UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 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	**83-0356689**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

756 East Winchester, Suite 100, Murray, Utah	**84107**
(Address of Principal Executive Offices)	(Zip Code)

(801) 501-7200
(Registrant's Telephone Number, Including Area Code)

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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, a 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

The aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates of the Registrant on the last business day of the Registrant's most recently completed second fiscal quarter was $97.3 million. The Registrant had 12,824,572 shares of common stock, $0.001 par value, outstanding as of March 27, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2023 Annual Meeting of Stockholders, which will be filed subsequent to the date hereof, are incorporated by reference into Part III of this Form 10-K. Such proxy statement will be filed with the Securities and Exchange Commission not later than 120 days following the end of the registrant's fiscal year ended December 31, 2022.

FinWise Bancorp
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (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 Covid-19, including the severity and duration of associated economic impacts either nationally or in our market areas;

- 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 that are discussed in the section entitled "Risk Factors," beginning on page 22.

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. Business

In this Report, unless we state otherwise or the context otherwise requires, references to "we," "our," "us," "the Company" and "FinWise Bancorp" refer to FinWise Bancorp and its wholly owned subsidiaries, FinWise Bank (which we sometimes refer to as "FinWise Bank," "FinWise," "the Bank" or "our Bank,") and FinWise Investments, LLC. References to "common stock" refer to our voting common stock.

Overview

We are FinWise Bancorp, a Utah bank holding company headquartered in Murray, Utah. We operate through our wholly-owned subsidiary, FinWise Bank, a Utah state-chartered bank. We currently operate one full-service banking location in Sandy, Utah. We are a nationwide lender to consumers and small businesses. We believe that traditional barriers to servicing banking customers have been substantially lowered due to technological advances in the distribution and management of banking products and services. We seek to capitalize on these advances by leveraging strategic relationships, as well as proprietary loan origination systems and data analytics technology, to expand our reach in marketing channels utilized and credit products offered. As a technology-focused bank, we have utilized technology-oriented loan origination platforms in our Strategic Programs, SBA lending, and POS lending business lines. We have also deployed our own in-house technology to deliver loan and deposit solutions to our customers directly and through third parties.

The Company was formed in 2002 and acquired 100% of the stock of Utah Community Bank, a local community bank founded in 1999 focusing on real estate lending in and around the Salt Lake City, Utah MSA. While the Bank is our primary asset, we also have a 10% membership interest in BFG, a Connecticut limited liability company, a nationally significant referral source for SBA loans and a legal lending facilitator. As described below, we have a right of first refusal to purchase additional interests in BFG from any selling member along with an option to purchase all of the interests from the remaining members through January 1, 2028. See “Our Relationship with Business Funding Group.”

We originate, sell or hold loans in four main lending areas: (i) nationwide Strategic Programs, (ii) a multi-state SBA 7(a) lending program, (iii) residential and commercial real estate lending in and around the Salt Lake City, Utah MSA, and (iv) multi-state consumer lending primarily through our POS lending program. Except in the case of PPP loans, we have principally relied on core deposits, including Institutional Deposits, to fund our lending activities but also have used brokered deposits and borrowings when we deem appropriate. In September 2022, we launched a core deposit program sourced through Lively, Inc. a Health Savings Account (HSA) provider.

The Company completed its Initial Public Offering (“IPO”) of 4,025,000 shares of its common stock at a public offering price of $10.50 per share on November 23, 2021. The common stock is traded on the NASDAQ Global Market under the ticker symbol “FINW.” The IPO generated aggregate net proceeds to the Company of approximately $35.6 million after deducting underwriting discounts and offering expenses.

FinWise Bancorp serves as a registered bank holding company with respect to the Bank, subject to regulation and examination by the Utah Department of Financial Institutions (“UDFI”) and the Federal Reserve Board. FinWise Bancorp currently does not engage in any material business activity other than those relating to owning all of the capital stock of FinWise Bank.

Our Relationship with Business Funding Group

BFG is a nationally significant referral source of small business loans. Included in these loans are SBA loans to be funded by financial institutions and other SBA lenders. BFG works alongside a network of over 50 banks to refer business loans to small, independent businesses across various industries. Our relationship with BFG is an important component of our diversification strategy. Since the launch of our SBA lending program in 2014, BFG has been the primary source of SBA loan referrals for the Bank. In consideration of marketing and referral services provided to the Bank, BFG receives a fee for SBA loans referred to the Bank that are closed and funded by the Bank. The fees on each SBA loan referred to the Bank by BFG are determined on a loan-by-loan basis and based on the amount and terms of the principal SBA loan. The methodology for determining such fees has been substantially consistent since 2019. Such fees are disclosed on SBA Form 159 and filed with SBA for each funded loan.

Between March 2018 and July 2018, in exchange for cash proceeds, we sold 1,476,090 shares representing approximately 23.4% of our issued and outstanding common stock at the time of such sale to four individuals associated with BFG and one individual not associated with BFG pursuant to change in control applications filed with the Federal Reserve Bank and UDFI. The Federal Reserve Bank determined that these five individuals were acting in concert, but that the shares purchased by the five individuals were not attributable to BFG for purposes of the Bank Holding Company Act of 1956, as amended.

In December of 2019, we acquired directly from four of the five individuals who acquired our shares in 2018, a 10% ownership interest in BFG in exchange for 950,784 newly issued shares of our common stock, representing 10.9% of the Company's outstanding common stock at the time of purchase. The UDFI approved the acquisition of the additional shares of our common stock in the exchange by the four individuals and the Federal Reserve Bank did not object, provided that no individual owns more than 9.9% of our issued and outstanding common stock (as calculated in accordance with the rules and regulations of the Federal Reserve Bank).

To strengthen our relationship with BFG, we also negotiated a right of first refusal and an option to acquire 100% of BFG. Subject to the terms of that certain Right of First Refusal and Option Agreement, dated as of March 31, 2020, we were granted an option to acquire all of the ownership interests in BFG at any time from January 1, 2021, to January 1, 2028, at an earnings multiple of 10 to 15 times BFG's net profit based on the fiscal year ended immediately prior to the exercise of the option. In addition, we have a right of first refusal, prior to our exercise of our option, to acquire any ownership interests that any individual owner of BFG wishes to sell. As consideration for the right of first refusal and option, we issued warrants to each BFG member (other than the Company) with the right to acquire shares of our common stock on a pro rata basis according to each such person's percentage ownership in BFG, not exceeding an aggregate of 270,000 shares, at an exercise price of $6.67 per share. Unless otherwise exercised, the warrants will expire on March 31, 2028. Other than the Right of First Refusal and Option Agreement and the Standstill Agreement, there are no other agreements between us and BFG or among our respective shareholders.

BFG is not an affiliate of the Bank as defined under the Federal Reserve Act and Regulation W promulgated thereunder. Accordingly, we are not subject to restrictions imposed by Regulation W with respect to transactions with BFG, and we are not aware of any other regulatory restrictions on the business relationship between the Bank and BFG.

Lending Activities

Overview. We maintain a diversified loan portfolio in terms of the types of loan products it contains and customer characteristics, with a focus on individual consumers and small businesses.

The following table presents the composition of our total loan portfolio by lending program, as of December 31, 2022:

($ in thousands)	**Total Loans**	**% of Loans in Category of Total Loans**
SBA	$ 145,172	55.8%
Commercial, non-real estate	11,484	4.4%
Residential real estate	37,815	14.5%
Strategic Program loans	47,848	18.4%
Commercial real estate	12,063	4.7%
Consumer	5,808	2.2%
Total	$ 260,190	100.0%

Note: SBA loans in the table above include $0.6 million of PPP loans as of December 31, 2022.

SBA 7(a) Loans. Since 2014, we have utilized relationships with third parties (primarily BFG) to originate loans partially guaranteed by the SBA, to small businesses and professionals. Once originated, we will either retain the loans or sell the SBA-guaranteed portion (generally 75% of the principal balance) of the loans we originate at a premium in the secondary market while retaining all servicing rights and the unguaranteed portion. Loan terms generally range from 120 to 300 months and interest rates generally range from the prime rate plus 200 basis points to the prime rate plus 275 basis points, as adjusted quarterly. During the year ended December 31, 2022, we originated approximately $166.4 million in SBA 7(a) loans and held approximately $144.5 million of SBA 7(a) loans on our balance sheet as of December 31, 2022, excluding PPP loans, of which $49.5 million was guaranteed by the SBA and $95.0 million was unguaranteed. Excluding the impact of an aggregate of $0.6 million in PPP loan balances outstanding as of December 31, 2022, our loan portfolio as of that date is comprised of 36.6% in unguaranteed portions of SBA 7(a) loans and 19.1% in guaranteed portions of SBA 7(a) loans.

As an experienced SBA 7(a) lender, we were an active participant in the first round of PPP lending. No PPP loans were originated by the Company during the year ended December 31, 2022. In addition to a 1.0% interest rate paid by the borrower, the PPP loans also resulted in fees paid by the SBA to the 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 year ended December 31, 2022, the Company recognized a *de minimis* amount in PPP-related SBA accreted deferred loan fees through interest income. A *de minimis* amount of deferred fees is remaining as of December 31, 2022.

The SBA's 7(a) program provides 75%, 85% and 90% guarantees for eligible SBA 7(a) loans. The maximum 7(a) loan amount is $5 million. The guaranty is conditional and covers a portion of the risk of payment default by the borrower, but not the risk of improper closing and servicing by the lender.

Our existing SBA 7(a) lending program is supported by referrals from BFG and others. BFG refers SBA loan applicants to the Bank for review and consideration. Only the Bank in its sole capacity has the authority to approve SBA loan applications. In all circumstances, the Bank has the right to decline an SBA loan referred by BFG that is deemed not to meet its credit standards. The Bank in its sole capacity has the discretion to determine whether to sell or retain the guaranteed portion of any or all SBA loans it funds. Fees are not paid based on the secondary market premium received or the amount sold.

Strategic Programs. We have established Strategic Programs with various third-party consumer and commercial loan origination platforms that use technology to streamline the origination of consumer and small commercial loans. We currently have eleven Strategic Program relationships. The terms of our Strategic Programs generally require each Strategic Program platform to establish a reserve deposit account with the Bank or another financial institution, intended to protect the Bank in the event a purchaser of loan receivables originated through our Strategic Programs cannot meet its contractual obligation to purchase. This amount is usually set at a 1:1 ratio but may be restructured in certain circumstances as the relationship seasons or if the Strategic Program platform is an established company. 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. We have selectively retained a portion of the loans or receivables based on analytics generated by FinView™ and the capacity and appetite of the Bank. We have also selectively purchased pools of loans from our Strategic Program service providers. The Bank reserves for incurred loan losses associated with loans held-for-investment based on modeled loss projections and adjusts such reserves as needed. Our Strategic Programs also cover a wide range of borrower credit profiles, loan terms and interest rates. Loan terms range from 1 month to 72 months. Interest rates currently range from 8% to 160%. During the year ended December 31, 2022, we originated approximately $7.1 billion in Strategic Program loans, and we held for investment approximately $24.3 million in Strategic Program loans and approximately $23.6 million in Strategic Program loans held-for-sale as of December 31, 2022. Business checking and money market demand accounts associated with Strategic Program relationships held balances of approximately $49.7 million (including $16.6 million held as collateral) as of December 31, 2022. Excluding the impact of $0.6 million in PPP loan balances outstanding as of December 31, 2022, our Strategic Program held-for-sale loans comprised 9.1% of the Bank's loan portfolio and our Strategic Program held-for-investment loans comprised of 9.3% of the Bank's loan portfolio.

Residential and Commercial Real Estate Loans. We operate a single branch location in Sandy, Utah. From this branch, we offer commercial and consumer banking services throughout the greater Salt Lake City, Utah MSA. These products are delivered using a high-touch service, relationship banking approach. The majority of the lending product consists of residential non-speculative construction loans which generate both non-interest income and interest income. Construction loan terms generally range from 9 to 12 months and interest rates currently range from the prime rate to the prime rate plus 200 basis points. All the loans generated through this branch are held on our balance sheet. As of December 31, 2022, our branch-based banking operations consisted of approximately $53.9 million in loans (including approximately $49.9 million of residential and commercial real estate loans) and approximately $50.7 million in deposits. The deposit operations at our branch focus on local businesses and individual customers that are seeking personal service and the relationships developed with our local bankers. These deposits comprise demand deposits, NOW accounts, MMDAs, savings accounts, and time deposits that are not brokered deposits.

Primarily, our loans secured by real estate are made to established builders to construct residential properties, loans to developers of commercial real estate investment properties and residential developments and loans to individual consumers for construction of single-family homes in our market areas. Our commercial real estate loans primarily include owner-occupied and investment real estate deeds of trust. We also make loans for the acquisition of undeveloped land. Excluding the impact of $0.6 million in PPP loan balances outstanding as of December 31, 2022, our residential real estate loans comprised 14.6% of the Bank's total loan portfolio, and our commercial real estate loans comprised 4.7% of the Bank's total loan portfolio. Construction loans are typically disbursed as construction progresses and carry variable interest rates. Our construction and development loans typically have terms that range from six months to nine months but may be extended depending on factors such as the type and size of the development and the financial strength of the borrower/guarantor. Loans are typically structured with an interest only construction period and mature at the completion of construction.

Consumer Loans. Consumer loans consist primarily of loans originated through our POS program. Since 2011, the Bank has offered collateralized and uncollateralized loans without prepayment penalties to finance the purchase of retail goods and services. Loan applications are submitted at the point-of-sale through an online portal. Historically, all of the loans originated through our POS lending program have been held on our balance sheet. We target super prime (FICO score of 720 and higher), prime (FICO score of 661 through 719) and near-prime (FICO score of 640 through 660) borrowers. Loan terms are generally 60 months and interest rates current range from 7.0% to 14.5%. We utilize a high degree of automation in this program and track loan applications, analyze credit and approve loans by deploying a combination of FinView™ and "off-the-shelf" technology solutions. The majority of the approximately $5.8 million in consumer loans outstanding as of December 31, 2022, that were not generated through our Strategic Programs were originated in connection with our POS lending program. During the year ended December 31, 2022, we originated approximately $3.3 million in POS loans and held approximately $4.4 million of POS loans on our balance sheet as of December 31, 2022. Excluding the impact of $0.6 million in PPP loan balances outstanding as of December 31, 2022, our consumer loans comprised 2.2% of the Bank's total loan portfolio.

Commercial Non-Real Estate Loans. Commercial non-real estate includes leases and loans made to commercial enterprises that are not secured by real estate. Any loan, line of credit, or letter of credit (including any unfunded commitments), and any interest the Bank obtains in such loans made by another lender, to individuals, sole proprietorships, partnerships, corporations, or other business enterprises for commercial, industrial, agricultural, or professional purposes, but not for personal expenditure purposes are included in this category. 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. These loans are generally secured by liens on business assets. Historically, we have retained these leases and loans on our balance sheet for investment. Excluding the impact of $0.6 million in PPP loan balances outstanding as of December 31, 2022, our commercial non-real estate loans comprised 4.4% of the Bank's total loan portfolio.

Credit Administration and Loan Review

We maintain asset quality through an emphasis on market knowledge, long-term customer relationships, analysis of data, consistent and thorough underwriting for all loans, surveillance and monitoring of our loan portfolio and a risk-based credit culture. We seek to maintain a broadly diversified loan portfolio in terms of type of loan product, credit demographic, geographic area and in respect of our commercial customers, the industries in which they are engaged. We control credit risk both through disciplined underwriting of each transaction, as well as active credit management processes and procedures to manage risk and minimize loss throughout the life of a loan, and our loan policies establish the basic guidelines governing our lending operations.

Underwriting. In evaluating credit, we use both judgmental and statistically based approaches, depending on the specific credit product.

In taking the judgmental approach, we evaluate each potential loan relationship and adhere to a disciplined underwriting evaluation process that includes the following:

- understanding the customer's financial condition and ability to repay the loan;
- evaluating management performance and expertise and industry experience;
- verifying that the primary and secondary sources of repayment are adequate in relation to the amount and structure of the loan;
- observing appropriate loan-to-value guidelines for collateral secured loans;
- maintaining our targeted levels of diversification for the loan portfolio, both as to type of borrower and type of collateral; and
- ensuring that each loan is properly documented with perfected liens on collateral.

In taking the statistical approach, we rely on data and automation to inform our credit decision-making. We create standardized underwriting criteria that are uniformly and consistently applied to each product. When originating with a third party, we review and approve the credit approval models prior to the launch of the lending program. These models are also periodically validated by independent third parties in accordance with regulatory guidance. For retained portfolios, we conduct vintage analyses to ensure credit is performing as expected.

Loan Approval Authority. Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by our board of directors and management. We have established several levels of lending authority that have been delegated by the board of directors to our loan committee and other personnel in accordance with our loan policy. The thresholds associated with lending authorities vary by loan product. Our loan committee is comprised of our Chief Executive Officer, our Chief Credit Officer, our Chief Financial Officer, certain other members of management and select senior loan officers, which is primarily responsible for day-to-day implementation and oversight of our loan approval procedures. The levels of lending authority are periodically reviewed by the Bank's board of directors. Authority limits are based on the total exposure of the borrower, the loan product, and are conditioned on the loan conforming to the standards contained in the loan policy. Any loan policy exceptions are appropriately monitored and fully disclosed to the approving authority. We believe that our credit approval process provides for thorough underwriting and efficient decision making.

Ongoing Credit Risk Management. In addition to the tailored underwriting process described above, we perform ongoing risk monitoring and review processes for credit exposures. Individual loan reviews encompass a loan's payment status and history, current and projected paying capacity of the borrower and/or guarantor(s), current condition and estimated value of any collateral, sufficiency of credit and collateral documentation, and compliance with Bank and regulatory lending standards. We record any necessary charge-offs promptly and maintain adequate allowance levels for probable loan losses incurred in the loan portfolio. Management regularly reviews the status of the watch list and classified assets portfolio as well as the larger credits in the portfolio. Once a loan is identified as a problem loan or a loan requiring a workout, the Bank makes an evaluation and develops a plan for handling the loan. In developing such a plan, management reviews all relevant information from the loan file and any loan review reports. We have a conversation with the borrower and update current and projected financial information (including borrower global cash flows when possible) and collateral valuation estimates. Following analysis of all available relevant information, management adopts an action plan from the following alternatives: (a) continuation of loan collection efforts on their existing terms, (b) a restructure of the loan's terms, (c) a sale of the loan, (d) a charge-off or partial charge-off, (e) foreclosure on pledged collateral, or (f) acceptance of a deed in lieu of foreclosure. For loans originated through our Strategic Program, the Bank does not currently grade individual 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, Strategic Program loans are evaluated collectively by program. Pursuant to our credit policy, our loan committee is required to consider loan grade updates at our quarterly meetings

Our loan committee and board members are updated on a regular basis on all servicing and liquidation efforts. We believe such routine and recurring discussions amongst our loan committee members and board of directors help prevent oversight errors that may occur in improperly managed loan portfolios.

The Bank analyzes each loan application in a reasonable manner, consistent with prudent lending standards. Additional factors considered during underwriting include, but are not limited to:

- whether the applicant has any other loans(s) (including through the PPP, SBA EIDL, other stimulus financing) that have repayment or contingent repayment requirements which could impact cash flow;

- for commercial applicants, whether the business revenue and staffing levels were impacted by the Covid-19 pandemic and whether the business has a contingency plan for revenues and operations for a minimum of the next 18 months;

- for individual applicants, whether his or her source of income has been or may be impacted;

- whether historical financial information can be reasonably relied upon based on current market conditions; and

- the impact current market conditions have on collateral adequacy.

Credit Concentrations. We actively monitor and manage the composition of our loan portfolio, including credit concentrations. Our credit policies establish concentration limits by loan product to manage portfolio diversification. The Bank's concentration management program couples quantitative data with a thorough qualitative approach to provide an in-depth understanding of its loan portfolio concentrations. The Bank's portfolio analysis includes concentration trends by portfolio product type, overall growth trends, pool correlations, risk rating trends, policy and/or underwriting exceptions, nonperforming asset trends, stress testing, market and submarket analysis and changing economic conditions. The portfolio concentration limits set forth in the Bank's lending and collection policies are reviewed and approved by the Bank's board of directors at least annually. Concentration levels are monitored by management and reported to the Bank's board of directors on a quarterly basis.

Lending Limits

Our lending activities are subject to a variety of lending limits imposed by state and federal law. In general, the Bank is subject to a legal lending limit on loans to a single borrower based on the Bank's capital level as dictated by the State of Utah. The dollar amounts of the Bank's lending limit increases or decreases as the Bank's capital increases or decreases. The Bank is able to sell participations in its larger loans to other financial institutions, which allows it to better manage the risk and exposure involved with larger loans and to meet the lending needs of its customers requiring extensions of credit in excess of Bank or regulatory limits. The Bank's legal lending limit on loans to a single borrower was approximately $16.5 million as of December 31, 2022.

Strategic Programs

Overview. We currently source most of our loan originations through our Strategic Programs. Our Strategic Programs include a broad array of products for both prime and subprime borrowers including both consumer and commercial loans that may be secured or unsecured, and open- or closed-end products, depending on the particular market targeted by the Bank and the specific Strategic Program service provider. Minimum and maximum loan amounts range from $500 to $2.0 million and loan terms range from 6 to 72 months.

The Bank's current Strategic Program service providers include OppFi, Reach Financial (formerly Liberty Lending), LendingPoint, American First Finance, Elevate, Upstart, Mulligan Funding, Great American Finance, Edly, Empower, and Stride. From time to time, we expect the number and composition of our Strategic Program service providers to change as the business develops, contract terms expire or agreements with service providers are otherwise terminated. The Bank has engaged with other Strategic Program service providers since we established our first Strategic Program in 2016 and we may enter into Strategic Programs with other service providers in the future.

Selection and Oversight. We select service providers for our Strategic Programs applying third party guidance promulgated by the FDIC, including comprehensive onboarding due diligence covering strategic, operational, transaction, compliance, credit and other risks, and evaluating any potential reputational impact. Furthermore, the Bank conducts extensive ongoing oversight and monitoring of the Strategic Program service providers in accordance with regulatory requirements and as augmented by Bank policies and the Bank's compliance management systems developed for its oversight of the Strategic Program service providers.

Our oversight also impacts our decision to retain loans with Strategic Program service providers because the Bank may choose not to retain any loans or interest until the Strategic Program service provider has satisfied certain audit requirements of the Bank. We seek service providers that offer credit products focused on amortizing loans to borrowers with a demonstrated ability to repay and that are priced appropriately to the credit profile of the borrower (including credit history). Further, we seek service providers that instill our values of moving a customer forward. This is characterized by high customer service standards and an emphasis on regulatory compliance and consumer protections that may not be afforded these customers through a non-bank product.

Structure. In structuring a Strategic Program, the Bank and the Strategic Program service provider generally review and agree upon a set of program guidelines established by the Bank and tailored to accommodate target borrowers within the Strategic Program. We require the Strategic Program service providers to adhere to specific Bank underwriting criteria to originate loans to ensure that the borrowers are solicited and serviced in accordance with all applicable laws and regulatory requirements. The guidelines set forth various loan approval considerations, including but not limited to the borrower's name, credit score, and other underwriting criteria. Loan applications are processed by the Strategic Program service provider in accordance with the Bank's guidelines and delivered to the Bank for approval. Loan applications generally involve automated loan decisions by use of credit models, and decisions are typically rendered instantly after the submission of the loan application to the Bank. No loan is approved unless the Bank reviews and approves the borrower's application. Borrowers to whom we originate loans through our Strategic Programs generally include consumers considered super prime (FICO score of 720 and higher), prime (FICO score of 661 through 719), near prime (FICO score of 640 through 660) and subprime (FICO score of 660 and below), as well as consumers that lack a credit history as reported through one of the three credit bureaus. The application and approval process is generally performed electronically although some are underwritten manually. Each loan originated by the Bank complies with applicable federal and state laws that apply to the Bank. As indicated, the Bank treats our Strategic Program service providers as its vendors and subjects the service providers to the requirements of the FDIC for vendor and third-party management.

We typically retain Strategic Program loans for a number of business days after origination during which the Bank receives interest income related to the loans. Following this retention period, the Bank may sell either a portion of the loan or the whole loan to a special purpose investment vehicle or other investor as identified by us or our Strategic Program service providers. Such purchase transactions typically require the purchaser to maintain a reserve account with the Bank or another financial institution to secure the purchaser's contractual obligations to purchase. Some of our Strategic Program service providers may also securitize the loans originated through the program and the Bank may choose to participate in such securitizations for liquidity reasons. The Bank may also hold a portion of the loans or receivables for investment. Our retention parameters vary among different Strategic Programs. The Bank's retention obligations may be discretionary with respect to some Strategic Programs. In other Strategic Programs, the Bank may choose not to retain any loans or interest until the Strategic Program service provider has satisfied certain audit requirements of the Bank.

Fees and Other Economics. The Bank may earn fees on its Strategic Programs as delineated in each Strategic Program contract and may vary by contract. Service providers may also be required to pay minimum monthly fees to the Bank or reimburse the Bank for certain agreed-upon expenses. Some Strategic Programs require the service provider pay a fee to the Bank if it enters into a similar strategic relationship with another bank or financial institution.

On October 13, 2021, we formed FinWise Investments, LLC, a limited liability company, as a wholly owned subsidiary of the Company to hold and manage private investments made by the Company and the Bank. The Company currently holds and, in the future, may acquire equity in certain of our Strategic Program service providers through this subsidiary. As of December 31, 2022, and 2021, this subsidiary holds $0.3 million and $0.1 million, respectively, of equity securities of one Strategic Program service provider.

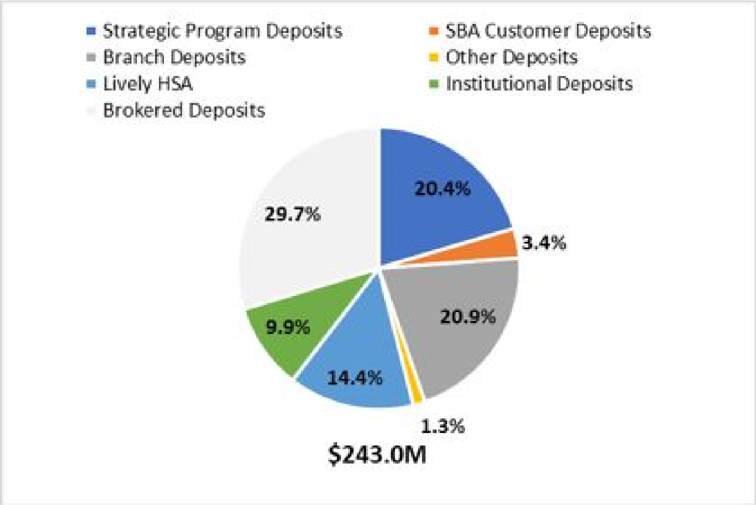
Servicing. The Bank generally services the loans originated through the Strategic Programs in consideration of servicing fees equal to a percentage of the loans generated under the Strategic Program. In turn, the Strategic Program service providers, subject to the Bank's approval and oversight, serve as sub-servicer and perform typical primary servicing duties including loan collections, modifications, charging-off, reporting and monitoring.

Funding and Deposits

Our deposits serve as the primary funding source for lending, investing and other general banking purposes. We provide a full range of deposit products, including a variety of checking and savings accounts, time deposits, and money market accounts. We also provide a wide range of deposit services, including debit cards, remote deposit capture, online banking, mobile banking, and direct deposit services. We also offer business accounts and cash management services, including business checking and savings accounts and treasury services. We solicit deposits through our relationship-driven team of dedicated and accessible bankers and through community-focused marketing.

We use a diversified funding strategy with an emphasis on core deposits from our branch operations, deposits originated through SBA 7(a) lending programs and Strategic Programs, coupled with brokered deposits and borrowings as needed. A significant portion of our core deposits include funds deposited through our Strategic Programs, to support reserve requirements. The terms of our Strategic Programs generally require each Strategic Program platform to establish a reserve deposit account with the Bank, intended to protect the Bank in the event a purchaser of loan receivables originated through our Strategic Programs cannot meet its contractual obligation to purchase. The reserve deposit account balance is typically required to at least equal the total outstanding balance of loans held-for-sale by the Bank related to the Strategic Program. The Bank has the right to withdraw amounts from the reserve deposit account to fulfill loan purchaser obligations created under the Strategic Program agreements. Depending on the strength of the relationship between the Bank and our Strategic Program relationship, we may reduce the required amount of reserve deposits held and/or allow a portion of the requirement to be fulfilled by a letter of credit. In addition to the reserve deposit account, certain Strategic Program relationships have opened operating deposit accounts at the Bank. The charts below illustrate the composition of our deposit portfolio as of December 31, 2022.

Total Deposits Breakdown



Our core deposits, as of December 31, 2022, constituted 69.0% of our funding sources (our core deposits comprise the sum of demand deposits, HSA demand deposits sourced through Lively, Inc., NOW accounts, MMDA accounts, savings accounts, and time deposits under $250,000 that are not brokered deposits).

Securities Portfolio

We manage our securities portfolio and cash to maintain adequate liquidity and to ensure the safety and preservation of invested principal, with a secondary focus on yield and returns. Our investments were approximately $14.3 million as of December 31, 2022. Specific objectives of our investment policy and portfolio are as follows:

- Ensure the Safety of Principal—Bank investments are generally limited to investment-grade instruments that fully comply with all applicable regulatory guidelines and limitations. Allowable non-investment-grade instruments must be approved by the board of directors.

