred taxes, net	2,164	1,823
SBA servicing asset, net	5,269	3,938
Investment in Business Funding Group (BFG), at fair value	4,500	5,900
Investment in FinWise Investments, LLC	271	80
Operating lease right-of-use (“ROU”) assets	6,691	—
Other assets	7,244	7,235
Total assets	**$ 385,569**	**$ 380,214**
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 97,654	$ 110,548
Interest-bearing	135,184	141,344
Total deposits	232,838	251,892
Accrued interest payable	30	48
Income taxes payable, net	1,066	233
PPP Liquidity Facility	345	1,050
Operating lease liabilities	7,249	—
Other liabilities	9,756	11,549
Total liabilities	**251,284**	**264,772**
Commitments and contingencies (Note 8)		
Shareholders’ equity		
Preferred stock, $0.001 par value, 4,000,000 authorized; no shares issued and outstanding as of September 30, 2022 and December 31, 2021	—	—
Common stock, $0.001 par value, 40,000,000 shares authorized; 12,864,821 and 12,772,010 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	13	13
Additional paid-in-capital	55,113	54,836
Retained earnings	79,159	60,593
Total shareholders’ equity	134,285	115,442
Total liabilities and shareholders’ equity	**$ 385,569**	**$ 380,214**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

FinWise Bancorp
Consolidated Statements of Income (Unaudited)
(in thousands, except share and per share amounts)

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Interest income				
Interest and fees on loans	$ 12,481	$ 13,726	$ 38,501	$ 33,635
Interest on securities	52	7	135	19
Other interest income	290	16	423	36
Total interest income	12,823	13,749	39,059	33,690
Interest expense				
Interest on deposits	303	271	808	859
Interest on PPP Liquidity Facility	1	8	2	125
Total interest expense	304	279	810	984
Net interest income	12,519	13,470	38,249	32,706
Provision for loan losses	4,457	3,367	10,317	5,536
Net interest income after provision for loan losses	8,062	10,103	27,932	27,170
Non-interest income				
Strategic Program fees	5,136	4,982	17,980	11,877
Gain on sale of loans, net	1,923	2,876	9,387	7,876
SBA loan servicing fees	327	337	1,056	800
Change in fair value on investment in BFG	65	266	(908)	2,127
Other miscellaneous income	72	14	121	35
Total non-interest income	7,523	8,475	27,636	22,715
Non-interest expense				
Salaries and employee benefits	5,137	5,930	18,684	16,313
Professional services	1,701	253	3,845	762
Occupancy and equipment expenses	640	205	1,361	602
(Recovery) impairment of SBA servicing asset	(127)	—	949	—
Other operating expenses	1,118	1,010	3,697	3,463
Total non-interest expense	8,469	7,398	28,536	21,140
Income before income tax expense	7,116	11,180	27,032	28,745
Provision for income taxes	3,462	2,738	8,462	7,273
Net income	**$ 3,654**	**$ 8,442**	**$ 18,570**	**$ 21,472**
Earnings per share, basic	$ 0.28	$ 0.97	$ 1.45	$ 2.47
Earnings per share, diluted	$ 0.27	$ 0.91	$ 1.37	$ 2.36
Weighted average shares outstanding, basic	12,784,298	8,255,953	12,727,555	8,177,575
Weighted average shares outstanding, diluted	13,324,059	8,810,829	13,404,564	8,545,501

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

FinWise Bancorp
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(in thousands, except share amounts)
Three Months Ended September 30, 2021

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
Balance at June 30, 2021	**8,716,110**	**$ 9**	**$ 18,274**	**$ 42,040**	**$ 60,323**
Stock-based compensation expense	—	—	230	—	230
Stock options exercised	30,000	—	143	—	143
Net Income	—	—	—	8,442	8,442
Balance at September 30, 2021	**8,746,110**	**$ 9**	**$ 18,647**	**$ 50,482**	**$ 69,138**

Nine Months Ended September 30, 2021

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
Balance at January 1, 2021	**8,660,334**	**$ 9**	**$ 16,853**	**$ 29,010**	**$ 45,872**
Stock-based compensation expense	—	—	1,485	—	1,485
Stock options exercised	85,776	—	309	—	309
Net Income	—	—	—	21,472	21,472
Balance at September 30, 2021	**8,746,110**	**$ 9**	**$ 18,647**	**$ 50,482**	**$ 69,138**

FinWise Bancorp
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(in thousands, except share amounts)
Three Months Ended September 30, 2022

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
Balance at June 30, 2022	**12,884,821**	**$ 13**	**$ 55,015**	**$ 75,509**	**$ 130,537**
Stock-based compensation expense	—	—	308	—	308
Common stock repurchased	(20,000)	—	(210)	(4)	(214)
Net Income	—	—	—	3,654	3,654
Balance at September 30, 2022	**12,864,821**	**$ 13**	**$ 55,113**	**$ 79,159**	**$ 134,285**

Nine Months Ended September 30, 2022

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
Balance at January 1, 2022	**12,772,010**	**$ 13**	**$ 54,836**	**$ 60,593**	**$ 115,442**
Stock-based compensation expense	96,011	—	447	—	447
Common stock repurchased	(20,000)	—	(210)	(4)	(214)
Stock options exercised	16,800	—	40	—	40
Net Income	—	—	—	18,570	18,570
Balance at September 30, 2022	**12,864,821**	**$ 13**	**$ 55,113**	**$ 79,159**	**$ 134,285**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

FinWise Bancorp
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	For the Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income	$ 18,570	$ 21,472
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	1,345	750
Provision for loan losses	10,317	5,536
Amortization of operating lease ROU asset	689	—
Net amortization in securities discounts and premiums	26	19
Capitalized servicing assets	(3,164)	(2,474)
Gain on sale of SBA loans, net	(9,387)	(7,876)
Originations of Strategic Program loans held-for-sale	(5,863,965)	(4,064,999)
Proceeds on Strategic Program loans held-for-sale	5,881,107	4,023,245
Change in fair value of BFG	908	(2,127)
Impairment of SBA servicing asset	949	—
Stock-based compensation expense	447	1,485
Deferred income tax benefit	(341)	(1,145)
Net changes in:		
Accrued interest receivable	(124)	332
Accrued interest payable	(18)	(152)
Other assets	(9)	(3,416)
Operating lease liabilities	(131)	—
Other liabilities	(960)	7,875
Net cash provided by (used in) operating activities	36,259	(21,475)
Cash flows from investing activities:		
Net decrease in loans receivable	6,916	61,665
Purchase of loan pools	(10,267)	(6,000)
Investments in FinWise Investments, LLC	(191)	—
Distributions from BFG	492	656
Purchase of bank premises and equipment	(3,968)	(1,448)
Proceeds from maturities and paydowns of securities held-to-maturity	1,413	381
Purchases of securities held to maturity	(3,941)	(3,005)
Purchase of FHLB stock	(71)	(172)
Net cash (used in) provided by investing activities	(9,617)	52,077
Cash flows from financing activities:		
Net increase (decrease) in deposits	(19,054)	88,560
Common stock repurchased	(214)	—
Proceeds from exercise of stock options	40	309
Proceeds from PPP Liquidity Facility	—	5,558
Repayment of PPP Liquidity Facility	(705)	(104,306)
Net cash used in financing activities	(19,933)	(9,879)
Net change in cash and cash equivalents	6,709	20,723
Cash and cash equivalents, beginning of the period	85,754	47,383
Cash and cash equivalents, end of the period	$ 92,463	$ 68,106
Supplemental disclosures of cash flow information:		
Cash paid during the period		
Income taxes	$ 7,957	$ 6,240
Interest	$ 828	$ 1,136
Supplemental disclosures of noncash operating activities:		
Right-of-use assets obtained in exchange for operating lease liabilities *(ASC 842 adoption effective January 1, 2022)*	$ 7,380	$ —

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Note 1 – Summary of Significant Accounting Policies

Nature of business and organization – FinWise Bancorp is a Utah Corporation headquartered in Murray, Utah and operates all business activities through its wholly-owned banking subsidiary, FinWise Bank, f/k/a Utah Community Bank. FinWise Bank was incorporated in the state of Utah on May 7, 1999. FinWise Bancorp, f/k/a All West Bancorp, was incorporated in the state of Utah on October 22, 2002, after which, it acquired 100% of FinWise Bank. As of March 4, 2016, FinWise Bank's articles of incorporation were amended to rename the entity FinWise Bank. As of March 15, 2021, FinWise Bancorp's articles of incorporation were amended and restated to rename the entity FinWise Bancorp. References herein to "FinWise Bancorp," "Bancorp" or the "holding company," refer to FinWise Bancorp on a standalone basis. The word "Company" refers to FinWise Bancorp and FinWise Bank collectively and on a consolidated basis. References to the "Bank" refer to FinWise Bank on a standalone basis.

On July 15, 2021, the Company publicly filed a Registration Statement on Form S-1 with the SEC in connection with its Initial Public Offering ("IPO") (the "Registration Statement"), which was subsequently amended on July 30, 2021, August 4, 2021, November 1, 2021, and November 16, 2021. The Registration Statement was declared effective by the SEC on November 18, 2021. In connection with the IPO, the Company issued 4,025,000 shares of common stock, par value of $0.001, which included 525,000 shares sold pursuant to the underwriters' exercise of their option to purchase additional shares. The securities were sold to the public at a price of $10.50 per share and began trading on the Nasdaq Stock Market LLC on November 19, 2021. On November 23, 2021, the closing date of the IPO, the Company received total net proceeds of $39.3 million. The net proceeds less other related expenses, including audit fees, legal fees, listing fees, and other expenses, totaled $35.6 million.

The Bank provides a full range of banking services to individual and commercial customers. The Bank's primary source of revenue is from loans including consumer, Small Business Administration (SBA), commercial, commercial real estate, and residential real estate. The Bank also has established Strategic Programs with various third-party loan origination platforms that use technology to streamline the origination of unsecured consumer and secured or unsecured business loans to borrowers within certain approved credit profiles. The Bank earns monthly program fees based on the volume of loans originated in these Strategic Programs, as well as interest during the time the Bank holds the loans.

The Company is subject to competition from other financial institutions and to the regulations of certain federal and state agencies and undergoes periodic examinations by those agencies.

COVID-19 – On March 11, 2020, the World Health Organization declared COVID-19 to be a global pandemic. Local and national governments and regulatory authorities have systematically implemented remedial measures to try to slow and curb the spread of COVID-19, including business closures and operating restrictions, travel bans, shelter in place, stay home, and similar directives and orders. In response to the COVID-19 pandemic and in adherence with state and local guidelines, the Company has implemented the business continuity plan and other measures and activities to protect the Company's employees and, at the same time, to assist the Company's clients and the communities of which the Company is a part, including enabling remote working capability for the majority of the Company's employees, increased mobile banking and electronic transaction options for clients, payment deferral assistance to commercial and consumer borrowers, and participation in the SBA's Paycheck Protection Program ("PPP") for loans to qualifying small businesses.

On March 22, 2020, the federal banking agencies issued an "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus". This guidance encourages financial institutions to work prudently with borrowers that may be unable to meet their contractual obligations because of the effects of COVID-19. The guidance goes on to explain that in consultation with the Financial Accounting Standards Board ("FASB") staff that the federal banking agencies concluded that short-term modifications (e.g., six months) made on a good faith basis to borrowers who were current as of the implementation date of a relief program are not troubled debt restructurings ("TDRs").

The Coronavirus Aid, Relief and Economic Security ("CARES") Act was passed by Congress on March 27, 2020. The CARES Act also addressed COVID-19 related modifications and specified that COVID-19 related modifications on loans that were current as of December 31, 2019 are not TDRs. The Bank has applied this guidance related to payment deferrals and other COVID-19 related loan modifications.

The CARES Act also included a total allocation of $659 billion for loans to be issued by financial institutions through the Small Business Administration ("SBA"). This program is known as the Paycheck Protection Program ("PPP"). PPP loans are forgivable, in whole or in part, if the proceeds are used for eligible payroll costs and other permitted purposes in accordance with the requirements of the PPP. These loans carry a fixed rate of 1.00%. PPP loans originated prior to June 5, 2020 have a term of two years, while PPP loans originated on or after June 5, 2020 have a term of five years. Payments are deferred for at least the first six months of the loan and the loans are 100% guaranteed by the SBA. The SBA pays the originating bank a processing fee ranging from 1% to 5%, based on the size of the loan. At September 30, 2022, net deferred loan fees related to PPP loans was a *de minimis* amount, which will be recognized over the life of the loans. As of December 31, 2021, PPP borrowers had applied for and received forgiveness from the SBA for $125.2 million of PPP loan principal and had made $0.3 million of principal payments leaving $1.1 million of PPP loan principal outstanding as of December 31, 2021. During the nine months ended September 30, 2022, PPP borrowers made $0.4 million of principal payments leaving $0.7 million of PPP loan principal outstanding as of September 30, 2022. The loan forgiveness resulted in the recognition of a *de minimis* amount of deferred loan fees for the nine months ended September 30, 2022.

Basis of Presentation – The consolidated financial statements are comprised of the accounts of FinWise Bancorp and its wholly-owned subsidiaries, FinWise Investments, LLC and FinWise Bank (collectively, the "Company"). All significant inter-company transactions have been eliminated in consolidation. In the opinion of management, all the adjustments (consisting of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for three and nine months ended September 30, 2022 are not necessarily indicative of the results of operations that may be expected for subsequent periods or the full year results.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to the rules and regulations of the SEC for the presentation of the Form 10-Q. The unaudited consolidated financial statements presented should be read in conjunction with the Company's audited consolidated financial statements and notes to the audited consolidated financial statements included in the Company's December 31, 2021 Annual Report on Form 10-K.

Out-of-period adjustment – During the first quarter of 2022, we recognized a $(0.8) million ($(0.6) million net of tax) reduction of interest and fees on loans and loans receivable, net as an out-of-period adjustment. The adjustment was not considered material to the interim consolidated financial statements for the three months ended March 31, 2022, nine months ended September 30, 2022, or the financial statements of any previously filed interim or annual periods.

Use of estimates – In preparing the consolidated financial statements in accordance with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of certain assets and liabilities as of the date of the consolidated balance sheets and certain revenues and expenses for the period. Actual results could differ, either positively or negatively, from those estimates.

Stock Repurchase Program – On August 18, 2022, the Company announced that its Board of Directors (the “Board”) has authorized, effective August 16, 2022, a common stock repurchase program to purchase up to 644,241 shares of the Company’s common stock in the aggregate. The repurchase program expires on August 31, 2024, but may be limited or terminated at any time without prior notice. The repurchase program authorizes the repurchase by the Company of its common stock in open market transactions, including pursuant to a trading plan in accordance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or privately negotiated transactions. The authorization permits management to repurchase shares of the Company’s common stock from time to time at management’s discretion. Repurchases may also be made pursuant to a trading plan under Rule 10b5-1 under the Exchange Act, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions. The actual means and timing of any shares purchased under the program will depend on a variety of factors, including the market price of the Company’s common stock, general market and economic conditions, and applicable legal and regulatory requirements. The repurchase program does not obligate the Company to purchase any particular number of shares. The Company has repurchased 20,000 shares for approximately $0.2 million as of September 30, 2022 and retired them at cost.

Recently adopted accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by, among other provisions, recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous U.S. GAAP. The new standard establishes a right-of-use model (“ROU”) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The guidance was initially effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. However, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, delaying the effective date to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. In transition, entities may also elect a package of practical expedients that must be applied in its entirety to all leases commencing before the adoption date, unless the lease is modified, and permits entities to not reassess (a) the existence of a lease, (b) lease classification or (c) determination of initial direct costs, as of the adoption date, which effectively allows entities to carryforward accounting conclusions under previous U.S. GAAP. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides entities an optional transition method to apply the guidance under ASC Topic 842 as of the adoption date, rather than as of the earliest period presented. The Company adopted this guidance on January 1, 2022, which resulted in an increase in assets and liabilities by $7.4 million on the Company’s consolidated financial statements.

Accounting pronouncements to be adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU sets forth a “current expected credit loss” (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost, available-for-sale debt securities and applies to certain off-balance sheet credit exposures. This ASU was initially effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. However, the FASB issued an ASU to delay adoption to January 1, 2023 for smaller reporting companies with less than $250 million in public float as defined by the SEC’s rules. The Company is a smaller reporting company. The Company plans to apply the amendment’s provisions as a cumulative-effect adjustment to retained earnings at the beginning of the first period the amendment is effective. The Company has formed a team that is working on an implementation plan to adopt the amendment. The implementation plan is expected to include developing policies, procedures, and internal controls over the model. The Company is also working with a software vendor to measure expected losses required by the amendment. The Company is currently evaluating the effects that the adoption of this amendment will have on its consolidated financial statements and expects that the portfolio composition and economic conditions at the time of adoption will influence the accounting adjustment made at the time the amendment is adopted.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. These amendments eliminate the TDR recognition and measurement guidance and, instead, require that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. For public business entities, these amendments require that an entity disclose current-period gross writeoffs by year of origination for financing receivables and net investment in leases within the scope of Subtopic 326-20. This ASU is effective on January 1, 2023, the same effective date as ASU 2016-13. The Company is currently evaluating the effects that the adoption of this amendment will have on its consolidated financial statements.

Enactment of the Inflation Reduction Act of 2022

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act (IRA) which, among other changes, created a new corporate alternative minimum tax (AMT) based on adjusted financial statement income and imposes a 1% excise tax on corporate stock repurchases. The effective date of these provisions is January 1, 2023. The Company is currently evaluating the effects that the enactment of the IRA will have on its consolidated financial statements.

Note 2 – Investments

Investment securities held-to-maturity, at cost

The amortized cost, unrealized gains and losses, and estimated fair values of the Company’s held-to-maturity securities at September 30, 2022 and December 31, 2021, are summarized as follows:

	September 30, 2022			
($ in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Mortgage-backed securities	$ 13,925	$ —	$ (1,567)	$ 12,358

	December 31, 2021			
($ in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Mortgage-backed securities	$ 11,423	$ 23	$ (114)	$ 11,332

The Company had seventeen securities in an unrealized loss position at September 30, 2022 and nine securities in an unrealized loss position at December 31, 2021, as summarized in the following tables:

	September 30, 2022					
	Less than 12 months		12 Months or More		Total	
($ in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$ 12,358	$ (1,567)	$ —	$ —	$ 12,358	$ (1,567)

	December 31, 2021					
	Less than 12 months		12 Months or More		Total	
($ in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$ 8,961	$ (114)	$ —	$ —	$ 8,961	$ (114)

The amortized cost and estimated market value of debt securities at September 30, 2022 and December 31, 2021, by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2022		December 31, 2021	
($ in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Securities held-to-maturity				
Due in one year or less	$ —	$ —	$ —	$ —
Due after one year through five years	—	—	—	—
Due after five years through ten years	3,205	3,038	1,541	1,548
Due after ten years	10,720	9,320	9,882	9,784
Total Securities held-to-maturity	$ 13,925	$ 12,358	$ 11,423	$ 11,332

At September 30, 2022, all held-to-maturity securities were pledged as collateral for a credit line held by the Bank. There were no sales or transfers of investment securities and no realized gains or losses on these securities during the nine months ended September 30, 2022 or 2021.

FHLB stock

The Bank is a member of the FHLB system. Members are required to own FHLB stock of at least the greater of 1% of FHLB membership asset value or 2.7% of outstanding FHLB advances. At September 30, 2022 and December 31, 2021, the Bank owned $0.4 million, respectively, of FHLB stock, which is carried at cost. The Company evaluated the carrying value of its FHLB stock investment at September 30, 2022 and determined that it was not impaired. This evaluation considered the long-term nature of the investment, the current financial and liquidity position of the FHLB, repurchase activity of excess stock by the FHLB at its carrying value, the return on the investment from recurring and special dividends, and the Company's intent and ability to hold this investment for a period of time sufficient to recover our recorded investment.

Note 3 – Loans and Allowance for Loan Losses

Loans are summarized as follows according to major risk category as of September 30, 2022 and December 31, 2021:

($ in thousands)	September 30, 2022	December 31, 2021
SBA	$ 127,455	$ 142,392
Commercial, non-real estate	12,970	3,428
Residential real estate	34,501	27,108
Strategic Program loans	70,290	85,850
Commercial real estate	6,149	2,436
Consumer	5,455	4,574
Total loans	$ 256,820	$ 265,788
Loans held-for-sale	(43,606)	(60,748)
Total loans held for investment	$ 213,214	$ 205,040
Deferred loan costs (fees), net	(761)	2,917
Allowance for loan losses	(11,968)	(9,855)
Net loans	$ 200,485	$ 198,102

Strategic Program Loans – In 2016, the Company began originating loans with various third-party loan origination platforms that use technology and other innovative systems to streamline the origination of unsecured consumer and secured or unsecured business loans to a wide array of borrowers within certain approved credit profiles. Loans issued by the Company through these programs generally follow and are limited to specific predetermined underwriting criteria. The Company earns monthly minimum program fees from these third parties. Based on the volume of loans originated by the Company related to each Strategic Program, an additional fee equal to a percentage of the loans generated under the Strategic Program may be collected. The program fee is included within non-interest income on the Consolidated Statements of Income.

The Company generally retains the loans and/or receivables for a number of business days after origination before selling the loans and/or receivables to the Strategic Program platform or another investor. Interest income is recognized by the Company while holding the loans. These loans are classified as held-for-sale on the balance sheet.

The Company may also hold a portion of the loans or receivable and sell the remainder directly to the Strategic Programs or other investors. The Company generally services the loans originated through the Strategic Programs in consideration of servicing fees equal to a percentage of the loans generated under the Strategic Programs. In turn, the Strategic Program service providers, subject to the Company's approval and oversight, serve as sub-servicer and perform typical primary servicing duties including loan collections, modifications, charging-off, reporting and monitoring.

Each Strategic Program establishes a "reserve" deposit account with the Company. The agreements generally require that the deposit reserve account balance, along with any other collateral, does not fall below the dollar amount of the total loans held-for-sale outstanding currently held by the Company for the specific Strategic Program. Collateral may include deposits held at the Bank, at another institution where the Bank has control of the account or a combination of deposits and other vehicles such as letters of credit. If necessary, the Company has the right to withdraw amounts from these sources to fulfill loan purchaser obligations created under the program agreements. Total cash held in reserve by Strategic Programs at the Company at September 30, 2022 and December 31, 2021, was $23.6 million and $39.6 million, respectively.

Strategic Program loans retained and held-for-sale as of September 30, 2022 and December 31, 2021, are summarized as follows:

($ in thousands)	September 30, 2022	December 31, 2021
Retained Strategic Program loans	$ 26,684	$ 25,102
Strategic Program loans held-for-sale	43,606	60,748
Total Strategic Program loans	$ 70,290	$ 85,850

Changes in the ALL are summarized as follows:

Three Months Ended September 30, 2022

($ in thousands)	SBA	Commercial, Non-Real Estate	Residential Real Estate	Strategic Program Loans	Commercial Real Estate	Consumer	Total
Beginning balance	$ 3,384	$ 274	$ 415	$ 6,442	$ 22	$ 65	$ 10,602
Charge-offs	(259)	—	—	(3,070)	—	(4)	(3,333)
Recoveries	9	—	—	233	—	—	242
Provision for loan losses	675	190	38	3,542	7	5	4,457
Balance at end of period	$ 3,809	$ 464	$ 453	$ 7,147	$ 29	$ 66	$ 11,968
Ending balance individually evaluated for impairment	—	—	—	—	—	—	—
Ending balance collectively evaluated for impairment	$ 3,809	$ 464	$ 453	$ 7,147	$ 29	$ 66	$ 11,968
Loans receivable	$ 127,455	$ 12,970	$ 34,501	$ 26,684	$ 6,149	$ 5,455	$ 213,214
Ending balance individually evaluated for impairment	95	—		—	—	—	95
Ending balance collectively evaluated for impairment	$ 127,360	$ 12,970	$ 34,501	$ 26,684	$ 6,149	$ 5,455	$ 213,119

Nine Months Ended September 30, 2022

($ in thousands)	SBA	Commercial, Non-Real Estate	Residential Real Estate	Strategic Program Loans	Commercial Real Estate	Consumer	Total
Beginning balance	$ 2,739	$ 132	$ 352	$ 6,549	$ 21	$ 62	$ 9,855
Charge-offs	(392)	—	—	(8,508)	—	(4)	(8,904)
Recoveries	57	2	—	641	—	—	700
Provision for loan losses	1,405	330	101	8,465	8	8	10,317
Balance at end of period	$ 3,809	$ 464	$ 453	$ 7,147	$ 29	$ 66	$ 11,968
Ending balance individually evaluated for impairment	—	—	—	—	—	—	—
Ending balance collectively evaluated	$ 3,809	$ 464	$ 453	$ 7,147	$ 29	$ 66	$ 11,968

for impairment							
Loans receivable	$ 127,455	$ 12,970	$ 34,501	$ 26,684	$ 6,149	$ 5,455	$ 213,214
Ending balance individually evaluated for impairment	95	—		—	—	—	95
Ending balance collectively evaluated for impairment	$ 127,360	$ 12,970	$ 34,501	$ 26,684	$ 6,149	$ 5,455	$ 213,119

Three Months Ended September 30, 2021							
($ in thousands)	**SBA**	**Commercial, Non-Real Estate**	**Residential Real Estate**	**Strategic Program Loans**	**Commercial Real Estate**	**Consumer**	**Total**
Beginning balance	$ 977	$ 250	$ 855	$ 5,078	$ 19	$ 60	$ 7,239
Charge-offs	(1)	—	—	(1,105)	—	—	(1,106)
Recoveries	30	11	—	99	—	—	140
Provision for loan losses	149	—	—	3,218	—	—	3,367
Balance at end of period	$ 1,155	$ 261	$ 855	$ 7,290	$ 19	$ 60	$ 9,640
Ending balance individually evaluated for impairment	—	—	—	—	—	—	—
Ending balance collectively evaluated for impairment	$ 1,155	$ 261	$ 855	$ 7,290	$ 19	$ 60	$ 9,640
Loans receivable	$ 125,192	$ 3,955	$ 25,105	$ 25,174	$ 2,357	$ 4,729	$ 186,512
Ending balance individually evaluated for impairment	1,079	—	—	—	—	—	1,079
Ending balance collectively evaluated for impairment	$ 124,113	$ 3,955	$ 25,105	$ 25,174	$ 2,357	$ 4,729	$ 185,433

Nine Months Ended September 30, 2021							
($ in thousands)	**SBA**	**Commercial, Non-Real Estate**	**Residential Real Estate**	**Strategic Program Loans**	**Commercial Real Estate**	**Consumer**	**Total**
Beginning balance	$ 920	$ 232	$ 855	$ 4,111	$ 19	$ 62	$ 6,199
Charge-offs	(55)	(63)	—	(2,304)	—	(3)	(2,425)
Recoveries	41	92	—	196	—	1	330
Provision for loan losses	249	—	—	5,287	—	—	5,536
Balance at end of period	$ 1,155	$ 261	$ 855	$ 7,290	$ 19	$ 60	$ 9,640
Ending balance individually evaluated for impairment	—	—	—	—	—	—	—
Ending balance collectively evaluated for impairment	$ 1,155	$ 261	$ 855	$ 7,290	$ 19	$ 60	$ 9,640
Loans receivable	$ 125,192	$ 3,955	$ 25,105	$ 25,174	$ 2,357	$ 4,729	$ 186,512
Ending balance individually evaluated for impairment	1,079	—	—	—	—	—	1,079
Ending balance collectively evaluated for impairment	$ 124,113	$ 3,955	$ 25,105	$ 25,174	$ 2,357	$ 4,729	$ 185,433

The following tables summarize impaired loans as of September 30, 2022 and December 31, 2021:

September 30, 2022

	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
($ in thousands)					
With no related allowance recorded					
SBA	$ 95	$ 95	$ —	$ 534	$ 27
Commercial, non-real estate	—	—	—	—	—
Residential real estate	—	—	—	—	—
Strategic Program loans	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Consumer	—	—	—	—	—
Total	$ 95	$ 95	$ —	$ 534	$ 27

December 31, 2021

($ in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
SBA	$ 972	$ 972	$ —	$ 945	$ 47
Commercial, non-real estate	—	—	—	—	—
Residential real estate	—	—	—	189	—
Strategic Program loans	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Consumer	—	—	—	—	—
Total	$ 972	$ 972	$ —	$ 1,134	$ 47

Nonaccrual and past due loans are summarized below as of September 30, 2022 and December 31, 2021:

September 30, 2022

($ in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due & Still Accruing	Total Past Due	Non-Accrual	Total
SBA	$ 127,455	$ —	$ —	$ —	$ —	$ —	$ 127,455
Commercial, non-real estate	12,970	—	—	—	—	—	12,970
Residential real estate	34,178	323	—	—	323	—	34,501
Strategic Program loans	67,940	1,281	815	254	2,350	—	70,290
Commercial real estate	6,149	—	—	—	—	—	6,149
Consumer	5,448	—	7	—	7	—	5,455
Total	$ 254,140	$ 1,604	$ 822	$ 254	$ 2,680	$ —	$ 256,820

December 31, 2021

($ in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due & Still Accruing	Total Past Due	Non-Accrual	Total
SBA	$ 141,488	$ 247	$ —	$ —	$ 247	$ 657	$ 142,392
Commercial, non-real estate	3,428	—	—	—	—	—	3,428
Residential real estate	27,108	—	—	—	—	—	27,108
Strategic Program loans	84,065	1,041	690	54	1,785	—	85,850
Commercial real estate	2,436	—	—	—	—	—	2,436
Consumer	4,554	20	—	—	20	—	4,574
Total	$ 263,079	$ 1,308	$ 690	$ 54	$ 2,052	$ 657	$ 265,788

The amount of interest income for the three and nine months ended September 30, 2022 and 2021, that was not recorded on nonaccrual loans was *de minimis*.

In addition to past due and nonaccrual status criteria, the Company also evaluates loans using a loan grading system. Internal loan grades are based on current financial information, historical payment experience, and credit documentation, among other factors. Performance-based grades are summarized below:

Pass (Loan Grades 1-4) – A Pass asset is higher quality and does not fit any of the other categories described below. The likelihood of loss is considered remote.

Special Mention (Loan Grade 5) – A Special Mention asset has potential weaknesses that may be temporary or, if left uncorrected, may result in a loss. While concerns exist, the Company is currently protected and loss is considered unlikely and not imminent.

Classified Substandard (Loan Grade 6) – A Substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified have well defined weaknesses and are characterized by the distinct possibility that the Company may sustain some loss if deficiencies are not corrected.

Classified Doubtful (Loan Grade 7) – A Doubtful asset has all the weaknesses inherent in a Substandard asset with the added characteristics that the weaknesses make collection or liquidation in full highly questionable.

Classified Loss (Loan Grade 8) – A loss loan has an existing weakness or weaknesses that render the loan uncollectible and of such little value that continuing to carry as an asset on the Bank's book is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical nor desirable to defer writing off this basically worthless asset, even though partial recovery may be affected in the future.

The Company does not currently grade retained Strategic Program loans due to their small balances and homogenous nature. Credit quality for Strategic Program loans is highly correlated with delinquency levels. The Strategic Program loans are evaluated collectively for impairment.

Outstanding loan balances categorized by these credit quality indicators are summarized as follows at September 30, 2022 and December 31, 2021:

September 30, 2022

($ in thousands)	**Pass Grade 1-4**	**Special Mention Grade 5**	**Classified/ Doubtful/Loss Grade 6-8**	**Total**
SBA	$ 125,611	$ 1,749	$ 95	$ 127,455
Commercial, non-real estate	12,970	—	—	12,970
Residential real estate	34,501	—	—	34,501
Commercial real estate	6,149	—	—	6,149
Consumer	5,455	—	—	5,455
Not Risk Graded				
Strategic Program loans				70,290
Total	$ 184,686	$ 1,749	$ 95	$ 256,820

December 31, 2021

($ in thousands)	Pass Grade 1-4	Special Mention Grade 5	Classified/ Doubtful/Loss Grade 6-8	Total
SBA	$ 139,985	$ 1,435	$ 972	$ 142,392
Commercial, non-real estate	3,382	46	—	3,428
Residential real estate	27,108	—	—	27,108
Commercial real estate	2,436	—	—	2,436
Consumer	4,574	—	—	4,574
Not Risk Graded				
Strategic Program loans				85,850
Total	$ 177,485	$ 1,481	$ 972	$ 265,788

Loans modified and recorded as TDR’s at September 30, 2022 and December 31, 2021, consist of the following:

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
September 30, 2022			
SBA	1	$ 95	$ 95
Total at September 30, 2022	1	$ 95	$ 95
December 31, 2021			
SBA	2	$ 106	$ 106
Total at December 31, 2021	2	$ 106	$ 106
Non-Accrual			
SBA	1	$ 25	$ 25

At September 30, 2022 and December 31, 2021, there were no commitments to lend additional funds to debtors whose loan terms have been modified in a TDR. Loans modified and recorded as TDR’s included modifications to rate and term. There was one principal charge-off recorded related to TDRs during the nine months ended September 30, 2022 for $0.01 million. There were no principal charge-offs recorded related to TDRs during the nine months ended September 30, 2021. There was no principal charge-off recorded related to TDRs during the three months ended September 30, 2022. There were no principal charge-offs recorded related to TDRs during the three months ended September 30, 2021.

During the three and nine months ended September 30, 2022 and 2021, there were no loan modifications to TDRs. Separately, one restructured loan incurred a default within 12 months of the restructure date during the nine months ended September 30, 2022. This same loan was paid in full with interest on June 2, 2022. One restructured loan incurred a default within 12 months of the restructure date during the nine months ended September 30, 2021. This same loan was paid in full with interest on May 28, 2021.

Note 4 – Premises and Equipment

Premises and equipment at September 30, 2022 and December 31, 2021, consist of the following:

($ in thousands)	September 30, 2022	December 31, 2021
Leasehold improvements	$ 36	$ 80
Furniture, fixtures, and equipment	3,756	2,219
Construction in progress	4,808	2,333
Total premises and equipment	$ 8,600	$ 4,632
Less accumulated depreciation	(1,770)	(1,347)
Premises and equipment, net	$ 6,830	$ 3,285

Depreciation expense was approximately $0.5 million and $0.2 million for the nine months ended September 30, 2022 and 2021, respectively.

Lease Liabilities

The Company leases its facilities under noncancelable operating leases. Rent expense for nine months ended September 30, 2022 and 2021 was $0.8 million and $0.4 million, respectively. Future minimum annual undiscounted rental payments for these operating leases are as follows ($ in thousands):

Three Months Ended December 31, 2022	$ 263
Year Ended December 31, 2023	850
Year Ended December 31, 2024	1,104
Year Ended December 31, 2025	1,086
Year Ended December 31, 2026	1,118
Thereafter	3,355
Total	7,776
Less present value discount	(527)
Operating lease liabilities	$ 7,249

The Company entered into one lease during the nine months ended September 30, 2022 to provide additional space while the Murray office construction is completed. ASC 842 does not apply due to the short-term period of this lease and immateriality. The tables below present information regarding the Company's lease assets and liabilities. Comparative periods and disclosures are not presented here due to adoption of ASC 842 on January 1, 2022.

	Nine Months Ended September 30, 2022
Weighted-average remaining lease term – operating leases *(in years)*	7.0
Weighted-average discount rate – operating leases	1.9%

Supplemental cash flow information related to leases were as follows (in thousands):

($ in thousands)	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Operating cash flows from operating leases	$ 178	$ 234
Right-of-use assets obtained in exchange for operating lease liabilities	—	7,380

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The components of lease expense were as follows (in thousands):

(in thousands)	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Operating leases		
Operating lease cost	$ 278	$ 791
Variable lease cost	4	12
Operating lease expense	282	803
Short-term lease rent expense	9	38
Net rent expense	$ 291	$ 841

Note 5 – Deposits

Major classes of deposits at September 30, 2022 and December 31, 2021, are as follows:

($ in thousands)	September 30, 2022	December 31, 2021
Demand	$ 152,806	$ 115,947
Savings	7,252	6,685
Money markets	12,281	31,076
Time certificates of deposit	60,499	98,184
Total deposits	$ 232,838	$ 251,892

At September 30, 2022, the scheduled maturities of time deposits are as follows ($ in thousands):

Year Ended December 31, 2022	$ 6,448
Year Ended December 31, 2023	18,749
Year Ended December 31, 2024	15,490
Year Ended December 31, 2025	10,047
Year Ended December 31, 2026	8,341
Thereafter	1,424
Total	60,499

Time deposits with balances equal or greater than $250,000 totaled $4.8 million and $3.7 million at September 30, 2022 and December 31, 2021, respectively.

Note 6 – SBA Servicing Asset

The Company periodically sells portions of SBA loans and retains rights to service the loans. Loans serviced for others are not included in the accompanying balance sheet. The unpaid principal balances of SBA loans serviced for others was $295.8 million and $210.2 million at September 30, 2022 and December 31, 2021, respectively.

The following table summarizes SBA servicing asset activity for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
($ in thousands)	2022	2021	2022	2021
Beginning balance	$ 4,586	$ 3,725	$ 3,938	$ 2,415
Additions to servicing asset	921	714	3,164	2,474
Recovery (Impairment) of SBA servicing asset	127	—	(949)	—
Amortization of servicing asset	(365)	(71)	(884)	(521)
Ending balance	$ 5,269	$ 4,368	$ 5,269	$ 4,368

The fair market value of the SBA servicing asset as of September 30, 2022 and December 31, 2021, was $5.3 million and $3.9 million, respectively. Recovery or impairment adjustments to servicing rights are mainly due to market-based assumptions associated with discounted cash flows, loan prepayment speeds, and changes in interest rates. A significant change in prepayments of the loans in the servicing portfolio could result in significant changes in the valuation adjustments, thus creating potential volatility in the carrying amount of servicing rights.

The Company assumed a weighted average prepayment rate of 14.46%, weighted average term of 4.32 years, and a weighted average discount rate of 14.07% at September 30, 2022.

The Company assumed a weighted average prepayment rate of 14.37%, weighted average term of 4.02 years, and a weighted average discount rate of 11.38% at December 31, 2021.

Note 7 – Capital Requirements

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

Beginning January 1, 2020, the bank qualified and elected to use the community bank leverage ratio (CBLR) framework for quantitative measures which requires the Bank to maintain minimum amounts and ratios of Tier 1 capital to average total consolidated assets. Management believes, as of September 30, 2022 and December 31, 2021, that the Bank meets all capital adequacy requirements to which it is subject.

As of September 30, 2022 and December 31, 2021, the most recent notification from the FDIC categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action (there are no conditions or events since that notification that management believes have changed the Bank's category). The following table sets forth the actual capital amounts and ratios for the Bank and the minimum ratio and amount of capital required to be categorized as well-capitalized and adequately capitalized as of the dates indicated.

The Bank's actual capital amounts and ratios are presented in the following table:

	Actual		**Well-Capitalized Requirement**	
($ in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**
September 30, 2022				
Leverage ratio (CBLR election)	$ 85,744	24.9%	$ 31,049*	9.0%
December 31, 2021				
Leverage ratio (CBLR election)	$ 65,503	17.7%	$ 31,442*	8.5%

* On March 27, 2020 the CARES Act became law. Section 4012 of the CARES Act directs the agencies to issue an interim final rule reducing the CBLR ratio requirement from 9% to 8% for the last two quarters of the year 2020, 8.5% for the calendar year 2021, and 9% thereafter.

Federal Reserve Board Regulations require maintenance of certain minimum reserve balances based on certain average deposits. The Bank had no reserve requirements as of September 30, 2022 and December 31, 2021.

The Federal Reserve's policy statement and supervisory guidance on the payment of cash dividends by a Bank Holding Company ("BHC"), such as FinWise Bancorp, expresses the view that a BHC should generally pay cash dividends on common stock only to the extent that (1) the BHC's net income available over the past year is sufficient to cover the cash dividend, (2) the rate of earnings retention is consistent with the organization's expected future needs and financial condition, and (3) the minimum regulatory capital adequacy ratios are met. Should an insured depository institution controlled by a bank holding company be "significantly undercapitalized" under the applicable federal bank capital ratios, or if the bank subsidiary is "undercapitalized" and has failed to submit an acceptable capital restoration plan or has materially failed to implement such a plan, federal banking regulators (in the case of the Bank, the FDIC) may choose to require prior Federal Reserve approval for any capital distribution by the BHC.

In addition, since FinWise Bancorp is a legal entity separate and distinct from the Bank and does not conduct stand-alone operations, an ability to pay dividends depends on the ability of the Bank to pay dividends to FinWise Bancorp and the FDIC and the Utah Department of Financial Institutions ("UDFI") may, under certain circumstances, prohibit the payment of dividends to FinWise Bancorp from the Bank. Utah corporate law also requires that dividends can only be paid out of funds legally available.

The Company has not paid any cash dividends on its common stock since inception and it currently has no plans to pay cash dividends in the foreseeable future. However, the Company's Board of Directors may declare a cash or stock dividend out of retained earnings provided the regulatory minimum capital ratios are met. The Company plans to maintain capital ratios that meet the well-capitalized standards per the regulations and, therefore, would limit dividends to amounts that are appropriate to maintain those well-capitalized regulatory capital ratios.