- Income Generation—The Bank's investment portfolio is managed to maximize income on invested funds in a manner that is consistent with the Bank's overall financial goals and risk considerations.

- Provide Liquidity—The Bank's investment portfolio is managed to remain sufficiently liquid to meet anticipated funding demands either through declines in deposits and/or increases in loan demand.

- Mitigate Interest Rate Risk—Portfolio strategies are used to assist the Bank in managing its overall interest rate sensitivity position in accordance with goals and objectives approved by our board of directors.

Our investment policy is reviewed and approved annually by our board of directors. Overall investment objectives are established by our board through our investment policy and monitored through our asset-liability management committee. Day-to-day activities pertaining to the securities portfolio are conducted under the supervision of our Chief Financial Officer. We actively monitor our investments on an ongoing basis to identify any material changes in our mix of securities. We also review our securities for potential impairment (other-than-temporary impairments) at least quarterly.

Competition

The banking and financial services industry is highly-competitive, and we compete with a wide range of financial institutions within our markets, including local, regional and national commercial banks, credit unions, and non-bank financial service providers such as financial technology companies and other financial intermediaries for certain of our products and services. Some of our competitors are not currently subject to the regulatory restrictions and the level of regulatory supervision applicable to us.

Interest rates on loans and deposits, as well as prices on fee-based services, are typically significant competitive factors within the banking and financial services industry. Many of our competitors are much larger financial institutions that have greater financial resources than we do and compete aggressively for market share. These competitors attempt to gain market share through their financial product mix, pricing strategies and banking center locations.

Other important standard competitive factors in our industry and markets include office locations and hours, quality of customer service, community reputation, continuity of personnel and services, capacity and willingness to extend credit, and ability to offer sophisticated banking products and services through multiple channels. While we seek to remain competitive with respect to fees charged, interest rates and pricing, we believe that our banking product suite, our high-quality customer service culture, our strategic relationships with third parties, our positive reputation and long-standing relationships will enable us to compete successfully within our markets and enhance our ability to attract and retain customers.

Human Capital Resources

As of December 31, 2022, we employed 146 persons, of which 140 were employed on a full-time basis. None of our employees are represented by any collective bargaining unit or are a party to a collective bargaining agreement. We believe the relationship with our employees to be good.

We believe that the success of a business is largely due to the quality of its employees and the development of each employee's full potential. We encourage and support the development of our employees and, whenever possible, strive to fill vacancies from within. Employee retention helps us operate efficiently and achieve our business objectives. We also believe our ability to attract and retain employees is a key to our success. Accordingly, we strive to offer competitive salaries and employee benefits to all employees and monitor salaries in our market areas.

Supervision and Regulation

General

We are extensively regulated under both federal and state law. These laws restrict permissible activities and investments and require compliance with various consumer protection provisions applicable to lending, deposit, brokerage, and fiduciary activities. They also impose capital adequacy requirements and conditions on a bank holding company's ability to pay dividends to its shareholders, to repurchase stock or to receive dividends from its subsidiary banks. As a bank holding company, the Company is subject to regulation and supervision by the Federal Reserve and the UDFI. We are required to file with the Federal Reserve quarterly and annual reports and such additional information as the Federal Reserve may require pursuant to the BHC Act. The Federal Reserve conducts examinations of the Company and its subsidiaries. In addition, as a Utah state-chartered bank that is not a member of the Federal Reserve, the Bank is subject to primary regulation, supervision, and examination by the FDIC and the UDFI. The Bank's deposits are insured by the FDIC through the Deposit Insurance Fund ("DIF"). Based on this deposit insurance function, the FDIC also has certain supervisory authority and powers over the Bank as well as all other FDIC insured institutions. As a Utah-chartered commercial bank, the Bank is also subject to certain provisions of Utah law and the supervision of the UDFI. Additionally, as a state-chartered bank that is not a member of the Federal Reserve System, the Bank is also subject to regulation and supervision by the FDIC. Both the UDFI and the FDIC conduct routine examinations of the Bank. The Company's and the Bank's regulators generally have broad discretion to impose restrictions and limitations on our operations. Bank regulation is intended to protect depositors, consumers, and commercial customers, and not shareholders. This supervisory framework could materially impact the conduct and profitability of our activities.

To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the text of applicable statutory and regulatory provisions. Legislative and regulatory initiatives, which necessarily impact the regulation of the financial services industry, are introduced from time-to-time. We cannot predict whether or when potential legislation or new regulations will be enacted, and if enacted, the effect that new legislation or any implemented regulations and supervisory policies would have on our financial condition and results of operations. Moreover, bank regulatory agencies can be more aggressive in responding to concerns and trends identified in examinations, which could result in an increased issuance of enforcement actions to financial institutions requiring action to address credit quality, liquidity, risk management, and capital adequacy, as well as other safety and soundness concerns.

Regulation of FinWise Bancorp

We are registered as a bank holding company under the BHC Act and are subject to regulation and supervision by the Federal Reserve. We are legally obligated to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances where we might not otherwise do so. The BHC Act, and the regulations promulgated by the Federal Reserve thereunder, require us to secure the prior approval of the Federal Reserve before we own or control, directly or indirectly, more than 5% of the voting shares or substantially all the assets of any bank, thrift, bank holding company or thrift holding company, or merge or consolidate with another bank or thrift holding company. Further, under the BHC Act, our activities and those of any nonbank subsidiary are limited to: (i) those activities that the Federal Reserve determines to be so closely related to banking as to be a proper incident thereto, and (ii) investments in companies not engaged in activities closely related to banking, subject to quantitative limitations on the value of such investments. Prior approval of the Federal Reserve may be required before engaging in certain activities. In making such determinations, the Federal Reserve is required to weigh the expected benefits to the public, such as greater convenience, increased competition, and gains in efficiency, against the possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices. Subject to various exceptions, the BHC Act and the Change in Bank Control Act, together with related regulations, require Federal Reserve approval prior to any person or company acquiring "control" of a bank holding company, such as the Company.

Regulation of FinWise Bank

The Bank is a Utah state-chartered bank and the operations and investments of our Bank are subject to the supervision, examination, and reporting requirements of the UDFI and the FDIC. The UDFI supervises and regulates all areas of the Bank's operations including, without limitation, the making of loans, the issuance of securities, the conduct of the Bank's corporate affairs, the satisfaction of capital adequacy requirements, the payment of dividends, and the establishment or closing of banking offices. The FDIC is the Bank's primary federal regulatory agency. In addition, the Bank's deposit accounts are insured by the FDIC to the maximum extent permitted by law, and the FDIC has certain enforcement powers over the Bank.

The UDFI and the FDIC periodically examine the Bank's operations and financial condition and compliance with federal consumer-protection laws. If, based on an examination of our Bank, the regulators should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of the Bank's operations are unsatisfactory or that the Bank or our management is violating or has violated any law or regulation, various remedies are available to the regulators. Such remedies include the power to enjoin unsafe or unsound practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in capital, to restrict growth, to assess civil monetary penalties, to remove officers and directors and ultimately to request the FDIC to terminate the Bank's deposit insurance. As a Utah state-chartered bank, the Bank is authorized by statute, subject to certain limitations, to take and pay interest on, savings and time deposits, to accept demand deposits, to make loans on residential and other real estate, to make consumer and commercial loans, to invest, with certain limitations, in equity securities and in debt obligations of banks and corporations and to provide various other banking services for the benefit of the Bank's customers. Various state consumer laws and regulations also affect the operations of the Bank, including state usury laws, consumer credit and equal credit opportunity laws, and fair credit reporting. In addition, the Federal Deposit Insurance Corporation Improvement Act of 1991, or FDICIA, generally prohibits insured state-chartered institutions from conducting activities as principal that are not permitted for national banks.

Utah-chartered banks are required to pay supervisory assessments to the UDFI to fund its operations. The amount of the assessment paid by a Utah bank to the UDFI is calculated on an annual basis based on our average total assets for the prior year. During the year ended December 31, 2022, the Bank paid a *de minimis* assessment to the UDFI.

Capital Adequacy Guidelines

See "Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 7, Capital Standards" for additional regulatory capital information, including the Bank's and Company's Leverage Ratio as of December 31, 2022.

Safety and Soundness Standards

The federal banking agencies have adopted guidelines designed to assist the federal banking agencies in identifying and addressing potential safety and soundness concerns before capital becomes impaired. The guidelines set forth operational and managerial standards relating to: (i) internal controls, information systems and internal audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) asset growth; (v) earnings; and (vi) compensation, fees and benefits.

In addition, the federal banking agencies have also adopted safety and soundness guidelines with respect to asset quality and for evaluating and monitoring earnings to ensure that earnings are sufficient for the maintenance of adequate capital and reserves. These guidelines provide six standards for establishing and maintaining a system to identify problem assets and prevent those assets from deteriorating. Under these standards, an insured depository institution should: (i) conduct periodic asset quality reviews to identify problem assets; (ii) estimate the inherent losses in problem assets and establish reserves that are sufficient to absorb estimated losses; (iii) compare problem asset totals to capital; (iv) take appropriate corrective action to resolve problem assets; (v) consider the size and potential risks of material asset concentrations; and (vi) provide periodic asset quality reports with adequate information for management and the board of directors to assess the level of asset risk.

Transactions with Affiliates and Insiders

We are subject to federal laws, such as Sections 23A and 23B of the Federal Reserve Act (the “FRA”), and the Federal Reserve’s implementing Regulation W, as made applicable to state non-member banks such as the Bank by Section 18(j) of the FDIA, that limit the size, number and terms of the transactions that depository institutions may engage in with their affiliates. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. Under these provisions, covered transactions by a bank with nonbank affiliates (such as loans to or investments in an affiliate by the bank) must be on arms-length terms and generally be limited to 10% of the bank’s capital and surplus for all covered transactions with any one affiliate, and 20% of capital and surplus for all covered transactions with all affiliates. Any extensions of credit to affiliates, with limited exceptions, must be secured by eligible collateral in specified amounts. Banks are also prohibited from purchasing any “low quality” assets from an affiliate. The Dodd-Frank Act generally enhanced the restrictions on transactions with affiliates under

Section 23A and 23B of the FRA, including an expansion of the definition of “covered transactions” to include derivatives transactions, repurchase agreements, reverse repurchase agreements and securities lending or borrowing transactions and an increase in the period of time during which collateral requirements regarding covered credit transactions must be satisfied. The Federal Reserve has promulgated Regulation W, which codifies prior interpretations under Sections 23A and 23B of the FRA and provides interpretive guidance with respect to affiliate transactions. Affiliates of a bank include, among other entities, a bank’s bank holding company parent and companies that are under common control with the bank. Accordingly, the Company is considered to be an affiliate of the Bank.

We are also subject to restrictions on extensions of credit to our executive officers, directors, shareholders who own more than 10% of our common stock, and their related interests. Specifically, loans to executive officers, directors or to any person who directly or indirectly, or acting through or in concert with one or more persons, owns, controls or has the power to vote more than 10% of any class of voting securities of the Bank, or to any political or campaign committee the funds or services of which will benefit those executive officers, directors, or 10% stockholders or which is controlled by those executive officers, directors or 10% stockholders, are subject to Sections 22(g) and 22(h) of the FRA and the Federal Reserve’s implementing Regulation O. Among other things, such extensions of credit must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties, and must not involve more than the normal risk of repayment or present other unfavorable features. Loans to such persons and certain affiliated entities of any of the foregoing, may not exceed, together with all other outstanding loans to such person and affiliated entities, the institution’s loans-to-one-borrower limit. Federal regulations also prohibit loans above amounts prescribed by the appropriate federal banking agency to directors, executive officers, and shareholders who own more than 10% of an institution, and their respective affiliates, unless such loans are approved in advance by a majority of the board of directors of the institution. Any “interested” director may not participate in the voting. Regulation O prohibits loans to any of those individuals where the aggregate amount exceeds an amount equal to 15% of an institution’s unimpaired capital and surplus plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral, or when the aggregate amount on all of the extensions of credit outstanding to all of these persons would exceed the Bank’s unimpaired capital and unimpaired surplus. Section 22(g) and Regulation O identifies limited circumstances in which banks are permitted to extend credit to executive officers. Furthermore, we are prohibited from engaging in asset purchases or sales transactions with our officers, directors, or principal shareowners unless the transaction is on market terms and, if the transaction represents greater than 10% of the capital and surplus of the bank, a majority of the bank’s disinterested directors has approved the transaction.

Incentive Compensation

Federal banking agencies have issued guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that appropriately balance risk and rewards in a manner that does not encourage imprudent risk taking, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. In accordance with the Dodd-Frank Act, the federal banking agencies prohibit incentive-based compensation arrangements that encourage inappropriate risk taking by covered financial institutions (generally institutions that have over $1 billion in assets) and are deemed to be excessive, or that may lead to material losses.

The Federal Reserve will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as the Company, that are not "large, complex banking organizations." These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

Deposit Insurance

As an FDIC-insured institution, our deposits are insured up to applicable limits by the DIF of the FDIC. The DIF is the successor to the Bank Insurance Fund and the Savings Association Insurance Fund, which were merged in 2006. Deposit insurance is mandatory. 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.

We are required to pay assessments to the FDIC on a quarterly basis. The assessment amount is the product of multiplying the assessment base by the assessment amount. The assessment base against which the assessment rate is applied to determine the total assessment due for a given period is the depository institution's average total consolidated assets during the assessment period less average tangible equity during that assessment period. Tangible equity is defined in the assessment rule as Tier 1 Capital and is calculated monthly, unless the insured depository institution has less than $1 billion in assets, in which case the insured depository institution calculates Tier 1 Capital on an end-of-quarter basis. Parents or holding companies of other insured depository institutions are required to report separately from their subsidiary depository institutions.

The FDIC's methodology for setting assessments for individual banks has changed over time, although the broad policy is that lower-risk institutions should pay lower assessments than higher-risk institutions. The FDIC now uses a methodology, known as the "financial ratios method," that began to apply on July 1, 2016, in order to meet requirements of the Dodd-Frank Act. The statute established a minimum designated reserve ratio for the DIF of 1.35% of the estimated insured deposits and required the FDIC to adopt a restoration plan should the reserve ratio fall below 1.35%. As of September 30, 2020, the FDIC announced that the ratio had declined to 1.30% due largely to consequences of the Covid-19 pandemic. The FDIC adopted a plan to restore the DIF to the 1.35% ratio within eight years but did not change its assessment schedule.

A significant increase in insurance assessments would likely have an adverse effect on our operating expenses and results of operations. We cannot predict what insurance assessment rates will be in the future. Furthermore, deposit insurance may be terminated by the FDIC upon a finding that an insured depository institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

Regulatory Restrictions on Dividends

The Federal Reserve's policy statement and supervisory guidance on the payment of cash dividends by a bank holding company, such as the Company, expresses the view that a bank holding company should generally pay cash dividends on common stock only to the extent that (1) the bank holding company'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 bank holding company.

In addition, since we are a legal entity separate and distinct from the Bank and do not conduct stand-alone operations, an ability to pay dividends depends on the ability of the Bank to pay dividends to us and the FDIC and the UDFI may, under certain circumstances, prohibit the payment of dividends to us from the Bank. Utah corporate law also requires that dividends can only be paid out of funds legally available therefor.

The Federal Reserve policy statement also provides that a bank holding company should inform the Federal Reserve reasonably in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in a material adverse change to the bank holding company's capital structure. Bank holding companies also are required to consult with the Federal Reserve before materially increasing dividends. It is also the Federal Reserve's policy that bank holding companies should not maintain dividend levels that undermine their ability to be a source of strength to its banking subsidiaries. The Federal Reserve Board or the FRB could prohibit or limit the payment of dividends by a bank holding company if it determines that payment of the dividend would constitute an unsafe or unsound practice.

Commercial Real Estate Concentration Guidelines

In December 2006, the federal banking regulators issued guidance entitled "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" to address increased concentrations in commercial real estate loans. In addition, in December 2015, the federal bank agencies issued additional guidance entitled "Statement on Prudent Risk Management for Commercial Real Estate Lending." Together, these guidelines describe the criteria the agencies will use as indicators to identify institutions potentially exposed to CRE concentration risk. An institution that has (i) experienced rapid growth in CRE lending, (ii) notable exposure to a specific type of CRE, (iii) total reported loans for construction, land development, and other land representing 100% or more of the institution's capital, or (iv) total non-owner-occupied CRE (including construction) loans representing 300% or more of the institution's capital, and the outstanding balance of the institutions CRE portfolio has increased by 50% or more in the prior 36 months, may be identified for further supervisory analysis of the level and nature of its CRE concentration risk.

Community Reinvestment Act

The Community Reinvestment Act of 1977 and the regulations issued thereunder are intended to encourage banks to help meet the credit needs of the communities they serve, including their assessment area(s) (as established for these purposes in accordance with applicable regulations based principally on the location of branch offices). In addition to substantial penalties and corrective measures that may be required for a violation of certain fair lending laws, the federal banking agencies may take compliance with such laws and CRA into account when regulating and supervising other activities. Under the CRA, institutions are assigned a rating of "outstanding," "satisfactory," "needs to improve," or "unsatisfactory." An institution's record in meeting the requirements of the CRA is based on a performance-based evaluation system, and is made publicly available and is taken into consideration in evaluating any applications it files with federal regulators to engage in certain activities, including approval of a branch or other deposit facility, mergers and acquisitions, office relocations, or expansions into nonbanking activities. Our Bank received a "satisfactory" rating in its most recent CRA evaluation.

In May 2022, the bank regulatory agencies issued a notice of proposed rulemaking called the Joint Proposal to Strengthen and Modernize Community Reinvestment Act Regulations (the "CRA Proposal"). The CRA Proposal is designed to update how CRA activities qualify for consideration, where CRA activities are considered, and how CRA activities are evaluated. More specifically, the bank regulatory agencies described the goals of the CRA Proposal as follows: (i) to expand access to credit, investment, and basic banking services in low and moderate income communities; (ii) to adapt to changes in the banking industry, including mobile and internet banking by modernizing assessment areas while maintaining a focus on branch based areas; (iii) to provide greater clarity, consistency, and transparency in the application of the regulations through the use of standardized metrics as part of CRA evaluation and clarifying eligible CRA activities focused on low and moderate income communities and under–served rural communities; (iv) to tailor CRA rules and data collection to bank size and business model; and (v) to maintain a unified approach among the regulators. A final rule has not yet been issued. If this rule is finalized as proposed, it may become more challenging or costly for the Bank to achieve an "Outstanding" or "Satisfactory" CRA rating, which could negatively impact our ability to obtain regulatory approval for an acquisition.

Bank Secrecy Act, Anti-Terrorism, Anti-Money Laundering Legislation and OFAC

The Bank is subject to the Bank Secrecy Act (the "BSA") and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA Patriot Act"). These statutes and related rules and regulations impose requirements and limitations on specified financial transactions and accounts and other relationships intended to guard against money laundering and terrorism financing. The principal requirements for an insured depository institution include (i) establishment of an anti-money laundering ("AML") program that includes training and audit components, (ii) establishment of a "know your customer" program involving due diligence to confirm the identities of persons seeking to open accounts and to deny accounts to those persons unable to demonstrate their identities, (iii) the filing of currency transaction reports for deposits and withdrawals of large amounts of cash and suspicious activities reports for activity that might signify money laundering, tax evasion, or other criminal activities, (iv) additional precautions for accounts sought and managed for non-U.S. persons and (v) verification and certification of money laundering risk with respect to private banking and foreign correspondent banking relationships. For many of these tasks a bank must keep records to be made available to its primary federal regulator. AML rules and policies are developed by a bureau within the Financial Crimes Enforcement Network ("FinCEN"), but compliance by individual institutions is overseen by its primary federal regulator.

Privacy and Data Security

Federal and state law contains extensive consumer privacy protection provisions. The GLBA and the implementing regulations issued by federal regulatory agencies require financial institutions (including banks, insurance agencies, and broker/dealers) to adopt policies and procedures regarding the disclosure of nonpublic personal information about their customers to non-affiliated third parties. In general, financial institutions are required to explain to customers their policies and procedures regarding the disclosure of such nonpublic personal information and, unless otherwise required or permitted by law, financial institutions are prohibited from disclosing such information except as provided in their policies and procedures. Specifically, the GLBA established certain information security guidelines that require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to develop, implement, and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, to protect against anticipated threats or hazards to the security or integrity of such information, and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. The Bank is subject to such standards, as well as standards for notifying clients in the event of a security breach.

Consumer privacy protection continues to be an area of focus for state legislatures. Several states, including California, have recently adopted consumer privacy protection laws that impose compliance obligations with respect to safeguarding personally identifiable information. The Company continues to monitor states in which it has a physical presence with respect to consumer privacy protection compliance obligations.

Cybersecurity

Federal banking regulators, as well as the SEC and related self-regulatory organizations, regularly issue guidance regarding cybersecurity that is intended to enhance cybersecurity risk management among financial institutions. Recent cyber-attacks against banks and other financial institutions that resulted in unauthorized access to confidential customer information have prompted the federal banking regulators to issue extensive guidance on cybersecurity. Among other things, financial institutions are expected to design multiple layers of security controls to establish lines of defense and ensure that their risk management processes address the risks posed by compromised customer credentials, including security measures to authenticate customers accessing internet-based services. A financial institution also should have a robust business continuity program to recover from a cyberattack and procedures for monitoring the security of third-party service providers that may have access to nonpublic data at the institution.

Federal Home Loan Bank Membership

The Bank is a member of the FHLB. Each member of the FHLB is required to maintain a minimum investment in the Class B stock of the FHLB. The Board of Directors of the FHLB can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Agency. Because the extent of any obligation to increase the level of investment in the FHLB depends entirely upon the occurrence of a future event, we presently are unable to determine the extent of future required potential payments to the FHLB. Additionally, if a member financial institution fails, the right of the FHLB to seek repayment of funds loaned to that institution will take priority (a super lien) over the rights of all other creditors.

Available Information

The Company maintains an internet site at www.finwisebancorp.com on which it makes available, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to the foregoing as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the SEC. In addition, stockholders may access these reports and documents on the SEC's web site at www.sec.gov. The information on, or accessible through, our website or any other website cited in this Report is not part of, or incorporated by reference into, this Report and should not be relied upon in determining whether to make an investment decision.

Item 1A. RISK FACTORS

The following risks, some of which have occurred and any of which may occur in the future, can have a material adverse effect on our business or financial performance, which in turn can affect the price of our publicly traded securities. These are not the only risks we face. There may be other risks we are not currently aware of or that we currently deem not to be material but that may become material in the future. To the extent that any of the information contained in this document constitutes forward-looking statements, the risk factors below should be reviewed as cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. See "Cautionary Note Regarding Forward-Looking Statements."

Risk Factor Summary

Our business, financial condition and results of operations are subject to a number of substantial risks and uncertainties. These risks are discussed more fully in this "Item 1A. Risk Factors." Some of these risks include the following:

- third-party service provider risk, including risks that we may be unable to maintain or increase loan originations facilitated through our Strategic Programs;
- legal, accounting and compliance risks, including risks related to the extensive state and federal regulation under which we operate and changes in such regulations;
- changes in the regulatory oversight environment impacting our Strategic Programs or non-compliance of federal and state consumer protection laws by our Strategic Program service providers;
- legal and regulatory risks associated with "true lender" statutes associated with our Strategic Programs;
- reputational risks, including the risk that we may be subject to negative publicity about us or our industry, including the transparency, fairness, user experience, quality, and reliability of our lending products or distribution channels;
- legislative, regulatory, legal, and reputational risks related to our Strategic Programs, including those relating to our small dollar lending program;
- securities market, inflation and interest rate risks, including risks related to interest rate fluctuations and the monetary policies and regulations of the Board of Governors of the Federal Reserve System, or the Federal Reserve;
- risks related to cybersecurity breaches and system failures;
- operational and strategic risks, including the risk that we may not be able to implement our growth strategy, our continued ability to establish relationships with Strategic Program service providers, and the possible loss of key members of our senior leadership team;
- the impact and extent of Covid-19 (including the emergence of any new variants thereof) and the response of governmental authorities to Covid-19;
- credit risks, including risks related to the significance of SBA 7(a), Strategic Programs and construction loans in our portfolio, our relationship with BFG, our ability to effectively manage our credit risk and the potential deterioration of the business and economic conditions in our markets;
- liquidity and funding risks, including the risk that we will not be able to meet our obligations due to risks relating to our funding sources; and
- investment risks, including volatility in the trading of our common stock and limitations on our ability to pay dividends.

Risks Related to Cybersecurity and Technology

System failure or cybersecurity breaches of our network security could subject us to increased operating costs as well as litigation and other potential losses.

Our computer systems and network infrastructure could be vulnerable to hardware and cybersecurity issues. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. We could also experience a breach by intentional or negligent conduct on the part of employees or other internal sources. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. The importance of our on-line banking systems to the Company's operations means that any problems in its functionality would have a material adverse effect on the Company's operations, business model and growth strategy.

Our operations are also dependent upon our ability to protect our computer systems and network infrastructure against damage from physical break-ins, cybersecurity breaches and other disruptive problems caused by the internet or other users. Such computer break-ins and other disruptions would jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability, damage our reputation and inhibit the use of our internet banking services by current and potential customers. We could also become the target of various cyberattacks. We regularly add additional security measures to our computer systems and network infrastructure to mitigate the possibility of cybersecurity breaches, including firewalls and penetration testing. However, it is difficult or impossible to defend against every risk being posed by changing technologies as well as acts of cyber-crime. Increasing sophistication of cyber criminals and terrorists make keeping up with new threats difficult and could result in a system breach. Controls employed by our information technology department and cloud vendors could prove inadequate. A breach of our security that results in unauthorized access to our data could expose us to a disruption or challenges relating to our daily operations, as well as to data loss, litigation, damages, fines and penalties, significant increases in compliance costs and reputational damage, any of which could have a material adverse effect on our business, financial condition and results of operations.

We have implemented remote working and workplace protocols for our employees in accordance with government requirements. Working outside of our network protection may increase our risk exposure to cybersecurity breaches. An increase in the number of employees working offsite may correspond to an increase in the size of our risk exposure to cyber disruptions.

Despite the implementation of security measures, our internal computer systems and those of our Strategic Program platforms, and other contractors and consultants as well as third party vendors of IT and data security systems and services, are vulnerable to damage and interruptions from security breaches, computer viruses, fraud and similar incidents involving the loss or unauthorized access of confidential information.

We cannot be sure that our continued data protection efforts and investment in information technology will prevent future significant breakdowns, data leakages, breaches in our systems or the systems of our third party contractors and collaborators, or other cyber incidents that could have a material adverse effect upon our reputation, business, operations or financial condition. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our programs and the development of our product candidates could be delayed.

Our proprietary technologies and analytic models have not yet been extensively tested during down-cycle economic conditions. If these do not, or are perceived not to, accurately gather and interpret performance data for loans and identify attractive risk-adjusted market sectors, our performance may be worse than anticipated.

The technologies created by and relied upon by us, including our FinView™ Analytics Platform, may not function properly, or at all, which may have a material impact on our operations and financial conditions. The performance of loans originated by us is dependent on the effectiveness of our FinView™ Analytics Platform used to evaluate borrowers' credit profiles and likelihood of default. While our proprietary technologies and analytic models are continually adjusted to account for changes in various macroeconomic conditions, the bulk of the data gathered and the development of our enterprise data warehouse have largely occurred during a period of sustained economic growth or during the COVID-19 pandemic when extraordinary government stimulus impacted the economy. Our FinView™ Analytics Platform has not been extensively tested during other adverse economic cycles. There is no assurance that our proprietary technologies can accurately predict loan performance during periods of adverse economic conditions. If our FinView™ Analytics Platform is unable to accurately reflect the credit risk of loans under such economic conditions, we may experience greater than expected losses on such loans. For example, in response to the COVID-19 pandemic, the federal government quickly implemented stimulus measures. The subsequent discontinuation of those stimulus measures has increased, and may continue to increase, the delinquency and default rates of borrowers, which may increase uncertainty about the effectiveness of our FinView™ Analytics Platform.

We may not have the resources to keep pace with rapid technological changes in the industry or implement new technology effectively.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. Our future success will depend, at least in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand our products and service offerings. We may experience operational challenges as we implement these new technology enhancements or products, which could impair our ability to realize the anticipated benefits from such new technology or require us to incur significant costs to remedy any such challenges in a timely manner.

Many of our larger competitors have substantially greater resources to invest in technological improvements. Third parties upon which we rely for our technology needs may not be able to develop, on a cost-effective basis, systems that will enable us to keep pace with such developments. As a result, our larger competitors may be able to offer additional or superior products compared to those that we will be able to provide, which would put us at a competitive disadvantage. We may lose customers seeking new technology-driven products and services to the extent we are unable to provide such products and services. The ability to keep pace with technological change is important and the failure to do so could adversely affect our business, financial condition and results of operations.

Our operations could be interrupted if our third-party service providers or Strategic Program service providers experience operational or other systems difficulties or terminate their services.

We outsource some of our operational activities to third parties and counterparties for certain services, including, but not limited to, loan marketing and origination, core systems support, informational website hosting, internet services, online account opening and other processing services. Our business depends on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party service providers. We also leverage the financial technology capabilities of our Strategic Program service providers to meet our enterprise risk framework and enable us to realize operating efficiencies.