Note 8 – Commitments and Contingent Liabilities

Federal Home Loan Bank Secured Line of Credit

As of September 30, 2022 and December 31, 2021, the Bank's available line of credit with the FHLB to borrow in overnight funds was $3.2 million and $4.1 million, respectively. All borrowings are short-term and the interest rate is equal to the correspondent bank's daily federal funds purchase rate. As of September 30, 2022 and December 31, 2021, no amounts were outstanding under the line of credit. Loans totaling $4.9 million and $5.4 million were pledged to secure the FHLB line of credit as of September 30, 2022 and December 31, 2021, respectively.

Line of Credit

At September 30, 2022 and December 31, 2021, we had the ability to access $10.1 million and $10.9 million from the Federal Reserve Bank's Discount Window on a collateralized basis. Through Zions Bank, the Bank had an available unsecured line available of $1.0 million at September 30, 2022 and December 31, 2021. The Bank had an available line of credit with Bankers' Bank of the West to borrow up to $1.05 million in overnight funds at September 30, 2022 and December 31, 2021. We had no outstanding balances on such unsecured or secured lines of credit as of September 30, 2022 and December 31, 2021.

Paycheck Protection Program Liquidity Facility

On April 20, 2020, the Bank was approved by the Federal Reserve to access its SBA Paycheck Protection Program Liquidity Facility ("PPPLF") through the discount window. The PPPLF enables the Company to fund PPP loans without taking on additional liquidity or funding risks because the Company is able to pledge PPP loans as collateral to secure extensions of credit under the PPPLF on a non-recourse basis. Borrowings under the PPPLF have a fixed-rate of 0.35%, with a term that matches the underlying loans. The Bank pledged $0.3 million of PPP loans as eligible collateral under the PPPLF borrowing arrangement at September 30, 2022. The Bank pledged $1.0 million of PPP loans as eligible collateral under the PPPLF borrowing arrangement at December 31, 2021. The average outstanding borrowings were $0.6 million during the nine months ended September 30, 2022 and $48.1 million during the nine months ended September 30, 2021.

Commitments to Extend Credit

In the ordinary course of business, the Bank has entered into commitments to extend credit to customers which have not yet been exercised. These financial instruments include commitments to extend credit in the form of loans. Those instruments involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets.

At September 30, 2022 and December 31, 2021, financial instruments with off-balance-sheet risk were as follows:

($ in thousands)	September 30, 2022	December 31, 2021
Revolving, open-end lines of credit	$ 1,747	$ 1,259
Commercial real estate	19,563	15,402
Other unused commitments	397	377
	$ 21,707	$ 17,038

Note 9 – Investment in Business Funding Group, LLC

On December 31, 2019, the Company purchased from certain members of BFG a 10% membership interest in exchange for an aggregate of 950,784 shares of par value $0.001 Common Stock of the Company. The exchange was accounted for at fair value based on the fair value of the Company's shares of approximately $3.5 million.

The Company's 10% membership interests of BFG are comprised of Class A Voting Units representing 4.96% of the aggregate membership interests of BFG and Class B Non-Voting Units representing 5.04% of the aggregate membership interests of BFG. The other existing members of BFG jointly own the remaining 90% of the outstanding membership interests, on a fully-diluted basis – all of which membership interests are Class A Voting Units. Based on the Company's accounting policy with respect to investments in limited liability companies, the Company concluded that its level of ownership was indicative of significant influence and, as a result, the investment would be accounted for using the equity method. However, the Company elected the fair value option for its investment due to cost-benefit considerations. The Company received distributions from BFG in the amounts of $0.5 million and $0.7 million for the nine months ended September 30, 2022 and 2021, respectively. These distributions were recorded in the Consolidated Balance Sheets as decreases in the investment in BFG.

On March 31, 2020, the Company entered into an agreement with BFG whereby the Company has the right of first refusal to purchase additional interests in BFG from any selling members. Additionally, the Company was granted an option to purchase all, but not less than all, of the interests in BFG from the remaining members for an earnings multiple between 10 times and 15 times net profit based on the fiscal year ended immediately prior to the exercise of the option. The option period begins on January 1, 2021 and expires on January 1, 2028. In consideration of granting the first right of refusal and the option, BFG members received 270,000 warrants in the aggregate. The warrants have an exercise price of $6.67 per share and the warrants expire on March 31, 2028. The warrants are free-standing equity instruments and, as a result, are classified within equity at the fair value on the issuance date. The fair value of the warrants was determined by our board of directors with input from management, relying in part upon valuation reports prepared by a third-party valuation firm using a Black-Scholes option pricing model adjusted for a lack of marketability since the Company's stock is not publicly traded. The resulting fair value of the warrants was $0.19 per share.

For further discussion on the Company's investment in BFG, see Note 13 Related Parties.

Note 10 – Stock-Based Compensation

Stock option plans

The Company utilizes stock-based compensation plans, as well as discretionary grants, for employees, directors and consultants to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives and to promote the success of the Company's business.

The 2019 Stock Option Plan ("2019 Plan") was adopted on June 20, 2019 following approval by the Company's Board of Directors and shareholders. The 2019 Plan provides for the issuance of non-statutory stock options and restricted stock to employees, directors and consultants. The 2019 Plan also provides for the issuance of incentive stock options only to employees.

On April 19, 2022, the Company's Board of Directors approved an amendment of the 2019 Plan to change its name from the All West Bancorporation 2019 Stock Option Plan to the FinWise Bancorp 2019 Stock Option Plan and to increase the number of shares of the Company's common stock available for awards under the 2019 Plan by 500,000 shares to 1,280,000 shares, subject to shareholder approval. The Company's shareholders approved the name change and increase in the number of shares at the Company's 2022 Annual Meeting of Shareholders on June 9, 2022.

The 2019 Plan will terminate as to future awards 10 years from the later of the effective date or the earlier of the most recent Board or stockholder approval of an increase in the number of shares reserved for issuance under the 2019 Plan. At September 30, 2022, 648,197 shares are available for future issuance.

The 2016 Stock Option Plan ("2016 Plan") was adopted on April 20, 2017 following approval by the Company's Board of Directors and shareholders. The 2016 Plan provides for the issuance of non-statutory stock options and restricted stock to employees, directors and consultants. The 2016 Plan also provides for the issuance of incentive stock options only to employees. The 2016 Plan authorizes the issuance of 299,628 common shares. The 2016 Plan will terminate as to future awards 10 years from the later of the effective date or the earlier of the most recent Board or stockholder approval of an increase in the number of shares reserved for issuance under the 2016 Plan. At September 30, 2022, 894 shares under 2016 Plan are available for future issuance.

The stock-based incentive awards for both the 2019 Plan and the 2016 Plan (collectively, the "Plans") are granted at an exercise price not less than the fair market value of the shares on the date of grant, which is based on a Black-Scholes valuation model, in the case of options, or based on the fair value of the stock at the grant date, in the case of restricted stock. Vesting of the options vary by employee or director and can have a term no more than 10 years, with the options generally having vesting periods ranging from 1 to 5 years. No shares had been granted under the 2016 Plan prior to 2018.

Under both Plans, if an award expires or becomes un-exercisable without having been exercised in full, or is surrendered pursuant to an exchange program, the unpurchased shares that were subject thereto shall become available for future grant or sale under the Plans. However, shares that have actually been issued under the Plans, upon exercise of an award, shall not be returned to the Plans and shall not become available for future distribution under the Plans, except that if unvested shares of restricted stock are repurchased by the Company at their original purchase price, such shares shall become available for future grant under the Plans.

Other stock-based compensation

On June 9, 2022, the Board approved a restricted stock discretionary grant of 96,011 shares with an aggregate fair value of $1.3 million from the 2019 Plan to certain executives. Granted shares vest ratably over three years based on achievement of specific levels of the Company's return on average assets (ROAA) and, subject to the terms and conditions of the grant agreements, will be fully vested on June 9, 2025.

On December 24, 2019, the Board approved a restricted stock discretionary grant of 1,072,746 shares to certain employees. Pursuant to the awards agreement, 351,852 shares vested on the grant date and were repurchased by the Company on December 31, 2019 to pay for employee withholding taxes. Pursuant to the awards agreement, 73,770 shares subsequently vested and were repurchased by the Company on April 6, 2020 to pay for employee income taxes. Granted shares vest based on the accelerated attribution method on a schedule where all shares would be fully vested on December 1, 2023. On November 18, 2021, pursuant to the awards agreement, the 424,458 remaining unvested shares became vested because the Company's registration statement was declared effective.

Stock options

The grant date fair value is determined using the Black-Scholes option valuation model.

The assumptions for expected life reflected management's judgment and include consideration of historical experience. Expected volatility is based on data from comparable public companies for the expected option term. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. Expected forfeitures are estimated based on the Company's historical forfeiture experience. Management believes that the assumptions used in the option-pricing model are highly subjective and represent only one estimate of possible value, as there is no active market for the options granted. The table below summarizes the assumptions used:

	For the Nine Months Ended September 30,	
	2022	**2021**
Risk-free interest rate	3.10%	0.4% – 0.7%
Expected term in years	5.5 – 6.5	5.0 – 7.5
Expected volatility	45.8% – 46.7%	45.7% – 47.6%
Expected dividend yield	—	—

The following summarizes stock option activity for the three months and nine months ended September 30, 2022:

	Stock Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (in years)**	**Aggregate Intrinsic Value**
Outstanding at June 30, 2022	925,283	$ 5.29	8.0	$ 4,091,633
Options forfeited	(3,859)	5.62	—	16,359
Outstanding at September 30, 2022	921,424	$ 5.29	7.7	$ 3,828,066
Options vested and exercisable at September 30, 2022	621,378	$ 4.54	7.5	$ 2,789,615

	Stock Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (in years)**	**Aggregate Intrinsic Value**
Outstanding at December 31, 2021	862,488	$ 4.41	8.2	$ 8,088,660
Options granted	89,415	13.04	9.9	—
Options exercised	(16,800)	2.37	—	248,312
Options forfeited	(13,679)	4.20	—	124,874
Outstanding at September 30, 2022	921,424	$ 5.29	7.7	$ 3,828,066
Options vested and exercisable at September 30, 2022	621,378	$ 4.54	7.5	$ 2,789,615

The weighted average grant-date fair value of options per share granted during the nine months ended September 30, 2022 was $6.26. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2022 was $0.2 million. During the nine months ended September 30, 2022, the Company received *de minimis* proceeds from the exercise of stock options and recognized a *de minimis* tax benefit from the exercise of stock options. Upon exercise of the stock options, the Company will issue new authorized shares.

The weighted average grant-date fair value of options per share granted during the nine months ended September 30, 2021 was $1.48. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2021 was $0.5 million. During the nine months ended September 30, 2021, the Company received $0.3 million in proceeds from the exercise of stock options and recognized a *de minimis* tax benefit from the exercise of stock options.

Stock-based compensation expense

The following tables present pre-tax and after-tax stock-based compensation expense recognized:

($ in thousands)	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Pre-tax				
Stock options	$ 116	$ 61	$ 209	$ 883
Restricted shares	192	169	238	602
Total	$ 308	$ 230	$ 447	$ 1,485
After-tax				
Stock options	$ 116	$ 44	$ 204	$ 757
Restricted shares	192	169	238	800
Total	$ 308	$ 213	$ 442	$ 1,557

As of September 30, 2022, the Company had unrecognized stock-based compensation expense related to stock options and restricted stock of approximately $0.6 million and $1.0 million, respectively, which is expected to be recognized over the remaining weighted average recognition period of 1.9 years and 1.8 years.

Note 11 – Fair Value of Financial Instruments

The Company measures and discloses certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, not a forced liquidation or distressed sale). GAAP establishes a consistent framework for measuring fair value and disclosure requirements about fair value measurements. Among other things, the standard requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s estimates for market assumptions. These two types of inputs create the following fair value hierarchy.

Level 1 – Quoted prices in active markets for identical instruments. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 – Observable inputs other than Level 1 including quoted prices in active markets for similar instruments, quoted prices in less active markets for identical or similar instruments, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs from nonbinding single dealer quotes not corroborated by observable market data. In developing Level 3 measurements, management incorporates whatever market data might be available and uses discounted cash flow models where appropriate. These calculations include projections of future cash flows, including appropriate default and loss assumptions, and market-based discount rates.

The estimated fair value amounts of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize at a future date. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. In addition, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates that must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

The following methods were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: The carrying amount of these items is a reasonable estimate of their fair value.

Investment securities held-to-maturity: The estimated fair values of investment securities are priced using current active market quotes, if available, which are considered Level 1 measurements. For most of the portfolio, matrix pricing based on the securities' relationship to other benchmark quoted prices is used to establish the fair value. These measurements are considered Level 2.

Investment in Federal Home Loan Bank stock: The fair value is based upon the redemption value of the stock, which equates to the carrying value.

Strategic Program loans held-for-sale: The carrying amount of these items is a reasonable estimate of their fair value.

Loans held for investment: The fair value is estimated by discounting the future cash flows and estimated prepayments using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining term. Some loan types' fair value approximated carrying value because of their floating rate or expected maturity characteristics.

SBA servicing asset: The fair value of servicing assets is based on, in part, third -party valuations that project estimated future cash inflows that include servicing fees and outflows that include market rates for costs of servicing. The present value of the future cash flows are calculated utilizing market-based discount rates. The market-based discount rates represent risk spreads based on secondary market transactions utilizing calculated prepayment curves. Due to the fact that observable loan transactions are used to determine the risk spreads, the Company considers the measurement to be Level 2.

Investment in BFG: The Company purchased its ownership interest in BFG on December 31, 2019. The Company's valuation technique utilized the average of the discounted cash flow method and the Guideline Public Company method. A 20% lack of marketability discount was applied to the valuation as well as a 4.50% discount to non-voting shares to arrive at fair value as of September 30, 2022 and December 31, 2021. The calculation of fair value utilized significant unobservable inputs, including projected cash flows, growth rates, and discount rates. The fair value of the investment in BFG was $4.5 million and $5.9 million as of September 30, 2022 and December 31, 2021, respectively. The following table summarizes investment in BFG activity for the periods indicated:

	For the Nine Months Ended September 30,	
($ in thousands)	**2022**	**2021**
Beginning balance	$ 5,900	$ 3,770
Distributions from BFG	(492)	(656)
Change in fair value of BFG	(908)	2,127
Ending balance	$ 4,500	$ 5,241

Deposits: The carrying amount of deposits with no stated maturity, such as savings and checking accounts, is a reasonable estimate of their fair value. The market value of certificates of deposit is based upon the discounted value of contractual cash flows. The discount rate is determined using the rates currently offered on comparable instruments.

Accrued interest receivable and payable: The fair value of accrued interest receivable and payable approximates their carrying amount.

PPP Liquidity Facility: The fair value of PPPLF is estimated using a discounted cash flow based on the remaining contractual term and current borrowing rates for similar terms.

		September 30, 2022		December 31, 2021	
($ in thousands)	Level	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	1	$ 92,463	$ 92,463	$ 85,754	$ 85,754
Investment securities held-to-maturity	2	13,925	12,358	11,423	11,332
Investment in FHLB stock	2	449	449	378	378
Loans held for investment	3	200,485	220,055	198,102	197,412
Loans held-for-sale	2	43,606	43,601	60,748	60,743
Accrued interest receivable	2	1,672	1,672	1,548	1,548
SBA servicing asset	2	5,269	5,269	3,938	3,938
Investment in BFG	3	4,500	4,500	5,900	5,900
Financial liabilities:					
Total deposits	2	232,838	203,469	251,892	249,488
Accrued interest payable	2	30	30	48	48
PPP Liquidity Facility	2	345	345	1,050	1,050

Assets measured at fair value on a nonrecurring basis are summarized as follows:

($ in thousands)		Fair Value Measurements Using		
Description of Financial Instrument	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
September 30, 2022				
Nonrecurring assets				
Impaired loans	$ 95	$ —	$ —	$ 95
December 31, 2021				
Nonrecurring assets				
Impaired loans	$ 972	$ —	$ —	$ 972

Impaired loans – The loan amount above represents loans impaired as of year-end that have been adjusted to fair value. When collateral dependent loans are identified as impaired, the impairment is measured using the current fair value of the collateral securing these loans, less selling costs. The fair value of real estate collateral is determined using collateral valuations or a discounted cash flow analysis using inputs such as discount rates, sale prices of similar assets, and term of expected disposition. Some appraised values are adjusted based on management’s review and analysis, which may include historical knowledge, changes in market conditions, estimated selling and other anticipated costs, and/or expertise and knowledge. The loss represents charge-offs or impairments on loans for adjustments made based on the fair value of the collateral.

Quantitative information for Level 3 fair value measurements – The range and weighted average of the significant unobservable inputs used to fair value Level 3 nonrecurring assets as of September 30, 2022 and as of December 31, 2021, along with the valuation techniques used, are shown in the following table:

($ in thousands)	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
September 30, 2022				
Impaired loans	$ 95	Market comparable	Adjustment to appraisal value	0.05%
December 31, 2021				
Impaired loans	$ 972	Market comparable	Adjustment to appraisal value	0.50%

The range and weighted average of the significant unobservable inputs used to fair value the investment in BFG Level 3 recurring asset as of September 30, 2022 and as of December 31, 2021 are shown in the following table:

($ in thousands)	September 30, 2022 Range (Weighted Average)	December 31, 2021 Range (Weighted Average)
Discounted Cash Flows		
Revenue growth rate	14.6%	16.6%
Expense growth rate	14.3%	16.3%
Discount rate	30.0%	25.0%
Guideline Public Company		
Multiples of enterprise value	3.0x to 4.0x	4.0x to 6.0x

Note 12 – Income Taxes

The Company accounts for income taxes by recognizing deferred tax assets and liabilities based upon temporary differences between the amounts for financial reporting purposes and tax basis of its assets and liabilities. Deferred tax assets increased $0.3 million during the nine months ended September 30, 2022 as a result of changes to temporary timing differences associated with accounting for bad debts. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management evaluates both positive and negative evidence, including the forecasts of future income, applicable tax planning strategies, and assessments of current and future economic and business conditions. This analysis is updated quarterly and adjusted as necessary. Based on this analysis, management has determined that a valuation allowance for deferred tax assets was not required at September 30, 2022.

For the nine months ended September 30, 2022 and 2021, income tax expense was $8.5 million and $7.3 million, respectively, resulting in an effective income tax rate of 31.3% and 25.3%, respectively. The effective tax rate differs from the statutory rate of 24.9% during the nine months ended September 30, 2022 due primarily to nondeductible wages, state taxes and the tax effect of stock-based compensation. The effective tax rate differs from the statutory rate of 24.9% during the nine months ended September 30, 2021 due primarily to the tax effect of stock-based compensation.

The Company had no unrecognized tax benefits at September 30, 2022.

Out-of-period adjustment – During the third quarter of 2022, the Company identified an error in the calculation of the Company's tax provision which understated income tax expense for previously reported financial statements. The error was related to an incorrect application of Section 162(m) of the Internal Revenue Code, which limits tax deductions relating to executive compensation of certain executives of publicly held companies. The Company recorded an out-of-period adjustment during the third quarter of 2022 to correct the previously understated income tax expense. The adjustment resulted in a decrease to after-tax income of $(0.9) million for the 9 months ended September 30, 2022, and a decrease to after-tax income of $(1.4) million for the 3 months ended September 30, 2022. The Company has concluded that these amounts would not have been material to its net income for the 12 months ended December 31, 2021, or to its expected net income for the 12 months ended December 31, 2022.

Note 13 – Related Parties

In the ordinary course of business, the Company may grant loans to certain executive officers and directors and the companies with which they are associated. The Company had loans outstanding to related parties of $0.0 million as of September 30, 2022 and December 31, 2021. Total deposits from certain executive officers and directors and the companies with which they are associated were $1.0 million and $0.5 million as of September 30, 2022 and December 31, 2021, respectively.

On October 21, 2022, Mr. Alan Weichselbaum, who was elected as a director of the Company on October 6, 2022, repaid in full the $0.1 million aggregate principal amount plus interest owed under a secured promissory note, dated as of June 1, 2022 (the "2022 Note"), between the Company and Mr. Weichselbaum in accordance with the terms of the 2022 Note. As such, the obligations of the parties under the 2022 Note and a related security agreement were discharged and the 2022 Note and the security agreement were terminated.

BFG is a small business loan broker, primarily under the SBA's 7(a) loan program. As noted in Note 9 Investments above, the Company has a 10% ownership in the outstanding membership units of BFG. The Company underwrites loans sourced by BFG in its normal course of business. If approved and funded, the Company pays BFG a commission fee based on the amount funded. There is no guarantee or commitment made by the Company to BFG to approve or fund loans referred by BFG. The Company is able to use its sole discretion in deciding to approve and fund loans referred by BFG.

Note 14 – Earnings per Share

The following table is a reconciliation of the components used to derive basic and diluted EPS for the three and nine months ended September 30, 2022 and 2021 ($ in thousands, except share and per share amounts):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
($ in thousands)	2022	2021	2022	2021
Numerator:				
Net income	$ 3,654	$ 8,442	$ 18,570	$ 21,472
Amount allocated to participating common shareholders(1)	(27)	(463)	(139)	(1,312)
Net income allocate to common shareholders	$ 3,627	$ 7,979	$ 18,431	$ 20,160
Denominator:				
Weighted average shares outstanding, basic	12,784,298	8,255,953	12,727,555	8,177,575
Weighted average effect of dilutive securities:				
Stock options	450,038	466,217	542,740	318,926
Warrants	89,723	88,659	134,269	49,000
Weighted average shares outstanding, diluted	13,324,059	8,810,829	13,404,564	8,545,501
Earnings per share, basic	$ 0.28	$ 0.97	$ 1.45	$ 2.47
Earnings per share, diluted	$ 0.27	$ 0.91	$ 1.37	$ 2.36

(1) Represents earnings attributable to holders of unvested restricted stock issued outside of the 2016 Plan and 2019 Plan to the Company's employees for the three or nine months ended September 30, 2021.

There were 378,684 and 563,062 anti-dilutive options for the nine months ended September 30, 2022 and 2021, respectively, reported in the table above. There were 135,731 shares and 221,000 anti-dilutive warrants for the nine months ended September 30, 2022 and 2021, respectively, reported in the table above.

Note 15 – Revenue Recognition

The following is a summary of the Company's revenue disaggregated by contracts with customers and revenue outside the scope of ASC 606:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
($ in thousands)	2022	2021	2022	2021
Interest income				
Interest income, not-in-scope				
Interest and fees on loans	$ 12,481	$ 13,726	$ 38,501	$ 33,635
Interest on securities	52	7	135	19
Other interest income	290	16	423	36
Total interest income	$ 12,823	$ 13,749	$ 39,059	$ 33,690
Non-interest income				
Non-interest income, in-scope				
Service charges on deposit accounts	$ 8	$ 9	$ 23	$ 22
Strategic Program set up fees	49	28	146	47
Non-interest income, not in-scope				
Strategic Program fees	5,023	4,731	17,067	11,451
Gain on sale of loans	1,923	2,875	9,387	7,876
SBA loan servicing fees	327	337	1,056	800
Change in fair value on investment in BFG	65	266	(908)	2,127
Other miscellaneous income	64	6	98	13
Strategic Program service charges	64	223	767	379
Total non-interest income	$ 7,523	$ 8,475	$ 27,636	$ 22,715

Note 16 – Subsequent Events

Subsequent events are events or transactions that occur after the date of the most recent balance sheet but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing of the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the date of the balance sheet and before the financial statements are available to be issued. The Company has evaluated subsequent events through November 14, 2022, which is the date the unaudited consolidated financial statements are available to be issued.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes thereto and other financial information included elsewhere in this Report. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from our expectations. Factors that could cause such differences are discussed in the sections of this Report and our most recently filed Annual Report on Form 10-K entitled "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements" and elsewhere in this Report. We assume no obligation to update any of these forward-looking statements except to the extent required by law.

The following discussion pertains to our historical results, on a consolidated basis. However, because we conduct all our material business operations through our wholly owned subsidiary, FinWise Bank, the discussion and analysis relates to activities primarily conducted at the subsidiary level.

All dollar amounts in the tables in this section are in thousands of dollars, except per share data or where otherwise specifically noted. Unless otherwise stated, all information in this Report gives effect to a six-for-one stock split of our common stock completed effective July 26, 2021. The effect of the stock split on outstanding shares and per share figures has been retroactively applied to all periods presented in this Report.

Overview

The Company is a Utah corporation and the parent company of FinWise Bank. The Company's assets consist primarily of its investment in the Bank and all of its material business activities are conducted through the Bank. The Company is a registered bank holding company that is subject to supervision by the UDFI and the Federal Reserve. As a Utah state-chartered bank that is not a member of the Federal Reserve System, the Bank is separately subject to regulations and supervision by both the UDFI and the FDIC. The Bank's deposits are federally insured up to the maximum legal limits. See "Supervision and Regulation."

Our banking business is our only business line. Our banking business offers a diverse range of commercial and retail banking products and services, and consists primarily of originating loans in a variety of sectors. Attracting nationwide deposits from the general public, businesses and other financial institutions, and investing those deposits, together with borrowings and other sources of funds, is also critical to our banking business. While our commercial and residential real estate lending and other products and services offered from our branch continue to be concentrated in and around the Salt Lake City, Utah MSA, our third-party loan origination relationships have allowed us to expand into new markets across the United States. These relationships were developed to support our ability to generate significant loan volume across diverse consumer and commercial markets and have been the primary source of our significant growth and superior profitability. Our analytics platform, FinView™, enhances our ability to gather and interpret performance data for our originations and provides management with an ability to identify attractive, risk-adjusted sectors for growth. These insights coupled with the billions of dollars in originations funded annually and our ability to sell loans or retain for investment enhance our unique position. Our track record has demonstrated that these qualities deliver superior growth and profitability and that the flexibility inherent in our model enhances our ability to manage credit risk.

Our financial condition and results of operations depend primarily on our ability to (i) originate loans using our strategic relationships with third-party loan origination platforms to earn interest and noninterest income, (ii) utilize FinView™ to identify attractive risk-adjusted lending opportunities and inform the selection of loans for investment while limiting credit losses, (iii) attract and retain low cost, stable deposits, and (iv) efficiently operate in compliance with applicable regulations.

Our lending focuses on four main lending areas: (i) SBA 7(a) loans, (ii) Strategic Programs, (iii) residential and commercial real estate and (iv) consumer lending. For a description and analysis of the Company's loan categories, see "—Financial Condition".

Covid 19 Pandemic

Since March 2020, our nation has experienced a massive health and economic crisis as a result of the Covid-19 pandemic, which continues to negatively impact the health and finances of millions of people and businesses and have a pronounced impact on the global and national economy. To control the spread of the Covid-19 virus, governments around the world instituted widespread shutdowns of the economy which resulted in record unemployment in a matter of weeks. The economic turbulence spawned by the Covid-19 pandemic left many banks with potential credit quality and income issues. These issues are further compounded by uncertainties regarding the length, depth and possible resurgence of the pandemic and its ultimate long-term effects on the economy. In an effort to reduce the impact of economic shutdowns, the United States Congress has passed the CARES Act, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, the Consolidated Appropriations Act, 2021, and recently the American Rescue Plan Act of 2021. These relief measures have provided stimulus payments to individuals, expanded unemployment benefits, and created programs that provided critical financing to small businesses through products such as the EIDL and the PPP, both of which are being administered by the SBA. Additionally, the United States government agreed to make six months of payments on SBA loans and increase the SBA guaranty on SBA 7(a) loans to 90% for loans originated from February 1, 2020 through September 30, 2021. The SBA has made the full monthly P&I payments with respect to our qualifying SBA 7(a) customers in “regular servicing” status for six months. For most of our SBA portfolio (the legacy loans), the SBA made borrowers’ principal and interest payments from April 2020 through September 2020. These were officially referred to as First Round Section 1112 Payments, as they derived from Section 1112 of the CARES Act. To be eligible for the full six months of First Round Section 1112 Payments, the SBA loans were required to be: (i) in “regular servicing” status; (ii) approved by the SBA before March 27, 2020; and (iii) fully disbursed by September 27, 2020. Under the Economic Aid Act, the SBA will make an additional two payments for eligible SBA customers, capped at $9,000 per month per loan. Borrowers with loan payments above $9,000 per month are responsible for paying the difference. For our legacy portfolio, the SBA made payment on the lesser of a borrower’s monthly principal and interest payment or $9,000 per month from February 2021 through March 2021. These are referred to as Second Round Section 1112 Payments.

The SBA released a list of NAICS codes deemed to have been particularly affected by the Covid-19 pandemic. SBA customers who met all other Section 1112 qualifying criteria and operated within certain NAICS codes, are entitled to an additional three months of payments which were completed in 2021. As of December 31, 2021, the Bank had 30 qualifying SBA loans totaling approximately $4.5 million in SBA 7(a) unguaranteed balance that received an additional three months of Second Round Section 1112 Payments, which were capped at $9,000 per month and per loan. As of September 30, 2022, 4 of the 30 qualifying SBA loans have been paid in full. The remaining 26 loans are performing and total approximately $3.9 million in SBA 7(a) unguaranteed balance. As of September 30, 2022, none of the remaining 26 loans are entitled to additional Section 1112 payments. We ceased originating PPP loans after 2020.

We believe the Bank’s diversified loan portfolio and associated revenue streams have enabled the Bank to withstand the adverse conditions relating to the Covid-19 pandemic. For the three months ended September 30, 2022 the provision for loan losses amounted to $4.5 million. For the three months ended September 30, 2021, the provision for loan losses amounted to $3.4 million. For the nine months ended September 30, 2022 the provision for loan losses amounted to $10.3 million. For the nine months ended September 30, 2021, the provision for loan losses amounted to $5.5 million. While some of the adverse conditions relating to the Covid-19 pandemic began to reverse in 2021, sustained improvements are highly dependent upon strengthening economic conditions. The Covid-19 pandemic continues to cause economic uncertainties which may again result in these and other adverse impacts to our financial condition and results of operations. We believe our SBA 7(a) underwriting program has remained strong throughout the Covid-19 pandemic and our SBA 7(a) loans are well collateralized when compared to the SBA industry in general.

Results of Operations

Net Income Overview

The following table sets forth the principal components of net income for the periods indicated.

($ in thousands)	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Interest income	$ 12,823	$ 13,749	$ 39,059	$ 33,690
Interest expense	(304)	(279)	(810)	(984)
Provision for loan losses	(4,457)	(3,367)	(10,317)	(5,536)
Non-interest income	7,523	8,475	27,636	22,715
Non-interest expense	(8,469)	(7,398)	(28,536)	(21,140)
Provision for income taxes	(3,462)	(2,738)	(8,462)	(7,273)
Net income	3,654	8,442	18,570	21,472

Net income for the three months ended September 30, 2022 was $3.7 million, a decrease of $4.7 million or 56.7% from net income of $8.4 million for the three months ended September 30, 2021. The decrease was primarily due to an increase of $1.1 million or 32.4% in provision for loan losses, an increase of $1.1 million or 14.5% in non-interest expense, a decrease of $1.0 million or 11.2% in non-interest income, and a decrease of $1.0 million or 6.7% in interest income, as described below.

Net income for the nine months ended September 30, 2022 was $18.6 million, a decrease of $2.9 million or 13.5% from net income of $21.5 million for the nine months ended September 30, 2021. The decrease was primarily due to an increase of $7.4 million or 35.0% in non-interest expense and an increase of $4.8 million or 86.4% in provision for loan losses, partially offset by an increase of $5.4 million or 15.9% in interest income and an increase of $4.9 million or 21.7% in non-interest income, as described below.

Net Interest Income and Net Interest Margin Analysis

Net interest income was the primary contributor to our earnings in 2022 and 2021. Net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as “volume changes.” It is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing deposits and other borrowed funds, referred to as “rate changes.”

For the three months ended September 30, 2022, our net interest income decreased $1.0 million, or 7.1%, to $12.5 million compared to the three months ended September 30, 2021. This decrease was primarily due to lower average loans held for sale balances. Average loans held for sale balances decreased by $14.8 million or 22.6% to $50.5 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Average interest earning assets increased by $41.0 million, or 14.0%, to $335.4 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021, while the related yield on average interest earning assets decreased by 339 basis points to 15.30%, resulting in interest income for the three months ended September 30, 2022 of $12.8 million. A loan mix shift towards loans carrying lower yields within the Strategic Program held for sale portfolio during the three months ended September 30, 2022 contributed to the decrease in yield on average interest earning assets for the period. The corresponding cost of funds on interest bearing liabilities for the three months ended September 30, 2022 increased by 24 basis points to 1.16%, and the average balance in interest bearing liabilities decreased by $16.5 million to $105.1 million, or 13.5%, compared to the prior year period. The slight increase in cost of funds was primarily due to the launch in September 2022 of demand deposits sourced through Lively, Inc., a Health Savings Account (HSA) provider, partially offset by the maturity of higher rate time deposits during 2022. We gather deposits in the Salt Lake City, Utah MSA through our one branch and nationwide from our Strategic Program service providers, SBA 7(a) borrowers, demand deposits sourced through Lively, Inc., Institutional Deposit exchanges, and brokered deposit arrangements. For the three months ended September 30, 2022, average outstanding balances under our PPPLF decreased compared to the three months ended September 30, 2021, due primarily to the decrease in PPP loan balances. Our net interest margin decreased to 14.93% from 18.31% for the three months ended September 30, 2022 and 2021, respectively.

For the nine months ended September 30, 2022, our net interest income increased $5.5 million, or 16.9%, to $38.2 million compared to the nine months ended September 30, 2021. This increase was primarily due to growth in average interest earning assets and a decrease in our cost of funds, partially offset by a decline in asset yields. Average interest earning assets increased by $64.3 million, or 21.4%, to $365.2 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, while the related yield on average interest earning assets decreased by 67 basis points to 14.26%, resulting in interest income for the nine months ended September 30, 2022 of $39.1 million. A substantial decrease in the average balances of comparatively low yielding PPP loans and increase in average balances of Strategic Program held for sale loans during the nine months ended September 30, 2022 contributed to the increase in yield on average interest earning assets for the period. The corresponding cost of funds on interest bearing liabilities for the nine months ended September 30, 2022 declined by 4 basis points to 0.88%, and the average balance in interest bearing liabilities decreased by $20.9 million to $122.1 million, or 14.6%, compared to the prior year period. The maturity of higher rate time deposits during 2022 is the primary cause for the decline in the cost of funds. For the nine months ended September 30, 2022, average outstanding balances under our PPPLF decreased compared to the nine months ended September 30, 2021, due primarily to the decrease in PPP loan balances. Our net interest margin decreased to 13.96% from 14.49% for the nine months ended September 30, 2022 and 2021, respectively.

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Average Balances and Yields. The following table presents average balances for assets and liabilities, the total dollar amounts of interest income from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting average yields and costs. The yields and costs for the periods indicated are derived by dividing the income or expense by the average balances for assets or liabilities, respectively, for the periods presented. Loan fees are included in interest income on loans and represent net fees of approximately $0.2 million (including *de minimis* SBA fees related to PPP loans) and $0.7 million (including approximately $0.2 million in SBA fees related to PPP loans) included in interest income on loans for the three months ended September 30, 2022 and 2021, respectively. Loan fees are included in interest income on loans and represent a net cost of approximately $0.1 million (including *de minimis* SBA fees related to PPP loans) for the nine months ended September 30, 2022, and $3.2 million (including approximately $1.8 million in SBA fees related to PPP loans) of net loan fees are included in interest income on loans for the nine months ended September 30, 2021. Average balances have been calculated using daily averages.

	Three Months Ended September 30,					
	2022			2021		
($ in thousands)	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest earning assets:						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$ 59,337	$ 290	1.95%	$ 54,261	$ 16	0.12%
Investment securities	12,418	52	1.67%	1,689	7	1.66%
Loans held for sale	50,516	4,533	35.89%	65,273	6,293	38.56%
Loans held for investment	213,080	7,948	14.92%	173,068	7,433	17.18%
Total interest earning assets	335,351	12,823	15.30%	294,291	13,749	18.69%
Less: ALL	(10,768)			(8,083)		
Non-interest earning assets	32,626			18,846		
Total assets	$ 357,209			$ 305,054		
Interest bearing liabilities:						
Demand	$ 11,857	$ 113	3.81%	$ 5,007	$ 11	0.88%
Savings	7,514	1	0.05%	8,818	3	0.14%
Money market accounts	20,615	29	0.56%	22,274	21	0.38%
Certificates of deposit	64,789	160	0.99%	76,127	236	1.24%
Total deposits	104,775	303	1.16%	112,226	271	0.97%
Other borrowings	360	1	0.35%	9,365	8	0.35%
Total interest bearing liabilities	105,135	304	1.16%	121,591	279	0.92%
Non-interest bearing deposits	102,575			107,342		
Non-interest bearing liabilities	17,542			13,076		
Shareholders' equity	131,957			63,045		
Total liabilities and shareholders' equity	$ 357,209			$ 305,054		
Net interest income and interest rate spread		$ 12,519	14.14%		$ 13,470	17.77%
Net interest margin			14.93%			18.31%
Ratio of average interest-earning assets to average interest- bearing liabilities			318.97%			242.03%

	Nine Months Ended September 30,					
	2022			2021		
($ in thousands)	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest earning assets:						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$ 73,674	$ 423	0.77%	$ 50,303	$ 36	0.10%
Investment securities	11,844	135	1.52%	1,687	19	1.50%
Loans held for sale	73,147	17,247	31.44%	50,212	14,908	39.59%
Loans held for investment	206,577	21,254	13.72%	198,766	18,727	12.56%
Total interest earning assets	365,242	39,059	14.26%	300,968	33,690	14.93%
Less: ALL	(10,517)			(6,908)		
Non-interest earning assets	29,732			14,522		
Total assets	$ 384,457			$ 308,582		
Interest bearing liabilities:						
Demand	$ 8,616	$ 155	2.40%	$ 5,604	$ 38	0.90%
Savings	7,211	3	0.06%	8,006	9	0.15%
Money market accounts	29,742	71	0.32%	19,641	55	0.37%
Certificates of deposit	75,836	579	1.02%	61,587	757	1.64%
Total deposits	121,405	808	0.89%	94,838	859	1.21%
Other borrowings	646	2	0.35%	48,133	125	0.35%
Total interest bearing liabilities	122,051	810	0.88%	142,971	984	0.92%
Non-interest bearing deposits	120,102			100,704		
Non-interest bearing liabilities	15,857			9,732		
Shareholders' equity	126,447			55,175		
Total liabilities and shareholders' equity	$ 384,457			$ 308,582		
Net interest income and interest rate spread		$ 38,249	13.38%		$ 32,706	14.01%

Net interest margin	13.96%	14.49%
Ratio of average interest-earning assets to average interest- bearing liabilities	299.25%	210.51%

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Rate/Volume Analysis. The following table sets forth the effects of changing rates and volumes on our net interest income based on average balances. The rate column shows the effects attributable to changes in average rate. The volume column shows the effects attributable to changes in average volume. For purposes of this table, changes attributable to changes in both average rate and average volume that cannot be segregated have been allocated proportionally based on the changes due to rate and the changes due to volume.

($ in thousands)	**Three Months Ended September 30, 2022 vs 2021 Increase (Decrease) Due to Change in:**			**Nine Months Ended September 30, 2022 vs 2021 Increase (Decrease) Due to Change in:**		
($ in thousands)	**Rate**	**Volume**	**Total**	**Rate**	**Volume**	**Total**
Interest income:						
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	$ 272	$ 2	$ 274	$ 363	$ 24	$ 387
Investment securities	—	45	45	—	116	116
Loans held-for-sale	(413)	(1,347)	(1,760)	(1,919)	4,258	2,339
Loans held for investment	(679)	1,194	515	1,771	756	2,527
Total interest income	(820)	(106)	(926)	215	5,154	5,369
Interest expense:						
Demand	72	30	102	88	29	117
Savings	(2)	—	(2)	(5)	(1)	(6)
Money market accounts	9	(1)	8	(6)	22	16
Certificates of deposit	(44)	(32)	(76)	(457)	279	(178)
Other borrowings	—	(7)	(7)	—	(123)	(123)
Total interest bearing liabilities	35	(10)	25	(380)	206	(174)
Change in net interest income	$ (855)	$ (96)	$ (951)	$ 595	$ 4,948	$ 5,543

Provision for Loan Losses

The provision for loan losses is a charge to income to bring our ALL to a level deemed appropriate by management and approved by our board of directors. We determine the provision for loan losses monthly in connection with our monthly evaluation of the adequacy of our ALL. For a description of the factors we considered in determining the ALL see "—Financial Condition—Allowance for Loan Losses" and "—Critical Accounting Policies and Estimates."

Our provision for loan losses was $4.5 million and $3.4 million for the three months ended September 30, 2022 and 2021, respectively. Our provision for loan losses was $10.3 million and $5.5 million for the nine months ended September 30, 2022 and 2021, respectively. The increase over both comparative periods was primarily due to higher net charge-offs and growth in unguaranteed loans.

Noninterest Income

The largest portion of our noninterest income is associated with our Strategic Program fees. Other sources of noninterest income include gain on sale of loans, SBA loan servicing fees, change in fair value on investment in BFG and other miscellaneous income.