As a result, if these third-party service providers or our Strategic Program service providers experience difficulties, are subject to cybersecurity breaches, or terminate their services, and we are unable to replace them with other service providers or alternative counterparties, particularly on a timely basis, our operations could be interrupted. If an interruption were to continue for a significant period, our business, financial condition and results of operations could be adversely affected. Even if we can replace third-party service providers or Strategic Program service providers, it may be at a higher cost to us, which could adversely affect our business, financial condition and results of operations.

Risks Related to Our Banking Business

As a business operating in the financial services industry, our business and operations may be adversely affected in numerous and complex ways by weak economic conditions.

Our business and operations, which primarily consist of lending money to clients in the form of loans, borrowing money from clients in the form of deposits and investing in interest earning deposits in other banks and securities, are sensitive to general business and economic conditions in the United States. We solicit deposits and originate loans throughout the United States. If the U.S. economy weakens, our growth and profitability from our lending, deposit and investment operations could be constrained. Uncertainty about the federal fiscal policymaking process, the medium- and long-term fiscal outlook of the federal government and future tax rates is a concern for businesses, consumers and investors in the United States. Adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

The U.S. economy contracted into a recession in the first half of 2020, primarily driven by the COVID-19 pandemic, and the U.S. government and Federal Reserve responded with unprecedented measures. The U.S. economy has since strengthened despite the spread of COVID-19 variants, with historically higher inflation and housing values beginning in 2021. Also, the ongoing global supply chain issues and the military conflict between Russia and Ukraine contributed to higher inflation in 2022. In response, the Federal Reserve began normalizing monetary policy with its decision in late 2021 to taper its quantitative easing and raising the federal funds rate beginning in March 2022.

Inflation remains elevated, reflecting supply and demand imbalances related to COVID-19 and its variants, higher food and energy prices from the military conflict between Russia and Ukraine, and broader price pressures. The Federal Reserve has raised interest rates significantly throughout 2022 to lower inflation. While certain factors point to improving economic conditions, including moderating inflation, uncertainty remains regarding the path of the economic recovery and the mitigating impacts of government interventions. Recent government actions to curb inflation may cause the economy to enter into a recession, the length and severity of which cannot be predicted.

Conditions related to inflation, global supply chains, labor market, volatile interest rates, international conflicts, changes in trade policies and other factors, such as real estate values, state and local municipal budget deficits, government spending and the U.S. national debt may, directly and indirectly, adversely affect our financial condition and results of operations. Inflationary and other economic pressure resulting in the inability of borrowers to repay loans could result in increased loan defaults, foreclosures and charge-offs and negatively affect our business, financial condition, results of operations, cash flows and future prospects.

Our Strategic Programs may also be susceptible to worsening economic conditions that place financial stress on our existing service providers and potential new Strategic Program services providers. These service providers may experience liquidity and other financial issues or strategically slow down growth, any of which could lead them to decrease or terminate their business with us.

Moreover, an inflationary environment combined with a competitive labor market and decreases in the market value of our equity awards could make it more costly for us to attract or retain employees. In order to meet the compensation expectations of our prospective and current employees due to inflationary and other factors, we may be required to increase our operating costs or risk losing skilled workers to competitors.

Concerns about the performance of international economies, especially in Europe and emerging markets, and economic conditions in Asia, particularly the economies of China, South Korea and Japan, can impact the economy and financial markets here in the United States. If the national, regional and local economies experience worsening economic conditions, including high levels of unemployment, our growth and profitability could be constrained. Our business is significantly affected by monetary and other regulatory policies of the U.S. federal government, its agencies and government-sponsored entities. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control, are difficult to predict and could have a material adverse effect on our business, financial position, results of operations and growth prospects. In addition, decreases in real estate values within our service areas caused by economic conditions, recent changes in tax laws or other events could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. Further, deterioration in economic conditions could drive the level of loan losses beyond the level we have provided for in our ALL, which in turn could necessitate an increase in our provision for loan losses and a resulting reduction to our earnings and capital. These factors can individually or in the aggregate be detrimental to our business, and the interplay between these factors can be complex and unpredictable. Adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Acts of terrorism, geopolitical and other external events could impact our ability to conduct business.

Financial institutions have been, and continue to be, targets of terrorist threats aimed at compromising operating and communication systems and remain central targets for potential acts of terrorism. Such events could cause significant damage, impact the stability of our facilities and result in additional expenses, impair the ability of our borrowers to repay their loans, reduce the value of collateral securing repayment of our loans, and result in the loss of revenue. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition. Additionally, financial markets may be adversely affected by the current or anticipated impact of military conflict, including escalating military action between Russia and Ukraine, terrorism or other geopolitical events.

Unpredictable future developments related to or resulting from COVID-19 could materially and adversely affect our business and results of operations.

The economic impact of COVID-19 and its variants have influenced and could further influence our financial condition and results of operations, including the recognition of credit losses in our loan portfolios. Similarly, because of changing economic and market conditions affecting issuers, the securities we hold may lose value. The extent to which COVID-19 and its variants impact our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted.

We may continue to see the economic effects of COVID-19 and its variants even after the national emergency and public health emergency declarations are lifted. Although government mandates to restrict daily activities have generally been lifted in the U.S. and the Biden Administration recently announced that it intends to end the U.S. national emergency and public health emergency declarations on May 11, 2023, recovery varies globally and the effects of the COVID-19 pandemic continue to evolve. For example, lockdowns to contain the spread of COVID-19 in China, which have only recently been loosened, impacted the global macroeconomic environment.

Many of the actions of governmental authorities, including eviction forbearance, suspension of mortgage and other loan payments and foreclosures, enacted during the outbreak of COVID-19 have ended. The impact of the discontinuation of these programs on the markets in which we operate in 2023 and beyond is uncertain. The end of various governmental support may have negative impacts on our customers including increased risk of delinquencies, defaults, foreclosures and losses on our loans.

Our commercial and consumer banking clients who participate in our real estate lending program and SBA 7(a) lending program are concentrated in certain geographic areas and we are sensitive to adverse changes in those regional economies.

The success of our real estate lending programs depends substantially upon the general economic conditions in Utah, which we cannot predict with certainty. Adverse conditions in the local Utah economy such as unemployment, recession, a catastrophic event or other factors beyond our control could impact the ability of borrowers participating in our real estate lending program to repay their loans, which could impact our net interest income. In addition, our borrowers who participate in our SBA 7(a) lending program span across multiple states, with a focus in New York and New Jersey. As in the case with Utah, we similarly cannot foresee or control the economic conditions in such states. A downturn in these regional economies generally could make it more difficult for our borrowers to repay their loans and may lead to loan losses. For these reasons, any national, regional or local economic downturn that affects our service regions, or existing or prospective borrowers in such regions, could have a material adverse effect on our real estate and SBA 7(a) lending and the business, financial condition and results of operations.

We face strong competition from financial services companies and other companies that offer banking services.

We operate in the highly competitive financial services industry and face significant competition for customers from financial institutions located both within and beyond our principal markets and product lines. We compete with commercial banks, savings banks, credit unions, nonbank financial services companies and other financial institutions operating both within our market areas and nationally, and in respect of our financial technology initiative we also compete with other entities in the financial technology industry, including a limited number of other banks that have developed strategic programs similar to our Strategic Programs.

Many of our non-bank competitors are not subject to the same extensive regulations that govern our activities and may have greater flexibility in competing for business. Our inability to compete successfully in the markets in which we operate could have a material adverse effect on our business, financial condition or results of operations.

We may not be able to measure and limit our credit risk adequately, which could lead to unexpected losses.

Our business depends on our ability to successfully measure and manage credit risk. As a lender, we are exposed to the risk that the principal of, or interest on, a loan will not be paid timely or at all or that the value of any collateral supporting a loan will be insufficient to cover our outstanding exposure. In addition, we are exposed to risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting, closing, servicing and liquidation, risks resulting from changes in economic and industry conditions, and risks inherent in dealing with individual loans and borrowers. If the overall economic climate in the United States generally, or in any of our markets specifically, experiences material disruption, our borrowers may experience difficulties in repaying their loans, the collateral we hold may decrease in value or become illiquid, and the level of delinquencies, nonperforming loans, and charge-offs could rise and require significant additional provisions for loan losses.

Our risk management practices, such as monitoring the concentration of our loans within specific markets and our credit approval, review and administrative practices, may not adequately reduce credit risk. A failure to effectively measure and limit the credit risk associated with our loan portfolio may result in loan defaults, foreclosures and additional charge-offs, and may necessitate that we significantly increase our ALL, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have an adverse effect on our business, financial condition and results of operations.

Our ALL may prove to be insufficient to absorb potential losses in our loan portfolio.

We maintain an ALL that represents management’s judgment of probable losses and risks inherent in our loan portfolio. The level of the allowance reflects management’s continuing evaluation of general economic conditions, diversification and seasoning of the loan portfolio, historic loss experience, identified credit problems, delinquency levels and adequacy of collateral. The determination of the appropriate level of our ALL is inherently highly subjective and requires management to make significant estimates of and assumptions regarding current credit risks, all of which may undergo material changes. Inaccurate management assumptions, deterioration of economic conditions affecting borrowers, new information regarding existing loans, identification or deterioration of additional problem loans, acquisition of problem loans and other factors (including third-party review and analysis), both within and outside of our control, may require us to increase our ALL. If we are required to materially increase the level of our ALL for any reason, such increase could have an adverse effect on our business, financial condition and results of operations.

The Financial Accounting Standards Board (the “FASB”) has issued an accounting standard for establishing allowances for loan and lease losses that replaces the prior approach under GAAP, which generally considers only past events and current conditions, with a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first originated or acquired. As an emerging growth company relying on the extended transition period for new accounting standards, this standard, referred to as Current Expected Credit Loss (“CECL”), became effective for us on January 1, 2023. The CECL standard will require us to record, at the time of origination, credit losses expected throughout the life of the asset portfolio on loans and held-to-maturity securities, as opposed to the current practice of recording losses when it is probable that a loss event has occurred. Moreover, the CECL standard may create more volatility in the level of allowance for loan losses. If we are required to materially increase the level of our allowance for loan losses for any reason, such increase could have an adverse effect on our business, financial condition, and results of operations. For further information, please see Note 1, Summary of Significant Accounting Policies – Recent accounting pronouncements, of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may implement or may acquire new lines of business or pilot programs or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and new products and services, we may invest significant time and resources. We may not achieve target timetables for the introduction and development of new lines of business and new products or services and price and profitability targets may not prove feasible. External factors, such as regulatory compliance obligations, competitive alternatives and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to certain risks in connection with growing through mergers and acquisitions.

It is possible that we could acquire other banking institutions, other financial services companies, banking and servicing platforms, or branches of banks in the future. Acquisitions typically involve the payment of a premium over book and trading values and, therefore, may result in the dilution of our tangible book value per share and/or our earnings per share. Our ability to engage in future mergers and acquisitions depends on various factors, including: (1) our ability to identify suitable merger partners and acquisition opportunities; (2) our ability to finance and complete transactions on acceptable terms and at acceptable prices; and (3) our ability to receive the necessary regulatory and, when required, shareholder approvals. Furthermore, mergers and acquisitions involve a number of risks and challenges, including our ability to achieve planned synergies and to integrate the branches and operations we acquire, and the internal controls and regulatory functions into our current operations, as well as the diversion of management's attention from existing operations, which may adversely affect our ability to successfully conduct our business and negatively impact our financial results.

Our SBA lending program is dependent upon the U.S. federal government, and we face specific risks associated with originating SBA loans.

Our SBA lending program is dependent upon the U.S. federal government. We are an approved participant in the SBA Preferred Lenders Program ("PLP"). As an SBA Preferred Lender, we are able to offer SBA loans to our clients without being subject to the potentially lengthy SBA approval process for application, servicing or liquidation actions necessary for lenders that are not SBA Preferred Lenders. If we lose our status as an SBA Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders, and as a result we could experience a material adverse effect on our financial results. Any changes to the SBA program, including but not limited to changes to the level of guarantee provided by the federal government on SBA loans, changes to program specific rules impacting volume eligibility under the guaranty program, as well as changes to the program amounts authorized by Congress or exhaustion of the available funding for SBA programs, may have a material adverse effect on our business. In addition, any default by the U.S. government on its obligations or any prolonged government shutdown could, among other things, impede our ability to originate SBA loans or sell such loans in the secondary market, which could materially and adversely affect our business, financial condition and results of operations. When we originate SBA loans, we incur credit risk on the non-guaranteed portion of the loans, and if a customer defaults on a loan, we share any loss and recovery related to the loan pro-rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us.

As the funding and sale of the guaranteed portion of SBA 7(a) loans is a major portion of our business and a significant portion of our noninterest income, any significant changes to the SBA 7(a) program, such as its funding or eligibility requirements, may have an adverse effect on our prospects, financial condition and results of operations. Even if we are able to continue to originate and sell SBA 7(a) loans in the secondary market, we might not continue to realize premiums upon the sale of the guaranteed portion of these loans or the premiums may decline due to economic and competitive factors. Furthermore, when we sell the guaranteed portion of SBA loans in the ordinary course of business, we are required to make certain representations and warranties to the purchaser about the SBA loan and the manner in which they were originated. Under these agreements, we may be required to repurchase the guaranteed portion of the SBA loan if we have breached any of these representations or warranties, in which case we may record a loss. In addition, if repurchase and indemnity demands increase on loans that we sell from our portfolios, our liquidity, results of operations and financial condition could be adversely affected.

Generally, we do not maintain reserves or loss allowances for such potential claims and any such claims could materially and adversely affect our business, financial condition and earnings.

The laws, regulations and standard operating procedures that are applicable to SBA loan products may change in the future. We cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies and especially our organization, changes in the laws, regulations and procedures applicable to SBA loans could adversely affect our ability to operate profitably.

We rely on BFG for loan referrals associated with our SBA 7(a) lending program, any disruption of that relationship may adversely impact our SBA lending business.

BFG is a nationally significant referral source of small business loans. BFG has been the primary source of SBA loan referrals for the Bank since the Bank began its SBA lending program in 2014. BFG referred 99.58% of the Bank’s SBA 7(a) loan originations for the year ended December 31, 2022. This relationship has permitted the Bank to focus on the development of underwriting, processing and servicing expertise for SBA 7(a) loans. Any disruption of our relationship with BFG or reduction in SBA 7(a) loan referrals could materially adversely impact our business, financial condition, results of operation and growth plans.

Because a significant portion of our loan portfolio held-for-investment within our local lending program and SBA 7(a) lending program is secured by real estate, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing our real estate loans and result in loan and other losses.

As of December 31, 2022, approximately $49.9 million, or 21.1%, of our total gross loans held-for-investment were loans with real estate as a primary or secondary component of collateral. We also have approximately $133.6 million, or 56.5%, of our total gross loans held-for-investment in SBA loans that are secured with real estate as a component of collateral as of December 31, 2022. The market value of real estate can fluctuate significantly in a short period of time. As a result, adverse developments affecting real estate values and the liquidity of real estate in our primary markets could increase the credit risk associated with our loan portfolio, and could result in losses that adversely affect our credit quality, financial condition and results of operations. Negative changes in the economy affecting real estate values and liquidity in our market areas could significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan, which could result in losses on such loans. Such declines and losses would have a material adverse effect on our business, financial condition and results of operations.

Appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property, other real estate owned and repossessed business and personal property may not accurately describe the net value of the asset.

In considering whether to make a loan secured by real property, we generally require an appraisal of the property which may not accurately describe the net value of the real property collateral after the loan is made. As a result, we may not be able to realize the full amount of any remaining indebtedness if we foreclose on and sell the relevant property. In addition, we rely on appraisals and other valuation techniques to establish the value of our other real estate owned, or OREO, and business and personal property that we acquire through foreclosure proceedings and to determine certain loan impairments. If any of these valuations are inaccurate, our consolidated financial statements may not reflect the correct value of our OREO, and our ALL may not reflect accurate loan impairments. This could have a material adverse effect on our business, financial condition or results of operations.

In the case of defaults on loans secured by real estate, we may be forced to foreclose on the collateral, subjecting us to the costs and potential risks associated with the ownership of the real property, or consumer protection initiatives or changes in state or federal law that may substantially raise the cost of foreclosure or prevent us from foreclosing at all.

Since we originate loans secured by real estate, we may have to foreclose on the collateral property to protect our investment and may thereafter own and operate such property for some period, in which case we would be exposed to the risks inherent in the ownership of real estate. Our inability to manage the amount of costs or size of the risks associated with the ownership of real estate, or write-downs in the value of other real estate owned, could have a material adverse effect on our business, financial condition and results of operations.

Additionally, consumer protection initiatives or changes in state or federal law may substantially increase the time and expense associated with the foreclosure process or prevent us from foreclosing at all. Some states in recent years have either considered or adopted foreclosure reform laws that make it substantially more difficult and expensive for lenders to foreclose on properties in default. If new state or federal laws or regulations are ultimately enacted that significantly raise the cost of foreclosure or raise outright barriers, such laws could have a material adverse effect on our business, financial condition and results of operation.

We may not be able to protect our intellectual property rights, and may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful.

We rely on a combination of copyright, trademark, trade secret laws and confidentiality provisions to establish and protect our proprietary rights. If we fail to successfully maintain, protect and enforce our intellectual property rights, our competitive position could suffer. Similarly, if we were to infringe on the intellectual property rights of others, our competitive position could suffer. Third parties may challenge, invalidate, circumvent, infringe or misappropriate our intellectual property, or such intellectual property may not be sufficient to permit us to take advantage of current market trends or otherwise to provide competitive advantages, which could result in costly redesign efforts, discontinuance of certain product or service offerings or other competitive harm. We may also be required to spend significant resources to monitor and police our intellectual property rights. Others, including our competitors, may independently develop similar technology, duplicate our products or services or design around our intellectual property, and in such cases we may not be able to assert our intellectual property rights against such parties. Further, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential or proprietary information. We may have to litigate to enforce or determine the scope and enforceability of our intellectual property rights, trade secrets and know-how, which could be time-consuming and expensive, could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to obtain rights with respect to third party intellectual property could harm our business and ability to compete. In addition, because of the rapid pace of technological change in our industry, aspects of our business and our products and services rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms or at all.

Our origination of construction loans exposes us to increased lending risks.

We originate commercial construction loans primarily to professional builders for the construction of one-to-four family residences, apartment buildings, and commercial real estate properties. As of December 31, 2022, we had approximately $32.1 million of construction loans, which represents approximately 13.6% of our total gross loan portfolio held-for-investment. Our construction loans present a greater level of risk than loans secured by improved, occupied real estate due to: (1) the increased difficulty at the time the loan is made of estimating the building costs and the selling price of the property to be built; (2) the increased difficulty and costs of monitoring the loan; (3) the higher degree of sensitivity to increases in market rates of interest; and (4) the increased difficulty of working out loan problems. In addition, construction costs may exceed original estimates as a result of increased materials, labor or other costs. Construction loans also often involve the disbursement of funds with repayment dependent, in part, on the success of the project and the ability of the borrower to sell or lease the property or refinance the indebtedness.

The small- to medium-sized businesses that we lend to may have fewer resources to weather adverse business developments, which may impair our borrowers' ability to repay loans.

Small- to medium-sized businesses frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience substantial volatility in operating results, any of which may impair a borrower's ability to repay a loan. In addition, the success of a small- and medium-sized business often depends on the management skills, talents and efforts of a small group of people, and the death, disability or resignation of one or more of these people could have a material adverse effect on the business and its ability to repay its loan. If our borrowers are unable to repay their loans, our business, financial condition and results of operations could be adversely affected.

Our concentration of large loans to a limited number of borrowers may increase our credit risk.

As of December 31, 2022, our 10 largest borrowing relationships accounted for approximately 14.3% of our total gross loans held-for-investment. This high concentration of borrowers presents a risk to our lending operations. If any one of these borrowers becomes unable to repay its loan obligations because of economic or market conditions, or personal circumstances, such as divorce or death, our nonaccrual loans and our ALL could increase significantly, which could have a material adverse effect on our assets, business, financial condition and results of operations.

A lack of liquidity could impair our ability to fund operations and adversely impact our business, financial condition and results of operations.

Liquidity is essential to our business. We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities, respectively, to ensure that we have adequate liquidity to fund our operations.

Our most important source of funds is deposits. As of December 31, 2022, approximately $78.8 million, or 32.4%, of our total deposits were noninterest bearing demand accounts. These deposits are subject to potentially dramatic fluctuations due to certain factors that may be outside of our control, such as a loss of confidence by customers in us or the banking sector generally, customer perceptions of our financial health and general reputation, any of which could result in significant outflows of deposits within short periods of time increasing our funding costs and reducing our net interest income and net income. If the balance of the Company's deposits decreases relative to the Company's overall banking operations, the Company may have to rely more heavily on wholesale or other sources of external funding, or may have to increase deposit rates to maintain deposit levels in the future. Any such increased reliance on wholesale funding, or increases in funding rates in general, could have a negative impact on the Company's net interest income and, consequently, on its results of operations and financial condition.

Our Strategic Programs generally require each Strategic Program platform to establish a reserve deposit account with the Bank, intended to protect us in the event a purchaser of loan receivables originated through our Strategic Programs cannot meet its contractual obligation to purchase. The reserve deposit account balance is typically required to at least equal the total outstanding balance of loans held-for-sale by the Bank related to the Strategic Program. In the event that a loan purchaser defaults on its obligation under the Strategic Program agreements and the reserve deposit account balance is lower than the loans held-for-sale, the Bank may not be able to withdraw sufficient amount from the reserve deposit account to fulfill loan purchaser obligations and our liquidity may be adversely impacted.

We also may borrow funds from third-party lenders, such as other financial institutions. We currently utilize three secured lines of credit provided by the FHLB, PPPLF and the Federal Reserve and two unsecured lines of credit provided by Bankers Bank of the West and Zions Bank. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Our access to funding sources could also be affected by one or more adverse regulatory actions against us.

Further, the Federal Housing Finance Agency, the regulator of FHLB and other federal home loan banks, launched a comprehensive review of the Federal Home Loan Bank System including the mission, membership eligibility requirements, and operational efficiencies of the federal home loan banks in 2022. Any change to or termination of our ability to borrow from the FHLB or correspondent banks could have an adverse effect on our financial condition and liquidity.

Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

We have a concentration of deposit accounts with our Strategic Program service providers that is a material source of our funding, and the loss of these deposits or default on letters of credit by these Strategic Program service providers could force us to fund our business through more expensive and less stable sources.

As of December 31, 2022, approximately $49.7 million, or approximately 20.4%, of our total deposits consisted of deposit accounts of our Strategic Program service providers. Generally, the terms of our Strategic Programs require each Strategic Program service provider or purchasing entity to establish a reserve deposit account with the Bank in an amount at least equal to the total outstanding balance of loans held-for-sale by the Bank related to the Strategic Program. This requirement is intended to protect the Bank in the event a purchaser of loan receivables originated through our Strategic Programs cannot meet its contractual obligation to purchase. Depending on the strength of the relationship between the Bank and our Strategic Program service providers, we may reduce the required amount of reserve deposits held and/or allow a portion of the requirement to be fulfilled by a letter of credit. In addition to the reserve deposit account, certain Strategic Program service providers have opened operating deposit accounts at the Bank. If a Strategic Program service provider defaults on its letter of credit or we experience additional unanticipated fluctuations in our Strategic Program deposit levels, we may be forced to rely more heavily on other, potentially more expensive and less stable funding sources, which could have an adverse effect on our business, financial condition and results of operations.

If we are unable to attract additional merchants and retain and grow our existing merchant relationships, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

Our continued success is dependent, in part, on our ability to expand our merchant base and to grow our POS lending revenue. In addition, having a diversified mix of merchant relationships is important to mitigate risk associated with changing consumer spending behavior, economic conditions and other factors that may affect a particular type of merchant or industry. If we fail to retain any of our merchant relationships, if we do not acquire new merchant relationships, if we do not continually expand revenue and volume from the merchant relationships, or if we do not attract and retain a diverse mix of merchant relationships, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

We are subject to interest rate risk as fluctuations in interest rates may adversely affect our earnings.

Most of our banking assets and liabilities are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings are significantly dependent on our net interest income, the principal component of our earnings, which is the difference between interest earned by us from our interest earning assets, such as loans and investment securities, and interest paid by us on our interest-bearing liabilities, such as deposits and borrowings. We expect that we will periodically experience “gaps” in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest earning assets, or vice versa. In either case, if market interest rates should move contrary to our position, this gap will negatively impact our earnings. The impact on earnings is more adverse when the slope of the yield curve flattens; that is, when short-term interest rates increase more than long-term interest rates or when long-term interest rates decrease more than short-term interest rates.

In March 2020, the Federal Reserve lowered the target range for the federal funds rate to a range from 0 to 0.25 percent in response to the Covid-19 pandemic. The federal funds rate remained in this range for all of 2021. After a period of low interest rates, the federal funds rate was increased rapidly to 4.25%-4.50% at the end of 2022. It is anticipated the Federal Reserve will continue with further rate increases in 2023, though not at the level witnessed during 2022. Further changes to prevailing interest rates could influence not only the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, but such changes could also affect (i) our ability to originate loans at competitive rates and obtain deposits; (ii) the fair value of our financial assets and liabilities; (iii) the average duration of our loan portfolios and other interest-earning assets; and (iv) the mix of lending products we originate. A prolonged period of extremely volatile and unstable market conditions could increase our funding costs and negatively affect market risk mitigation strategies. Increased interest rates may decrease borrower demand for certain of our lending products, even as inflation places pressure on consumer spending, borrowing and saving habits as consumers evaluate their prospects for future income growth and employment opportunities in the current economic environment, and as borrowers face uncertainty about the impact of rising prices on their ability to repay a loan. A change in demand for our lending products and any steps we may take to mitigate such change could impact our credit quality and overall growth.

Any future failure to maintain effective internal control over financial reporting could impair the reliability of our financial statements, which in turn could harm our business, impair investor confidence in the accuracy and completeness of our financial reports and our access to the capital markets and cause the price of our common stock to decline and subject us to regulatory penalties.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on that system of internal control. Our internal control over financial reporting consists of a process designed 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, or GAAP. Weaknesses in our internal control over financial reporting have been discovered in the past and may be discovered in the future. If we fail to maintain effective internal control over financial reporting, we may not be able to report our financial results accurately and in a timely manner, in which case our business may be harmed, investors may lose confidence in the accuracy and completeness of our financial reports, we could be subject to regulatory penalties and the price of our common stock may decline.

The accuracy of our financial statements and related disclosures could be affected if the judgments, assumptions or estimates used in our critical accounting policies are inaccurate.

The preparation of financial statements and related disclosures in conformity with GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, which are included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that we consider critical because they require judgments, assumptions and estimates that materially affect our consolidated financial statements and related disclosures. As a result, if future events or regulatory views concerning such analysis differ significantly from the judgments, assumptions and estimates in our critical accounting policies, those events or assumptions could have a material impact on our consolidated financial statements and related disclosures, in each case resulting in our need to revise or restate prior period financial statements, cause damage to our reputation and the price of our common stock and adversely affect our business, financial condition and results of operations.

We could recognize losses on investment securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

We invest a portion of our total assets (3.6% as of December 31, 2022) in investment securities with the primary objectives of providing a source of liquidity, providing an appropriate return on funds invested, managing interest rate risk and meeting pledging requirements. As of December 31, 2022, all securities were classified as held-to-maturity. Factors beyond our control can significantly and adversely influence the fair value of securities in our portfolio. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain operational risks, including, but not limited to, customer, employee or third-party fraud.

Employee errors and employee or customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence. In addition, we rely heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information and employment and income documentation, in deciding which loans we will originate, as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected, or we may fund a loan that we would not have funded or on terms that do not comply with our general underwriting standards. The sources of the misrepresentations are often difficult to locate, and it is often difficult to recover any of the resulting monetary losses we may suffer, which could adversely affect our business, financial condition and results of operations.

We rely heavily on our executive management team and other key employees, and we could be adversely affected by the unexpected loss of their services.

We are led by an experienced core management team with substantial experience in the markets that we serve, and our operating strategy focuses on providing products and services through long-term relationship managers and ensuring that our largest clients have relationships with our senior management team. Accordingly, our success depends in large part on the performance of these key personnel, as well as on our ability to attract, motivate and retain highly qualified senior and middle management. If any of our executive officers, other key personnel or directors leaves us or our Bank, our financial condition and results of operations may suffer because of his or her skills, knowledge of our market, years of industry experience and the difficulty of promptly finding qualified personnel to replace him or her.

Negative public opinion regarding the Company or failure to maintain our reputation within the industries we serve and across our product lines could adversely affect our business and prevent us from growing our business.

If our reputation is negatively affected by the actions of our employees or otherwise, including because of a successful cyberattack against us or other unauthorized release or loss of customer information, we may be less successful in attracting new talent and customers or may lose existing customers, and our business, financial condition and results of operations could be adversely affected. Further, negative public opinion can expose us to litigation and regulatory action and delay and impede our efforts to implement our expansion strategy, which could further adversely affect our business, financial condition and results of operations.

In addition, negative publicity about us or our industry, including the transparency, fairness, user experience, quality, and reliability of our lending products or channels, including auto loans, construction loans, SBA loans, point-of-sale financing, or our Strategic Programs in general, effectiveness of our risk model, our ability to effectively manage and resolve complaints, our privacy and security practices, litigation, regulatory activity, funding sources, originating bank partners, service providers, or others in our industry, the experience of consumers and investors with our lending products, channels or services or point-of-sale lending platforms in general, or use of loan proceeds by consumers that have obtained loans facilitated through us or other point-of-sale lending platforms for illegal purposes, even if inaccurate, could adversely affect our reputation and the confidence in, and the use of, our services, which could harm our reputation and cause disruptions to our business. Any such reputational harm could further affect the behavior of consumers, including their willingness to obtain loans facilitated through us or to make payments on their loans. As a result, our business, results of operations, financial condition, and prospects would be materially and adversely affected.

We may be susceptible to deposit run-off risks.

The Bank relies significantly upon deposits for liquidity and funding business operations. Generally, deposits are a relatively stable and cost-effective source of funding for banks due to many factors, including FDIC deposit insurance. Changes in deposit levels can be influenced substantially by many factors, including customer satisfaction and the interest rates offered to deposit customers. Those rates, in turn, generally reflect prevailing market conditions. During the first quarter of 2023, the media has highlighted the risks of an extreme form of deposit run-off, sometimes referred to as a “run on the bank.” More moderate levels of run-off can adversely affect banks but are less dramatic and have been significantly less reported. We believe that the increased level of public concern created by the current adverse business environment, punctuated by media reports of potential or actual bank failures, have increased the risk of some level of deposit run-off for depository institutions at the present time. That increased run-off risk applies both generally and in relation to deposits that exceed FDIC insurance coverage. To manage this risk, the Bank maintains cash reserves and access to other liquidity sources to accommodate normal and, to a degree, unusual withdrawal activity, and the Bank plans to respond promptly and accurately to any customer concerns that might arise.

We may not be able to raise the additional capital needed, in absolute terms or on terms acceptable to us, to fund our growth strategy in the future if we continue to grow at our current pace.

We believe that we have sufficient capital to meet our capital needs for our immediate growth plans. However, we will continue to need capital to support our longer-term growth plans. If capital is not available on favorable terms when we need it, we will have to either issue common stock or other securities on less than desirable terms or reduce our rate of growth until market conditions become more favorable. Any such events could have a material adverse effect on our business, financial condition and results of operations.

The failure to meet applicable regulatory capital requirements could result in one or more of our regulators placing limitations or conditions on our activities, including our growth initiatives, or restricting the commencement of new activities, and could adversely affect customer and investor confidence, our costs of funds and FDIC insurance costs, our ability to make acquisitions, and our business, results of operations and financial condition.

Climate change or government action and societal responses to climate change could adversely affect our results of operations.

Climate change can increase the likelihood of the occurrence and severity of natural disasters and can also result in longer-term shifts in climate patterns such as extreme heat, sea level rise and more frequent and prolonged drought. Such significant climate change effects may negatively impact our geographic markets, disrupting the operations of the Company, our customers or third parties on which we rely. Damage to real estate collateral and declines in economic conditions in geographic markets in which our customers operate may impact their ability to repay loans or maintain deposits due to climate change effects, which could increase our delinquency rates and average credit loss.

Our offices may be vulnerable to the adverse effects of climate change. We have a substantial physical presence in the Salt Lake City, Utah, region that is prone to events such as seismic activity, drought, water scarcity and severe weather. This region has experienced and may continue to experience, climate-related events and at an increasing rate. Although we maintain a disaster response plan and insurance, such events could disrupt our business, the business of our customers or third-party suppliers, and may cause us to experience losses and additional costs to maintain and resume operations.

As the effects of climate change continue to create a level of concern for the state of the global environment, companies are facing increasing scrutiny from customers, regulators, investors and other stakeholders related to their environmental, social and governance (“ESG”) practices and disclosure. New government regulations could result in more stringent forms of ESG oversight and reporting and diligence and disclosure requirements. Increased ESG related compliance costs, in turn, could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards, including with respect to our involvement in certain industries or projects associated with causing or exacerbating climate change, may negatively affect our reputation and commercial relationships, which could adversely affect our business.

Risks Related to Regulation

We are subject to regulation, which increases the cost and expense of regulatory compliance and therefore reduces our net income and may restrict our growth and ability to acquire other financial institutions.

As a bank holding company under federal law, we are subject to regulation under the Bank Holding Company Act of 1956, as amended, or the BHC Act, and the examination and reporting requirements of the Federal Reserve. In addition to supervising and examining us, the Federal Reserve, through its adoption of regulations implementing the BHC Act, places certain restrictions on the activities that are deemed permissible for bank holding companies to engage in. Changes in the number or scope of permissible activities could have an adverse effect on our ability to realize our strategic goals.

As a Utah state-chartered bank that is not a member of the Federal Reserve System, the Bank is separately subject to regulation by both the FDIC and the UDFI. The FDIC and UDFI regulate numerous aspects of the Bank’s operations, including adequate capital and financial condition, permissible types and amounts of extensions of credit and investments, permissible non-banking activities and restrictions on dividend payments. The Bank undergoes periodic examinations by the FDIC and UDFI. Following such examinations, the Bank may be required, among other things, to change its asset valuations or the amounts of required loan loss allowances or to restrict its operations, as well as increase its capital levels, which would likely adversely affect our results of operations. Supervision, regulation, and examination of the Company and the Bank by the bank regulatory agencies are intended primarily for the protection of consumers, commercial customers, bank depositors and the Deposit Insurance Fund of the FDIC, rather than holders of our common stock. Particularly as a result of any changes in the regulations and regulatory agencies under the Dodd-Frank Act, we may be required to invest significant management attention and resources to evaluate and make any changes necessary to comply with applicable laws and regulations. This allocation of resources, as well as any failure to comply with applicable requirements, may negatively impact our results of operations and financial condition.

Legislative and regulatory actions taken now or in the future may increase our costs and impact our business, governance structure, financial condition or results of operations.

Federal and state regulatory agencies frequently adopt changes to their regulations or change the way existing regulations are applied, including the Dodd-Frank Act and the Regulatory Relief Act. These and other changes are more fully discussed under “Supervision and Regulation.” Regulatory or legislative changes to laws applicable to the financial industry, if enacted or adopted, may impact the profitability of our business activities, require more oversight or change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations to comply and could have a material adverse effect on our business, financial condition and results of operations.

Due to Section 162(m) of the Internal Revenue Code (the “Code”), we may not be able to deduct all of the compensation of some executives, including executives of companies we may acquire in the future.

Section 162(m) of the Code generally limits to $1 million annual deductions for compensation paid to “covered employees” of any “publicly held corporation.” A “publicly held corporation” includes any company that issues securities required to be registered under Section 12 of the Securities Exchange Act of 1934 or companies required to file reports under Section 15(d) of the Exchange Act, determined as of the last day of the company’s taxable year. As a consequence, Section 162(m) of the Code will limit the deductibility of compensation to our covered employees to $1 million beginning with the year ending December 31, 2021. Pursuant to Treasury regulations that were finalized on December 18, 2020, the definition of “covered employees” generally includes anyone who served as the chief executive officer or chief financial officer at any time during the taxable year; the three highest compensated executive officers (other than the chief executive officer or the chief financial officer), determined under SEC rules; and any individual who was a covered employee, including of a “predecessor company,” at any point during a taxable year beginning on or after January 1, 2017, even after the employee terminates employment. We expect that in most if not all cases a publicly traded company that we might acquire in the future will be a “predecessor company.” Accordingly, we expect that the number of our covered employees will increase if FinWise Bancorp acquires one or more publicly held corporations in the future.

Notably, under the American Rescue Plan Act of 2021, or the ARPA, which was signed into law on March 11, 2021, for tax years beginning after December 31, 2026, the definition of “covered employees” will be expanded to include FinWise Bancorp’s next five highest paid employees (in addition to those currently included in the definition as described above).

As a result of the foregoing, under present law, we may not be able to deduct all of the compensation paid in 2022 and future years if compensation paid to “covered employees” exceeds the thresholds established by Section 162(m) of the Code. Losing deductions under Section 162(m) of the Code could increase our income taxes and reduce our net income. A reduction in net income could negatively affect the price of our stock.

Because of the Dodd-Frank Act and related rulemaking, the Company is subject to more stringent capital requirements.

The Bank’s failure to maintain the minimum leverage ratio under the Community Bank Leverage Ratio framework under the Regulatory Relief Act could result in one or more of our regulators placing limitations or conditions on our activities, including our growth initiatives, or restricting the commencement of new activities, and could affect customer and investor confidence, our costs of funds and FDIC insurance costs, our ability to pay dividends on our common stock, our ability to make acquisitions, and our business, results of operations and financial condition. See “Supervision and Regulation—Capital Adequacy Guidelines.”

Federal and state banking agencies periodically conduct examinations of our business, including our compliance with laws and regulations, and our failure to comply with any regulatory actions, if any, could adversely impact us.

As part of the bank regulatory process, the Federal Reserve, the FDIC and the Utah Department of Financial Institutions (the “UDFI”), periodically conduct examinations of our business, including compliance with laws and regulations. If, based on an examination, the UDFI or a federal banking agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, asset sensitivity, risk management or other aspects of any of our operations have become unsatisfactory, or that the Company or its management were in violation of any law or regulation, it may take such remedial actions as it deems appropriate. If we become subject to such regulatory actions, our business, financial condition, results of operations and reputation would likely be adversely affected.

Financial institutions, such as the Bank, face risks of noncompliance and enforcement actions related to the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. To administer the Bank Secrecy Act, FinCEN is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and the IRS. There is also increased scrutiny of compliance with the sanctions programs and rules administered and enforced by the Treasury Department’s Office of Foreign Assets Control.

Our compliance with the anti-money laundering laws is in part dependent on our ability to adequately screen and monitor our customers for their compliance with these laws. We have developed policies and procedures to screen and monitor these customers. To comply with regulations, guidelines and examination procedures in this area, we have dedicated significant resources to our anti-money laundering program. If our policies, procedures and systems are deemed deficient, we could be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the inability to obtain regulatory approvals to proceed with certain aspects of our business plans, including acquisitions and de novo branching.

We are subject to anticorruption laws, including the U.S. Foreign Corrupt Practices Act, or FCPA, and we may be subject to other anti-corruption laws, as well as anti-money laundering and sanctions laws and other laws governing our operations, to the extent our business expands to non-U.S. jurisdictions. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, which could adversely affect our business, financial condition and results of operations.

We continue to pursue deposit sourcing opportunities outside of the United States. We are currently subject to anti-corruption laws, including the FCPA. The FCPA and other applicable anti-corruption laws generally prohibit us, our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain other business advantages. We may also participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under the FCPA or other jurisdictions’ anti-corruption laws. There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the FCPA. If we are not in compliance with the FCPA or other anti-corruption laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition and results of operations. Similarly, any investigation of any potential violations of the FCPA or other anti-corruption laws by authorities in the United States or other jurisdictions where we conduct business could also have an adverse impact on our reputation, business, financial condition and results of operations.

Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by these laws. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the U.S. are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer or employee information, and some of our current or planned business activities. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. This includes increased privacy-related enforcement activity at the federal level by the Federal Trade Commission, as well as at the state level. For example, in March 2022, Utah enacted the Utah Consumer Privacy Act. Also, the Federal Trade Commission recently issued a staff report on digital “dark patterns,” sophisticated design practices that can trick or manipulate consumers into buying products or services or giving up their private information, that, among other things, highlighted marketing and disclosure practices by some financial technology companies that the Federal Trade Commission claimed were deceptive because of their use of dark patterns. Based upon prior enforcement actions, staff reports, and statements by Federal Trade Commission officials, we believe this scrutiny of financial technology company marketing and disclosure practices will continue for the foreseeable future. Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting customer or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a material adverse effect on our business, financial condition or results of operations.

We *are subject to numerous laws and regulations, designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws or regulations could lead to a wide variety of sanctions.*

The Community Reinvestment Act, or CRA, directs all insured depository institutions to help meet the credit needs of the local communities in which they are located, including low- and moderate-income neighborhoods. Each institution is examined periodically by its primary federal regulator, which assesses the institution’s performance. The Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The CFPB, the U.S. Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. The CFPB was created under the Dodd-Frank Act to centralize responsibility for consumer financial protection with broad rulemaking authority to administer and carry out the purposes and objectives of federal consumer financial laws with respect to all financial institutions that offer financial products and services to consumers. The CFPB is also authorized to prescribe rules applicable to any covered person or service provider, identifying and prohibiting acts or practices that are “unfair, deceptive, or abusive” in any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product, or service. The ongoing broad rulemaking powers of the CFPB have potential to have a significant impact on the operations of financial institutions offering consumer financial products or services. The CFPB has indicated that it may propose new rules on overdrafts and other consumer financial products or services, which could have a material adverse effect on our business, financial condition and results of operations if any such rules limit our ability to provide such financial products or services.

A successful regulatory challenge to an institution's performance under the CRA, fair lending or consumer lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our reputation, business, financial condition and results of operations.

We may be subject to liability for potential violations of predatory lending laws, which could adversely impact our results of operations, financial condition and business.

Various U.S. federal, state and local laws have been enacted that are designed to discourage "predatory" lending practices. The U.S. Home Ownership and Equity Protection Act of 1994, or HOEPA, prohibits inclusion of certain provisions in mortgages that have interest rates or origination costs in excess of prescribed levels and requires that borrowers be given certain disclosures prior to origination. The Military Lending Act limits the interest rate that can be charged to active-duty servicemembers and their dependents. Some states have enacted, or may enact, similar laws or regulations, which in some cases impose restrictions and requirements greater than those in HOEPA. In addition, under the anti-predatory lending laws of some states, the origination of certain mortgages, including loans that are not classified as "high-cost" loans under applicable law, must satisfy a net tangible benefit test with respect to the related borrower. Such tests may be highly subjective and open to interpretation. As a result, a court may determine that a home mortgage, for example, does not meet the test even if the related originator reasonably believed that the test was satisfied. If any of our mortgages or other loans are found to have been originated in violation of predatory or abusive lending laws, we could incur losses, which could adversely impact our results of operations, financial condition and business.

Regulatory agencies and consumer advocacy groups have asserted claims that the practices of lenders and loan servicers result in a disparate impact on protected classes.

Antidiscrimination statutes, such as FHA and ECOA, prohibit creditors from discriminating against loan applicants and borrowers based on certain characteristics, such as race, religion and national origin. Various federal regulatory agencies and departments, including the DOJ and the CFPB, have taken the position that these laws apply not only to intentional discrimination, but also to facially neutral practices that have a disparate impact on a group that shares a characteristic that a creditor may not consider in making credit decisions protected classes (i.e., creditor or servicing practices that have a disproportionate negative affect on a protected class of individuals). Further, the CFPB has issued an update to its examination manual that contains a novel interpretation of its authority to prohibit unfair, deceptive, or abusive acts or practices that would authorize the agency to treat any instance of discrimination against a protected class as an unfair act or practice under the Dodd-Frank Act.

These regulatory agencies, as well as consumer advocacy groups and plaintiffs' attorneys, have focused greater attention on "disparate impact" claims. The U.S. Supreme Court has confirmed that the "disparate impact" theory applies to cases brought under FHA, while emphasizing that a causal relationship must be shown between a specific policy of the defendant and a discriminatory result that is not justified by a legitimate objective of the defendant. Although it is still unclear whether the theory applies under ECOA, regulatory agencies and private plaintiffs may continue to apply it to both FHA and ECOA in the context of mortgage lending and servicing. To the extent that the "disparate impact" theory continues to apply, we are faced with significant administrative burdens in attempting to comply and potential liability for failures to comply.

In addition to reputational harm, violations of FHA and ECOA can result in actual damages, punitive damages, injunctive or equitable relief, attorneys' fees and civil money penalties.

Increases in FDIC insurance premiums could adversely affect our earnings and results of operations.

The deposits of our Bank are insured by the FDIC up to legal limits and, accordingly, subject it to the payment of FDIC deposit insurance assessments as determined according to the calculation described in “Supervision and Regulation—Deposit Insurance.” In October 2022, the FDIC issued a final rule to increase the initial base deposit insurance assessment rate by two basis points for all insured depository institutions beginning in 2023. Any future special assessments, increases in assessment rates or required prepayments in FDIC insurance premiums could reduce our profitability or limit our ability to pursue certain business opportunities, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Strategic Programs

The Bank and our Strategic Program service providers are subject to borrower protection laws and federal and state consumer protection laws and may be subject to public criticism by consumer advocacy groups.

The Bank and our Strategic Program service providers must comply with a variety of laws and regulations, including those applicable to consumer credit transactions, various aspects of which are untested as applied to a marketplace. Certain state laws generally regulate interest rates and other charges and require certain disclosures. In addition, other federal and state laws may apply to the origination and servicing of loans facilitated through our Strategic Programs. In particular, our Strategic Program service providers may be subject to laws, including but not limited to Section 5 of the Federal Trade Commission Act, the Truth-in-Lending Act, the Fair Credit Reporting Act, Fair Debt Collection Practices Act, Telephone Consumer Protection Act and other federal, state and municipal consumer protection laws and regulations that impose requirements related to, among other things, fair lending, loan disclosures and terms, credit discrimination, credit reporting, debt servicing and collection, communications and unfair or deceptive business practices. Such laws related to credit reporting, debt servicing and collection, communications and unfair or deceptive business practices may be of particular relevance while the Bank is the holder of a consumer credit transaction; the time period of such status as the holder may vary.

Our Strategic Program service providers may not always have been, may not always be, and may be subject to legal proceedings alleging that they are not in full compliance with these laws. Compliance with these laws is costly, time-consuming and limits operational flexibility. In addition, both we and our Strategic Program service providers may be criticized by third party consumer advocacy groups regarding compliance with fair lending or consumer lending laws and regulations, which may result in negative publicity of our Strategic Program service providers and the Bank. Non-compliance or alleged non-compliance could subject a Strategic Program service provider, and/or the Bank, to damages, revocation of required licenses, arbitration, lawsuits (including class action lawsuits), enforcement actions, increased regulatory scrutiny of the Bank’s internal controls and oversight of our third-party vendor risk management, penalties, termination of our relationship with a Strategic Program service provider, injunctions which require the cessation or curtailment of a Strategic Program or operation by the Bank, rescission rights held by investors in securities offerings and civil and criminal liability.

Any of these actions may harm the Bank and/or our Strategic Program service providers, and may result in, among other penalties, borrowers rescinding their loans, imposition of financial penalties against the Bank and/or our Strategic Program service providers, and/or injunctive relief against the Bank and/or our Strategic Program service providers requiring the Bank and/or our Strategic Program service providers to cease or curtail certain operations. If any of the Strategic Program service providers with which we do business suffers any of these consequences, we may be forced to create new relationships with Strategic Program service providers, which if not formed, could have an adverse effect on our growth strategy, business, results of operation and financial condition. Additionally, the Bank may suffer economic penalties and consequences as a result of a financial penalty or damages or injunctive relief. If the Bank and/or any of the Strategic Program service providers with which we do business suffers any of these consequences, the Bank may not be able to recover economic damages and/or costs the Bank incurs from the Strategic Program service provider, whether under an indemnification right or other action against the service provider. The foregoing could adversely affect our growth, business prospects, financial condition and results of operations.

The Bank and our Strategic Program service providers may be subject to consumer arbitration or litigation regardless of whether the claims have merit. Given the wide variety of state and federal consumer financial protection laws, consumer claims are a regular and ordinary component of any consumer lending and servicing business. The Bank and our Strategic Program service providers may face consumer claims (including class action claims) under state or federal laws governing fair debt collection, fair credit reporting, electronic funds transfers, truth in lending, unfair or deceptive acts or practices, telecommunications, or other consumer protection laws. The Bank or our Strategic Program service providers may be required to defend against such consumer claims in court or through arbitration. The litigation risks attendant in defending against these claims, which we intend to do vigorously, may include increased legal fees, related costs and expenses, and reputational harm. Because litigation risk is generally unpredictable, we cannot estimate the amount of damages (if any) that might be awarded in any case, foresee other forms of relief a competent tribunal may impose, or otherwise predict the impact of consumer claims on the Bank's or any Strategic Program service provider's operations or revenue.

If we are unable to maintain our relationships with our Strategic Program service providers, our business will suffer.

A significant portion of our loan origination is conducted through our Strategic Programs. Approximately $61.7 million, or 68.7% of our total revenues for the year ended December 31, 2022, were generated through our Strategic Programs. Our agreements with service providers to the Strategic Programs are non-exclusive and do not prohibit the service providers from working with our competitors upon payment of a fee or from offering competing services. In addition, the Strategic Program service providers may not perform as expected under our agreements including potentially being unable to accommodate our projected growth in loan volume and revenue. Although we have taken steps to secure relationships with our Strategic Program service providers and key third-party relationships, we could in the future have disagreements or disputes with our Strategic Program service providers, which could negatively impact or threaten our relationship.

Furthermore, our agreements with third parties could come under scrutiny by our regulators, and our regulators could raise an issue with, or object to, any term or provision in such an agreement or any action taken by such third party vis-à-vis the Bank's operations or customers, resulting in a material adverse effect to us including, but not limited to, the imposition of fines and/or penalties and the material restructuring or termination of such agreement.

Inadequate oversight of our relationships with our Strategic Program service providers and POS merchants could result in regulatory actions against the Bank, which could adversely affect our business, financial condition and result of operations.

The FDIC has issued guidance outlining the expectations for third-party service provider oversight and monitoring by financial institutions. The federal banking agencies, including the FDIC, have also issued enforcement actions against financial institutions for failure in oversight of third-party providers and violations of federal banking law by such providers when performing services for financial institutions. Our failure to adequately oversee the actions of our third-party service providers could result in regulatory actions against the Bank. Furthermore, our regulators could require us to terminate certain relationships with our Strategic Program service providers or POS merchants or restrict our ability to form new relationships with other Strategic Program service providers or POS merchants, either of which could result in a decrease in our loan originations, which in turn could adversely affect our growth, business prospects, financial condition and results of operations.

The regulatory framework for Strategic Programs is evolving and uncertain as federal and state governments consider new laws to regulate online marketplaces such as ours. New laws and regulations, including taxes on services provided through Strategic Programs, as well as continued uncertainty regarding potential new laws or regulations, may negatively affect our business.

The regulatory framework for our Strategic Programs is evolving and uncertain. It is possible that new laws and regulations will be adopted in the United States and internationally, or existing laws and regulations may be amended, removed or interpreted in new ways, that would affect the operation of our Strategic Program service providers and the way in which they interact with borrowers and investors.

Recognizing the growth in online marketplaces, in July 2015 the Treasury issued a request for information to study the marketplace lending industry, which led to the release of a Treasury white paper on May 10, 2016, on the online marketplace lending industry. The white paper included several recommendations to the federal government and private sector participants in order to encourage safe growth and access to credit. In April 2022, the CFPB announced that it intends to examine nonbank financial companies, which may include some of our Strategic Program service providers, that pose risks to consumers and in June 2022, the Deputy Director of the CFPB indicated that relationships between banks and nonbank lenders will be an area of increased regulatory focus for the agency in the near future. Subsequently, in November 2022, the Treasury Department issued a report encouraging the CFPB to increase its supervisory activity with respect to larger nonbank lenders. The Office of the Comptroller of the Currency (the "OCC"), the prudential regulator for national banks, recently announced that it will be prioritizing the review of third-party relationships between banks and financial technology companies, which may include some of our Strategic Program service providers, as part of the agency's bank supervisory priorities for the upcoming calendar year. Moreover, the CFPB has issued several interpretive statements and guidance documents that could impact certain practices of our Strategic Programs including a May 2022 statement on compliance obligations under ECOA for companies that rely on complex algorithms when making credit decisions. The CFPB also issued an interpretive rule expanding states' authority to enforce requirements of federal consumer financial laws, including ECOA. State regulators have also increased the level of regulatory scrutiny on financial technology companies. We cannot predict whether any legislation or proposed rulemaking will actually be introduced or how any legislation or rulemaking will impact our business and results of operations of marketplace lenders going forward.

If the loans originated through a marketplace were found to violate a state's usury laws and/or the Strategic Program's service providers were determined to be the "true lender" of loans originated on their marketplaces we and our Strategic Program service providers may have to alter our business models and, consequently, our reputation, financial condition and results of operation could be harmed.

The interest rates that are charged to borrowers and that form the basis of payments to investors through marketplaces are enabled by legal principles including (i) the application of federal law to enable an issuing bank that originates the loan to export the interest rates of the jurisdiction where it is located, (ii) the application of common law "choice of law" principles based upon factors such as the loan document's terms and where the loan transaction is completed to provide uniform rates to borrowers, or (iii) the application of principles that allow the transferee of a loan to continue to collect interest as provided in the loan document. Certain states have no statutory interest rate limitations on personal loans, while other jurisdictions have a maximum rate. In some jurisdictions, the maximum rate is less than the current maximum rate offered by the Bank through certain Strategic Programs. If the laws of such jurisdictions were found to apply to the loans originated by the Bank through a marketplace, those loans could be in violation of such laws or it could impact the ability to sell such loans to investors. Approximately $28.4 million, or 31.6% of our total revenues for the year ended December 31, 2022, were generated from Strategic Programs with annual interest rates above 36%.

There has been (and will likely continue to be) litigation challenging lending arrangements where a bank or other third-party has made a loan and then sells and assigns it to an entity that is engaged in assisting with the origination and servicing of a loan. If a borrower or regulator were to successfully bring claims against a Strategic Program service provider for violations of state consumer lending laws, including usury and licensing requirements, the Strategic Program service provider could be subject to fines and penalties, including the voiding of loans and repayment of principal and interest to borrowers and investors. Our Strategic Program service providers might decide to, among other actions, limit the maximum interest rate and terms on certain loans facilitated through the Strategic Program service provider's platform, might decide to not offer certain products, might decide to not offer products in certain geographic locations, and might decide to originate loans under the provider's own state-specific licenses, to obtain a bank charter, or originate loan products in partnership with another financial institution. These actions may substantially reduce a Strategic Program service provider's operating efficiency and/or attractiveness to investors, possibly resulting in a decline in operating results for the service provider, which could in turn adversely affect our business, financial condition and results of operations. Furthermore, if the Bank were not deemed to be the "true lender," then the Bank and our Strategic Program service provider could be subject to claims by borrowers, as well as enforcement actions by regulators.

Furthermore, if a borrower or regulator were to successfully bring claims against a Strategic Program service provider and/or the Bank for violations of state consumer lending laws the Strategic Program service provider and/or the Bank could be subjected to damages, revocation of required licenses, individual and class action lawsuits, enforcement actions, penalties, injunctions which require the cessation or curtailment of a Strategic Program or operation by the Bank, rescission rights held by investors in securities offerings and civil and criminal liability. These actions could possibly result in a decline in operating results for the Strategic Partner and/or the Bank, which could in turn adversely affect our business, financial condition and results of operations.

On May 25, 2020, the OCC issued a final rule reaffirming the enforceability of the interest rate terms of national banks' loans following their sale, assignment, or transfer. The FDIC followed suit with a final rule on June 25, 2020, that similarly reaffirmed the enforceability of the interest rate terms of loans made by state-chartered banks and insured branches of foreign banks (collectively, state banks) following the sale, assignment, or transfer of a loan. The rules also provide that whether interest on a loan is permissible is determined at the time the loan is made, and is not affected by a change in state law, a change in the relevant commercial paper rate, or the sale, assignment, or other transfer of the loan. These rules have been challenged by state attorneys general. On May 11, 2021, the U.S. Senate voted 52-47 to repeal the "true lender" rule adopted by the OCC. On June 24, 2021, the U.S. Senate resolution was passed by the U.S. House of Representatives by a vote of 218 to 208. On June 30, 2021, President Biden signed a joint resolution to revoke the OCC's true lender rule. Repeal of the OCC rule is expected to create uncertainty regarding whether state or federal laws apply to the Bank's loans originated in the marketplace with the assistance of our Strategic Program service providers.

Several states have also adopted legislation that impacts our Strategic Programs. In 2021, Illinois and Maine enacted laws that regulate any person who holds, acquires, or maintains, directly or indirectly, the predominant economic interest in a loan originated by an otherwise-exempt entity like a bank. Effective January 1, 2022, Hawaii instituted a new licensing requirement for "installment lenders", which is defined to capture loans offered under a bank partnership model (i.e., it applies to a person "who arranges a consumer loan for a third party, or who acts as an agent for a third party, regardless of whether the third party is exempt from licensure." H.B. 1192 (2021)). These laws also apply to any person or entity who markets, brokers, arranges, or facilitates a loan and holds the right, requirement, or first right of refusal to purchase loans, receivables, or interests in the loans. These licensing schemes, which may apply to our Strategic Programs, also impose interest-rate caps that are lower than the interest rates permitted under Utah law. These and other matters could potentially impact a Strategic Program's business, including the maximum interest rates and fees that can be charged and application of certain consumer protection statutes. In addition, these matters could subject us to increased litigation risk, which could have a material and adverse impact on our reputation and business. We continue to assess the impact of these final rules on our business and our Strategic Programs.

Fraudulent activity associated with a Strategic Program service provider could negatively impact operating results, brand and reputation and cause the use of a Strategic Program's loan products and services to decrease and its fraud losses to increase.

Our Strategic Program service providers are subject to the risk of fraudulent activity associated with the handling of borrower and investor information by its marketplace, issuing banks, borrowers, investors and third parties. A company's resources, technologies and fraud prevention tools may be insufficient to accurately detect and prevent fraud. High profile fraudulent activity or significant increases in fraudulent activity could lead to regulatory intervention, negatively impact a company's operating results, brand and reputation and lead it to take steps to reduce fraud risk, which could increase its costs and consequently, adversely affect our business, financial condition and results of operations.