The following table presents, for the periods indicated, the major categories of noninterest income:

	For the Three Months Ended September 30,		Change	
($ in thousands)	**2022**	**2021**	**$**	**%**
Noninterest income:				
Strategic Program fees	$ 5,136	$ 4,982	$ 154	3.1%
Gain on sale of loans	1,923	2,876	(953)	(33.1%)
SBA loan servicing fees	327	337	(10)	(3.0%)
Change in fair value on investment in BFG	65	266	(201)	(75.6%)
Other miscellaneous income	72	14	58	414.3%
Total noninterest income	$ 7,523	$ 8,475	$ (952)	(11.2%)

For the three months ended September 30, 2022, total noninterest income decreased $1.0 million, or 11.2%, to $7.5 million compared to the three months ended September 30, 2021. This decrease was primarily due to the decrease in gain on sale of loans. The decrease in gain on sale of loans was mainly due to a decrease in the premium received for SBA 7(a) loans sold.

	For the Nine Months Ended September 30,		Change	
($ in thousands)	**2022**	**2021**	**$**	**%**
Noninterest income:				
Strategic Program fees	$ 17,980	$ 11,877	$ 6,103	51.4%
Gain on sale of loans	9,387	7,876	1,511	19.2%
SBA loan servicing fees	1,056	800	256	32.0%
Change in fair value on investment in BFG	(908)	2,127	(3,035)	(142.7%)
Other miscellaneous income	121	35	86	245.7%
Total noninterest income	$ 27,636	$ 22,715	$ 4,921	21.7%

For the nine months ended September 30, 2022, total noninterest income increased $4.9 million, or 21.7%, to $27.6 million compared to the nine months ended September 30, 2021. This increase was primarily due to the increase in Strategic Program fees and gain on sale of loans. The increase in Strategic Program fees was primarily due to the increase in loan origination volume in the Strategic Program. The increase in gain on sale of loans was primarily due to the increase in the number of SBA 7(a) loans sold during the nine months ended September 30, 2022. These increases were partially offset by a decrease in the fair value of the Company's investment in BFG due primarily to the softening of comparable company values used in determining BFG fair value.

Noninterest Expense

Noninterest expense has increased as we have become a public company, grown, expanded and modernized our operational infrastructure and implemented our plan to build an efficient, technology-driven banking operation with significant capacity for growth.

The following table presents, for the periods indicated, the major categories of noninterest expense:

($ in thousands)	For the Three Months Ended September 30, 2022	2021	Change $	%
Noninterest expense:				
Salaries and employee benefits	$ 5,137	$ 5,930	$ (793)	(13.4%)
Professional Services	1,701	253	1,448	572.3%
Occupancy and equipment expenses	640	205	435	212.2%
(Recovery) impairment of SBA servicing asset	(127)	—	(127)	(100.0%)
Other operating expenses	1,118	1,010	108	10.7%
Total noninterest expense	$ 8,469	$ 7,398	$ 1,071	14.5%

For the three months ended September 30, 2022, total noninterest expense increased $1.1 million, or 14.5%, to $8.5 million compared to the three months ended September 30, 2021. This increase was primarily due to the increase in professional services, partially offset by a reduction in salaries and employee benefits. For the three months ended September 30, 2022, professional services increased $1.4 million, or 572.3%, to $1.7 million compared to the three months ended September 30, 2021. This increase was primarily due to an increase in consulting fees as well as legal and audit fees. For the three months ended September 30, 2022, salaries and employee benefits decreased $0.8 million, or 13.4%, to $5.1 million compared to the three months ended September 30, 2021. This decrease was primarily due to the cessation in June 2022 of commission accruals related to the Company's strategic lending program.

($ in thousands)	For the Nine Months Ended September 30, 2022	2021	Change $	%
Noninterest expense:				
Salaries and employee benefits	$ 18,684	$ 16,313	$ 2,371	14.5%
Professional Services	3,845	762	3,083	404.6%
Occupancy and equipment expenses	1,361	602	759	126.1%
(Recovery) impairment of SBA servicing asset	949	—	949	100.0%
Other operating expenses	3,697	3,463	234	6.8%
Total noninterest expense	$ 28,536	$ 21,140	$ 7,396	35.0%

For the nine months ended September 30, 2022, total noninterest expense increased $7.4 million, or 35.0%, to $28.5 million compared to the nine months ended September 30, 2021. This increase was primarily due to the increase in professional services, salaries and employee benefits, and impairment of the Company's SBA servicing asset. For the nine months ended September 30, 2022, professional services increased $3.1 million, or 404.6%, to $3.8 million compared to the nine months ended September 30, 2021. This increase was primarily due to increased consulting fees as well as legal and audit fees. For the nine months ended September 30, 2022, salaries and employee benefits increased $2.4 million, or 14.5%, to $18.7 million compared to the nine months ended September 30, 2021. This increase was primarily due to the increased number of employees as compared to the nine months ended September 30, 2021. The increase in employees during this timeframe coincided with an increase in Strategic Program loan volume and the expansion of our information technology and security division to support enhancements in our infrastructure, and an increase in contractual bonuses paid relating to the expansion of the Strategic Programs in the first half of 2022. For the nine months ended September 30, 2022, an impairment of the Company's SBA servicing asset was recognized for $0.9 million due primarily to rising market interest rates and market-wide increasing prepayment speeds on SBA loans.

Financial Condition

Loan Portfolio

We manage our loan portfolio based on factors that include concentrations per loan program and aggregated portfolio, industry of operation and geographies. We also monitor the impact of identified and estimated losses on capital as well as the pricing characteristics of each product. The following provides a general description and the risk characteristics relevant to each of the business lines. Each loan is assigned a risk grade during the origination and closing process by credit administration personnel based on criteria described later in this section. We analyze the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the portfolio balances. This ratings analysis is performed at least quarterly.

SBA 7(a) Loans

We originate and service loans partially guaranteed by the SBA under its Section 7(a) loan program. SBA 7(a) loans are made to small businesses and professionals throughout the USA. As of September 30, 2022 and December 31, 2021, we had total SBA 7(a) loans of $126.8 million and $141.3 million, respectively, representing 49.3% and 53.2% of our total loans, respectively. Loans are sourced primarily through our referral relationship with BFG. Although BFG actively markets throughout the USA, because of its physical location in the New York area we have developed a lending presence in the New York and New Jersey geographies. The maximum SBA 7(a) loan amount is $5 million. Underwriting is generally based on commercial credit metrics where the primary repayment source is borrower cash flow, secondary is personal guarantor cash flow and tertiary is the sale of collateral pledged. These loans may be secured by commercial and residential mortgages as well as liens on business assets. In addition to typical underwriting metrics, we review the nature of the business, use of proceeds, length of time in business and management experience to help us target loans that we believe have lower credit risk. The SBA 7(a) program generally provides 50%, 75%, 85% and 90% guarantees for eligible SBA 7(a) loans. The guaranty is conditional and covers a portion of the risk of payment default by the borrower, but not the risk of improper underwriting, closing or servicing by the lender. As such, prudent underwriting, closing and servicing processes are essential to effective utilization of the SBA 7(a) program. Historically, we have generally sold the SBA-guaranteed portion (typically 75% of the principal balance) of a majority of the loans we originate at a premium in the secondary market while retaining all servicing rights and the unguaranteed portion; however, beginning in 2020, we made the decision to drive interest income by temporarily retaining a larger amount of the guaranteed portion of these loans. In light of suppressed gain-on-sale premiums and increasing variable loan rates during 2022, we plan to keep on our balance sheet a greater amount of the guaranteed portion of certain SBA loans that we originate, which we believe will benefit the Company through stronger government guaranteed held for investment loan growth and an increased recurring stream of interest income and partially offset the expected decline of gain-on-sale revenue.

SBA Paycheck Protection Program Loans

As of September 30, 2022 and December 31, 2021, we had total PPP loans of $0.7 million and $1.1 million, respectively, representing 0.3% and 0.4% of our total loans, respectively. The PPP loans also resulted in fees paid by the SBA to the originating bank for processing PPP loans, which fees are accreted into interest income over the life of the applicable loans. If a PPP loan is forgiven or paid off before maturity, the remaining unearned fee is recognized into income at that time. For the three months ended September 30, 2021, the Company recognized a total of $0.2 million in PPP-related accreted fees ($0.2 million of which were accelerated due to loan forgiveness). A *de minimis* amount was recognized during the three months ended September 30, 2022 and a *de minimis* amount of deferred fees remained as of September 30, 2022. For the nine months ended September 30, 2021, the Company recognized a total of $1.8 million in PPP-related accreted fees ($1.4 million of which were accelerated due to loan forgiveness). A *de minimis* amount was recognized during the nine months ended September 30, 2022 and a *de minimis* amount of deferred fees remained as of September 30, 2022.

Commercial, non-real estate

Commercial non-real estate loans consist of loans and leases made to commercial enterprises that are not secured by real estate. As of September 30, 2022 and December 31, 2021, we had total commercial non-real estate loans of $13.0 million and $3.4 million, respectively, representing 5.1% and 1.3% of our total loans, respectively. Any loan, line of credit, or letter of credit (including any unfunded commitments) and any interest obtained in such loans made by another lender to individuals, sole proprietorships, partnerships, corporations, or other business enterprises for commercial, industrial, agricultural, or professional purposes, not secured by real estate, but not for personal expenditure purposes are included in this category. For example, commercial vehicle term loans and commercial working capital term loans. Underwriting is generally based on commercial credit metrics where the primary repayment source is borrower cash flow, secondary is personal guarantor cash flow (when applicable) and tertiary is the sale of collateral pledged. The nature of the business, use of proceeds, length of time in business, management experience, repayment ability, credit history, ratio calculations and assessment of collateral adequacy are all considerations. These loans are generally secured by liens on business assets. Historically, we have retained these loans on our balance sheet for investment.

Residential real estate

Residential real estate loans include construction, lot and land development loans that are for the purpose of acquisition and development of property to be improved through the construction of residential buildings, and loans secured by other residential real estate. As of September 30, 2022 and December 31, 2021, we had total residential real estate loans of $34.5 million and $27.1 million, respectively, representing 13.4% and 10.2% of our total loans, respectively. Construction loans are usually paid off through the conversion to permanent financing from third-party lending institutions. Lot loans may be paid off as the borrower converts to a construction loan. At the completion of the construction project, if the loan is converted to permanent financing by us or if scheduled loan amortization begins, it is then reclassified from construction to single-family dwelling. Underwriting of construction and development loans typically includes analysis of not only the borrower's financial condition and ability to meet the required debt obligations, but also the general market conditions associated with the area and type of project being funded. These loans are generally secured by mortgages for residential property located primarily in the Salt Lake City, Utah MSA, and we obtain guarantees from responsible parties. Historically, we have retained these loans on our balance sheet for investment.

Strategic Program loans

We, through our Strategic Program service providers, issue, on a nationwide basis, unsecured consumer and secured or unsecured business loans to borrowers within certain approved credit profiles. As of September 30, 2022 and December 31, 2021, we had total Strategic Program loans of $70.3 million and $85.9 million, respectively, representing 27.4% and 32.3% of our total loans, respectively. Loans originated through these programs are limited to predetermined Bank underwriting criterion, which has been approved by our board of directors. The primary form of repayment on these loans is from personal or business cash flow. Business loans may be secured by liens on business assets, as applicable. We have generally sold most of these loans, but as our capital grows, we may choose to hold more of the funded loans and/or receivables. We reserve the right to sell any portion of funded loans and/or receivables directly to the Strategic Program service providers or other investors. We retain the legal right to service all these loans, but contract with the Strategic Program service provider or another approved sub-servicer to service these loans on our behalf.

Commercial real estate

Commercial real estate loans include loans to individuals, sole proprietorships, partnerships, corporations, or other business enterprises for commercial, industrial, agricultural, or professional purposes, secured by real estate primarily located in the Salt Lake City, Utah MSA, but not for personal expenditure purposes. As of September 30, 2022 and December 31, 2021, we had total commercial real estate loans of $6.1 million and $2.4 million, respectively, representing 2.4% and 0.9% of our total loans, respectively. Underwriting is generally based on commercial credit metrics where the primary repayment source is borrower cash flow, secondary is personal guarantor cash flow (when applicable) and tertiary is the sale of collateral pledged. The nature of the business, use of proceeds, length of time in business, management experience, repayment ability, credit history, ratio calculations and assessment of collateral adequacy are all considerations. In addition to real estate, these loans may also be secured by liens on business assets. Historically, we have retained these loans on our balance sheet for investment.

Consumer

Consumer lending provides financing for personal, family, or household purposes on a nationwide basis. Most of these loans are originated through our POS platform and come from a variety of sources, including other approved merchant or dealer relationships and lending platforms. As of September 30, 2022 and December 31, 2021, we had total consumer loans of $5.4 million and $4.6 million, respectively, representing 2.1% and 1.7% of our total loans, respectively. We use a debt-to-income ("DTI") ratio to determine whether an applicant will be able to service the debt. The DTI ratio compares the applicant's anticipated monthly expenses and total monthly obligations to the applicant's monthly gross income. Our policy is to limit the DTI ratio to 45% after calculating interest payments related to the new loan. Loan officers, at their discretion, may make exceptions to this ratio if the loan is within their authorized lending limit. DTI ratios of no more than 50% may be approved subject to an increase in interest rate. Strong offsetting factors such as higher discretionary income or large down payments are used to justify exceptions to these guidelines. All exceptions are documented and reported. While the loans are generally for the purchase of goods which may afford us a purchase money security interest, they are underwritten as if they were unsecured. On larger loans, we may file a Uniform Commercial Code financing form. Historically, we have retained these loans on our balance sheet for investment.

Loan Portfolio Program Summary

Through our diversification efforts, we have built a portfolio that we believe positions us to withstand economic shifts. For example, we focus on industries and loan types that have historically lower loss rates such as professional, scientific and technical services (including law firms), non-store retailers (e-commerce), and ambulatory healthcare services.

The following table summarizes our loan portfolio by loan program as of the dates indicated:

	As of September 30, 2022		As of December 31, 2021	
	Amount	**% of total loans**	**Amount**	**% of total loans**
SBA[1]	$ 127,455	49.6%	$ 142,392	53.6%
Commercial, non real estate	12,970	5.1%	3,428	1.3%
Residential real estate	34,501	13.4%	27,108	10.2%
Strategic Program loans	70,290	27.4%	85,850	32.3%
Commercial real estate	6,149	2.4%	2,436	0.9%
Consumer	5,455	2.1%	4,574	1.7%
Total	$ 256,820	100.0%	$ 265,788	100.0%

(1) The amount of SBA loans as of September 30, 2022 and December 31, 2021 includes approximately $0.7 million and $1.1 million of PPP loans. SBA loans as of September 30, 2022 and December 31, 2021 include $42.6 million and $75.7 million, respectively, of SBA 7(a) loan balances that are guaranteed by the SBA.

Loan Maturity and Sensitivity to Changes in Interest Rates

As of September 30, 2022, including the impact of PPP loans, $121.2 million, or 56.9%, of the total held for investment loan balance matures in less than five years. Loans maturing in greater than five years totaled $92.0 million as of September 30, 2022. The variable rate portion of our total held for investment loan portfolio at September 30, 2022 was $159.0 million, or 74.6%. As of December 31, 2021, including the impact of PPP loans, $103.1 million, or 50.3%, of the total held for investment loan balance matures in less than five years. Loans maturing in greater than five years totaled $101.9 million as of December 31, 2021. The variable rate portion of our total held for investment loan portfolio at December 31, 2021 was $163.8 million, or 79.9%. The variable rate portion of the total held for investment loans reflects our strategy to minimize interest rate risk through the use of variable rate products.

The following tables detail maturities and sensitivity to interest rate changes for our loan portfolio at September 30, 2022 and December 31, 2021:

At September 30, 2022	**Remaining Contractual Maturity Held for Investment**				
($ in thousands)	**One Year or Less**	**After One Year and Through Five Years**	**After Five Years and Through Fifteen Years**	**After Fifteen Years**	**Total**
Fixed rate loans:					
SBA(1)	$ 268	$ 411	$ —	$ —	$ 679
Commercial, non-real estate	3,166	9,214	570	20	12,970
Residential real estate	3,907	1,939	49	4	5,899
Strategic Program loans	18,027	8,657	—	—	26,684
Commercial real estate	1,662	1,224	22	31	2,939
Consumer	1,704	3,270	74	—	5,048
Variable rate loans:					
SBA	7,800	29,590	52,831	36,555	126,776
Commercial, non-real estate	—	—	—	—	—
Residential real estate	27,664	501	437	—	28,602
Strategic Program loans	—	—	—	—	—
Commercial real estate	643	1,181	1,386	—	3,210
Consumer	101	306	—	—	407
Total	$ 64,942	$ 56,293	$ 55,369	$ 36,610	$ 213,214

(1) The amount of SBA fixed rate loans includes approximately $0.7 million of PPP loans. PPP loans originated prior to June 5, 2020, have a two year term. PPP loans originated on or after June 5, 2020, have a five year term. For PPP borrowers who submit completed applications for forgiveness, loan payments are automatically deferred until the SBA renders a decision on the forgiveness request. PPP borrowers who fail to submit timely forgiveness applications are required to make monthly payments beginning ten months from the end of the chosen “covered period”. The “covered period” is a maximum of 24 weeks from the origination date. Assuming a 24 week covered period, PPP borrowers are not required to begin making payments until 16 months after the origination date. At the time payments begin, if the borrower and lender of a two year PPP loan mutually agree to extend the term of the loan it can be extended to a five year term. As of September 30, 2022, six PPP loans have been granted maturity date extensions.

At December 31, 2021	**Remaining Contractual Maturity Held for Investment**				
($ in thousands)	**One Year or Less**	**After One Year and Through Five Years**	**After Five Years and Through Fifteen Years**	**After Fifteen Years**	**Total**
Fixed rate loans:					
SBA(1)	$ 644	$ 732	$ 259	$ 114	$ 1,749
Commercial, non-real estate	1,168	2,112	142	6	3,428
Residential real estate	2,876	1,519	—	—	4,395
Strategic Program loans	18,121	6,981	—	—	25,102
Commercial real estate	1,565	639	7	1	2,212
Consumer	1,500	2,793	66	—	4,359
Variable rate loans:					
SBA	7,920	31,598	58,493	42,632	140,643
Commercial, non-real estate	—	—	—	—	—
Residential real estate	22,234	291	188	—	22,713
Strategic Program loans	—	—	—	—	—
Commercial real estate	224	—	—	—	224
Consumer	62	153	—	—	215
Total	$ 56,314	$ 46,818	$ 59,155	$ 42,753	$ 205,040

(1) The amount of SBA fixed rate loans includes approximately $1.1 million of PPP loans. PPP loans originated prior to June 5, 2020, have a two year term. PPP loans originated on or after June 5, 2020, have a five year term. For PPP borrowers who submit completed applications for forgiveness, loan payments are automatically deferred until the SBA renders a decision on the forgiveness request. PPP borrowers who fail to submit timely forgiveness applications are required to make monthly payments beginning ten months from the end of the chosen “covered period”. The “covered period” is a maximum of 24 weeks from the origination date. Assuming a 24 week covered period, PPP borrowers are not required to begin making payments until 16 months after the origination date. At the time payments begin, if the borrower and lender of a two year PPP loan mutually agree to extend the term of the loan it can be extended to a five year term. As of December 31, 2021, three PPP loans have been granted maturity date extensions.

Nonperforming Assets

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were contractually due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on nonaccrual status regardless of whether such loans are actually past due. In general, we place loans on nonaccrual status when they become 90 days past due. We also generally place loans on nonaccrual status if they are less than 90 days past due if the collection of principal or interest is in doubt. When interest accrual is discontinued, all unpaid accrued interest is reversed from income. Interest income is subsequently recognized only to the extent recoveries received (either from payments received from the customer, derived from the disposition of collateral or from legal action, such as judgment enforcement) exceed liquidation expenses incurred and outstanding principal.

A non-accrual asset may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and we expect repayment of the remaining contractual principal and interest, or (2) when asset otherwise becomes well secured and is not in the process of collection.

Any loan which we deem to be uncollectible, in whole or in part, is charged off to the extent of the anticipated loss. In general, loans that are past due for 90 days or more are charged off unless the loan is both well secured and in the process of collection. We believe our disciplined lending approach and focused management of nonperforming assets has resulted in sound asset quality and timely resolution of problem assets. We have several procedures in place to assist us in maintaining the overall quality of our loan portfolio. We have established underwriting guidelines to be followed by our loan officers, and we also monitor our delinquency levels for any negative or adverse trends. There can be no assurance, however, that our loan portfolio will not become subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

The following table provides information with respect to our nonperforming assets and troubled debt restructurings at the dates indicated:

($ in thousands)	As of September 30, 2022	As of December 31, 2021
Nonaccrual loans:		
SBA	$ —	$ 657
Commercial, non real estate	—	—
Residential real estate	—	—
Strategic Program loans	—	—
Total nonperforming loans	$ —	$ 657
Total accruing loans past due 90 days or more	$ 254	$ 54
Nonaccrual troubled debt restructuring	$ —	$ 25
Total troubled debt restructurings	95	106
Other Real Estate Owned	—	—
Less nonaccrual troubled debt restructurings	—	(25)
Total nonperforming assets and troubled debt restructurings	$ 95	$ 763
Total nonperforming loans to total loans	0.0%	0.2%
Total nonperforming loans to total assets	0.0%	0.2%
Total nonperforming assets and troubled debt restructurings to total loans	0.0%	0.3%
Total nonperforming assets and troubled debt restructurings to total assets	0.0%	0.2%

Our total nonperforming assets and troubled debt restructurings at September 30, 2022 and December 31, 2021 was $0.1 million and $0.8 million. Total nonperforming assets at September 30, 2022 and December 31, 2021 were composed of $0.0 million and $0.7 million in nonaccrual loans and $0.1 million of troubled debt restructurings.