Risks Related to Potential Strategic Transactions

We may pursue strategic acquisitions in the future, and we may not be able to overcome risks associated with such transactions.

Although we plan to continue to grow our business organically, we may explore opportunities to invest in, or to acquire, other financial institutions, financial service companies and businesses that we believe would complement our existing business. Our investment or acquisition activities could be material to our business and involve a number of risks including the following:

- difficulty in estimating the value of any target company;
- investing time and incurring expense associated with identifying and evaluating potential investments or acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operation of our existing business;
- the lack of history among our management team in working together on acquisitions and related integration activities;
- obtaining necessary regulatory approvals, which we may have difficulty obtaining or be unable to obtain;
- the time, expense and difficulty of integrating the operations and personnel of any combined businesses;
- unexpected asset quality problems with acquired companies;
- inaccurate estimates and judgments used to evaluate credit, operations, management and market risks with respect to any target institution or assets;
- risks of impairment to goodwill or other-than-temporary impairment of investment securities;
- potential exposure to unknown or contingent liabilities of banks and businesses we acquire;
- an inability to realize expected synergies or returns on investment;
- potential disruption of our ongoing banking business;
- maintaining adequate regulatory capital; and
- loss of key employees, key customers or key business counterparties following our investment or acquisition.

We may not be successful in overcoming these risks or other problems encountered in connection with potential investments or acquisitions. Our inability to overcome these risks could have an adverse effect on our ability to implement our business strategy and enhance shareholder value, which, in turn, could have an adverse effect on our business, financial condition and results of operations. Additionally, if we record goodwill in connection with any acquisition, our business, financial condition and results of operations may be adversely affected if that goodwill is determined to be impaired, which would require us to take an impairment charge.

We have entered into, and expect to continue to enter into, joint venture, strategic collaboration, teaming and other business arrangements, and these activities involve risks and uncertainties. A failure of any such relationship could have a material adverse effect on our business and results of operations.

We have entered into, and expect to continue to enter into, significant joint venture, strategic collaboration, teaming and other arrangements, including our Strategic Programs we have established with various third-party consumer and commercial loan origination platforms. These activities involve risks and uncertainties, including the risk of the joint venture or applicable Strategic Program platform failing to satisfy its obligations, which may result in certain liabilities to us for any related commitments, the uncertainty created by challenges in achieving strategic objectives and expected benefits of the business arrangement, the risk of conflicts arising between us and our business collaborations and the difficulty of managing and resolving such conflicts, and the difficulty of managing or otherwise monitoring such business arrangements. In addition, in these joint ventures, strategic collaborations and alliances, we may have certain overlapping control over the operation of the assets and businesses. As a result, such joint ventures, strategic collaborations and alliances may involve risks such as the possibility that a counterparty in a business arrangement might become bankrupt, be unable to meet its contractual obligations, have economic or business interests or goals that are inconsistent with our business interests or goals, or take actions that are contrary to our instructions or to applicable laws and regulations. In addition, we may be unable to take action without the approval of our business partners, or our partners could take binding actions without our consent. Consequently, actions by a partner or other third party could expose us to claims for damages, financial penalties, and reputational harm, any of which could have an adverse effect on our business, financial condition, and results of operations. A failure of our business relationships could have a material adverse effect on our business and results of operations.

Acquisitions and strategic collaborations may never materialize.

We intend to explore a variety of acquisitions and strategic collaborations with our existing Strategic Program service providers or other third parties, and related businesses in various states. We are likely to face significant competition in seeking appropriate acquisitions or strategic collaborators, and these acquisitions and strategic collaborations can be complicated and time consuming to negotiate and document. We may not be able to negotiate acquisitions and strategic collaborations on acceptable terms, or at all, and we are unable to predict when, if ever, we will enter into any such acquisitions or strategic collaborations due to the numerous risks and uncertainties associated with them.

Risks Related to Ownership of Our Common Stock

The market price of our common stock may be subject to substantial fluctuations, which may make it difficult for you to sell your shares at the volume, prices and times desired.

The market price of our common stock may be highly volatile, which may make it difficult for you to resell your shares at the volume, prices and times desired. There are many factors that may affect the market price and trading volume of our common stock, most of which are outside of our control.

The stock market and the market for financial institution stocks has experienced substantial fluctuations in recent years, which in many cases have been unrelated to the operating performance and prospects of particular companies. In addition, significant fluctuations in the trading volume in our common stock may cause significant price variations to occur. Increased market volatility may materially and adversely affect the market price of our common stock, which could make it difficult to sell your shares at the volume, prices and times desired.

Our executive management and board of directors have significant control over our business.

As of December 31, 2022, our directors and executive officers beneficially owned an aggregate of 2,758,242 shares, or approximately 21.5% of our issued and outstanding common stock. Consequently, our executive management and board of directors may be able to significantly affect the outcome of the election of directors and the potential outcome of other matters submitted to a vote of our shareholders, such as mergers, the sale of substantially all our assets and other extraordinary corporate matters. The interests of these insiders could conflict with the interests of our other shareholders, including you.

We are an emerging growth company and smaller reporting company, and the reduced regulatory and reporting requirements applicable to emerging growth companies and smaller reporting companies may make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act. For as long as we continue to be an emerging growth company we may take advantage of reduced regulatory and reporting requirements that are otherwise generally applicable to public companies. These include, without limitation, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced financial reporting requirements, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding non-binding shareholder advisory votes on executive compensation or golden parachute payments. The JOBS Act also permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to, and expect to continue to, take advantage of certain of these and other exemptions until we are no longer an emerging growth company. Further, the JOBS Act allows us to present only two years of audited financial statements and only two years of related management’s discussion and analysis of financial condition and results of operations.

We may take advantage of some or all of these provisions for up to five years or such earlier time as we cease to qualify as an emerging growth company, which will occur if we have more than $1.235 billion in total annual gross revenue, if we issue more than $1.0 billion of non-convertible debt in a three-year period, or if we become a “large accelerated filer,” in which case we would no longer be an emerging growth company as of the following December 31.

Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company,” as defined in Rule 12b-2 in the Exchange Act, which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to provide an auditor attestation of our internal control over financial reporting and reduced disclosure regarding our executive compensation arrangements in our periodic reports and proxy statements. Investors may find our common stock less attractive because we intend to rely on certain of these exemptions, which may result in a less active trading market and increased volatility in our stock price.

Provisions in our governing documents and Utah law may have an anti-takeover effect, and there are substantial regulatory limitations on changes of control of bank holding companies.

Our corporate organizational documents and provisions of federal and state law to which we are subject contain certain provisions that could have an anti-takeover effect and may delay, make more difficult or prevent an attempted acquisition that you may favor or an attempted replacement of our board of directors or management.

Our Articles and our Amended and Restated Bylaws (the “Bylaws”) may have an anti-takeover effect and may delay, discourage or prevent an attempted acquisition or change of control or a replacement of our board of directors or management. Our governing documents and Utah law include provisions that provide for, among other things, a staggered board, and limitations on the ability of shareholders to call a special meeting of shareholders, which can make minority shareholder representation on our board of directors more difficult to establish. In addition, Utah corporate statutes contain provisions designed to protect Utah corporations and employees from the adverse effects of hostile corporate takeovers. These statutory provisions reduce the possibility that a third party could effect a change in control without the support of our incumbent directors and may also strengthen the position of current management by restricting the ability of shareholders to change the composition of the board of directors, to affect its policies generally and to benefit from actions that are opposed by the current board.

Furthermore, banking laws impose notice, approval, and ongoing regulatory requirements on any shareholder or other party that seeks to acquire direct or indirect “control” of an FDIC-insured depository institution or its holding company. These laws include the BHC Act and the Change in Bank Control Act. These laws could delay or prevent an acquisition. Because the Bank is an “insured depository institution” within the meaning of the Federal Deposit Insurance Act and the Change in Bank Control Act and we are a “financial institution holding company” within the meaning of the Utah Financial Institutions Act, federal and Utah law and regulations generally prohibit any person or company from acquiring control of the Company or, indirectly, the Bank, without prior written approval of the FDIC or the commissioner of the UDFI, as applicable. Under the Change in Bank Control Act, control is conclusively presumed if, among other things, a person or company acquires 25% or more of any class of our voting stock. A rebuttable presumption of control arises if a person or company acquires 10% or more of any class of our voting stock and is subject to a number of specified “control factors” as set forth in the applicable regulations. Although the Bank is an “insured depository institution” within the meaning of the Federal Deposit Insurance Act and the Change in Bank Control Act, an investment in the Company is not insured or guaranteed by the FDIC, or any other agency, and is subject to loss. Under the Utah Financial Institutions Act, control is defined as the power to vote 20% or more of any class of our voting securities by an individual or to vote more than 10% of any class of our voting securities by a person other than an individual. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our common stock in excess of the amount which can be acquired without regulatory approval.

Our Articles and Bylaws contain an exclusive forum provision that limits the judicial forums where our shareholders may initiate derivative actions and certain other legal proceedings against us and our directors and officers.

Our Articles and Bylaws provide that the United States District Court for the District of Utah and any Utah state court sitting in Salt Lake County, Utah will, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to the Company or the Company’s shareholders, (c) any action asserting a claim against us or any of our directors or officers arising pursuant to the Utah Revised Business Corporation Act, our Articles, or our Bylaws, or (d) any other action asserting a claim against us or any of our directors or officers that is governed by the internal affairs doctrine. The choice of forum provision in our Articles and Bylaws may limit our shareholders’ ability to obtain a favorable judicial forum for disputes with us. Alternatively, if a court were to find the choice of forum provision contained in our Articles and Bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results, and financial condition.

Our common stock is not an insured deposit and is subject to risk of loss.

Our common stock is not a savings account, deposit account or other obligation of any of the Bank or any of our other subsidiaries and will not be insured or guaranteed by the FDIC or any other government agency. Investment in our common stock is subject to investment risk, including possible loss.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

Our headquarters office is currently located at 756 East Winchester, Suite 100, Murray, UT 84107. The following table summarizes pertinent details of our leased office properties.

Location	Owned/ Leased	Lease Expiration	Type of Office
Murray, Utah	Leased	October 31, 2029	Corporate Headquarters
Sandy, Utah	Leased	July 31, 2024	Retail Bank Branch

We believe that the leases to which we are subject have terms that are generally consistent with prevailing market terms. None of the leases involve any of our directors, officers or beneficial owners of more than 5% of our voting securities or any affiliates of the foregoing. We believe that our facilities are in good condition and are adequate to meet our operating needs for the foreseeable future.

Item 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company’s common stock has been publicly traded since November 19, 2021 and is currently traded on the Nasdaq Global Market under the Symbol “FINW.”

Holders

There were approximately 141 shareholders of record of the Company’s common stock as of December 31, 2022. This number does not reflect the number of persons or entities holding stock in nominee name through banks, brokerage firms or other nominees.

Dividends

Holders of our common stock are only entitled to receive dividends when, as and if declared by our board of directors out of funds legally available for dividends. We have not paid any cash dividends on our common stock since inception, and we currently have no plans to pay dividends for the foreseeable future.

Because we are a bank holding company and do not engage directly in business activities of a material nature, our ability to pay dividends to our shareholders depends, in large part, upon our receipt of dividends from the Bank, which is also subject to numerous limitations on the payment of dividends under Utah and federal banking laws, regulations and policies. See “Item 1. Business-Supervision and Regulation-Regulatory Restrictions on Dividends.”

Our ability to pay dividends to our shareholders in the future will depend on regulatory restrictions, our liquidity and capital requirements, our earnings and financial condition, the general economic climate, contractual restrictions, our ability to service any equity or debt obligations senior to our common stock and other factors deemed relevant by our board of directors.

Recent Sales of Unregistered Securities and Issuer Repurchases of Common Stock

There were no unregistered sales of the Company's stock during the fourth quarter of 2022.

During the three months ended December 31, 2022, we repurchased 100,000 shares of our common stock for $0.9 million (average per share purchase price of $9.19) 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)
October 1, 2022 - October 31, 2022	—	—	—	624,241
November 1, 2022 - November 30, 2022	57,882	$9.34	57,882	566,359
December 1, 2022 - December 31, 2022	42,118	$8.99	42,118	524,241
Total	100,000	$9.19	100,000	524,241

(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.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2022, with respect to options outstanding and shares available for future awards under the Company's active equity incentive plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options or Restricted Stock Awards	Weighted-Average Exercise Price of Outstanding Options or Restricted Stock Awards	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders:			
FinWise Bancorp 2016 Stock Option Plan	132,018	$ 5.23	894
FinWise Bancorp 2019 Stock Option Plan	498,693	5.20	621,472
Equity compensation plans not approved by security holders (1)	250,914	5.43	NA
Total	881,625		622,366

(1) Reflects (a) a grant to Kent Landvatter of 40,914 non-qualified stock options, (b) a grant to Javvis Jacobson of 60,000 non-qualified stock options, (c) a grant to James Noone of 60,000 non-qualified stock options, (d) grants to Howard Reynolds of an aggregate of 18,000 non-qualified stock options, (e) grants to Gerald E. Cunningham of an aggregate of 18,000 non-qualified stock options, (f) grants to Thomas E. Gibson of an aggregate of 18,000 non-qualified stock options, (g) grants to James N. Giordano of an aggregate of 18,000 non-qualified stock options, (h) grants to Jeana Hutchings of an aggregate of 9,000 non-qualified stock options and (i) grants to Lisa Ann Nievaard of an aggregate of 9,000 non-qualified stock options.

Item 6. [RESERVED]

Item 7. 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.

Executive Summary

Net income for the year ended December 31, 2022, decreased $6.5 million to $25.1 million when compared to the prior year due primarily to an increase in the provision for loan losses of $5.5 million as a result of increased charge off rates in our Strategic Programs loan portfolio and an aggregate increase of $9.2 million for all categories of non-interest expenses as the Company continues to build its operating infrastructure by adding staff in our information technology and security division to support enhancements in the infrastructure as well as an increase in contractual bonuses paid relating to the expansion of our Strategic Programs in the first half of 2022. Partially offsetting these expense increases were increases in non-interest income of $5.6 million, mainly due to increases in our Strategic Program fees and gain on the sale of loans, net, as well as an increase in net interest income of $2.9 million due primarily to increased interest rates and loan volumes.

The net interest margin was 14.04% for the year ended December 31, 2022, compared to 15.10% for the prior year. The decline in net interest margin was due primarily to a $44.7 million increase in the average balances of interest earning assets along with lower average yields related to the loans held for sale portfolio.

Total assets increased by $20.6 million to $400.8 million as of December 31, 2022 compared to the prior year. This increase was primarily attributable to a $26.1 million increase in net loans receivable, a $14.8 million increase in cash and cash equivalents, a $5.0 million increase in operating lease assets, and a $6.2 million increase in net premises and equipment partially offset by a $37.2 million decrease in Strategic Program loans held-for-sale.

Originations of Strategic Program loans held-for-sale increased by $638.9 million to $7.0 billion the year ended December 31, 2022 compared to the prior year due mainly to the continued maturation of multiple platforms.

Results of Operations

Net Income

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

	For the Years Ended December 31,	
($ in thousands)	**2022**	**2021**
Interest income	$ 52,329	$ 49,243
Interest expense	(1,434)	(1,265)
Provision for loan losses	(13,519)	(8,039)
Non-interest income	37,411	31,844
Non-interest expense	(38,756)	(29,511)
Provision for income taxes	(10,916)	(10,689)
Net income	25,115	31,583

Net income for the year ended December 31, 2022 was $25.1 million, a decrease of $6.5 million, or 20.5%, from net income of $31.6 million for the year ended December 31, 2021. The decrease was primarily due to an increase of $5.5 million, or 68.2%, in the provision for loan losses primarily due to increased charge offs in our Strategic Programs loan portfolio and an aggregate increase of $9.2 million for all categories on non-interest expenses, or 31.3%, as the Company continues to build on its infrastructure and Strategic Programs. Partially offsetting these expense increases were increases in non-interest income of $5.6 million, or 17.5%, mainly due to increases in our Strategic Program fees and gain on the sale of loans, net, as well as an increase in net interest income of $2.9 million, or 6.1%, due primarily to increased interest rates and loan volumes.

Net Interest Income and Net Interest Margin Analysis

Net interest income was the primary contributor to our earnings in 2022 and 2021. We believe our net interest income results were enhanced by using FinView™ to identify attractive risk-adjusted lending opportunities and assist in the selection of Strategic Program loans that we chose to hold for investment. 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 year ended December 31, 2022, our net interest income increased $2.9 million, or 6.1% to $50.9 million, compared to the year ended December 31, 2021. This increase was primarily due to increases in both the yield and volume of our loans held for investment portfolio as well as rate increases on our interest-bearing deposits. Interest income grew $3.1 million to $52.3 million for the year ended December 31, 2022 compared to the prior year, primarily attributable to the growth in the average balance of our loans held for investment portfolio of $10.4 million or 5.2%, as well as a 5.9% increase in yield, to 14.19% from 13.40%, due primarily to interest rate increases in the indices on which our variable rate loans are priced for the two periods. Interest income generated by interest-bearing deposits increased $1.1 million to $1.2 million for the year ended December 31, 2022 compared to the prior year, due mainly to the 147 basis points increase in interest yields. Partially offsetting these increases in interest income was a $1.2 million decrease in interest earned on loans held-for-sale to $21.2 million for the year ended December 31, 2022 compared to the prior year due to a 542 basis points decrease in the average yield which was partially offset by volume increases in that portfolio.

The net interest margin decreased 106 basis points from 15.10% for the year ended December 31, 2021 to 14.04% for the year ended December 31, 2022. The decrease in net interest margin was primarily attributable to a 14.4% decline in average yield on our loans held for sale, to 32.31% for the year ended December 31, 2022 compared to 37.73% for the prior year due primarily to decreases in higher yielding loans average balances for the year ended December 31, 2022. Also contributing to the net interest margin decrease was a 215 basis points increase in the average rate paid on our demand account balances primarily due to higher interest rates for the new HSA deposits from Lively, Inc., a technology focused Health Savings Account provider.

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. Average balances have been calculated using daily averages.

	Years Ended December 31,					
	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	$ 74,920	$ 1,180	1.58%	$ 55,960	$ 61	0.11%
Investment securities	12,491	208	1.67%	3,298	47	1.43%
Loans held for sale	65,737	21,237	32.31%	59,524	22,461	37.73%
Loans held for investment	209,352	29,704	14.19%	198,992	26,674	13.40%
Total interest earning assets	362,500	52,329	14.44%	317,774	49,243	15.50%
Less: ALL	(10,816)			(7,548)		
Non-interest earning assets	30,141			17,002		
Total assets	$ 381,825			$ 327,228		
Interest bearing liabilities:						
Demand	$ 17,564	$ 531	3.02%	$ 6,060	$ 53	0.87%
Savings	7,310	7	0.10%	7,897	10	0.13%
Money market accounts	26,054	116	0.45%	21,964	75	0.34%
Certificates of deposit	71,661	778	1.09%	72,311	1,000	1.38%
Total deposits	122,589	1,432	1.17%	108,232	1,138	1.05%
Other borrowings	566	2	0.35%	36,363	127	0.35%
Total interest bearing liabilities	123,155	1,434	1.16%	144,595	1,265	0.87%
Non-interest bearing deposits	114,174			107,481		
Non-interest bearing liabilities	15,781			11,392		
Shareholders' equity	128,715			63,760		
Total liabilities and shareholders' equity	$ 381,825			$ 327,228		
Net interest income and interest rate spread		$ 50,895	13.28%		$ 47,978	14.63%
Net interest margin			14.04%			15.10%
Ratio of average interest-earning assets to average interest- bearing liabilities			294.34%			219.77%

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

	Years Ended December 31,					
	2022			2021		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
($ 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	$ 1,092	$ 27	$ 1,119	$ (219)	$ 79	$ (140)
Investment securities	9	152	161	(6)	19	13
Loans held-for-sale	(4,460)	3,236	(1,224)	(1,990)	13,891	11,901
Loans held for investment	1,603	1,427	3,030	6,735	1,228	7,963
Total interest income	(1,756)	4,842	3,086	4,520	15,217	19,737
Interest expense:						
Demand	270	208	478	15	(24)	(9)
Savings	(2)	(1)	(3)	(13)	7	(6)
Money market accounts	25	16	41	(113)	84	(29)
Certificates of deposit	(213)	(9)	(222)	(992)	591	(401)
Other borrowings	—	(125)	(125)	(2)	(44)	(46)
Total interest bearing liabilities	80	89	169	(1,105)	614	(491)
Net interest income	$ (1,836)	$ 4,753	$ 2,917	$ 5,625	$ 14,603	$ 20,228

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 of 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 “—Principal Factors Affecting Our Financial Condition—Allowance for Loan Losses” and “—Critical Accounting Policies and Estimates—Allowance for Loan Losses.”

Our provision for loan losses was $13.5 million and $8.0 million for the years ended December 31, 2022 and 2021, respectively. The increase of $5.5 million for the year ended December 31, 2022 compared to the prior year was primarily due to an increase in charge offs related to our Strategic Program loans portfolio.

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, net, SBA loan servicing fees, change in fair value on investment in BFG and other miscellaneous fees.

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

	For the Years Ended December 31,		Change	
($ in thousands)	2022	2021	$	%
Noninterest income:				
Strategic Program fees	$ 22,467	$ 17,959	$ 4,508	25.1%
Gain on sale of loans, net	13,550	9,689	3,861	39.8%
SBA loan servicing fees	1,603	1,156	447	38.7%
Change in fair value on investment in BFG	(478)	2,991	(3,469)	(116.0%)
Other miscellaneous income	269	49	220	449.0%
Total noninterest income	$ 37,411	$ 31,844	$ 5,567	17.5%

For the year ended December 31, 2022, total noninterest income increased $5.6 million, or 17.5%, to $37.4 million compared to the year ended December 31, 2021. This increase was primarily due to the increases in Strategic Program fees and gain on sale of loans, net, and was partially offset by a negative change in fair value on investment in BFG. The increase in Strategic Program fees was primarily due to the increase in loan origination volume in our Strategic Programs. Strategic Program fees were also positively impacted by the continued maturation of multiple platforms during the year ended December 31, 2022. The increase in gain on sale of loans, net was primarily due to an increase in the number of SBA 7(a) loans sold and the establishment of a new Loan Trailing Fee Asset during the year ended December 31, 2022. The decrease in fair value on investment in BFG for the year ended December 31, 2022, was primarily due to a softening in the values of its peer companies under the Guideline Public Company valuation method during the same period.

Noninterest Expense

Noninterest expense has increased as we have grown and as we have 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 Years Ended December 31,		Change	
	2022	2021	$	%
Noninterest expense:				
Salaries and employee benefits	$ 24,489	$ 21,744	$ 2,745	12.6%
Professional services	5,454	1,670	3,784	226.6%
Occupancy and equipment expenses	2,204	882	1,322	149.9%
Impairment of SBA servicing asset	1,728	800	928	116.0%
Other operating expenses	4,881	4,415	466	10.6%
Total noninterest expense	$ 38,756	$ 29,511	$ 9,245	31.3%

For the year ended December 31, 2022, total noninterest expense increased $9.2 million, or 31.3%, to $38.8 million compared to the year ended December 31, 2021. For the year ended December 31, 2022, professional services increased $3.8 million to $5.5 million compared to the prior year due primarily to increased costs relating to services provided in connection with our Strategic Programs and legal expenses mainly related to our public filings. Salaries and employee benefits increased $2.7 million to $24.5 million compared to the prior year due primarily to an increase in the number of our employees as we continue to increase staffing in connection with our growth plan. The $0.9 million increase to $1.7 million in the impairment of the SBA servicing asset compared to the prior year was due primarily to a softening of the secondary market for SBA 7(a) loans.

Financial Condition

The following table summarizes selected components of the Company’s consolidated balance sheets as of December 31, 2022 and 2021.

	As of December 31,		Change	
($ in thousands)	2022	2021	$	%
Total assets	$ 400,780	$ 380,214	$ 20,566	5.4%
Investment securities held to maturity, at cost	14,292	11,423	2,869	25.1%
Loans receivable, net	224,217	198,102	26,115	13.2%
Deposits	242,998	251,892	(8,894)	(3.5%)
PPP Liquidity Facility	314	1,050	(736)	(70.1%)
Total shareholders' equity	140,459	115,442	25,017	21.7%
Total equity to total assets	34.9%	30.4%		15.0%
Weighted average shares outstanding, basic	12,740,933	10,169,005		25.3%
Weighted average shares outstanding, diluted	13,218,403	10,818,984		22.2%

Total assets at December 31, 2022 were $400.8 million, an increase of $20.6 million from December 31, 2021. The increase in total assets was due primarily to increases in our loans receivable, net, of $26.1 million, cash and due from banks of $14.8 million, operating lease right-of-use asset of $5.0 million, and growth of $6.2 million in premises and equipment primarily due to the buildout of the corporate office. These increases were partially offset by a decline in the Strategic Programs loans held-for-sale of $37.2 million.

Loan Portfolio

We manage our loan portfolio based on factors that include concentrations per loan program and aggregated portfolio, industry selection 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 December 31, 2022 and 2021, we had total SBA 7(a) loans of $145.2 million and $142.4 million, respectively, representing 55.8% and 53.6% 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 retaining a larger amount of the guaranteed portion of these loans.

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 December 31, 2022, and December 31, 2021, we had total commercial non-real estate loans of $11.5 million and $3.4 million, respectively, representing 4.4% and 1.3% of our total loans, respectively. Any loan, lease, line of credit, or letter of credit (including any unfunded commitments) and any interest obtained in such loans or leases 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 and leases 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 December 31, 2022 and December 31, 2021, we had total residential real estate loans of $37.8 million and $27.1 million, respectively, representing 14.5% 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 December 31, 2022, and December 31, 2021, we had total Strategic Program loans of $47.8 million and $85.9 million, respectively, representing 18.4% and 32.3% of our total loans. Fluctuations in the balances of the Strategic Program loans we retain on our books are influenced by management’s current assessments regarding risk management as well as macroeconomic factors. 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 generally 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 December 31, 2022, and December 31, 2021, we had total commercial real estate loans of $12.1 million and $2.4 million, respectively, representing 4.7% 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 December 31, 2022, and December 31, 2021, we had total consumer loans of $5.8 million, and $4.6 million, respectively, representing 2.2% 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 and FinView™, 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 December 31,			
	2022		2021	
	Amount	% of total loans	Amount	% of total loans
SBA	$ 145,172	55.8%	$ 142,392	53.6%
Commercial, non real estate	11,484	4.4%	3,428	1.3%
Residential real estate	37,815	14.5%	27,108	10.2%
Strategic Program loans	47,848	18.4%	85,850	32.3%
Commercial real estate	12,063	4.7%	2,436	0.9%
Consumer	5,808	2.2%	4,574	1.7%
Total	$ 260,190	100.0%	$ 265,788	100.0%

Loan Maturity and Sensitivity to Changes in Interest Rates

As of December 31, 2022, $131.4 million, or 55.5%, of the total held for investment loan balance matures in less than five years. Loans maturing in greater than five years totaled $105.2 million as of December 31, 2022. The variable rate portion of our total held for investment loan portfolio at December 31, 2022 was $184.3 million, or 77.9%.

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

At December 31, 2022	Remaining Contractual Maturity Held for Investment					
($ in thousands)	One Year or Less	Average Yield/Rate	After One Year and Through Five Years	Average Yield/Rate	After Five Years and Through Fifteen Years	Average Yield/Rate
Fixed rate loans:						
SBA	$ 272	1.00%	$ 354	1.00%	$ —	—%
Commercial, non-real estate	2,683	4.97%	8,395	4.96%	394	4.79%
Residential real estate	3,924	5.40%	3,590	5.50%	61	4.27%
Strategic Program loans	16,589	113.89%	7,669	51.27%	1	24.56%
Commercial real estate	1,689	5.39%	1,102	5.80%	29	3.87%
Consumer	1,838	7.57%	3,597	7.80%	62	10.31%
Variable rate loans:						
SBA	9,335	8.53%	36,741	8.53%	61,545	8.38%
Commercial, non-real estate	—	—%	—	—%	—	—%
Residential real estate	29,242	8.08%	550	9.28%	445	9.23%
Strategic Program loans	—	—%	—	—%	—	—%
Commercial real estate	957	8.72%	2,525	8.32%	3,909	8.27%
Consumer	82	4.56%	229	1.38%	—	—%
Total	$ 66,611	34.10%	$ 64,752	12.81%	$ 66,446	8.36%

At December 31, 2022	Remaining Contractual Maturity Held for Investment			
($ in thousands)	After Fifteen Years	Average Yield/Rate	Total	Average Yield/Rate
Fixed rate loans:				
SBA	$ —	—%	$ 626	1.00%
Commercial, non-real estate	12	3.78%	11,484	4.96%
Residential real estate	3	4.43%	7,578	5.44%
Strategic Program loans	—	—%	24,259	94.10%
Commercial real estate	8	3.50%	2,828	5.53%
Consumer	—	—%	5,497	7.75%
Variable rate loans:				
SBA	36,925	8.20%	144,546	8.38%
Commercial, non-real estate	—	—%	—	—%
Residential real estate	—	—%	30,237	8.12%
Strategic Program loans	—	—%	—	—%
Commercial real estate	1,844	8.15%	9,235	8.31%
Consumer	—	—%	311	2.22%
Total	$ 38,792	8.20%	$ 236,601	16.80%

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 Company had no nonperforming assets and $0.1 million in troubled debt restructurings at December 31, 2022. Total nonperforming assets at December 31, 2021 comprised $0.7 million in nonaccrual loans and $0.1 million of troubled debt restructurings.

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 accounts 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.

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.

Allowance for Loan Losses

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 and the Company's auditors.

The following table shows the allocation of the ALL among loan categories, the ratio of the ALL to nonperforming loan balances and certain other information as of the dates indicated.

($ in thousands)	As of December 31, 2022 ALL to Total Loans	2022 Nonaccrual to Total Loans	2022 ALL to Nonaccrual Loans	2021 ALL to Total Loans	2021 Nonaccrual to Total Loans	2021 ALL to Nonaccrual loans
SBA	3.0%	—%	—%	1.9%	0.5%	401.6%
Commercial, non-real estate	3.5%	—%	—%	3.9%	—%	—%
Residential real estate	1.3%	—%	—%	1.3%	—%	—%
Strategic program loans(1)	14.0%	—%	—%	7.6%	—%	—%
Commercial real estate	0.2%	—%	—%	0.9%	—%	—%
Consumer	1.1%	—%	—%	1.4%	—%	—%
Total	4.6%	—%	—%	3.7%	0.3%	1,445.1%

(1) The held for sale balance on Strategic Program loans as of December 31, 2022 and 2021 were $23.6 million and $60.7 million.

The following table reflects the ratio of net charge-offs to average loans outstanding by loan category, as of the dates indicated.

($ in thousands)	Years Ended December 31, 2022 Net Charge-Offs	2022 Average Loans	2022 NCO to Average Loans	2021 Net Charge-Offs	2021 Average Loans	2021 NCO to Average Loans
SBA	$ 326	$ 132,199	0.2%	$ 109	$ 149,285	0.1%
Commercial, non-real estate	(2)	7,562	0.0%	(40)	3,945	(1.0%)
Residential real estate	—	27,937	—%	—	23,171	—%
Strategic program loans(1)	11,063	93,115	11.9%	4,311	75,171	5.7%
Commercial real estate	—	8,912	—%	—	2,082	—%
Consumer	2	5,364	0.0%	3	4,862	0.1%
Total	$ 11,389	$ 275,089	4.1%	$ 4,383	$ 258,516	1.7%

(1) The average held for sale balance on Strategic Program loans for the years ended December 31, 2022 and 2021 were $65.7 million and $59.5 million.

The ALL was $12.0 million at December 31, 2022 compared to $9.9 million at December 31, 2021, an increase of $2.1 million, or 21.6%. The increase was primarily due to increased unguaranteed SBA loans and increased retention of Strategic Program loans with higher loss reserving characteristics.

($ in thousands)	December 31, 2022 Amount	% of Total Allowance
SBA	$ 4,294	35.8%
Commercial, non real estate	401	3.4%
Residential real estate	497	4.2%
Strategic Program loans	6,701	55.9%
Commercial real estate	27	0.2%
Consumer	65	0.5%
Total	$ 11,985	100.0%

($ in thousands)	December 31, 2021 Amount	% of Total Allowance
SBA	$ 2,739	27.8%
Commercial, non real estate	132	1.3%
Residential real estate	352	3.6%
Strategic Program loans	6,549	66.5%
Commercial real estate	21	0.2%
Consumer	62	0.6%
Total	$ 9,855	100.0%

Interest-Bearing Deposits in Other Banks

Our interest-bearing deposits in other banks increased to $100.2 million at December 31, 2022 from $85.3 million at December 31, 2021, an increase of $14.8 million, or 17.4%. This increase was primarily due to the decrease in our loans held-for-sale balances of $37.2 million. 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 December 31, 2022, and the amortized cost of those securities as of the indicated dates.

	At December 31, 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	$ 3,388	3.0%	$ 10,904	3.4%	$ 14,292

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 years ended December 31, 2022, and December 31, 2021.

At December 31, 2022, there were 18 securities, consisting of eight collateralized mortgage obligations and ten mortgage-backed securities. Seventeen of these securities were in an unrealized loss position as of December 31, 2022. At December 31, 2021, there were 13 securities, consisting of five collateralized mortgage obligations and eight mortgage-backed securities. Nine of these securities were in an unrealized loss position as of December 31, 2021.

Total Liabilities

Total liabilities at December 31, 2022, saw a decrease from its December 31, 2021, balance primarily due to a decrease in total deposits and was offset by an $7.0 million increase associated with operating lease liabilities.

Deposits

Deposits are the major source of funding for the Company. We offer a variety of deposit products including interest and noninterest bearing demand accounts, 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 our Strategic Program loan portfolio. In addition to the reserve account, some Strategic Program loan originators maintain operating deposit accounts with us.

The following tables present the end of period balances as well as the average balances for the deposit portfolio for the periods indicated (average balances have been calculated using daily averages):

	For the Years Ended December 31,			
	2022		2021	
($ in thousands)	Total	Percent	Total	Percent
Period end:				
Noninterest-bearing demand deposits	$ 78,817	32.5%	$ 110,548	43.9%
Interest-bearing deposits:				
Demand	50,746	20.8%	5,399	2.1%
Savings	8,289	3.4%	6,685	2.7%
Money markets	10,882	4.5%	31,076	12.3%
Time certificates of deposit	94,264	38.8%	98,184	39.0%
Total period end deposits	$ 242,998	100.0%	$ 251,892	100.0%

($ in thousands)	Years Ended December 31, 2022 Total	Weighted average rate paid	Percent of total	Years Ended December 31, 2021 Total	Weighted average rate paid	Percent of total
Average:						
Noninterest-bearing demand deposits	$ 114,174	0.00%	48.2%	$ 107,481	0.00%	49.8%
Interest-bearing deposits:						
Demand	17,564	3.02%	7.4%	6,060	0.87%	2.8%
Savings	7,310	0.10%	3.1%	7,897	0.13%	3.7%
Money market	26,054	0.45%	11.0%	21,965	0.34%	10.2%
Time certificates of deposit	71,661	1.09%	30.3%	72,311	1.38%	33.5%
Total average deposits	$ 236,763	0.60%	100.0%	$ 215,713	0.53%	100.0%

Our deposits decreased by $8.9 million to $243.0 million at December 31, 2022, from $251.9 million at December 31, 2021, or 3.5%. This decrease was primarily due to decreases in our noninterest-bearing demand deposits and money markets account balances.

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 $108.4 million and $163.7 million for the years ended December 31, 2022, and 2021, respectively. The maturity profile of our uninsured time deposits, those amounts that exceed the FDIC insurance limit, at December 31, 2022 is as follows:

($ 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	$ —	$ 65	$ 37	$ 1,627	$ 1,729

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.

Our primary source of funds to originate new loans 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 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. 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 25.1% of total assets at December 31, 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 December 31, 2022, we had the ability to access $10.6 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 $1.1 million in overnight funds. We also maintain a $2.6 million line of credit with Federal Home Loan Bank, secured by specific pledged loans. We had no outstanding balances on the unsecured or secured lines of credit as of December 31, 2022. In long term borrowings, we had $0.6 million outstanding at December 31, 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 December 31, 2022, liquid assets (defined as cash and due from banks and interest bearing deposits), consisting of cash and due from banks, totaled $100.6 million of which $0.3 million is above the FDIC insurance limit and uninsured. 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 $25.0 million to $140.5 million at December 31, 2022 compared to $115.4 million at December 31, 2021. The increase in shareholders’ equity was primarily attributable to net income recognized for the year ended December 31, 2022.

We use several indicators of capital strength. The most commonly used measure is total equity to total assets, which was 34.9% and 30.4% at December 31, 2022 and 2021, respectively.

Our return on average equity was 19.6% and 39.2% for the years ended December 31, 2022 and 2021, respectively. Our return on average assets was 6.4% and 9.1% for the years ended December 31, 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 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 9.0% for 2022 and 8.5% for 2021.

As of December 31, 2022 and 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:

	December 31,		
Capital Ratios	**2022**	**2021**	**Well-Capitalized Requirement**
Leverage Ratio (under CBLR)	25.1%	17.7%	9.0%(1)

(1) The Well-Capitalized Requirement for 2021 was 8.5%.

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 December 31, 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	$ 129,563	$ 129,563	$ —	$ —	$ —
Time deposits	94,264	57,721	26,828	9,715	—
Long term borrowings(1)	314	—	314	—	—
Operating lease obligations	7,513	850	2,190	2,270	2,203
Total	$ 231,654	$ 188,134	$ 29,332	$ 11,985	$ 2,203

(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.

	As of December 31,	
($ in thousands)	2022	2021
Revolving, open-end lines of credit	$ 1,683	$ 1,259
Commercial real estate	17,886	15,402
Other unused commitments	253	377
Total commitments	$ 19,822	$ 17,038

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in accordance with GAAP requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses and related disclosures 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.

Accounting policies, as described in detail in the notes to our consolidated financial statements, included elsewhere in this Report, 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 the critical accounting policies and estimates discussed below 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.

The JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. We have elected to take advantage of this extended transition period, which means that the financial statements included in this Report, as well as any financial statements that we file in the future, will not be subject to all new or revised accounting standards generally applicable to public companies for the transition period for so long as we remain an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period under the JOBS Act.

The following is a discussion of the critical accounting policies and significant estimates that we believe require us to make the most complex or subjective decisions or assessments.

Allowance for Loan Losses. The ALL is a valuation allowance for probable incurred credit losses. Loans that are deemed to be uncollectible are charged off and deducted from the ALL. The provision for loan losses and recoveries on loans previously charged off are credited to the ALL. The ALL consists of specific and general components subject to significant judgment and short-term change. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered TDRs and classified as impaired.

The general component covers loans that are collectively evaluated for impairment and loans that are not individually identified for impairment evaluation. The general component is based on historical loss experience adjusted for current factors and includes actual loss history experienced for the preceding three fiscal years and the interim period for the current fiscal year. This actual loss experience is supplemented with other qualitative economic factors based on the risks present for each portfolio type. These economic factors include consideration of the following: levels and trends in delinquencies and impaired loans (including TDRs); levels and trends in charge-offs and recoveries, trends in volumes and terms of loans; migration of loans to the classification of special mention, substandard, or doubtful; effects of any change in risk selection and underwriting standards; other changes in lending policies and procedures; national and local economic trends and conditions; and effects of changes in credit concentrations. Generally, our estimate for the ALL does not have significant sensitivity to the changes in the qualitative factors.

We estimate the allowance balance required using past loan loss experience, current economic conditions, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management’s judgment, should be charged off. Amounts are charged off when available information confirms that specific loans, or portions thereof, are uncollectible. This methodology for determining charge-offs is consistently applied to each group of loans. We group loans into different categories based on loan type to determine the appropriate allowance for each loan group.

The Company generally places loans on a nonaccrual status when: (1) payment is in default for 90 days or more unless the loan is well secured and in the process of collection; or (2) full repayment of principal and interest is not foreseen. When a loan is placed on nonaccrual status, all accrued and uncollected interest on that loan is reversed. Past-due interest received on nonaccrual loans is not recognized in interest income but is applied as a reduction of the outstanding principal of the loan consistent with the accounting for impaired loans. A loan is relieved of its nonaccrual status when all principal and interest payments are brought current, the loan is well secured, and an analysis of the borrower's financial condition provides reasonable assurance that the borrower can repay the loan as scheduled.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. Impairment is evaluated in total for smaller-balance loans of similar nature, such as Strategic Program loans, and on an individual loan basis for commercial real estate secured and SBA and commercial non-real estate and consumer loans. If a loan or pool of loans is impaired, a portion of the allowance is allocated so that the loan or pool of loans is reported, net of the present value of estimated future cash flows using the loan's original effective rate or at the fair value of collateral less estimated costs to sell if repayment is expected solely from the collateral. Factors considered in determining impairment include payment status, collateral value and the probability of collecting all amounts when due. Loans that experience insignificant payment delays and payment shortfalls are generally not classified as impaired. We considered the significance of payment delays on a case-by-case basis, taking into consideration all the circumstances of the loan and borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, the amount of the shortfall in relation to principal and interest owed.

See our consolidated financial statements included elsewhere in this Report and "—Principal Factors Affecting Our Financial Condition—Allowance for Loan Losses" for more information.

Stock-based Compensation. Our historical and outstanding stock-based compensation awards are described in Note 10 in our annual consolidated financial statements included elsewhere in this Report.

We record stock-based compensation in accordance with ASC 718, *Compensation — Stock Compensation* ("ASC 718") and recognize stock-based compensation expense in the period in which an employee or non-employee is required to provide service, which is generally over the vesting period of the individual stock-based payment award. Compensation expense for awards is recognized over the requisite service period on a straight-line basis and we account for forfeitures as they occur. We classify our awards as equity awards and these awards are valued as of the grant date based upon the underlying stock price and a number of assumptions, including volatility, performance period, risk-free interest rate and expected dividends.

The determination of the grant date fair value using an option pricing model is affected principally by our estimated fair value of our common stock and requires us to make a number of other assumptions, including the expected term of the award, the expected volatility of the underlying shares, the risk-free interest rate and the expected dividend yield. The assumptions used in our Black-Scholes option-pricing model represent management's best estimates at the time of measurement. These estimates are complex, involve a number of variables, uncertainties and assumptions and the application of management's judgment, as they are inherently subjective. We will continue to use judgment in evaluating the expected volatility, expected terms and interest rates utilized for our stock-based compensation expense calculations on a prospective basis. If any assumptions change, our stock-based compensation expense could be materially different in the future. These assumptions are estimated as follows:

- *Expected Term.* The expected term represents the period that our awards are expected to be outstanding. We calculated the expected term using a permitted simplified method, which is based on the vesting period and contractual term for each tranche of awards.

- *Expected Volatility.* Prior to our initial public offering, the expected volatility was based on the historical share volatility of several comparable publicly traded companies over a period of time equal to the expected term of the awards, as we did not have any trading history to use the volatility of our own common shares. After the completion of our initial public offering, it is no longer necessary to utilize the volatility of comparable publicly traded companies as we now have historical trading volatility data on our own common shares.

- *Risk-Free Interest Rate.* The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life.

- *Expected Dividend Yield.* We have not paid dividends on our common shares nor do we expect to pay dividends in the foreseeable future. Therefore, we used an expected dividend yield of zero.

For the years ended December 31, 2022 and 2021, stock-based compensation expense was $0.8 million and $2.1 million, respectively. As of December 31, 2022, we had $0.5 million of total unrecognized stock-based compensation costs, which we expect to recognize over an estimated weighted-average period of 1.8 years. We expect to continue to grant options and other stock-based awards in the future, and to the extent that we do, our stock-based compensation expense recognized in future periods will likely increase.

Fair Value of Common Stock. There was no public market for our common shares prior to the completion of our initial public offering on November 23, 2021. As such, the estimated fair value of our common shares has previously been determined at each grant date by our board of directors, with input from management, based on the information known to us on the grant date and upon a review of any recent events and their potential impact on the estimated per share fair value of our common shares. As part of these fair value determinations, our board of directors obtained and considered valuation reports prepared by a third-party valuation firm in accordance with the guidance outlined in the American Institute of Certified Public Accountants Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.

In estimating the fair value of our common shares prior to the offering completed on November 23, 2021, multiple factors were considered in selecting an appropriate valuation approach, including, without limitation: (i) does the valuation method reflect our going-concern and/or expected time to liquidity status; (ii) does the valuation method assign value to the junior instruments, unless a future exit scenario is being analyzed whereby no cash is being distributed to the junior instruments based on equity class-specific rights; and (iii) is the method appropriate based on our stage of development at the date of the valuation. The valuation method evaluated and utilized, as appropriate, was the Option Pricing Method, or OPM. The OPM is a forward-looking method that considers our current equity value and was used to allocate our total equity value between common stock and stock options granted considering a continuous distribution of outcomes, rather than focusing on distinct future scenarios.

We estimated fair value of our common shares using the OPM given the uncertainty associated with both the timing and type of any future exit scenario and applied an Income Approach and Market Approach. The Income Approach attempts to value an asset or security by estimating the present value of the future economic benefits it is expected to produce. These benefits can include earnings, cost savings, tax deductions, and disposition proceeds from the asset. An indication of value may be developed in this approach by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation over the holding period, and the risks associated with realizing the cash flows in the amounts and at the times projected. The discount rate selected is typically based on rates of return available from alternative investments of similar type and quality as of the valuation date. The most commonly employed income approach to valuation is the discounted cash flow analysis. The Market Approach estimates the value of an asset or security by examining observable market values for similar assets or securities. Sales and offering prices for comparable assets are adjusted to reflect differences between the asset being valued and the comparable assets, such as, location, time and terms of sale, utility, and physical characteristics. When applied to the valuation of equity, the analysis may include consideration of the financial condition and operating performance of the company being valued relative to those of publicly traded companies or to those of companies acquired in a single transaction, which operate in the same or similar lines of business.

When estimating our total equity value, we applied both an Income Approach and Market Approach and weighted the results evenly. The Income Approach utilized discounted cash flows using forecasted assumptions of operating income and a discount rate based on the cost of equity. The Market Approach was applied considering a set of guideline comparable companies, known as the Guideline Publicly-Traded Companies Method, or GPTCM. Under the GPTCM, valuation multiples were calculated from the market data and operating metrics of the guideline companies. The selected multiples were evaluated and adjusted based on the characteristics of the Company relative to the comparable companies being analyzed. The selected multiples were ultimately applied to our operating metrics to calculate indications of value. A discount for lack of marketability, or DLOM, was also then applied.

We considered various objective and subjective factors to estimate the fair value of the Company's equity price per share of each grant date, including the value estimated by a third-party valuation firm. The factors considered by the third-party valuation firm and our board of directors included the following:

- Our financial performance, capital structure and stage of development;

- Our management team and business strategy;

- External market conditions affecting our industry, including competition and regulatory landscape;

- Our financial position and forecasted operating results;

- The lack of an active public or private market for our equity shares;

- Historical discussions we have had with potential private investors;

- The likelihood of achieving a liquidity event, such as a sale of the Company or an initial public offering of our equity shares; and

- Market performance analyses, including with respect to share price valuation, of similar companies in our industry.

Application of these approaches involves the use of estimates, judgment and assumptions that are highly complex and subjective, such as those regarding our expected future revenue, expenses and future cash flows, discount rates, market multiples, the selection of comparable companies and the probability of possible future events. Changes in any or all of these estimates and assumptions or the relationships between the assumptions impact our valuations as of each valuation date and may have a material impact on the valuation of our common shares.

After the completion of our initial public offering on November 23, 2021, it is no longer be necessary for our board of directors to estimate the fair value of our common stock in connection with our accounting for stock-based awards we may grant, as the fair value of our common stock will be determined based on the closing price of our common stock as reported on the date of grant.

Income Taxes. We account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized. Realization of the future tax benefits is dependent on our ability to generate sufficient taxable income within the carryforward period.

We assess all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing an uncertain tax position begins with the initial determination of the position's sustainability and is measured at the largest amount of benefit that is more likely than not of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and we will determine whether (i) the factors underlying the sustainability assertion have changed and (ii) the amount of the recognized tax benefit is still appropriate. The recognition and measurement of tax benefits requires significant judgment. Judgments concerning the recognition and measurement of a tax benefit might change as new information becomes available. Our unrecognized tax benefits, if recognized, would not have an impact on our effective tax rate assuming we continue to maintain a full valuation allowance position. We do not expect our unrecognized tax benefits to change significantly over the next 12 months.

Our policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense or benefit. During the years ended December 31, 2022 and 2021, the Company recognized *de minimis* interest and penalties.

GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

One of the financial measures included in this Report is not a measure of financial performance recognized by GAAP. This non-GAAP financial measure is "tangible book value per share." Our management uses this non-GAAP financial measure in its analysis of our performance.

- "Tangible book value per share" is defined as book value per share less goodwill and other intangible assets, divided by the outstanding number of common shares at the end of each period. The most directly comparable GAAP financial measure is book value per share. We had no goodwill or other intangible assets as of any of the dates indicated. We have not considered loan servicing rights or loan trailing fee asset as intangible assets for purposes of this calculation. As a result, tangible book value per share is the same as book value per share as of each of the dates indicated.

We believe this non-GAAP financial measure provides useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however, we acknowledge that our non-GAAP financial measure has a number of limitations. As such, you should not view this measure as a substitute for results determined in accordance with GAAP, and such measure is not necessarily comparable to non-GAAP financial measures that other companies use.

Recently Issued Accounting Pronouncements

See our consolidated financial statements included elsewhere in this Report for a full description of recent accounting pronouncements, including the respective expected dates of adoption and anticipated effects on our results of operations and financial condition.

Item 7A. 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 II, Item 7A of this Report.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
FinWise Bancorp and Subsidiaries

Opinion on the Consolidated Financial Statements

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

Basis for Opinion

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

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

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

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2022 the Company adopted new accounting guidance Accounting Standards Codification Topic 842, Leases. Our opinion is not modified with respect to this matter.

/s/ Moss Adams LLP

Spokane, Washington
March 30, 2023

We have served as the Company's auditor since 2018.

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

	December 31,	
	2022	2021
ASSETS		
Cash and cash equivalents		
Cash and due from banks	$ 386	$ 411
Interest-bearing deposits	100,181	85,343
Total cash and cash equivalents	100,567	85,754
Investment securities held-to-maturity, at cost	14,292	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	23,589	60,748
Loans receivable, net	224,217	198,102
Premises and equipment, net	9,478	3,285
Accrued interest receivable	1,818	1,548
Deferred taxes, net	1,167	1,823
SBA servicing asset, net	5,210	3,938
Investment in Business Funding Group (BFG), at fair value	4,800	5,900
Operating lease right-of-use (“ROU”) assets	5,041	—
Other assets	10,152	7,315
Total assets	**$ 400,780**	**$ 380,214**
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Liabilities		
Deposits		
Noninterest bearing	$ 78,817	$ 110,548
Interest-bearing	164,181	141,344
Total deposits	242,998	251,892
Accrued interest payable	54	48
Income taxes payable	1,077	233
PPP Liquidity Facility	314	1,050
Operating lease liabilities	7,020	—
Other liabilities	8,858	11,549
Total liabilities	**260,321**	**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 December 31, 2022 and December 31, 2021	—	—
Common stock, $0.001 par value, 40,000,000 shares authorized; 12,831,345 and 12,772,010 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	13	13
Additional paid-in-capital	54,614	54,836
Retained earnings	85,832	60,593
Total shareholders’ equity	140,459	115,442
Total liabilities and shareholders’ equity	**$ 400,780**	**$ 380,214**

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

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

	For the Years Ended December 31, 2022	2021
Interest income		
Interest and fees on loans	$ 50,941	$ 49,135
Interest on securities	208	47
Other interest income	1,180	61
Total interest income	52,329	49,243
Interest expense		
Interest on deposits	1,432	1,138
Interest on PPP Liquidity Facility	2	127
Total interest expense	1,434	1,265
Net interest income	50,895	47,978
Provision for loan losses	13,519	8,039
Net interest income after provision for loan losses	37,376	39,939
Non-interest income		
Strategic Program fees	22,467	17,959
Gain on sale of loans, net	13,550	9,689
SBA loan servicing fees	1,603	1,156
Change in fair value on investment in BFG	(478)	2,991
Other miscellaneous income	269	49
Total non-interest income	37,411	31,844
Non-interest expense		
Salaries and employee benefits	24,489	21,744
Professional services	5,454	1,670
Occupancy and equipment expenses	2,204	882
Impairment of SBA servicing asset	1,728	800
Other operating expenses	4,881	4,415
Total non-interest expense	38,756	29,511
Income before income tax expense	36,031	42,272
Provision for income taxes	10,916	10,689
Net income	**$ 25,115**	**$ 31,583**
Earnings per share, basic	$ 1.96	$ 3.44
Earnings per share, diluted	$ 1.87	$ 3.27
Weighted average shares outstanding, basic	12,729,898	8,669,724
Weighted average shares outstanding, diluted	13,357,022	9,108,163

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

FinWise Bancorp
Consolidated Statements of Changes in Shareholders' Equity
(in thousands, except share amounts)

	Common Stock								
	Shares		Amount		Additional Paid-In Capital		Retained Earnings		Total Shareholders' Equity
Balance at December 31, 2020	**8,660,334**	**$**	**9**	**$**	**16,853**	**$**	**29,010**	**$**	**45,872**
Stock-based compensation expense	—		—		2,100		—		2,100
Issuance of common stock	4,025,000		4		35,572		—		35,576
Stock options exercised	86,676		—		311		—		311
Net income	—		—		—		31,583		31,583
Balance at December 31, 2021	**12,772,010**	**$**	**13**	**$**	**54,836**	**$**	**60,593**	**$**	**115,442**
Stock-based compensation expense	123,055		—		778		—		778
Stock options exercised	56,280		—		260		—		260
Repurchase of common stock	(120,000)		—		(1,260)		124		(1,136)
Net income	—		—		—		25,115		25,115
Balance at December 31, 2022	**12,831,345**	**$**	**13**	**$**	**54,614**	**$**	**85,832**	**$**	**140,459**

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

FinWise Bancorp
Consolidated Statements of Cash Flows
(in thousands)

	For the Years Ended December 31, 2022	2021
Cash flows from operating activities:		
Net income	$ 25,115	$ 31,583
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	2,107	1,038
Provision for loan losses	13,519	8,039
Noncash operating lease cost	2,339	—
Net amortization in securities discounts and premiums	28	25
Capitalized servicing assets	(4,087)	(3,048)
Capitalized loan trailing fee asset	(2,347)	—
Gain on sale of SBA loans, net	(13,550)	(9,689)
Originations of Strategic Program loans held-for-sale	(6,974,133)	(6,335,194)
Proceeds on Strategic Program loans held-for-sale	7,011,292	6,295,394
Change in fair value of BFG	478	(2,991)
Impairment of SBA servicing asset	1,728	800
Stock-based compensation expense	778	2,100
Deferred income tax benefit (expense)	656	(1,371)
Net changes in:		
Accrued interest receivable	(270)	81
Accrued interest payable	6	(147)
Other assets	(299)	(1,669)
Operating lease liabilities	(360)	—
Other liabilities	(1,847)	5,817
Net cash provided by (used in) operating activities	61,153	(9,232)
Cash flows from investing activities:		
Net increase (decrease) in loans receivable	(17,330)	41,622
Purchase of loan pools	(8,754)	(6,000)
Investments in FinWise Investments, LLC	(191)	(80)
Distributions from BFG	622	861
Purchase of bank premises and equipment	(7,213)	(2,334)
Proceeds from maturities and paydowns of securities held-to-maturity	1,954	678
Purchases of securities held-to-maturity	(4,851)	(10,317)
Purchase of FHLB stock	(71)	(173)
Net cash provided by (used in) investing activities	(35,834)	24,257
Cash flows from financing activities:		
Net increase (decrease) in deposits	(8,894)	87,416
Proceeds from initial public offering, net	—	35,576
Common stock repurchased	(1,136)	—
Proceeds from exercise of stock options	260	311
Proceeds from PPP Liquidity Facility	—	5,558
Repayment of PPP Liquidity Facility	(736)	(105,515)
Net cash provided by (used in) financing activities	(10,506)	23,346
Net change in cash and cash equivalents	14,813	38,371
Cash and cash equivalents, beginning of the period	85,754	47,383
Cash and cash equivalents, end of the period	$ 100,567	$ 85,754
Supplemental disclosures of cash flow information:		
Cash paid during the period		
Income taxes	$ 9,360	$ 10,473
Interest	$ 1,428	$ 1,412
Supplemental disclosures of noncash activities:		
Operating cash flows from operating leases	$ 1,928	$ —
Right-of-use assets obtained in exchange for operating lease liabilities	$ 7,380	$ —

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

FinWise Bancorp
Notes to 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 subsidiaries FinWise Investments, LLC, and FinWise Bank, dba Utah Community Bank. Utah Community Bank was incorporated in the state of Utah on May 7, 1999. All West Bancorp was incorporated in the state of Utah on October 22, 2002, after which, it acquired 100% of Utah Community Bank. As of March 4, 2016, Utah Community Bank's articles of incorporation were amended to rename the entity FinWise Bank. As of March 15, 2021, All West 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, FinWise Investments, LLC, 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 U.S. Securities and Exchange Commission ("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 is an independent bank that provides a full range of banking services to individual and corporate customers. The Bank's primary source of revenue is from loans including Small Business Administration (SBA), commercial, commercial real estate, residential real estate, and consumer. 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.

Stock split and changes in authorized shares – On July 26, 2021, the Board of Directors declared a six-for-one stock split of the Company's issued and outstanding shares of common stock, which was effective on July 26, 2021. Accordingly, except for the amount of authorized shares, all references to share and per share amounts for the periods presented in the condensed consolidated financial statements and accompanying notes to the condensed consolidated financial statements have been retroactively restated to reflect this stock split. As a subsequent event, effective as of July 28, 2021, authorized capital stock was increased to 44,000,000 shares of capital stock, consisting of (i) 40,000,000 shares of common stock, par value $0.001 per share, and (ii) 4,000,000 shares of Preferred Stock, par value $0.001 per share.

Significant concentrations of credit risk – All of the Company's activities are with customers located throughout the United States. The Company has concentrations in SBA loans, Strategic Program loans, and residential real estate loans. Accordingly, their ultimate collectability is particularly susceptible to changes in market conditions.