We do not classify loans that experience insignificant payment delays and payment shortfalls as impaired. We consider an “insignificant period of time” from payment delays to be a period of 90 days or less, or 120 days or less in certain Strategic Programs. We will customarily attempt to provide a modification for a customer experiencing what we consider to be a short-term event that has temporarily impacted cash flow. In those cases, we will review the request to determine if the customer is experiencing cash flow strain and how the event has impacted the ability of the customer to repay in the long term. Short-term modifications are not classified as troubled debt restructurings because they do not meet the definition set by the FDIC or our accounting policy for identifying troubled debt restructurings.

Interest income that would have been recorded for the nine months ended September 30, 2022 and 2021 had nonaccrual loans been current throughout the period amounted to *de minimis* amounts for each period.

Credit Risk Profile

We believe that we underwrite loans carefully and thoroughly, limiting our lending activities to those products and services where we have the resources and expertise to lend profitably without undue credit risk. We require all loans to conform to policy (or otherwise be identified as exceptions to policy and monitored and reported on, at minimum, quarterly) and be granted on a sound and collectable basis. Loans are made with a primary emphasis on loan profitability, credit risk and concentration exposures.

We are proactive in our approach to identifying and resolving problem loans and are focused on working with the borrowers and guarantors of problem loans to provide loan modifications when warranted. When considering how to best diversify our loan portfolio, we consider several factors including our aggregate and product-line specific concentration risks, our business line expertise, and the ability of our infrastructure to appropriately support the product. While certain product lines generate higher net charge-offs, our exposure is carefully monitored and mitigated by our concentration policies and reserved for by the loan loss allowance we maintain. Specifically, retention of certain Strategic Program loans with higher default rates account for a disproportionate amount of our charge-offs. In addition to our oversight of the credit policies and processes associated with these programs, we limit within our concentration policies the aggregate exposure of these loans as a percentage of the total loan portfolio, carefully monitor certain vintage loss-indicative factors such as first payment default and marketing channels, and appropriately provision for these balances so that the cumulative charge-off rates remain consistent with management expectations. While the level of nonperforming assets fluctuates in response to changing economic and market conditions, the relative size and composition of the loan portfolio, and our management’s degree of success in resolving problem assets, we believe our proactive stance to early identification and intervention is the key to successfully managing our loan portfolio. As an example, at the beginning of the Covid-19 pandemic we analyzed our portfolio to identify loans that were more likely to be vulnerable to the pandemic’s impact. We then proactively opened a dialogue with potentially affected borrowers to assess their needs and provide assistance. Through this process we were able to not only better understand our portfolio risks but were able to intercede with borrowers if needed.

Accurate and timely loan risk grading is considered a critical component of an effective credit risk management system. Loan grades take into consideration the borrower’s financial condition, industry trends, and the economic environment. Loan risk grades are changed as necessary to reflect the risk inherent in the loan. Among other things, we use loan risk grading information for loan pricing, risk and collection management and determining monthly loan loss reserve adequacy. Further, on a quarterly basis, the Loan Committee holds a Loan Risk Grade meeting, wherein all loans in our portfolio are reviewed for accurate risk grading. Any changes are made after the Loan Risk Grade meeting to provide for accurate reporting. Reporting is achieved in Loan Committee minutes, which minutes are reviewed by the Board. We supplement credit department supervision of the loan underwriting, approval, closing, servicing and risk grading process with periodic loan reviews by risk department personnel specific to the testing of controls.

We use a grading system to rank the quality of each loan. The grade is periodically evaluated and adjusted as performance dictates. Loan grades 1 through 4 are passing grades, grade 5 is special mention. Collectively, grades 6 (substandard), 7 (doubtful) and 8 (loss) represent classified loans within the portfolio. The following guidelines govern the assignment of these risk grades. We do not currently grade Strategic Program loans held for investment due to their small balances and homogenous nature. As credit quality for Strategic Program loans have been highly correlated with delinquency levels, the Strategic Program loans are evaluated collectively for impairment.

Grade 1: Pass - Loans fully secured by deposit accounts. Loans where the borrower has strong sources of repayment, generally 5 years or more of consistent employment (or related field) and income history. Debt of the borrower is modest relative to the borrower’s financial strength and ability to pay with a DTI ratio of less than 25%. Cash flow is very strong as evidenced by significant discretionary income amounts. Borrower will consistently maintain 30% of the outstanding debts in deposit accounts with us, often with the right of offset, holds, etc. Loan to value ratios (LTV) will be 60% or less. Loans in this category require very minimal monitoring.

Grade 2: Pass - The borrower has good sources of repayment, generally 3 years or more of consistent employment (or related field) and income history. The debt of the borrower is reasonable relative to the borrower’s financial strength with a DTI ratio of less than 35%. Cash flow is strong as evidenced by exceptional discretionary income amounts. Borrowers will consistently maintain 20% of the outstanding debts in deposit accounts with us. LTV ratios will be 70% or less. These loans require minimal monitoring.

Grade 3: Pass - There is a comfortable primary source of repayment, generally 2 years or more of consistent employment (or related field) and income history. Borrowers may exhibit a mix of strengths and weaknesses. For example, they have either adequate cash flow with higher than desired leverage, or marginal cash flow with strong collateral and liquidity. Borrowers will have DTIs less than 45%. Borrowers will generally maintain deposit accounts with us, but the consistency and amount of the deposits are not as strong as Grades 1 and 2. LTV ratios will be within our guidelines. These loans will be monitored on a quarterly basis.

Grade 4: Pass Watch – There is adequate primary source of repayment, generally employment time or time in a related field is less than 2 years. Borrowers’ debt to income ratios may fall outside of our guidelines or there is minimal excess cash flow. There may be heavy reliance on collateral, or the loan is large, relative to the financial strength of the borrower. The loans may be maintenance intensive requiring closer monitoring.

Grade 5: Special Mention – A loan in this category has a specific weakness or problem but does not currently present a significant risk of loss or default as to any material terms of the loan or financing agreement. A typical problem could include a documentation deficiency. If the deficiency is corrected the account will be re-graded.

Grade 6: Classified Substandard – A substandard loan has a developing or current weakness or weaknesses that could result in loss or default if deficiencies are not corrected, or adverse conditions arise.

Grade 7: Classified Doubtful – A doubtful loan has an existing weakness or weaknesses that make collection or liquidation in full, on the basis of currently existing facts and conditions, highly questionable and improbable.

Grade 8: Classified Loss – A loss loan has an existing weakness or weaknesses that render the loan uncollectible and of such little value that continuing to carry as an asset on our book is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical nor desirable to defer writing off this basically worthless asset, even though partial recovery may be affected in the future.

The following table presents, as of the period presented, the loan balances by loan program as well as risk rating. No loans were classified as 'Loss' grade during the periods presented.

	As of September 30, 2022				
($ in thousands)	**Pass Grade 1-4**	**Special Mention Grade 5**	**Classified/ Doubtful Grade 6-7**	**Loss Grade 8**	**Total**
SBA	$ 125,611	$ 1,749	$ 95	$ —	$ 127,455
Commercial, non real estate	12,970	—	—	—	12,970
Residential real estate	34,501	—	—	—	34,501
Commercial real estate	6,149	—	—	—	6,149
Consumer	5,455	—	—	—	5,455
Not Risk Graded					
Strategic Program loans[1]					70,290
Total	$ 184,686	$ 1,749	$ 95	$ —	$ 256,820

($ in thousands)	As of December 31, 2021 Pass Grade 1-4	Special Mention Grade 5	Classified/ Doubtful Grade 6-7	Loss Grade 8	Total
SBA	$ 139,985	$ 1,435	$ 972	$ —	$ 142,392
Commercial, non real estate	3,382	46	—	—	3,428
Residential real estate	27,108	—	—	—	27,108
Commercial real estate	2,436	—	—	—	2,436
Consumer	4,574	—	—	—	4,574
Not Risk Graded					
Strategic Program loans(1)					85,850
Total	$ 177,485	$ 1,481	$ 972	$ —	$ 265,788

(1) The Strategic Program loan balance includes $43.6 million and $60.7 million of loans classified as held-for-sale as of September 30, 2022 and December 31, 2021, respectively.

Allowance for Loan Losses

We have not adopted Financial Accounting Standards Board Accounting Standards Update No. 2016–13, *Financial Instruments – Credit Losses (Topic 326)*, commonly referred to as the "CECL model," but plan to adopt the CECL model in the 2023 calendar year.

The ALL, a material estimate which could change significantly in the near-term in the event of rapidly shifting credit quality, is established through a provision for loan losses charged to earnings to account for losses that are inherent in the loan portfolio and estimated to occur, and is maintained at a level that we consider adequate to absorb potential losses in the loan portfolio. Loan losses are charged against the ALL when we believe that the collectability of the principal loan balance is unlikely. Subsequent recoveries, if any, are credited to the ALL when received.

Our judgment in determining the adequacy of the allowance is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available and as situations and information change.

We evaluate the ALL on a monthly basis and take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions and trends that may affect the borrower's ability to repay. The quality of the loan portfolio and the adequacy of the ALL is reviewed by regulatory examinations.

The ALL consists of the following two elements:

- *Specific allowance for identified impaired loans.* For such loans that are identified as impaired, an allowance is established when the discounted cash flows (or collateral value if the loan is collateral dependent) or observable market price of the impaired loan are lower than the carrying value of that loan.

  Independent appraisals are obtained for all collateral dependent loans deemed impaired when collateral value is expected to exceed $5 thousand net of actual and/or anticipated liquidation-related expenses. After initially measured for impairment, new appraisals are ordered on at least an annual basis for all real estate secured loans deemed impaired. Non-real estate secured loan appraisal values are reevaluated and assessed throughout the year based upon interim changes in collateral and market conditions.

- *General valuation allowance.* This component represents a valuation allowance on the remainder of the loan portfolio, after excluding impaired loans. For this portion of the allowance, loans are reviewed based on industry, stage and structure and are assigned allowance percentages based on historical loan loss experience for similar loans with similar characteristics and trends adjusted for qualitative factors. Qualitative factors that, in management's judgment, affect the collectability of the portfolio as of the evaluation date, may include changes in lending policies and procedures; changes in national and local economic and business conditions, including the condition of various market sectors; changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and staff; changes in the volume and severity of past due and classified loans and in the volume of nonaccruals, troubled debt restructurings, and other loan modifications; the existence and effect of any concentrations of credit and changes in the level of such concentrations; and the effect of external factors, such as competition and legal and regulatory requirements, on the level of estimated and inherent credit losses in our current portfolio.

The ALL was $12.0 million at September 30, 2022 compared to $9.9 million at December 31, 2021, an increase of $2.1 million, or 21.4%. The increase was primarily due to higher net charge-offs and increased unguaranteed loan balances.

The following table presents a summary of changes in the ALL for the periods and dates indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
($ in thousands)	2022	2021	2022	2021
ALL:				
Beginning balance	$ 10,602	$ 7,239	$ 9,855	$ 6,199
Provision for loan losses	4,457	3,367	10,317	5,536
Charge offs				
SBA	(259)	(1)	(392)	(55)
Commercial, non-real estate	—	—	—	(63)
Residential real estate	—	—	—	—
Strategic Program loans	(3,070)	(1,105)	(8,508)	(2,304)
Commercial real estate	—	—	—	—
Consumer	(4)	—	(4)	(3)
Recoveries				
SBA	9	30	57	41
Commercial, non-real estate	—	11	2	92
Residential real estate	—	—	—	—
Strategic Program loans	233	99	641	196
Commercial real estate	—	—	—	—
Consumer	—	—	—	1
Ending balance	11,968	9,640	11,968	9,640

Although we believe that we have established our ALL in accordance with GAAP and that the ALL was adequate to provide for known and inherent losses in the portfolio at all times shown above, future provisions for loan losses will be subject to ongoing evaluations of the risks in our loan portfolio.

The following table shows the allocation of the ALL among loan categories and certain other information as of the dates indicated. The ALL related to Strategic Programs constitutes 59.7% and 66.5% of the total ALL while comprising 27.4% and 32.3% of total loans as of September 30, 2022 and December 31, 2021, respectively. This reflects the increased credit risks associated with certain retained Strategic Program loans.

	September 30, 2022			
($ in thousands)	Amount	Total Loans	% of Total Allowance	% of Loans in Category of Total Loans
SBA	$ 3,809	$ 127,455	31.8%	49.6%
Commercial, non real estate	464	12,970	3.9%	5.1%
Residential real estate	453	34,501	3.8%	13.4%
Strategic Program loans	7,147	70,290	59.7%	27.4%
Commercial real estate	29	6,149	0.2%	2.4%
Consumer	66	5,455	0.6%	2.1%
Total	$ 11,968	$ 256,820	100.0%	100.0%

	December 31, 2021			
($ in thousands)	Amount	Total Loans	% of Total Allowance	% of Loans in Category of Total Loans
SBA	$ 2,739	$ 142,392	27.8%	53.6%
Commercial, non real estate	132	3,428	1.3%	1.3%
Residential real estate	352	27,108	3.6%	10.2%
Strategic Program loans	6,549	85,850	66.5%	32.3%
Commercial real estate	21	2,436	0.2%	0.9%
Consumer	62	4,574	0.6%	1.7%
Total	$ 9,855	$ 265,788	100.0%	100.0%

The following tables reflect the ratio of the ALL to nonperforming loan balances and net charge-offs to average loans outstanding by loan category, for the periods presented. Due primarily to the normalization of credit losses to pre-pandemic market conditions, the ratio of net charge-offs to average loans outstanding was generally higher for loan categories in the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. The increase in the ratio for Strategic Programs loans and Consumer loans was primarily due to increases in net charge-offs in the three months ended September 30, 2022. The increase in the ratio for SBA loans in the three months ended September 30, 2022 was primarily due to the charge-off of loans previously carried as classified assets. Due primarily to the normalization of credit losses to pre-pandemic market conditions, the ratio of net charge-offs to average loans outstanding was generally higher for loan categories in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. The increase in the ratio for Strategic Programs loans was primarily due to increases in net charge-offs in the nine months ended September 30, 2022 and the increase in the ratio for SBA loans was primarily due to the charge-off of loans previously carried as classified assets in the nine months ended September 30, 2022.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net charge-offs to average loans outstanding by loan category				
SBA	0.8%	(0.1%)	0.3%	0.0%
Commercial, non-real estate	0.0%	(1.1%)	0.0%	(1.0%)
Residential real estate	0.0%	0.0%	0.0%	0.0%
Strategic Program loans	14.4%	4.8%	10.4%	4.5%
Commercial real estate	0.0%	0.0%	0.0%	0.0%
Consumer	0.3%	0.0%	0.1%	0.1%

	As of	
	September 30, 2022	December 31, 2021
ALL to nonperforming loans	NA	1,499.1%

Interest-Bearing Deposits in Other Banks

Our interest-bearing deposits in other banks increased to $92.1 million at September 30, 2022 from $85.3 million at December 31, 2021, an increase of $6.8 million, or 7.9%. This increase was primarily due to a decrease in held-for-sale loan balances. Interest-bearing deposits in other banks have generally been the primary repository of the liquidity we use to fund our operations. Aside from minimal balances held with our correspondent banks, the majority of our interest-bearing deposits in other banks was held directly with the Federal Reserve.

Securities

We use our securities portfolio to provide a source of liquidity, provide an appropriate return on funds invested, manage interest rate risk, meet collateral requirements and meet regulatory capital requirements.

We classify investment securities as either held-to-maturity or available-for-sale based on our intentions and the Company's ability to hold such securities until maturity. In determining such classifications, securities that we have the positive intent and the ability to hold until maturity are classified as held-to-maturity and carried at amortized cost. All other securities are designated as available-for-sale and carried at estimated fair value with unrealized gains and losses included in shareholders' equity on an after-tax basis. For the year presented, all securities were classified as held-to-maturity.

The following tables summarize the contractual maturities and weighted average yields of investment securities at September 30, 2022, and the amortized cost of those securities as of the indicated dates.

	At September 30, 2022			
	One Year or Less		After One to Five Years	
($ in thousands)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
Mortgage-backed securities	$ —	—	$ —	—

	At September 30, 2022				
	After Five to Ten Years Weighted		After Ten Years Weighted		
($ in thousands)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Total Amortized Cost
Mortgage-backed securities	$ 3,205	3.1%	$ 10,720	2.5%	$ 13,925

The weighted average yield of investment securities is the sum of all interest that the investments generate, divided by the sum of the book value.

There were no calls, sales or maturities of securities during the nine months ended September 30, 2022 and September 30, 2021.

At September 30, 2022, there were seventeen securities, consisting of seven collateralized mortgage obligations and ten mortgage-backed securities. All of these securities were in an unrealized loss position as of September 30, 2022. There were nine securities in an unrealized loss position as of December 31, 2021.

Deposits

Deposits are the major source of funding for the Company, with the exception of the Company's participation in the PPPLF, which added a significant amount of funding in 2020 (see discussion below in *Liquidity and Capital Resources – Liquidity Management*). We offer a variety of deposit products including interest and noninterest bearing demand accounts, HSA demand deposits sourced through Lively, Inc., money market and savings accounts and certificates of deposit, all of which we market at competitive pricing. We generate deposits from our customers on a relationship basis and through access to national Institutional and brokered deposit sources. We also generate deposits in relation to our Strategic Programs in the form of reserve accounts as discussed above. These deposits add an element of flexibility in that they tend to increase or decrease in relation to the size of or Strategic Program loan portfolio. In addition to the reserve account, some Strategic Program loan originators maintain operating deposit accounts with us.

The following table presents the end of period and average balances and for the periods indicated (average balances have been calculated using daily averages):

($ in thousands)	September 30, 2022 Total	September 30, 2022 Percent	December 31, 2021 Total	December 31, 2021 Percent
Period end:				
Noninterest-bearing demand deposits	$ 97,654	42.0%	$ 110,548	43.9%
Interest-bearing deposits:				
Demand	55,152	23.6%	5,399	2.1%
Savings	7,252	3.1%	6,685	2.7%
Money markets	12,281	5.3%	31,076	12.3%
Time certificates of deposit	60,499	26.0%	98,184	39.0%
Total period end deposits	$ 232,838	100.0%	$ 251,892	100.0%

	Three Months Ended								
	September 30, 2022			December 31, 2021			September 30, 2021		
($ in thousands)	Total	Weighted Average rate paid	Percent of total	Total	Weighted Average rate paid	Percent of total	Total	Weighted Average rate paid	Percent of total
Average:									
Noninterest-bearing demand deposits	$ 102,575	0.00%	49.6%	$ 127,590	0.00%	46.3%	$ 107,342	0.00%	48.9%
Interest-bearing deposits:									
Demand	11,857	3.81%	5.7%	7,411	0.81%	2.7%	5,007	0.88%	2.3%
Savings	7,514	0.05%	3.6%	7,573	0.05%	2.7%	8,818	0.14%	4.0%
Money market	20,615	0.56%	9.9%	28,859	0.29%	10.5%	22,274	0.38%	10.1%
Time certificates of deposit	64,789	0.99%	31.2%	104,134	0.93%	37.8%	76,127	1.24%	34.7%
Total average deposits	$ 207,350	0.58%	100.0%	$ 275,567	0.40%	100.0%	$ 219,568	0.49%	100.0%

	Nine Months Ended					
	September 30, 2022			September 30, 2021		
($ in thousands)	Total	Weighted average rate paid	Percent of total	Total	Weighted average rate paid	Percent of total
Average:						
Noninterest-bearing demand deposits	$ 120,102	0.00%	49.7%	$ 100,704	0.00%	51.5%
Interest-bearing deposits:						
Demand	8,616	2.40%	3.6%	5,604	0.90%	2.9%
Savings	7,211	0.06%	3.0%	8,006	0.15%	4.1%
Money market	29,742	0.32%	12.3%	19,641	0.37%	10.0%
Time certificates of deposit	75,836	1.02%	31.4%	61,587	1.64%	31.5%
Total average deposits	$ 241,507	0.45%	100.0%	$ 195,542	0.59%	100.0%

Our deposits decreased to $232.8 million at September 30, 2022 from $251.9 million at December 31, 2021, a decrease of $19.1 million, or 7.6%. This decrease was primarily due to the decline in our Strategic Program loan program. Our Interest-bearing demand deposits increased to $55.2 million at September 30, 2022 from $5.4 million at December 31, 2021, an increase of $49.8 million, or 921.5%. This increase was primarily due to new HSA deposits from Lively, Inc.

As an FDIC-insured institution, our deposits are insured up to applicable limits by the DIF of the FDIC. The Dodd-Frank Act raised the limit for federal deposit insurance to $250,000 for most deposit accounts and increased the cash limit of Securities Investor Protection Corporation protection from $100,000 to $250,000. Our total uninsured deposits were $129.3 million and $163.7 million as of September 30, 2022 and December 31, 2021, respectively. The maturity profile of our uninsured time deposits, those amounts that exceed the FDIC insurance limit, at September 30, 2022 is as follows:

	September 30, 2022				
($ in thousands)	Three months or less	More than three months to six months	More than six months to twelve months	More than twelve months	Total
Time deposits, uninsured	$ 129	$ —	$ 551	$ 1,154	$ 1,834

Liquidity and Capital Resources

Liquidity Management

Liquidity management is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, the sale of loans, repayment of loans and net profits. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows, loan prepayments, loan sales and security sales are greatly influenced by general interest rates, economic conditions, and competition.

On November 23, 2021, we completed our IPO at a price of $10.50 per share. We raised approximately $36.1 million in net proceeds after deducting underwriting discounts and commissions of approximately $3.0 million and certain estimated offering expenses payable by us of approximately of $3.2 million. The net proceeds less $0.5 million in other related expenses, including legal fees totaled $35.6 million.

On August 18, 2022, the Company announced that the Board has authorized, effective August 16, 2022, a common stock repurchase program to purchase up to 644,241 shares of the Company's common stock in the aggregate. The repurchase program expires on August 31, 2024, but may be limited or terminated at any time without prior notice. The repurchase program does not obligate the Company to purchase any particular number of shares. The Company has repurchased 20,000 shares for approximately $0.2 million as of September 30, 2022 and retired them at cost.

Our primary source of funds to originate new loans (other than the PPPLF program used to fund PPP loans in 2020) is derived from deposits. Deposits are comprised of core and noncore deposits. We use brokered deposits and a rate listing service to advertise rates to banks, credit unions, and other institutional entities. We designate deposits obtained from this source as Institutional Deposits. To date, depositors of brokered and Institutional Deposits have been willing to place deposits with us at rates near the middle of the market. To attract deposits from local and nationwide consumer and commercial markets, we historically paid rates at the higher end of the market, which we have been able to pay due to our high margin and technology oriented business model. We utilize rate listing services and website advertising to attract deposits from consumer and commercial sources.

We regularly evaluate new, core deposit products and in 2022, we launched an HSA deposit product sourced through Lively, Inc. We intend to have various term offerings to match our funding needs. With no current plans to expand our brick-and-mortar branch network, online and mobile banking offers a means to meet customer needs and better efficiency through technology compared to traditional branch networks. We believe that the rise of mobile and online banking provides us the opportunity to further leverage the technological competency we have demonstrated in recent years.

We regularly adjust our investment in liquid assets based upon our assessment of (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest-earning deposits and securities and (4) the objectives of our asset/liability management, funds management and liquidity policies. The objective of the liquidity policy is to reduce the risk to our earnings and capital arising from the inability to meet obligations in a timely manner. This entails ensuring sufficient funds are available at a reasonable cost to meet potential demands from both fund providers and borrowers. Liquid assets, defined as cash and due from banks and interest bearing deposits, were 24.0% of total assets at September 30, 2022.

We primarily utilize short-term and long-term borrowings to supplement deposits to fund our lending and investment activities, each of which is discussed below. At September 30, 2022, we had the ability to access $10.1 million from the Federal Reserve Bank's Discount Window on a collateralized basis. Through Zions Bank, the Bank had an available unsecured line available of $1.0 million. The Bank had an available unsecured line of credit with Bankers' Bank of the West to borrow up to $1.05 million in overnight funds. We also maintain a $3.2 million line of credit with Federal Home Loan Bank, secured by specific pledged loans. We had no outstanding balances on such unsecured or secured lines of credit as of September 30, 2022. In long term borrowings, we had $0.3 million outstanding at September 30, 2022 related to the PPPLF. The PPPLF is secured by pledged PPP loans.

Our most liquid assets are cash and cash equivalents. The levels of these assets depend on our operating, financing, lending and investing activities during any given period. At September 30, 2022, liquid assets (defined as cash and due from banks and interest bearing deposits), consisting of cash and due from banks, totaled $92.5 million. We believe that our liquid assets combined with the available lines of credit provide adequate liquidity to meet our current financial obligations for at least the next 12 months.

Capital Resources

Shareholders' equity increased $18.9 million to $134.3 million at September 30, 2022 compared to $115.4 million at December 31, 2021. The increase in shareholders' equity was primarily attributable to net income recognized of $18.6 million. Stock options exercised, and stock-based compensation increased additional paid-in capital aggregately by approximately $0.5 million while the repurchase of common stock reduced additional paid-in capital by approximately $0.2 million.

We use several indicators of capital strength. The most commonly used measure is average common equity to average assets, which was 35.2% and 20.7% for the three months ended September 30, 2022 and 2021, respectively. Average common equity to average assets was 32.6% and 17.5% for the nine months ended September 30, 2022 and 2021, respectively.

Our return on average equity was 11.0% and 52.2% for the three months ended September 30, 2022 and 2021, respectively. Our return on average assets was 3.9% and 10.8% for the three months ended September 30, 2022 and 2021, respectively. Our return on average equity was 19.8% and 49.8% for the nine months ended September 30, 2022 and 2021, respectively. Our return on average assets was 6.5% and 8.7% for the nine months ended September 30, 2022 and 2021, respectively.

We seek to maintain adequate capital to support anticipated asset growth, operating needs and unexpected risks, and to ensure that we are in compliance with all current and anticipated regulatory capital guidelines. Our primary sources of new capital include retained earnings and proceeds from the sale and issuance of capital stock or other securities. Expected future use or activities for which capital may be set aside include balance sheet growth and associated relative increases in market or credit exposure, investment activity, potential product and business expansions, acquisitions and strategic or infrastructure investments.

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

Under the prompt corrective action rules, an institution is deemed "well capitalized" if its Tier 1 leverage ratio, Common Equity Tier 1 ratio, Tier 1 Capital ratio, and Total Capital ratio meet or exceed 5%, 6.5%, 8%, and 10%, respectively. On September 17, 2019, the federal banking agencies jointly finalized a rule intending to simplify the regulatory capital requirements described above for qualifying community banking organizations that opt into the Community Bank Leverage Ratio framework, as required by Section 201 of the Regulatory Relief Act. The Bank has elected to opt into the Community Bank Leverage Ratio framework starting in 2020. Under these new capital requirements, as temporarily amended by Section 4012 of the CARES Act, the Bank must maintain a leverage ratio greater than 8.5% for 2021 and 9.0% for 2022.

As of September 30, 2022 and December 31, 2021, the most recent notification from the FDIC categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action (there are no conditions or events since that notification we believe have changed the Bank's category). The following table sets forth the actual capital amounts and ratios for the Bank and the amount of capital required to be categorized as well-capitalized as of the dates indicated.

The following table presents the regulatory capital ratios for the Bank as of the dates indicated:

	September 30,	**December 31,**	**2022**	**2021**
Capital Ratios	**2022**	**2021**	**Well-Capitalized Requirement**	**Well-Capitalized Requirement**
Leverage Ratio (under CBLR)	24.9%	17.7%	9.0%[(1)]	8.5%[(1)]

(1) The Well-Capitalized Requirement for years 2022 and 2021 were 9.0% and 8.5%, respectively.

Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. While our liquidity monitoring and management consider both present and future demands for and sources of liquidity, the following table of contractual commitments focuses only on future obligations and summarizes our contractual obligations as of September 30, 2022.

($ in thousands)	Total	Less than One Year	One to Three Years	Three to Five Years	More Than Five Years
Contractual Obligations					
Deposits without stated maturity	$ 152,806	$ 152,806	$ —	$ —	$ —
Time deposits	60,499	22,359	27,107	11,033	—
Long term borrowings[(1)]	345	—	345	—	—
Operating lease obligations	7,776	834	2,196	2,253	2,493
Total	$ 221,426	$ 175,999	$ 29,648	$ 13,286	$ 2,493

(1) Balances in this category pertain to the PPPLF and are fully-collateralized with PPP loans

Off-Balance Sheet Items

In the normal course of business, we enter into various transactions, which, in accordance with GAAP, are not included in our consolidated statements of financial condition. We enter into these transactions to meet the financing needs of our customers. These transactions include commitments to extend credit, which involves, to varying degrees, elements of credit risk and interest rate risk exceeding the amounts recognized in our consolidated statements of financial condition. Our exposure to credit loss is represented by the contractual amounts of these commitments. The same credit policies and procedures are used in making these commitments as for on-balance sheet instruments. We are not aware of any accounting loss to be incurred by funding these commitments; if required, we would maintain an allowance for off-balance sheet credit risk which would be recorded in other liabilities on the consolidated balance sheets.

Our commitments to extend credit as of the dates indicated are summarized below. Since commitments associated with commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

($ in thousands)	As of September 30, 2022	As of December 31, 2021
Revolving, open-end lines of credit	$ 1,747	$ 1,259
Commercial real estate	19,563	15,402
Other unused commitments	397	377
Total commitments	$ 21,707	$ 17,038

Critical Accounting Policies and Estimates

The accompanying management's discussion and analysis of results of operations and financial condition is based upon our unaudited interim consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under current circumstances, results of which form the basis for making judgments about the carrying value of certain assets and liabilities that are not readily available from other sources. We evaluate our estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes during the nine months ended September 30, 2022 to the items that we disclosed as our critical accounting policies and estimates in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2021 Form 10-K.

Accounting policies, as described in detail in the notes to our consolidated financial statements, included in the 2021 Form 10-K, are an integral part of our financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial position. We believe that those critical accounting policies and estimates require us to make difficult, subjective or complex judgments about matters that are inherently uncertain. Changes in these estimates, which are likely to occur from period to period, or use of different estimates that we could have reasonably used in the current period, would have a material impact on our financial position, results of operations or liquidity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Under the filer category of "smaller reporting company," as defined in Rule 12b-2 of the Exchange Act, the Company is not required to provide information requested by Part I, Item 3 of this Report.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this Report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to our management, including our Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this Report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II

Item 1. Legal Proceedings

We are not currently subject to any material legal proceedings. We are from time to time subject to claims and litigation arising in the ordinary course of business. These claims and litigation may include, among other things, allegations of violation of banking and other applicable regulations, competition law, labor laws and consumer protection laws, as well as claims or litigation relating to intellectual property, securities, breach of contract and tort. We intend to defend ourselves vigorously against any pending or future claims and litigation.

In the current opinion of management, the likelihood is remote that the impact of such ordinary course proceedings, either individually or in the aggregate, would have a material adverse effect on our results of operations, financial condition or cash flows. However, one or more unfavorable outcomes in any claim or litigation against us could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or their ultimate outcomes, such matters are costly, divert management's attention and may materially adversely affect our reputation, even if resolved in our favor.

Item 1A. Risk Factors

This section supplements and updates certain of the information found under Part I, Item 1A. "Risk Factors" of the 2021 Form 10-K and Part II, Item 1A. "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (the "First Quarter Form 10-Q") based on information currently known to us and recent developments since the date of the 2021 Form 10-K filing. The information included in the "Risk Factors" sections of the First Quarter Form 10-Q are incorporated by reference herein. The risks and uncertainties that we face are not limited to those set forth in the 2021 Form 10-K, as supplemented and updated in the First Quarter Form 10-Q. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business and the trading price of our securities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of the Company’s stock during the third quarter of 2022.

During the three months ended September 30, 2022, we repurchased 20,000 shares of our common stock for $0.2 million (average per share purchase price of $10.66) pursuant to our common stock repurchase program.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1, 2022 - July 31, 2022	—	—	—	—
August 1, 2022 - August 31, 2022	—	—	—	644,241
September 1, 2022 - September 30, 2022	20,000	$10.66	20,000	624,241
Total	20,000	$10.66	20,000	624,241

(1) On August 18, 2022, the Company announced that the Board has authorized, effective August 16, 2022, a common stock repurchase program to purchase up to 644,241 shares of the Company’s common stock in the aggregate. The repurchase program expires on August 31, 2024, but may be limited or terminated at any time without prior notice. The repurchase program authorizes the repurchase by the Company of its common stock in open market transactions, including pursuant to a trading plan in accordance with Rule 10b-18 promulgated under the Exchange Act or privately negotiated transactions. The authorization permits management to repurchase shares of the Company’s common stock from time to time at management’s discretion. Repurchases may also be made pursuant to a trading plan under Rule 10b5-1 under the Exchange Act, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions. The actual means and timing of any shares purchased under the program will depend on a variety of factors, including the market price of the Company’s common stock, general market and economic conditions, and applicable legal and regulatory requirements. The repurchase program does not obligate the Company to purchase any particular number of shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits.

Number	Description
3.1	Fourth Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 30, 2021 (File No. 333-257929)).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 30, 2021 (File No. 333-257929)).
4.1	Specimen common stock certificate (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 15, 2021 (File No. 333-257929)).
10.1*	Secured Promissory Note, dated as of August 6, 2021, by Alan Weichselbum in favor of FinWise Bancorp.
10.2*	Security Agreement, dated as of August 6, 2021, by and between Alan Weichselbaum and FinWise Bancorp.
10.3*	Secured Promissory Note, dated as of June 1, 2022, by Alan Weichselbum in favor of FinWise Bancorp.
10.4*	Security Agreement, dated as of June 1, 2022, by and between Alan Weichselbaum and FinWise Bancorp.
31.1*	Rule 13a-14(a) Certification of the Principal Executive Officer.
31.2*	Rule 13a-14(a) Certification of the Principal Financial Officer.
32.1*	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document in Exhibit 101).

* Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	FinWise Bancorp	
Date: November 14, 2022	By:	**/s/ Kent Landvatter**
		Kent Landvatter
		President, Chief Executive Officer and Director
		(Principal Executive Officer)
Date: November 14, 2022	By:	**/s/ Javvis Jacobson**
		Javvis Jacobson
		Executive Vice President and Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 10.1

SECURED PROMISSORY NOTE

$143,410

Salt Lake City, Utah
Effective as of August 6, 2021

FOR VALUE RECEIVED, Alan Weichselbaum (“Shareholder”), promises to pay to FinWise Bancorp, a Utah corporation (“Bancorp”), or its order, at 764 E. Winchester St., Suite 100, Murray, UT 84121 or at such other place as the Bancorp may from time to time designate in writing, the sum of One Hundred Forty Three Thousand Four Hundred Ten ($143,410), in lawful money of the United States, plus interest calculated as set forth below (the “Loan”):

1. Payment. Shareholder promises to pay to Bancorp or its order, in lawful money of the United States of America, the principal sum of $143,410, together with interest on the unpaid balance as set forth below.

2. Interest. Interest shall accrue on the Note at the rate of 3% per annum. Interest will be calculated for the actual number of days the principal is outstanding and based on a three hundred sixty-five (365) day year.

3. Balloon Payment. Shareholder will make a single payment of principal and interest on June 1, 2022. Any and all payments hereunder shall be applied first and unpaid interest, and then to principal.

4. Security. This Note is secured by the Security Agreement delivered by Shareholder pursuant to which Shareholder has granted Bancorp a security interest in **30,000** shares of stock of the Bancorp (the “Security Agreement”). This Note and the Security Agreement are defined herein as the “Loan Documents.”

5. Maturity Date. Absent the occurrence of an Event of Default hereunder and the acceleration thereafter by Bancorp, the principal and interest and all other amounts payable by Shareholder under the terms of the Loan Documents, shall be due and payable in full on or before June 1, 2022 (the “Maturity Date”). If the Maturity Date should fall (whether by acceleration or otherwise) on a day that is not a business day, payment of the outstanding amounts shall be made on the next succeeding business day.

6. Prepayment. Shareholder may prepay the Loan, in whole or in part, at any time without penalty or premium.

7. Application of Payments. Unless otherwise agreed to in writing, or otherwise required by applicable law, payments will be applied first, to costs of collection incurred after an Event of Default, including reasonable attorney's fees; second, to payments made by Bancorp after an Event of Default to preserve any collateral securing this Note; third, to any accrued interest; if any, and fourth, to the principal amount. All payments due hereunder shall be made (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, all of which amounts shall be paid by the Shareholder, and (ii) without any other set off.

8. Event of Default. The occurrence of any of the following shall be deemed to be an event of default (“Event of Default”) hereunder:

(a) Failure by Shareholder to pay any monetary amount within thirty (30) days of its due date;

(b) Failure by Shareholder to perform any other obligation under this Note, and failure to cure such default within thirty (30) days after written notice from Bancorp;

(c) The occurrence of a default or an event of default as defined in any of the Loan Documents;

(d) A bankruptcy petition is filed made by Shareholder or a bankruptcy filing is made against Shareholder and such involuntary petition is not dismissed with sixty (60) days.

9. Remedies. Upon the occurrence of an Event of Default, and after any applicable notice period, at the option of the Bancorp, the entire principal amount of this Note together with all accrued interest thereon, if any, and all other amounts payable by Shareholder under the Loan Documents shall, without demand or notice, immediately become due and payable. Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), theentire principal amount of this Note, together with all accrued interest thereon, if any, all other amounts due, and any judgment for the principal, interest, if any, and other amounts shall bear interest at the rate of 15% per annum. No delay or omission on the part of the Bancorp in exercising any right under this Note shall operate as a waiver of such right.

10. Waiver. Shareholder hereby waives diligence, demand for payment, presentment for payment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and notice of nonpayment, and all other notices or demands of any kind (except notices specifically provided for in the Loan Documents) and expressly agrees that, without in any way affecting the liability of Shareholder, the Bancorp may extend any maturity date or the time for payment of any installment due hereunder, accept additional security, and release any security or guaranty.

11. Change, Discharge, Termination, or Waiver. No provision of this Note may be changed, discharged, terminated, or waived except in a writing signed by the party against whom enforcement of the change, discharge, termination, or waiver is sought. No failure on the part of the Bancorp to exercise and no delay by the Bancorp in exercising any right or remedy under this Note or under the law shall operate as a waiver thereof.

12. Attorney’s Fees. If any Event of Default occurs, Shareholder promises to pay all costs of enforcement and collection and preparation therefor, including but not limited to, reasonable attorneys’ fees, whether or not any action or proceeding is brought to enforce the provisions hereof (including, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings, whether at the trial or appellate level) or with regard to any arbitration proceeding.

13. Choice of Law. This note shall be governed by and construed in accordance with the laws of the state of Utah without giving effect to conflict of laws principles.

14. Time of the Essence. Time is of the essence with regard to each provision of the Loan Documents as to which time is a factor.

IN WITNESS WHEREOF, Shareholder has executed and delivered this Note as of the day and year first above written.

/s/ Alan Weichselbaum

Alan Weichselbaum

Exhibit 10.2

SECURITY AGREEMENT

This Security Agreement (this "Security Agreement") is entered into effective as of August 6, 2021 (the “Effective Date”), by and between Alan Weichselbaum (the "Shareholder"), and FinWise Bancorp, a Utah corporation (“Secured Party”).

R E C I T A L S

WHEREAS, Secured Party has agreed to loan the Shareholder $143,410 so that Shareholder can exercise options to purchase 30,000 shares (5,000 shares prior to the July 26, 2021 forward stock split) of stock in FinWise Bancorp, a Utah corporation, (the “Shares”); and

WHEREAS, in order to induce Secured Party to extend the credit by the Note, Shareholder agreed to enter into this Security Agreement and to grant to Secured Party a security interest in the Collateral described below.

A G R E E M E N T

NOW THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Shareholder and Secured Party hereby agree as follows:

1. Definitions and Interpretation. When used in this Security Agreement, the following terms have the following respective meanings:

“*Collateral*” shall mean all of Shareholder’s right, title and interest in and to the Shares.

“*Lien*” shall mean, with respect to the Collateral, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or the income therefrom.

“*Obligations*” means all obligations arising or owed by Shareholder to Secured Party or its affiliates under the Note or this Security Agreement.

“*Person*” shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

“*Shares*” shall have the meaning set forth in the recitals.

“*UCC*” means the Uniform Commercial Code as in effect in the State of Utah from time to time.

Unless otherwise defined herein, all terms defined in the UCC have the respective meanings given to those terms in the UCC.