Ongoing analysis of the Company's loan portfolio is performed to evaluate whether there is any significant exposure to an individual borrower or group(s) of borrowers as a result of any concentrations of credit risk. Such credit risks (whether on- or off-balance sheet) may occur when groups of borrowers or counterparties have similar economic characteristics and are similarly affected by changes in economic or other conditions. Credit risk also includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. As of December 31, 2022 and 2021, the Company analyzed its exposure to credit risks and concluded that no significant exposure exists from such concentrations of credit risks.

Paycheck Protection Program – The Coronavirus Aid, Relief and Economic Security ("CARES") Act was passed by Congress on March 27, 2020, in relation to the COVID-19 pandemic and included guidance on loan modifications. Also included in the CARES Act was 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. During the year ended December 31, 2020, the Company originated PPP loans for a total principal amount of $126.6 million. As of December 31, 2022, PPP borrowers have applied for and received forgiveness from the SBA for $125.5 million of PPP loan principal and have made $0.5 million of principal payments leaving $0.6 million of PPP loan principal outstanding. The loan forgiveness resulted in an acceleration of deferred loan fees of $1.5 million for the year ended December 31, 2021. The loan payments resulted in a *de minimis* amount of deferred loan fees recognized in the year ended December 31, 2022.

Principles of consolidation – The consolidated financial statements include the accounts of FinWise Bancorp and its wholly-owned subsidiaries, FinWise Investments, LLC and FinWise Bank. All significant inter-company balances and transactions have been eliminated in consolidation.

Out-of-period adjustments – During the first quarter of 2022, the Company 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 due to a deferred loan cost associated with the Company's SBA 7(a) loans that was implemented in 2021. Upon the sales of the guaranteed portions of the SBA 7(a) loans, the acceleration of the deferred loan costs was improperly applied to interest income rather than reducing the balance sheet deferred costs asset and was compounded further by the continued amortization of the deferred cost asset over the life of the loans. The impact associated with this correction was not considered material to the interim unaudited consolidated financial statements for the three months ended March 31, 2022, year ended December 31, 2022, or the financial statements of any previously filed interim or annual periods.

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 year ended December 31, 2022. The impact associated with this correction was not considered material to the interim unaudited consolidated financial statements for the three months ended September 30, 2022, year ended December 31, 2022, or the financial statements of any previously filed interim or annual periods.

During the fourth quarter of 2022, the Company established a new loan trailing fee asset which is included in "Other assets" on the Consolidated Balance Sheets of approximately $2.3 million and recognized $2.1 million in gain on sale of loans ($1.5 million net of tax) as an out-of-period adjustment of which $1.2 million ($0.9 million net of tax) would have been recorded in the first three quarters of 2022 with the remaining $0.9 million ($0.6 million net of tax) associated with years prior to 2022. Before this correction, the loan trailing fees had been recognized in revenue during the month payment was owed by the Strategic Program rather than as a gain to be recognized upon sale of the loan receivables. The impact associated with this correction was not considered material to the interim unaudited consolidated financial statements for the three months ended December 31, 2022, year ended December 31, 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 Generally Accepted Accounting Principles (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.

Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses (ALL), the determination of the fair value of certain financial instruments, deferred income tax assets and stock-based compensation.

Management believes the ALL is adequate. While management uses currently available information to recognize losses on loans, future additions to the allowance may be necessary based on economic conditions and individual credit deterioration.

Reclassifications – Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Cash and cash equivalents – The Company considers all highly liquid debt instruments with an original maturity of three months or less (including cash, amounts due from depository institutions, interest-bearing deposits in other banks, and federal funds sold) to be cash equivalents.

The Company maintains its cash in deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Federal Reserve Board Regulations require maintenance of certain minimum reserve balances based on certain average deposits; however, on March 15, 2020, the Federal Reserve announced that reserve requirement ratios would be reduced to zero percent effective March 26, 2020, due to economic conditions, which eliminated the reserve requirement for all depository institutions. The reserve requirement is still at zero percent as of December 31, 2022.

Investments

Investment securities – Debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Securities not classified as held-to-maturity are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. The Company did not hold any available for sale securities at December 31, 2022 or 2021.

When the estimated fair value of a security is lower than the book value, a security is considered temporarily impaired. On a quarterly basis, the Company evaluates any securities in a loss position to determine whether the impairment is other-than-temporary. If there is intent to sell the security, or if the Company will be required to sell the security, or if the Company believes it will not recover the entire cost basis of the security, the security is other-than-temporarily impaired ("OTTI") and impairment is recognized. The amount of impairment resulting from credit loss is recognized in earnings and impairment related to all other factors, such as general market conditions, is recognized in AOCI in the case of securities classified as available for sale.

Management considers a number of factors in its analysis of whether a decline in a security's estimated fair value is OTTI. Certain factors considered include, but are not limited to: (a) the length of time and the extent to which the security has been in an unrealized loss position, (b) changes in the financial condition of the issuer, (c) the payment structure of debt securities, (d) adverse changes in ratings issued by rating agencies, (e) and the intent and ability of the Company to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

Purchased premiums and discounts on debt securities are amortized or accreted over the terms of the securities using the effective-yield method. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Equity method investments **–** Ownership interests in entities for which the Company has significant influence that are not consolidated are accounted for as equity method investments. SEC Staff Announcement: Accounting for Limited Partnership Investments (codified in Accounting Standards Codification ("ASC") 323-30-S99-1) guidance requires the use of the equity method unless the investor's interest "is so minor that the limited partner may have virtually no influence over partnership operating and financial policies." The SEC staff's position is that investments in limited partnerships and limited liability companies of greater than 3% to 5% are considered more than minor and, therefore, should be accounted for using the equity method or fair value option and are not required to be consolidated. The Company concluded that, consistent with its accounting policy, the Company's level of ownership in Business Funding Group, LLC ("BFG") 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. Pursuant to electing the fair value option, the Company measures its investment in BFG at fair value each reporting period and changes in fair value are recorded in the Consolidated Statements of Income within 'Change in fair value on investment in BFG.' See Note 9, Investments, for a discussion about the Company's investment in BFG.

Investment in Federal Home Loan Bank ("FHLB") stock – FHLB stock are required investments based on the level of the Bank's assets, capital and/or capital/surplus. FHLB stock is carried at cost and periodically evaluated for impairment. There is no readily determinable fair value for this stock as it has no quoted market value, it is a required investment and it is expected to be redeemed at par value. FHLB obtains its funding primarily through issuance of consolidated obligations of the FHLB system. The U.S. government does not guarantee these obligations, and each of the regional FHLBs are jointly and severally liable for repayment of each other's debt. Cash dividends are reported as a component of Other miscellaneous income in the Consolidated Statements of Income.

Loans held-for-sale – While the Company sells the vast majority of the loans funded in its Strategic Programs shortly after origination, the Company may choose to retain a portion of the funded loans and/or receivables. The loans and/or receivables the Company intends to sell are carried at lower of cost or estimated fair value in the aggregate. Net unrealized losses are recognized in a valuation allowance by charges to income.

Loans receivable – Loans receivable are reported at their outstanding principal adjusted for any charge-offs, the ALL, and deferred fees and costs. Loan origination fees, net of certain direct origination costs, if any, are deferred and recognized on an adjustment of the related loan yield using an effective-yield method over the contractual life of the loan. Interest income on loans is recognized on an accrual basis commencing in the month of origination using the interest method. Delinquency fees are recognized in income when chargeable and when collectability is reasonably assured

The Company requires most loans to be substantially collateralized by real estate, equipment, vehicles, accounts receivable, inventories or other tangible or intangible assets. Real estate collateral is in the form of first and second mortgages on various types of property. The Company also originates unsecured loans to consumers and businesses.

The Company may change intent from holding loans for investment and reclassify them as held-for-sale. Loans held-for-sale are carried at the lower of aggregate cost and fair value. Gains and losses are recorded in non-interest income based on the difference between sales proceeds and carrying value.

Allowance for loan losses – The ALL consists of specific and general components. The specific component relates to impaired loans as defined by GAAP. For such loans that are classified as impaired, an allowance is established when the discounted cash flows, or the fair value of the collateral if the loan is collateral dependent, of the impaired loan is lower than the carrying value of that loan. The general component covers all loans not classified as impaired and is based on historical loss experience and general economic factors, adjusted for qualitative risk factors, both internal and external to the Company. The general component is calculated separately for each risk category.

The ALL represents the Company's estimate of probable and estimable losses inherent to the loan portfolio as of the balance sheet date. Losses are charged to the ALL when recognized. Generally, loans are charged off or charged down at the point at which they are determined to be uncollectible in whole or in part unless the loan is well secured and in the process of collection. The Company establishes the amount of the ALL by loan type, at least quarterly, and the Company adjusts the provision for loan losses so the ALL is at an appropriate level at the balance sheet date.

The Company determines ALL as the best estimate within a range of estimated losses. The methodologies the Company uses to estimate the ALL depend upon the impairment status and risk category of the loan. After applying historic loss experience, as described above, the Company reviews the quantitatively derived level of ALL for each category using qualitative criteria. The Company tracks various risk factors that influence the judgment regarding the level of the ALL across the risk categories. Risk factors include changes in national, regional, and local economic conditions that affect the borrowers' business, delinquency, and charge off trends, and data from peer groups, among others. The Company reviews changes in these factors to ensure that changes in the level of the ALL are directionally consistent with changes in these factors.

Nonaccrual loans – The Company's policy is to place loans on a nonaccrual status when: 1) payment is in default for 90 days or more unless the loan is well secured and in the process of collection; or 2) full repayment of principal and interest is not foreseen. When a loan is placed on nonaccrual status, all accrued and uncollected interest on that loan is reversed. Past-due interest received on nonaccrual loans is not recognized in interest income but is applied as a reduction of the outstanding principal of the loan consistent with the accounting for impaired loans. A loan is relieved of its nonaccrual status when all principal and interest payments are brought current, the loan is well secured, and an analysis of the borrower's financial condition provides reasonable assurance that the borrower can repay the loan as scheduled.

Impaired loans – Loans are considered impaired when, based on current information and events; it is probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. When a loan is impaired, the Company estimates a specific reserve for the loan based on the fair value of the loan's underlying collateral, less the cost to sell, or the projected present value of future cash flows. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. Payments received on impaired loans that are on nonaccrual status are not recognized in interest income but are applied as a reduction of the outstanding principal. Payments are recognized when cash is received.

Troubled debt restructurings (TDR) – Loans may be modified in the normal course of business for competitive reasons or to strengthen the Company's position. Loan modifications and restructurings may also occur when the borrower experiences financial difficulty and needs temporary or permanent relief from the original contractual terms of the loan. These modifications are structured on a loan-by-loan basis and, depending on the circumstances, may include extended payment terms, a modified interest rate, forgiveness of principal, or other concessions. Loans that have been modified to accommodate a borrower who is experiencing financial difficulties, and for which the Company has granted a concession that it would not otherwise consider, are considered a TDR.

The Company considers many factors in determining whether to agree to a loan modification involving concessions, and seeks a solution that will both minimize potential loss to the Company and attempt to help the borrower. The Company evaluates borrowers' current and forecasted future cash flows, their ability and willingness to make current contractual or proposed modified payments, the value of the underlying collateral, the possibility of obtaining additional security or guarantees, and the potential costs related to a repossession or foreclosure and the subsequent sale of the collateral.

TDRs may be classified as either accrual or nonaccrual loans. A loan on nonaccrual status and restructured as a TDR will remain on nonaccrual status until the borrower has proven the ability to perform under the modified structure for a minimum of six months, and there is evidence that such payments can and are likely to continue as agreed.

Performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan.

Premises and equipment, net – Premises and equipment are stated at cost less accumulated depreciation. Depreciation included in the operating expense is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for new premises and equipment and major improvements are capitalized. Normal costs of maintenance and repairs are charged to expense as incurred. Gains and losses on dispositions are included in non-interest expense.

Leases – The Company accounts for leases according to ASU 2016-02, *Leases (Topic 842)*, and applies a right -of-use ("ROU") model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. The Company elected to apply the package of practical expedients permitting entities to not reassess: 1) whether any expired or existing contracts are or contain leases; 2) the lease classification for any expired or existing leases; and 3) initial direct costs for any existing leases. Additionally, as provided by ASU 2016-02, the Company elected to not apply the recognition requirements of ASC 842 to short-term leases, defined as leases with a term of twelve months or less, and to recognize the lease payments in net income on short-term leases on a straight-line basis over the lease term.

Income taxes – Deferred income tax assets and deferred income tax liabilities represent the tax effect of temporary differences between financial reporting and tax reporting measured at enacted tax rates in effect for the year in which the differences are expected to reverse. The Company recognizes only the impact of tax positions that, based on their technical merits, are more likely than not to be sustained upon an audit by the taxing authority.

Developing the provision for income taxes, including the effective tax rate and analysis of potential tax exposure items, if any, requires significant judgment and expertise in federal and state income tax laws, regulations and strategies, including the determination of deferred income tax assets and liabilities and any estimated valuation allowances deemed necessary to value deferred income tax assets. Judgments and tax strategies are subject to audit by various taxing authorities. While the Company believes it has no significant uncertain income tax positions in the consolidated financial statements, adverse determinations by these taxing authorities could have a material adverse effect on the consolidated financial statements.

Transfer of financial assets – Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: 1) the assets have been isolated from the Company, 2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and 3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

SBA servicing asset, net – Servicing assets are recognized as separate assets when servicing rights are acquired through sale of financial assets. For sales of SBA loans, or portions of SBA loans, with servicing retained, a portion of the cost of originating the loan is allocated to the servicing asset based on relative fair value. Fair value is based on a valuation model that calculates the present value of estimated future servicing income. Servicing assets are subsequently measured using the amortization method which requires servicing assets to be amortized into non-interest income in proportion to, and over the period of, estimated future net servicing income of the underlying loans. The SBA servicing asset is carried at the lower of cost or market value.

The SBA servicing asset is evaluated annually for impairment based on the fair value of the asset as compared to amortized cost. Capitalized servicing rights are stated separately on the consolidated balance sheet and are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Servicing fee income, which is reported in the consolidated statements of income in SBA loan servicing fees, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and recorded as income when earned. The amortization of servicing assets and changes in the valuation allowance are netted against loan servicing income.

Revenue from contracts with customers – The Company applies the provisions of ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). The core principle of this standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Services that the Company reports as part of non-interest income are subject to ASC 606 and include fees from its deposit customers for transaction-based activities, account maintenance charges and overdraft services. Transaction-based fees, such as ACH and wire transfer fees, overdraft, return and stop payment charges, are recognized at the time such transactions are executed and the services have been fulfilled by the Company. The fees are typically withdrawn from the customer's deposit account balance. The Company also receives fees from third-parties in its Strategic Programs for setting up systems and procedures to efficiently originate loans in a convenient, compliant and safe manner. Because the third-party simultaneously receives and benefits from the services, revenue is recognized evenly over the term of the loan program. Program Fees received in connection with the Company's Strategic Programs are recorded at the time services are provided.

Stock-based compensation – The Company accounts for all stock-based awards to employees and non-employees, including grants of stock options and restricted stock awards, based on their respective grant date fair values. The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model. Restricted stock awards are valued based on the fair value of the Company's common stock on the date of grant. The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. The Company expenses stock-based compensation related to stock options and restricted stock over the requisite service period. The Company accounts for forfeitures of stock–based awards as they occur. Stock-based compensation expense pertaining to employees is included in salaries and employee benefits on the income statement. Stock-based compensation expense related to directors and consultants is included in other operating expenses on the income statement.

The table below summarizes the weighted average assumptions used in determining the Black-Scholes option pricing model for options granted during 2022 and 2021:

	2022	2021
Risk-free interest rate	3.10%	0.4% - 1.3%
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	-	-

Earnings per share ("EPS") – Basic EPS is computed by dividing net earnings allocated to common shareholders by the weighted average number of common shares outstanding. Diluted EPS is computed by dividing net earnings allocated to common shareholders by the weighted average number of common shares outstanding adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental common shares issuable upon exercise of outstanding stock options and non-vested restricted common shares, that are not considered participating securities, using the treasury stock method.

The two-class method is used to determine earnings per share based on participation rights of participating securities in any undistributed earnings. Each unvested restricted share granted by the Company to its employees that includes rights to participate in distributed earnings is considered a participating security and the Company uses the two-class method to calculate net income available to the Company's common shareholders per common share – basic and diluted.

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 120,000 shares for approximately $1.1 million as of December 31, 2022 and retired them at cost.

Off-balance sheet instruments – In the ordinary course of business, the Company has entered into off-balance sheet financial instrument arrangements consisting of commitments to extend credit. Such financial instruments are recorded in the consolidated financial statements when they are funded. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the consolidated balance sheet. Losses would be experienced when the Company is contractually obligated to make a payment under these instruments and must seek repayment from the borrower, which may not be as financially sound in the current period as they were when the commitment was originally made. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company enters into credit arrangements that generally provide for the termination of advances in the event of a covenant violation or other event of default.

Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the party. The commitments are collateralized by the same types of assets used as loan collateral.

Segment reporting – The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM"), consisting of the Company's chief executive officer, in deciding how to allocate resources and assess the Company's financial and operational performance. In addition, the Company's CODM evaluates the Company's financial information and resources and assesses the performance of these resources on a consolidated basis. As a result, management has determined that the Company's business operates in a single operating segment. Since the Company operates as one operating segment, all required financial segment information can be found in the consolidated financial statements.

Recent accounting pronouncements

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 adopted this ASU effective January 1, 2023 and will apply the amendment’s provisions as a cumulative-effect adjustment to retained earnings as of the date of adoption. In anticipation of the adoption of this ASC, the Company formed a team that worked on an implementation plan to adopt the amendment and included developing policies, procedures, and internal controls over the model. The Company continues to work with a software vendor to measure expected losses required by the amendment. Based on current model results, management estimates the adoption of this ASU will result in a combined increase to its Allowance for Credit Loss and Reserve for Unfunded Loan Commitments of 2% to 5%. The increase is primarily the result of an upward adjustment in the allowance allocated to the core portfolio as well as the retained partner portfolio and was offset by the lowering of qualitative factors. The increase will be recorded as an adjustment to equity as of the adoption date. Based on the credit quality of our held-to-maturity debt security portfolio, no allowance for credit losses is expected to be recorded at adoption on this portfolio.

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 write-offs 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 effects that the adoption of this amendment will have on the Company’s consolidated financial statements is not deemed to be material.

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

	December 31, 2022			
($ in thousands)	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Estimated Fair Value**
Mortgage-backed securities	$ 14,292	$ 5	$ (1,569)	$ 12,728

	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 December 31, 2022, nine in an unrealized loss at December 31, 2021.

	December 31, 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	$ 5,126	$ (286)	$ 6,671	$ (1,283)	$ 11,797	$ (1,569)

	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 December 31, 2022 and 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.

	December 31, 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	3,388	3,202	1,541	1,548
Due after ten years	10,904	9,526	9,882	9,784
Total Securities held-to-maturity	$ 14,292	$ 12,728	$ 11,423	$ 11,332

At December 31, 2022, held-to-maturity securities in the amount of $12.4 million were pledged to the Federal Reserve Bank of San Francisco 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 years ended December 31, 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 4.0% of outstanding FHLB advances. At December 31, 2022 and 2021, the Bank owned $0.4 million and $0.4 million, respectively, of FHLB stock, which is carried at cost. The Company evaluated the carrying value of its FHLB stock investment at December 31, 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 December 31, 2022 and 2021:

	December 31,	
($ in thousands)	2022	2021
SBA	$ 145,172	$ 142,392
Commercial, non-real estate	11,484	3,428
Residential real estate	37,815	27,108
Strategic Program loans	47,848	85,850
Commercial real estate	12,063	2,436
Consumer	5,808	4,574
Total loans	$ 260,190	$ 265,788
Loans held-for-sale	(23,589)	(60,748)
Total loans held for investment	$ 236,601	$ 205,040
Deferred loan costs (fees), net	(399)	2,917
Allowance for loan losses	(11,985)	(9,855)
Net loans	$ 224,217	$ 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 generally 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 reserve account deposit balance does not fall below an agreed upon dollar or percentage threshold related to the total loans currently outstanding as held for sale by the Company for the specific Strategic Program. If necessary, the Company has the right to withdraw amounts from the reserve account to fulfill loan purchaser obligations created under the program agreements. Total cash held in reserve by Strategic Programs at the Company at December 31, 2022 and 2021, was $16.6 million and $39.6 million, respectively.

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

	December 31,	
($ in thousands)	2022	2021
Retained Strategic Program loans	$ 24,259	$ 25,102
Strategic Program loans held-for-sale	23,589	60,748
Total Strategic Program loans	$ 47,848	$ 85,850

Changes in the ALL are summarized as follows:

December 31, 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)	—	—	(11,948)	—	(66)	(12,406)
Recoveries	66	2	—	885	—	64	1,017
Provision for loan and lease losses	1,881	267	145	11,215	6	5	13,519
Balance at end of year	$ 4,294	$ 401	$ 497	$ 6,701	$ 27	$ 65	$ 11,985
Ending balance individually evaluated for impairment	—	—	—	—	—	—	—
Ending balance collectively evaluated for impairment	$ 4,294	$ 401	$ 497	$ 6,701	$ 27	$ 65	$ 11,985
Loans receivable	$ 145,172	$ 11,484	$ 37,815	$ 24,259	$ 12,063	$ 5,808	$ 236,601
Ending balance individually evaluated for impairment	450	—	—	—	—	—	450
Ending balance collectively evaluated for impairment	$ 144,722	$ 11,484	$ 37,815	$ 24,259	$ 12,063	$ 5,808	$ 236,151

December 31, 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	(154)	(63)	—	(4,684)	—	(4)	(4,905)
Recoveries	46	103	—	372	—	1	522
Provision (recapture) for loan and lease losses	1,927	(140)	(503)	6,750	2	3	8,039
Balance at end of year	$ 2,739	$ 132	$ 352	$ 6,549	$ 21	$ 62	$ 9,855
Ending balance individually evaluated for impairment	—	—	—	—	—	—	—
Ending balance collectively evaluated for impairment	$ 2,739	$ 132	$ 352	$ 6,549	$ 21	$ 62	$ 9,855
Loans receivable	$ 142,392	$ 3,428	$ 27,108	$ 25,102	$ 2,436	$ 4,574	$ 205,040
Ending balance individually evaluated for impairment	972	—	—	—	—	—	972
Ending balance collectively evaluated for impairment	$ 141,420	$ 3,428	$ 27,108	$ 25,102	$ 2,436	$ 4,574	$ 204,068

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

December 31, 2022

($ in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
SBA	$ 450	$ 450	$ —	$ 711	$ 36
Commercial, non-real estate	—	—	—	—	—
Residential real estate	—	—	—	—	—
Strategic Program loans	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Consumer	—	—	—	—	—
Total	$ 450	$ 450	$ —	$ 711	$ 36

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

For the years ending December 31, 2022 and 2021, there were no impaired loans with an allowance recorded.

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

December 31, 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	$ 144,803	$ 369	$ —	$ —	$ 369	$ —	$ 145,172
Commercial, non-real estate	11,484	—	—	—	—	—	11,484
Residential real estate	37,387	428	—	—	428	—	37,815
Strategic Program loans	45,669	1,184	802	193	2,179	—	47,848
Commercial real estate	12,063	—	—	—	—	—	12,063
Consumer	5,776	32	—	—	32	—	5,808
Total	$ 257,182	$ 2,013	$ 802	$ 193	$ 3,008	$ —	$ 260,190

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 years ended December 31, 2022 and 2021, that was not recorded on nonaccrual loans was approximately $0.1 million and $0.1 million, respectively.

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 December 31, 2022 and 2021:

December 31, 2022

($ in thousands)	**Pass Grade 1-4**	**Special Mention Grade 5**	**Classified/ Doubtful/Loss Grade 6-8**	**Total**
SBA	$ 144,149	$ 573	$ 450	$ 145,172
Commercial, non-real estate	11,484	—	—	11,484
Residential real estate	37,815	—	—	37,815
Commercial real estate	12,063	—	—	12,063
Consumer	5,808	—	—	5,808
Not Risk Graded				
Strategic Program loans				47,848
Total at December 31, 2022	$ 211,319	$ 573	$ 450	$ 260,190

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 at December 31, 2021	$ 177,485	$ 1,481	$ 972	$ 265,788

There were no loans modified as TDRs during the years ended December 31, 2022, and 2021. Loans classified as TDRs, consist of the following at December 31, 2022 and 2021:

($ in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
December 31, 2022			
SBA	1	$ 94	$ 94
December 31, 2021			
SBA	2	$ 106	$ 106
Non-Accrual			
SBA	1	$ 25	$ 25

At December 31, 2022 and 2021, there were no commitments to lend additional funds to debtors whose loan terms have been modified in a TDR. There was one principal charge-off recorded related to TDRs during the year ended December 31, 2022 for $0.01 million. There were no principal charge-offs recorded related to TDRs during the year ended December 31, 2021.

During 2022, one restructured loan incurred a default within twelve months of the restructure date and was paid in full including interest during 2022. During 2021, one restructured loan incurred a default within twelve months of the restructure date and was paid in full including interest during 2021.

COVID-Related Loan Deferments

As discussed in Note 1, the federal banking agencies issued guidance in March 2020 that short -term modifications (for example, six months) made to a borrower affected by the COVID -19 pandemic does not need to be identified as a TDR if the loan was current at the time of modification. This relief applies to loan modifications executed between March 1, 2020 and January 1, 2022. The CARES Act also addressed COVID-19 related modifications and specified that such modifications made on loans that were current as of December 31, 2019 are not TDRs. None of these modifications were on deferment status as of December 31, 2022 and 2021.

Note 4 – Premises and Equipment

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

	December 31,	
($ in thousands)	**2022**	**2021**
Leasehold improvements	$ 3,720	$ 80
Furniture, fixtures, and equipment (1)	6,501	2,219
Construction in progress	1,514	2,333
Total premises and equipment	$ 11,735	$ 4,632
Less accumulated depreciation	(2,257)	(1,347)
Premises and equipment, net	$ 9,478	$ 3,285

(1) The Furniture, fixtures, and equipment include commercial operating leases of $2.8 million issued during the year ended 2022. Net book value of the operating leases as of December 31, 2022 was $2.7 million.

Depreciation expense was approximately $1.0 million and $0.3 million for the years ended December 31, 2022 and 2021, respectively. Rental income from operating leases for the years ended December 31, 2022 was $0.2 million.

Lease Liabilities

The Company leases its facilities under noncancelable operating leases. Rent expense for 2022 and 2021 was $1.1 million and $0.5 million, respectively. Future minimum annual undiscounted rental payments for these operating leases are as follows ($ in thousands):

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
Year Ended December 31, 2027	1,152
Thereafter	2,203
Total	$ 7,513
Less present value discount	(493)
Operating lease liabilities	$ 7,020

The Company entered into one lease during the year ended December 31, 2022 to provide additional space while the Murray office construction was completed. ASC 842 allows for a short-term lease exception which the Company has chosen to 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.

	Year Ended December 31, 2022
Weighted-average remaining lease term – operating leases *(in years)*	6.7
Weighted-average discount rate – operating leases	1.9%

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

(in thousands)	**Year Ended December 31, 2022**
Operating leases	
Operating lease cost	$ 1,044
Variable lease cost	16
Operating lease expense	1,060
Short-term lease rent expense	38
Net rent expense	$ 1,098

Note 5 – Deposits

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

	December 31,	
($ in thousands)	2022	2021
Demand	$ 129,563	$ 115,947
Savings	8,289	6,685
Money markets	10,882	31,076
Time certificates of deposit	94,264	98,184
Total deposits	$ 242,998	$ 251,892

At December 31, 2022, the scheduled maturities of time deposits are as follows ($ in thousands):

Year Ended December 31, 2023	$ 57,721
Year Ended December 31, 2024	17,514
Year Ended December 31, 2025	9,314
Year Ended December 31, 2026	8,160
Year Ended December 31, 2027	1,555
Thereafter	—
Total	94,264

Time deposits with balances equal or greater than $250,000 totaled $6.4 million and $3.7 million at December 31, 2022 and 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 $318.6 million and $210.2 million at December 31, 2022 and 2021, respectively.

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

	For the Years Ended December 31,	
($ in thousands)	2022	2021
Beginning balance	$ 3,938	$ 2,415
Additions to servicing asset	4,087	3,048
Impairment of SBA servicing asset	(1,728)	(800)
Amortization of servicing asset	(1,087)	(725)
Ending balance	$ 5,210	$ 3,938

The SBA servicing asset is carried at the lower or amortized cost or fair market value. The fair market value of the SBA servicing asset as of December 31, 2022 and 2021, was $5.2 million and $3.9 million, respectively. Fair value 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 SBA servicing asset recognized an impairment in the years ending December 31, 2022 and 2021.

The Company assumed a weighted average prepayment rate of 14.24%, weighted average term of 4.45 years, and a weighted average discount rate of 18.79% at December 31, 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 December 31, 2022 and December 31, 2021, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2022 and 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**
December 31, 2022				
Leverage ratio (CBLR election)	$ 91,674	25.1%	$ 32,898*	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.

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 December 31, 2022 and 2021, the Bank's available line of credit with the FHLB to borrow in overnight funds was $2.6 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 December 31, 2022, no amounts were outstanding under the line of credit. Loans totaling $4.0 million and $5.4 million were pledged to secure the FHLB line of credit as of December 31, 2022 and 2021, respectively.

Lines of Credit

At December 31, 2022, we had the ability to access $10.6 million from the Federal Reserve Bank's Discount Window on a collateralized basis. Through Zions Bank, the Bank had an available unsecured line of $1.0 million. The Bank had an available line of credit with Bankers' Bank of the West to borrow up to $1.05 million in overnight funds. We had no outstanding balances on the unsecured or secured lines of credit as of December 31, 2022.