2. Grant of Security Interest

(a) As security for the Obligations, Shareholder hereby pledges and grants to Secured Party a security interest in all right, title and interests of Shareholder in and to the Collateral, provided, however, that unless or until there is a default on the Note or this Agreement, any and all distributions and other amounts payable on the Collateral shall be paid to the holder or registered owner of the Collateral. Notwithstanding the foregoing, Shareholder hereby irrevocably assigns and directs that following a default on the Note or this Agreement that all distributions and other amounts payable with respect to the Collateral be paid directly to Secured Party.

(b) Shareholder hereby irrevocably agrees to deliver any and all certificates representing the Shares to the Secured Party together with a Stock Power executed in blank to transfer the Shares to Secured Party.

(c) Shareholder hereby agrees to execute a Stock Power in "blank" and deliver the same to Secured Party to be held by Secured Party pending payment of the Note. Shareholder hereby irrevocably authorizes the Secured Party, to hold all of the certificate or certificates representing the shares pending repayment of the

(d) Shareholder hereby irrevocably authorizes the Secured Party, to the extent that the Secured Party deems it necessary or advisable, to file in any filing office in any UCC jurisdiction any initial financing statements and amendments thereto that identifies the Collateral and provides any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment.

3. General Representations and Warranties. Shareholder represents and warrants to Secured Party that (i) Shareholder is the owner of the Collateral and that no other Person has any right, title, claim or interest (by way of lien or otherwise) in, against or to the Collateral; and (ii) upon execution of this Security Agreement and delivery of the certificate representing the Shares, Secured Party will have a perfected security interest in and to the Collateral.

4. Covenants Relating to Collateral. Shareholder hereby agrees (i) to perform all acts that may be necessary to maintain, preserve, protect and perfect the Collateral, the Lien granted to Secured Party therein and the perfection and priority of such Lien; (ii) to pay promptly when due all taxes and other governmental charges, all Liens and all other charges now or hereafter imposed upon or affecting any Collateral; (iii) to procure, execute and deliver from time to time any endorsements, assignments, financing statements and other writings reasonably deemed necessary or appropriate by Secured Party to maintain and protect its Lien hereunder and the priority thereof and to deliver promptly upon the request of the Secured Party all originals of Collateral consisting of instruments; (iv) to appear in and defend any action or proceeding which may affect its title to or Secured Party's interest in the Collateral; and (v) not to surrender or lose possession of (other than to Secured Party), sell, encumber, lease or otherwise dispose of or transfer any Collateral or right or interest therein, and to keep the Collateral free of all Liens.

5. Litigation and Other Proceedings. Upon the occurrence and during the continuation of an event of default, Secured Party shall have the right but not the obligation to bring suit or institute proceedings in the name of Shareholder or Secured Party to enforce any rights in the Collateral, in which event Shareholder shall at the request of Secured Party do any and all lawful acts and execute any and all documents reasonably required by Secured Party in aid of such enforcement.

6. Default and Remedies.

(a) Default. Shareholder shall be deemed in default under this Security Agreement upon the occurrence and during the continuance of a default or breach of any of Shareholder's obligations arising under the terms of the Note, or this Security Agreement.

(b) Remedies. Upon the occurrence and during the continuance of any event of default, Secured Party shall have the rights of a secured creditor under the UCC and all rights granted by this Security Agreement and by law. Following a default, the Secured Party shall have the right to repossess the number of shares equal to the following formula:

$$\frac{\text{Balance Due}}{\text{Per Share FMV}}$$

For purposes of this paragraph, if Secured Party's shares are traded on a national stock exchange, "Per Share FMV" shall mean the price per shares of the Secured Party's common stock on such national exchange as of the close of business on the day of repossession. If Secured Party's common stock is not traded on a national stock exchange, then "Per Share FMV" shall mean the book value of a single share of stock on the date of repossession as determined by Secured Party's Board of Directors in its sole subjective discretion in accordance with past practice. "Balance Due" shall mean the total amount due under the Note and this Agreement at the time of repossession. Fractional amounts shall be rounded up to the next whole share even if closer to the lesser number of shares.

7. Miscellaneous.

(a) Notices. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Shareholder or Secured Party under this Security Agreement shall be in writing and faxed, mailed or delivered to each party to the facsimile number or the address set forth in the signature page hereof.

(b) Nonwaiver. No failure or delay on the part of Secured Party in exercising any of its rights hereunder will operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right.

(c) Amendments and Waivers. This Security Agreement may not be amended or modified, nor may any of its terms be waived, except by written instruments signed by Shareholder and Secured Party. Each waiver or consent under any provision hereof shall be effective only in the specific instances for the purpose for which given.

(d) Assignments. This Security Agreement shall be binding upon and inure to the benefit of Secured Party and Shareholder and their respective successors and assigns; provided, however, that Shareholder may not sell, assign or delegate rights and obligations hereunder without the prior written consent of Secured Party.

(e) Cumulative Rights, etc. The rights, powers and remedies of Secured Party under this Security Agreement shall be in addition to all rights, powers and remedies given to Secured Party by virtue of any applicable law, rule or regulation of any governmental authority and the Note, all of which rights, powers, and remedies will be cumulative and may be exercised successively or concurrently without impairing Secured Party's rights hereunder. Shareholder waives any right to require Secured Party to proceed against any person or entity or to exhaust any Collateral or to pursue any remedy in Secured Party's power.

(f) Payments Free of Taxes, Etc. All payments made by Shareholder under the Note will be made by Shareholder free and clear of and without deduction for any and all present and future taxes, levies, charges, deductions and withholdings.

(g) Partial Invalidity. If at any time any provision of this Security Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Security Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

(h) Construction. Each of this Security Agreement and the Note is the result of negotiations among, and has been reviewed by, Shareholder and Secured Party. Accordingly, this Security Agreement and the Note will be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against Shareholder or Secured Party.

(g) Entire Agreement. This Security Agreement and the Note constitute and contain the entire agreement of Shareholder and Secured Party and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(h) Governing Law. This Security Agreement shall be governed by and construed in accordance with the laws of the State of Utah without reference to conflicts of law rules.

(i) Counterparts. This Security Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall be deemed to constitute one instrument.

(j) Waiver of Right to Jury. In order to avoid delays and minimize expense Shareholder and Secured Party knowingly, voluntarily and intentionally waive any right to trial by jury in respect of any claim, demand, action or cause of action arising out of, under or in connection with this agreement or any related writing or any amendment thereto, whether now existing or hereinafter arising and whether sounding in contract or tort or otherwise, and each party hereby agrees and consents that any such claim, demand, action or cause of action shall be decided by a court trial without a jury, and a copy of this agreement may be filed with any court as evidence of the consent of each of the parties hereto to the waiver of its right to trial by jury.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be executed as of the day and year first above written.

<u>SHAREHOLDER:</u>

/s/ Alan Weichselbaum
Alan Weichselbaum

Address: 50 Sealey Dr.
Lawrence, NY 11559

<u>SECURED PARTY:</u>

FinWise Bancorp

/s/ Kent Landvatter
By: Kent Landvatter
Its: CEO

Address: 764 E. Winchester St., Suite 100
Murray UT 84121

Exhibit 10.3

SECURED PROMISSORY NOTE

$143,410 | Murray, Utah
June 1, 2022

FOR VALUE RECEIVED, Alan Weichselbaum ("Shareholder"), promises to pay to FinWise Bancorp, a Utah corporation ("Bancorp"), or its order, at 756 E. Winchester St., Suite 100, Murray, Utah 84107, or at such other place as the Bancorp may from time to time designate in writing, the sum of One Hundred Forty Three Thousand Four Hundred Ten ($143,410), in lawful money of the United States, plus interest calculated as set forth below (the "Loan"):

1. Payment. Shareholder promises to pay to Bancorp or its order, in lawful money of the United States of America, the principal sum of $143,410, together with interest on the unpaid balance as set forth below.

2. Interest. Interest shall accrue on the Note at the rate of 4% per annum. Interest will be calculated for the actual number of days the principal is outstanding and based on a three hundred sixty-five (365) day year.

3. Balloon Payment. Shareholder will make a single payment of principal and interest on December 31, 2022. Any and all payments hereunder shall be applied first and unpaid interest, and then to principal.

4. Security. This Note is secured by the Security Agreement delivered by Shareholder pursuant to which Shareholder has granted Bancorp a security interest in 30,000 shares of stock of the Bancorp (the "Security Agreement"). This Note and the Security Agreement are defined herein as the "Loan Documents."

5. Maturity Date. Absent the occurrence of an Event of Default hereunder and the acceleration thereafter by Bancorp, the principal and interest and all other amounts payable by Shareholder under the terms of the Loan Documents, shall be due and payable in full on or before December 31, 2022 (the "Maturity Date"). If the Maturity Date should fall (whether by acceleration or otherwise) on a day that is not a business day, payment of the outstanding amounts shall be made on the next succeeding business day.

6. Prepayment. Shareholder may prepay the Loan, in whole or in part, at any time without penalty or premium.

7. Application of Payments. Unless otherwise agreed to in writing, or otherwise required by applicable law, payments will be applied first, to costs of collection incurred after an Event of Default, including reasonable attorney's fees; second, to payments made by Bancorp after an Event of Default to preserve any collateral securing this Note; third, to any accrued interest; if any, and fourth, to the principal amount. All payments due hereunder shall be made (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, all of which amounts shall be paid by the Shareholder, and (ii) without any other set off.

8. Event of Default. The occurrence of any of the following shall be deemed to be an event of default ("Event of Default") hereunder:

(a) Failure by Shareholder to pay any monetary amount within thirty (30) days of its due date;

(b) Failure by Shareholder to perform any other obligation under this Note, and failure to cure such default within thirty (30) days after written notice from Bancorp;

(c) The occurrence of a default or an event of default as defined in any of the Loan Documents;

(d) A bankruptcy petition is filed made by Shareholder or a bankruptcy filing is made against Shareholder and such involuntary petition is not dismissed with sixty (60) days.

9. Remedies. Upon the occurrence of an Event of Default, and after any applicable notice period, at the option of the Bancorp, the entire principal amount of this Note together with all accrued interest thereon, if any, and all other amounts payable by Shareholder under the Loan Documents shall, without demand or notice, immediately become due and payable. Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), the entire principal amount of this Note, together with all accrued interest thereon, if any, all other amounts due, and any judgment for the principal, interest, if any, and other amounts shall bear interest at the rate of 15% per annum. No delay or omission on the part of the Bancorp in exercising any right under this Note shall operate as a waiver of such right.

10. Waiver. Shareholder hereby waives diligence, demand for payment, presentment for payment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and notice of nonpayment, and all other notices or demands of any kind (except notices specifically provided for in the Loan Documents) and expressly agrees that, without in any way affecting the liability of Shareholder, the Bancorp may extend any maturity date or the time for payment of any installment due hereunder, accept additional security, and release any security or guaranty.

11. Change, Discharge, Termination, or Waiver. No provision of this Note may be changed, discharged, terminated, or waived except in a writing signed by the party against whom enforcement of the change, discharge, termination, or waiver is sought. No failure on the part of the Bancorp to exercise and no delay by the Bancorp in exercising any right or remedy under this Note or under the law shall operate as a waiver thereof.

12. Attorney's Fees. If any Event of Default occurs, Shareholder promises to pay all costs of enforcement and collection and preparation therefor, including but not limited to, reasonable attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof (including, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings, whether at the trial or appellate level) or with regard to any arbitration proceeding.

13. Choice of Law. This note shall be governed by and construed in accordance with the laws of the state of Utah without giving effect to conflict of laws principles.

14. Time of the Essence. Time is of the essence with regard to each provision of the Loan Documents as to which time is a factor.

IN WITNESS WHEREOF, Shareholder has executed and delivered this Note as of the day and year first above written.

/s/ Alan Weichselbaum

Alan Weichselbaum

Exhibit 10.4

SECURITY AGREEMENT

This Security Agreement (this "Security Agreement") is entered into effective as of June 1, 2022 (the "Effective Date"), by and between Alan Weichselbaum (the "Shareholder"), and FinWise Bancorp, a Utah corporation ("Secured Party").

R E C I T A L S

WHEREAS, Secured Party has previously agreed to loan the Shareholder $143,410 so that Shareholder could exercise options to purchase 30,000 shares (5,000 shares prior to the July 26, 2021 forward stock split) of stock in FinWise Bancorp, a Utah corporation, (the "Shares"); and

WHEREAS, in order to induce Secured Party to continue to extend the credit by a promissory note executed by Shareholder on even date herewith (the "Note"), Shareholder has agreed to enter into this Security Agreement and to grant to Secured Party a security interest in the Collateral described below.

A G R E E M E N T

NOW THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Shareholder and Secured Party hereby agree as follows:

1. Definitions and Interpretation. When used in this Security Agreement, the following terms have the following respective meanings:

"*Collateral*" shall mean all of Shareholder's right, title and interest in and to the Shares.

"*Lien*" shall mean, with respect to the Collateral, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or the income therefrom.

"*Obligations*" means all obligations arising or owed by Shareholder to Secured Party or its affiliates under the Note or this Security Agreement.

"*Person*" shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

"*Shares*" shall have the meaning set forth in the recitals.

"*UCC*" means the Uniform Commercial Code as in effect in the State of Utah from time to time.

Unless otherwise defined herein, all terms defined in the UCC have the respective meanings given to those terms in the UCC.

2. Grant of Security Interest

(a) As security for the Obligations, Shareholder hereby pledges and grants to Secured Party a security interest in all right, title and interests of Shareholder in and to the Collateral, provided, however, that unless or until there is a default on the Note or this Agreement, any and all distributions and other amounts payable on the Collateral shall be paid to the holder or registered owner of the Collateral. Notwithstanding the foregoing, Shareholder hereby irrevocably assigns and directs that following a default on the Note or this Agreement that all distributions and other amounts payable with respect to the Collateral be paid directly to Secured Party.

(b) Shareholder hereby irrevocably agrees to deliver any and all certificates representing the Shares to the Secured Party together with a Stock Power executed in blank to transfer the Shares to Secured Party.

(c) Shareholder hereby agrees to execute a Stock Power in "blank" and deliver the same to Secured Party to be held by Secured Party pending payment of the Note. Shareholder hereby irrevocably authorizes the Secured Party, to hold all of the certificate or certificates representing the shares pending repayment of the

(d) Shareholder hereby irrevocably authorizes the Secured Party, to the extent that the Secured Party deems it necessary or advisable, to file in any filing office in any UCC jurisdiction any initial financing statements and amendments thereto that identifies the Collateral and provides any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment.

3. General Representations and Warranties. Shareholder represents and warrants to Secured Party that (i) Shareholder is the owner of the Collateral and that no other Person has any right, title, claim or interest (by way of lien or otherwise) in, against or to the Collateral; and (ii) upon execution of this Security Agreement and delivery of the certificate representing the Shares, Secured Party will have a perfected security interest in and to the Collateral.

4. Covenants Relating to Collateral. Shareholder hereby agrees (i) to perform all acts that may be necessary to maintain, preserve, protect and perfect the Collateral, the Lien granted to Secured Party therein and the perfection and priority of such Lien; (ii) to pay promptly when due all taxes and other governmental charges, all Liens and all other charges now or hereafter imposed upon or affecting any Collateral; (iii) to procure, execute and deliver from time to time any endorsements, assignments, financing statements and other writings reasonably deemed necessary or appropriate by Secured Party to maintain and protect its Lien hereunder and the priority thereof and to deliver promptly upon the request of the Secured Party all originals of Collateral consisting of instruments; (iv) to appear in and defend any action or proceeding which may affect its title to or Secured Party's interest in the Collateral; and (v) not to surrender or lose possession of (other than to Secured Party), sell, encumber, lease or otherwise dispose of or transfer any Collateral or right or interest therein, and to keep the Collateral free of all Liens.

5. Litigation and Other Proceedings. Upon the occurrence and during the continuation of an event of default, Secured Party shall have the right but not the obligation to bring suit or institute proceedings in the name of Shareholder or Secured Party to enforce any rights in the Collateral, in which event Shareholder shall at the request of Secured Party do any and all lawful acts and execute any and all documents reasonably required by Secured Party in aid of such enforcement.

6. Default and Remedies.

(a) Default. Shareholder shall be deemed in default under this Security Agreement upon the occurrence and during the continuance of a default or breach of any of Shareholder's obligations arising under the terms of the Note, or this Security Agreement.

(b) Remedies. Upon the occurrence and during the continuance of any event of default, Secured Party shall have the rights of a secured creditor under the UCC and all rights granted by this Security Agreement and by law. Following a default, the Secured Party shall have the right to repossess the number of shares equal to the following formula:

$$\frac{\text{Balance Due}}{\text{Per Share FMV}}$$

For purposes of this paragraph, if Secured Party's shares are traded on a national stock exchange, "Per Share FMV" shall mean the price per shares of the Secured Party's common stock on such national exchange as of the close of business on the day of repossession. If Secured Party's common stock is not traded on a national stock exchange, then "Per Share FMV" shall mean the book value of a single share of stock on the date of repossession as determined by Secured Party's Board of Directors in its sole subjective discretion in accordance with past practice. "Balance Due" shall mean the total amount due under the Note and this Agreement at the time of repossession. Fractional amounts shall be rounded up to the next whole share even if closer to the lesser number of shares.

7. Miscellaneous.

(a) Notices. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Shareholder or Secured Party under this Security Agreement shall be in writing and faxed, mailed or delivered to each party to the facsimile number or the address set forth in the signature page hereof.

(b) Nonwaiver. No failure or delay on the part of Secured Party in exercising any of its rights hereunder will operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right.

(c) Amendments and Waivers. This Security Agreement may not be amended or modified, nor may any of its terms be waived, except by written instruments signed by Shareholder and Secured Party. Each waiver or consent under any provision hereof shall be effective only in the specific instances for the purpose for which given.

(d) Assignments. This Security Agreement shall be binding upon and inure to the benefit of Secured Party and Shareholder and their respective successors and assigns; provided, however, that Shareholder may not sell, assign or delegate rights and obligations hereunder without the prior written consent of Secured Party.

(e) Cumulative Rights, etc. The rights, powers and remedies of Secured Party under this Security Agreement shall be in addition to all rights, powers and remedies given to Secured Party by virtue of any applicable law, rule or regulation of any governmental authority and the Note, all of which rights, powers, and remedies will be cumulative and may be exercised successively or concurrently without impairing Secured Party's rights hereunder. Shareholder waives any right to require Secured Party to proceed against any person or entity or to exhaust any Collateral or to pursue any remedy in Secured Party's power.

(f) Payments Free of Taxes, Etc. All payments made by Shareholder under the Note will be made by Shareholder free and clear of and without deduction for any and all present and future taxes, levies, charges, deductions and withholdings.

(g) Partial Invalidity. If at any time any provision of this Security Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Security Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

(h) Construction. Each of this Security Agreement and the Note is the result of negotiations among, and has been reviewed by, Shareholder and Secured Party. Accordingly, this Security Agreement and the Note will be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against Shareholder or Secured Party.

(g) Entire Agreement. This Security Agreement and the Note constitute and contain the entire agreement of Shareholder and Secured Party and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(h) Governing Law. This Security Agreement shall be governed by and construed in accordance with the laws of the State of Utah without reference to conflicts of law rules.

(i) Counterparts. This Security Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall be deemed to constitute one instrument.

(j) Waiver of Right to Jury. In order to avoid delays and minimize expense Shareholder and Secured Party knowingly, voluntarily and intentionally waive any right to trial by jury in respect of any claim, demand, action or cause of action arising out of, under or in connection with this agreement or any related writing or any amendment thereto, whether now existing or hereinafter arising and whether sounding in contract or tort or otherwise, and each party hereby agrees and consents that any such claim, demand, action or cause of action shall be decided by a court trial without a jury, and a copy of this agreement may be filed with any court as evidence of the consent of each of the parties hereto to the waiver of its right to trial by jury.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be executed as of the day and year first above written.

SHAREHOLDER:

/s/ Alan Weichselbaum
Alan Weichselbaum

Address: 50 Sealey Dr.
Lawrence, NY 11559

SECURED PARTY:

FinWise Bancorp

/s/ Javvis Jacobson
By: Javvis Jacobson
Its: CFO

Address: 756 E. Winchester St., Suite 100
Murray UT 84107

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kent Landvatter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FinWise Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 14, 2022
/s/ Kent Landvatter

Kent Landvatter
President and Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Javvis Jacobson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FinWise Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022
/s/ Javvis Jacobson

Javvis Jacobson
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FinWise Bancorp (the “Company”) on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the undersigned’s best knowledge and belief:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification is being furnished solely pursuant to the requirements of 18 U.S.C. § 1350 and is not being filed as a part of the Report or as a separate disclosure document.

/s/ Kent Landvatter

Kent Landvatter
President and Chief Executive Officer

Date: November 14, 2022

/s/ Javvis Jacobson

Javvis Jacobson
Executive Vice President and Chief Financial Officer

Date: November 14, 2022