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 $1.0 million of PPP loans as eligible collateral under the PPPLF borrowing arrangement at December 31, 2021. The Bank pledged $0.3 million of PPP loans as eligible collateral under the PPPLF borrowing arrangement at December 31, 2022. The average outstanding borrowings were $36.4 million during the year ended December 31, 2021 and $0.6 million during the year ended December 31, 2022.

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

	December 31,	
($ in thousands)	**2022**	**2021**
Revolving, open-end lines of credit	$ 1,683	$ 1,259
Commercial real estate	17,886	15,402
Other unused commitments	253	377
	$ 19,822	$ 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 $0.6 million and $0.9 million for the years ended December 31, 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 was 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 15 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 as well as issuance of incentive stock options only to employees. The 2019 Plan originally authorized the issuance of 780,000 common shares but was later amended on April 19, 2022 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. This amendment along with an amendment to change its name from the All West Bancorporation 2019 Stock Option Plan to the FinWise Bancorp 2019 Stock Option Plan was approved by the Company's shareholders 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 December 31, 2022, 621,472 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 December 31, 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.

The following summarizes stock option activity for the years ended December 31, 2022 and 2021:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2020	638,664	$ 3.54	8.6	$ 653,991
Options granted	906,600	6.27	3.3	
Options exercised	(86,676)	3.6		511,339
Options forfeited	(596,100)	6.42		1,460,581
Outstanding at December 31, 2021	862,488	$ 4.41	8.2	$ 8,088,660
Options granted	89,415	13.04	9.9	
Options exercised	(56,280)	4.62		393,534
Options forfeited	(13,998)	4.40		124,874
Outstanding at December 31, 2022	881,625	$ 5.27	7.5	$ 3,871,667
Options vested and exercisable at December 31, 2022	600,396	$ 4.47	7.3	$ 2,878,478

The weighted average grant-date fair value of options per share granted was $6.26 and $1.55 during 2022 and 2021, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, 2022 and 2021 were $0.39 million and $0.51 million, respectively. During 2022, the Company received proceeds of approximately $0.3 million 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.

Restricted stock

The Company from time-to-time grants shares of restricted stock to key employees or directors. These awards typically hold service requirements over various vesting periods. The value of the stock awarded is established as the fair market value of the stock at the time of the grant. The Company recognizes expense, equal to the total value of such awards, ratably over the vesting period of the stock grants. All restricted stock agreements are conditioned upon continued employment. Termination of employment prior to a vesting date, as described below, would terminate any interest in non-vested shares.

Nonvested restricted stock for the years ended December 31, 2022 and 2021 is summarized in the following table.

	Number of Shares	Weighted Average Grant Price
Unvested as of December 31, 2020	621,666	$ 3.64
Vested	(621,666)	3.64
Unvested as of December 31, 2021	—	$ —
Granted	123,055	$ 12.28
Unvested as of December 31, 2022	123,055	$ 12.28

The restricted stock vests as follows: 59,048 shares in 2023, 32,003 shares in 2024, and 32,004 shares in 2025.

The aggregate fair value of restricted stock that vested was approximately $2.3 million for the year ended December 31, 2021, respectively. The aggregate fair value of restricted stock outstanding was approximately $5.4 million for the year ended December 31, 2022.

Stock-based compensation expense

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

	For the Years Ended December 31,	
($ in thousands)	**2022**	**2021**
Pre-tax		
Stock options	$ 320	$ 934
Restricted shares	458	1,166
Total	$ 778	$ 2,100
After-tax		
Stock options	$ 322	$ 778
Restricted shares	344	1,166
Total	$ 666	$ 1,944

As of December 31, 2022, the Company had unrecognized stock-based compensation expense related to stock options and restricted stock of approximately $0.5 million and $1.1 million, respectively, which is expected to be recognized over the remaining weighted average recognition period of 1.8 and 1.4 years.

Employee stock-based compensation expense is recorded within Salaries and employee benefits and was $0.8 million and $1.6 million for the years ending December 31, 2022 and 2021, respectively. Stock-based compensation for all others is recorded within Other operating expenses and was $0.0 million and $0.5 million for the years ending December 31, 2022 and 2021, respectively.

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. Because 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 December 31, 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 $4.8 million and $5.9 million as of December 31, 2022 and December 31, 2021, respectively. The following table summarizes investment in BFG activity for the periods indicated:

	For the Years Ended December 31,	
($ in thousands)	**2022**	**2021**
Beginning balance	$ 5,900	$ 3,770
Distributions from BFG	(622)	(861)
Change in fair value of BFG	(478)	2,991
Ending balance	$ 4,800	$ 5,900

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.

The table below presents the carrying amount and fair value of the Company's financial instruments:

		December 31, 2022		December 31, 2021	
($ in thousands)	**Level**	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets:					
Cash and cash equivalents	1	$ 100,567	$ 100,567	$ 85,754	$ 85,754
Investment securities held-to-maturity	2	14,292	12,728	11,423	11,332
Investment in FHLB stock	2	449	449	378	378
Loans held for investment	3	224,217	237,225	198,102	197,412
Loans held-for-sale	2	23,589	23,586	60,748	60,743
Accrued interest receivable	2	1,818	1,818	1,548	1,548
SBA servicing asset	2	5,210	5,210	3,938	3,938
Investment in BFG	3	4,800	4,800	5,900	5,900
Financial liabilities:					
Total deposits	2	242,998	221,287	251,892	249,488
Accrued interest payable	2	54	54	48	48
PPP Liquidity Facility	2	314	314	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**
December 31, 2022				
Nonrecurring assets				
Impaired loans	$ 450	$ —	$ —	$ 450
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 during the years ended December 31, 2022 and 2021, along with the valuation techniques used, are shown in the following table:

($ in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**
December 31, 2022				
Impaired loans	$ 450	Market comparable	Adjustment to appraisal value	0.20%
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 December 31, 2022 and as of December 31, 2021 are shown in the following table:

($ in thousands)	**December 31, 2022 Range (Weighted Average)**	**December 31, 2021 Range (Weighted Average)**
Discounted Cash Flows		
Revenue growth rate	10.8%	16.6%
Expense growth rate	11.5%	16.3%
Discount rate	30.0%	25.0%
Guideline Public Company		
Multiples of enterprise value	3.0x to 5.0x	4.0x to 6.0x

Note 12 – Income Taxes

The components of income tax expense consist of the following:

($ in thousands)	For the Years Ended December 31, 2022	2021
Current tax expense		
Federal	$ 8,315	$ 9,589
State	1,945	2,471
Deferred tax expense (benefit)		
Federal	553	(1,156)
State	103	(215)
Income tax expense	$ 10,916	$ 10,689

The components of net deferred income tax assets and liabilities on the balance sheet at December 31, 2022 and 2021, are as follows:

($ in thousands)	December 31, 2022	2021
Deferred tax assets		
Operating lease liabilities	$ 1,749	$ —
Allowance for loan losses	1,639	1,630
Accrued bonuses	61	72
Nonqualified stock options	124	156
Restricted stock	114	—
Other	290	250
Total deferred tax assets	3,977	2,108
Deferred tax liabilities		
ROU asset	(1,256)	—
Intangibles	(3)	(3)
Net book value of fixed assets	(1,230)	(217)
Other	(321)	(65)
Total deferred tax liabilities	(2,810)	(285)
Net deferred tax asset	$ 1,167	$ 1,823

The income tax expense recorded differs from the expected income tax expense and the reconciliation of these differences is as follows at December 31, 2022 and 2021:

($ in thousands)	For the Years Ended December 31, 2022	2021
Federal income tax expense at statutory rates	$ 7,567	$ 8,877
Effect of permanent differences	811	50
State income tax expense, net	1,560	1,662
Other	978	100
Income tax expense	$ 10,916	$ 10,689

The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2022, and 2021, the Company recognized approximately $0 million of interest or penalties. The Company files a United States federal income tax return and state income tax returns in Utah, Florida, New York, Ohio, and Washington. Open tax years that are potentially subject to examination related to the U.S. federal jurisdiction are 2019 and subsequent years.

The Company had no unrecognized tax benefits at December 31, 2022 and 2021.

Note 13 – Shareholders' Equity

Stock Repurchases

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 120,000 shares for approximately $1.1 million as of December 31, 2022 and retired them at cost.

Note 14 – Retirement Plan

The Company has established an employee directed 401(k) plan (Plan). The Plan requires the Company to annually contribute a "Safe Harbor" profit sharing contribution for all eligible participants. In addition, the Plan allows the Company, at its discretion, to make a matching contribution or additional profit sharing contribution based on each eligible employee's compensation for the Plan year. The participants must be at least 21 years of age and have at least one year of service in order to be eligible for matching and profit-sharing contributions. The Company made profit-sharing contributions to the Plan of $0.5 million and $0.4 million for the years ended December 31, 2022 and 2021, respectively.

Note 15 – 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 did not have loans outstanding to any related party as of December 31, 2022 and 2021. Total deposits from certain executive officers and directors and the companies with which they are associated were $1.2 million and $0.5 million as of December 31, 2022 and 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 16 – Earnings per Share

The following table is a reconciliation of the components used to derive basic and diluted EPS for the years ended December 31, 2022 and 2021 ($ in thousands, except share and per share amounts):

	For the Years Ended December 31,	
	2022	**2021**
Numerator:		
Net income	$ 25,115	$ 31,583
Amount allocated to participating common shareholders[1]	(193)	(1,780)
Net income allocate to common shareholders	$ 24,922	$ 29,803
Denominator:		
Weighted average shares outstanding, basic	12,729,898	8,669,724
Weighted average effect of dilutive securities:		
Stock options	508,056	371,240
Warrants	119,068	67,199
Weighted average shares outstanding, diluted	13,357,022	9,108,163
Earnings per share, basic	$ 1.96	$ 3.44
Earnings per share, diluted	$ 1.87	$ 3.27

(1) Represents earnings attributable to holders of unvested restricted stock issued outside of the Plan to the Company’s employees.

There were no anti-dilutive options for the periods reported in the table above.

Note 17 – 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 Years Ended December 31,	
($ in thousands)	2022	2021
Interest income		
Interest income, not-in-scope		
Interest and fees on loans	$ 50,941	$ 49,135
Interest on securities	208	47
Other interest income	1,180	61
Total interest income	$ 52,329	$ 49,243
Non-interest income		
Non-interest income, in-scope		
Service charges on deposit accounts	$ 30	$ 31
Strategic Program set up fees	195	96
Strategic Program fees	21,438	17,119
Non-interest income, not in-scope		
Gain on sale of loans, net	13,550	9,689
SBA loan servicing fees	1,603	1,156
Unrealized gain on investment in BFG	(478)	2,991
Other miscellaneous income	239	18
Strategic Program service charges	834	744
Total non-interest income	$ 37,411	$ 31,844

Note 18 – Condensed Financial Statements of Parent

Financial information pertaining only to FinWise Bancorp, on a parent-only basis, is as follows as of and for the years ended December 31, 2022 and 2021:

Balance Sheets

	December 31,	
($ in thousands)	2022	2021
ASSETS		
Cash and cash equivalents	$ 36,321	$ 38,697
Investment in subsidiary bank	100,276	71,186
Investment in Business Funding Group (BFG), at fair value	4,800	5,900
Investment in FinWise Investments, LLC	271	80
Deferred taxes, net	127	82
Other assets	37	322
Total assets	**$ 141,832**	**$ 116,267**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Income taxes payable	1,077	233
Other liabilities	296	592
Shareholders' equity	140,459	115,442
Total liabilities and shareholders' equity	**$ 141,832**	**$ 116,267**

Statement of Income

($ in thousands)	For the Years Ended December 31, 2022	2021
Non-interest income		
Change in fair value on investment in BFG	$ (478)	$ 2,991
Equity in undistributed earnings of subsidiary	29,090	30,469
Total non-interest income	28,612	33,460
Non-interest expense		
Salaries and employee benefits	2,316	742
Professional services	1,990	320
Other operating expenses	470	360
Total non-interest expense	4,776	1,422
Income before income tax expense	23,836	32,038
Provision for income taxes	(1,279)	455
Net income	**$ 25,115**	**$ 31,583**

Statements of Cash Flows

($ in thousands)	For the Years Ended December 31, 2022	2021
Cash flows from operating activities:		
Net income	$ 25,115	$ 31,583
Adjustments to reconcile net income to net cash from operating activities		
Change in fair value of BFG	478	(2,991)
Stock-based compensation expense	778	2,100
Deferred income tax expense	844	222
Net changes in:		
Income tax receivable	(45)	(128)
Other assets	285	(217)
Other liabilities	(296)	(288)
Net cash provided by operating activities	27,159	30,281
Cash flows from investing activities:		
Investment in subsidiary bank	(29,090)	(30,469)
Investment in FinWise Investments, LLC	(191)	(80)
Distributions of BFG	622	861
Net cash used in investing activities	(28,659)	(29,688)
Cash flows from financing activities:		
Proceeds from exercise of stock options	260	311
Proceeds from initial public offering, net	—	35,576
Common stock repurchased	(1,136)	—
Net cash provided by (used in) financing activities	(876)	35,887
Net change in cash and cash equivalents	(2,376)	36,480
Cash and cash equivalents, beginning of year	38,697	2,217
Cash and cash equivalents, end of year	$ 36,321	$ 38,697

Note 19 – 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 March 30, 2023, which is the date the consolidated financial statements are available to be issued.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

Item 9A. Controls and Procedures

a) Evaluation of 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 Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Report. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company did not, as of December 31, 2022, maintain effective disclosure controls and procedures due to a material weakness in the Company's internal control over financial reporting as described below.

Notwithstanding management's conclusion regarding the effectiveness of the Company's disclosure controls and procedures and the material weakness discussed below, the Company's management, including the Chief Executive Officer and Chief Financial Officer, has concluded that the Company's financial statements included in this Annual Report on Form 10-K present fairly, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented in accordance with U.S. generally accepted accounting principles.

b) Report of Management's Assessment of Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed by, or under the supervision, our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of specific controls or internal control over financial reporting overall to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

With the supervision and participation of its Chief Executive Officer and its Chief Financial Officer, management evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2022, using the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*. Based on management's assessment, we concluded that our internal control over financial reporting was not effective as of December 31, 2022, due to the material weakness, discussed below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As of December 31, 2022, management identified a material weakness in the design and operating effectiveness of the Company's internal control over financial reporting. We determined that we did not have appropriate internal accounting expertise and capabilities to properly record in our financial statements complex accounting issues, particularly related to certain aspects of accounting for transfers and servicing of financial instruments and the provision for income taxes. The material weakness also resulted in the Company not having adequate risk assessment and design of internal control activities surrounding the financial close and reporting process to ensure formal processes exist for identifying, analyzing, and accounting for key contracts and complex, non-routine transactions.

c) Remediation Plan

In response to deficiencies noted in late 2022, the Company began taking remedial actions, including, but not limited to, the hiring of additional personnel with SEC reporting experience and GAAP knowledge to strengthen our financial reporting capabilities. The Company will also undertake a review of existing internal controls surrounding the financial reporting process and enhance the design of controls over the accounting for key contracts and complex, non-routine transactions.

d) Changes in Internal Control Over Financial Reporting

Other than the remediation discussed above, there have not been any changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Items 401, 405, 406 and 407 (c)(3); (d)(4) and (d)(5) of Regulation S-K is incorporated into this Form 10-K by reference to the Company's definitive proxy statement for its 2023 Annual Meeting of Shareholders (the "Definitive Proxy Statement") to be filed within 120 days following December 31, 2022.

Item 11. Executive Compensation

The information required by Item 402 of Regulation S-K is incorporated into this Form 10-K by reference to the Definitive Proxy Statement to be filed within 120 days following December 31, 2022.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by Item 201(d) and Item 403 of Regulation S-K is incorporated into this Form 10-K by reference to the Definitive Proxy Statement, to be filed within 120 days following December 31, 2022.

See Part II, Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities for “Securities Authorized for Issuance Under Equity Compensation Plans”.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Items 404 and 407(a) of Regulation S-K is incorporated into this Form 10-K by reference to the Definitive Proxy Statement to be filed within 120 days following December 31, 2022.

Item 14. Principal Accountant Fees and Services

The information required by Item 9(e) of Schedule 14A is incorporated into this Form 10-K by reference to the Definitive Proxy Statement to be filed within 120 days following December 31, 2022.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements

The following consolidated financial statements of FinWise Bancorp are filed as part of this Report under Item 8. Financial Statements and Supplementary Data:

(b) 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.
4.2	Form of Warrant to BFG Members to Purchase Common Stock of FinWise Bancorp (incorporated by reference to Exhibit 4.2 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)).
4.3*	Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended.
10.1+	FinWise Bancorp 2019 Stock Option Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2022).
10.2+	Form of Stock Option Agreement under the FinWise Bancorp 2019 Stock Option Plan (incorporated by reference to Exhibit 10.2 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)).
10.3+	FinWise Bancorp 2016 Stock Option Plan (incorporated by reference to Exhibit 10.3 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)).
10.4+	Form of Stock Option Agreement under the FinWise Bancorp 2016 Stock Option Plan (incorporated by reference to Exhibit 10.4 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)).
10.5+	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.5 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)).
10.6+	Non-qualified Stock Option Agreement with Javvis Jacobson (incorporated by reference to Exhibit 4.6 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.7+	Non-qualified Stock Option Agreement with Jim Noone (incorporated by reference to Exhibit 4.7 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).

10.8+	Non-qualified Stock Option Agreement with Kent Landvatter (incorporated by reference to Exhibit 4.8 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.9+	Non-qualified Stock Option Agreement with Fred Healey for 2020 service (incorporated by reference to Exhibit 4.9 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.10+	Non-qualified Stock Option Agreement with Fred Healey for 2021 service (incorporated by reference to Exhibit 4.10 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.11+	Non-qualified Stock Option Agreement with Howard Reynolds for 2020 service (incorporated by reference to Exhibit 4.11 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.12+	Non-qualified Stock Option Agreement with Howard Reynolds for 2021 service (incorporated by reference to Exhibit 4.12 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.13+	Non-qualified Stock Option Agreement with Jerry Cunningham for 2020 service (incorporated by reference to Exhibit 4.13 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.14+	Non-qualified Stock Option Agreement with Jerry Cunningham for 2021 service (incorporated by reference to Exhibit 4.14 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.15+	Non-qualified Stock Option Agreement with Tom Gibson for 2020 service (incorporated by reference to Exhibit 4.15 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.16+	Non-qualified Stock Option Agreement with Tom Gibson for 2021 service (incorporated by reference to Exhibit 4.16 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.17+	Non-qualified Stock Option Agreement with Jim Giordano for 2020 service (incorporated by reference to Exhibit 4.17 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.18+	Non-qualified Stock Option Agreement with Jim Giordano for 2021 service (incorporated by reference to Exhibit 4.18 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.19+	Non-qualified Stock Option Agreement with Jeana Hutchings for 2020 service (incorporated by reference to Exhibit 4.19 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.20+	Non-qualified Stock Option Agreement with Jeana Hutchings for 2021 service (incorporated by reference to Exhibit 4.20 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.21+	Non-qualified Stock Option Agreement with Lisa Chapman for 2020 service (incorporated by reference to Exhibit 4.21 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).
10.22+	Non-qualified Stock Option Agreement with Lisa Chapman for 2021 service (incorporated by reference to Exhibit 4.22 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 4, 2022 (File No. 333-262531)).

10.23+*	Form of Employee Restricted Stock Agreement under the FinWise Bancorp 2019 Stock Option Plan.
10.24+*	Form of Employee Incentive Stock Option Agreement under the FinWise Bancorp 2019 Stock Option Plan.
10.25+*	Form of Employee Incentive Stock Option Agreement under the FinWise Bancorp 2016 Stock Option Plan and the FinWise Bancorp 2019 Stock Option Plan.
10.26+*	Form of Director Restricted Stock Agreement under the FinWise Bancorp 2019 Stock Option Plan.
10.27	Standstill Agreement dated January 19, 2016, by and between FinWise Bancorp and Business Funding Group (incorporated by reference to Exhibit 10.7 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)).
10.28	Right of First Refusal and Option Agreement dated March 31, 2020, by and among FinWise Bancorp and the members of Business Funding Group (incorporated by reference to Exhibit 10.8 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)).
10.29	Membership Interest Purchase Agreement dated December 31, 2019 by and among FinWise Bancorp, Business Funding Group and certain members of Business Funding Group (incorporated by reference to Exhibit 10.9 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)).
10.30	Sublease dated December 7, 2018, between Motorola Solutions, Inc. and FinWise Bancorp (incorporated by reference to Exhibit 10.10 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)).
10.31	Lease dated January 27, 1999, between FPA Sandy Mall Associates, LLC and FinWise Bancorp (incorporated by reference to Exhibit 10.11 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)).
10.32	First Amendment to Lease dated June 3, 2009, between FPA Sandy Mall Associates, LLC and FinWise Bancorp (incorporated by reference to Exhibit 10.12 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)).
10.33	Second Amendment to Lease dated April 25, 2014, between FPA Sandy Mall Associates, LLC and FinWise Bancorp (incorporated by reference to Exhibit 10.13 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)).
10.34	Lease dated December 2017, between North Village Centre, Inc. and FinWise Bancorp (incorporated by reference to Exhibit 10.14 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)).
10.35	Lease dated July 30, 2021, between Mountain View Business Center, LLC and FinWise Bancorp (incorporated by reference to Exhibit 10.15 of the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on August 4, 2021 (File No. 333-257929)).
10.36+	Letter Agreement, dated May 17, 2022, by and between FinWise Bank and James Noone (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 23, 2022).
10.37	Secured Promissory Note, dated as of June 1, 2022, by and between Alan Weichselbaum in favor of FinWise Bancorp (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q filed November 14, 2022).
10.38	Security Agreement, dated June 16, 2022, by and between Alan Weichselbaum and FinWise Bancorp (incorporated by reference to Exhibit 10.4 to Form 10-Q filed November 14, 2022).
10.39+	Separation and Consulting Agreement, dated as of June 1, 2022, by and among FinWise Bancorp, FinWise Bank and David Tilis (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 22, 2022).
21.1*	Subsidiaries of FinWise Bancorp
23.1*	Consent of Moss Adams LLP
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*	Inline XBRL Interactive Data
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document in Exhibit 101)

+ Management contract or compensation plan, contract or arrangement.

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 30, 2023

By: /s/ Kent Landvatter
Kent Landvatter
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
By: /s/ Kent Landvatter Kent Landvatter	President, Chief Executive Officer and Director (Principal Executive Officer) Chairman of the Board	March 30, 2023
By: /s/ Javvis Jacobson Javvis Jacobson	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 30, 2023
By: /s/ Howard I. Reynolds Howard I. Reynolds	Vice Chairman of the Board	March 30, 2023
By: /s/ Alan Weichselbaum Alan Weichselbaum	Director	March 30, 2023
By: /s/ James N. Giordano James N. Giordano	Director	March 30, 2023
By: /s/ Thomas E. Gibson, Jr. Thomas E. Gibson, Jr.	Director	March 30, 2023
By: /s/ Lisa Ann Nievaard Lisa Ann Nievaard	Director	March 30, 2023
By: /s/ Jeana Hutchings Jeana Hutchings	Director	March 30, 2023
By: /s/ Gerald E. Cunningham Gerald E. Cunningham	Director	March 30, 2023

Exhibit 4.1

INCORPORATED UNDER THE LAWS OF THE
STATE OF UTAH
2005

NUMBER
0000

SHARES
00

FINWISE BANCORP

This Certifies that XXXXXXXXXX is the registered holder of Zero Shares

transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed this 00 day of XXXXX A.D. 2000

SECRETARY

PRESIDENT

For Value Received, ____ hereby sell, assign and transfer unto ____

____ Shares represented by the within Certificate, and do hereby irrevocably constitute and appoint ____________________

____ Attorney to transfer the said Shares on the books of the within named Corporation with full power of substitution in the premises.

Dated ________________ A.D. 20____

In presence of

________________________________ ________________________________

NOTICE. THE SIGNATURE OF THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Exhibit 4.3

DESCRIPTION OF REGISTRANT'S SECURITIES
REGISTERED UNDER SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

The following is a description of the common stock of FinWise Bancorp is a summary and is not complete. This description is subject to and qualified in its entirety by reference to our Fourth Amended and Restated Articles of Incorporation (our "Articles") and our Amended and Restated By-Laws (our "Bylaws"), together with the amendments to each of them, all of which are exhibits to our Annual Report on Form 10-K, and to the provisions of the Utah Revised Business Corporation Act, as amended (the "BCA"). We encourage you to read such documents and the applicable provisions of the BCA for additional information.

General

We are incorporated in the state of Utah. The rights of our shareholders are generally covered by Utah law and our Articles and Bylaws. The terms of our capital stock are therefore subject to Utah law, including the BCA and the common and constitutional law of Utah.

Our Articles authorize us to issue up to 44,000,000 shares of capital stock, consisting of (i) 40,000,000 shares of common stock, par value $0.001 per share, and (ii) 4,000,000 shares of Preferred Stock, par value $0.001 per share. The authorized but unissued shares of our capital stock are available for future issuance without shareholder approval, unless otherwise required by applicable law or the rules of any applicable securities exchange. Fully paid shares of capital stock, regardless of class or series, are not liable for any call rights and are nonassessable.

Common Stock

Voting. Each holder of our common stock is entitled to one vote for each share on all matters submitted to a vote of shareholders, except as otherwise required by law. The members of our board of directors are elected by a plurality of the votes cast. Our Articles do not authorize cumulative voting. Unless expressly authorized by the articles of incorporation, Utah law prohibits cumulative voting.

Dividends and Other Distributions. Subject to certain regulatory restrictions discussed in our Annual Report on Form 10-K, all shares of our common stock are entitled to share equally in dividends from legally available funds, when, as, and if declared by our board of directors. Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, all shares of our common stock would be entitled to share equally in all our remaining assets available for distribution to our shareholders after payment of creditors and subject to any prior distribution rights related to our preferred stock.

The Federal Reserve Board has established guidelines with respect to the maintenance of appropriate levels of capital by registered bank holding companies such as the Company. Compliance with such standards, as presently in effect, or as they may be amended from time to time, could possibly limit the amount of dividends that we may pay in the future. In 1985, the Federal Reserve Board issued a policy statement on the payment of cash dividends by bank holding companies. In the statement, the Federal Reserve Board expressed its view that a holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income, or which could only be funded in ways that weaken the holding company's financial health, such as by borrowing. Our ability to pay dividends and make other distributions to our shareholders depends in part upon the receipt of dividends from the Bank and is limited by federal law. The Bank is a legal entity separate and distinct from the Company. As a depository institution, the deposits of the Bank are insured by the FDIC, which is the Bank's primary federal regulator. Under certain circumstances the FDIC may determine that the payment of dividends or other distributions by a bank would be an unsafe or unsound practice and to prohibit that payment. The Federal Deposit Insurance Act, or the FDIA, and the FDIC regulations generally allow a bank to pay dividends on common stock only out of net income for the calendar year to date and retained earnings from the prior two calendar years. Additionally, the FDIA generally prohibits an insured depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be undercapitalized.

Preemptive Rights. Under Utah law, shareholders do not have a preemptive right to acquire a corporation's unissued shares except to the extent the articles of incorporation provide such a right. The Company's Articles do not grant preemptive rights to its shareholders.

Restrictions on Ownership. The BHC Act generally permits a company to acquire control of the Company with the prior approval of the Federal Reserve Board. However, any such company is restricted to banking activities, other activities closely related to the banking business as determined by the Federal Reserve Board and, for some companies, certain other financial activities. The BHC Act defines control in general as ownership of 25% or more of any class of voting securities, the authority to appoint a majority of the board of directors or other exercise of a controlling influence. Federal Reserve Board regulations provide that ownership of 5% or less of a class of voting securities is not control. Under a rebuttable presumption established by the Federal Reserve Board, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Securities Exchange Act of 1934, such as the Company following the offering, would, under the circumstances set forth in the presumption, constitute acquisition of control of the bank holding company.

Preferred Stock

Our Articles authorize, and Utah corporate law permits, our board of directors to create and designate one or more series of preferred stock having such preferences, dividends, voting rights, the relative participating, option or other special rights, if any, of the series, and any qualifications, limitations or restrictions applicable to such rights and other provisions as the board of directors determines in its discretion. Creation and designation of a series of preferred stock can be done without shareholder approval. Any amendment of the Articles, however, must be approved by the Utah Department of Financial Institutions. Creation of a series of preferred stock will require the Articles to be amended and thus requires the approval of the Utah Department of Financial Institutions. The Articles authorize the directors to create one or more classes of preferred stock and to issue up to 4,000,000 shares of preferred stock without shareholder approval.

Amendment of the Articles

Pursuant to Section 16-10a-1003 of the Utah Revised Business Corporation Act, unless a different voting standard is required by the articles of incorporation or the board of directors conditions the submission of a proposed amendment to the shareholders, a majority of the votes entitled to be cast is required for shareholder approval of an amendment to the articles of incorporation. Section 7.5 of our Articles requires the affirmative vote of the holders of not less than 80% of the outstanding shares entitled to vote in an election of directors to amend, alter, change or repeal the provisions in our Articles relating to the limitation on business combination between us and interested shareholders.

Business Combinations

Our Articles include provisions regarding “business combinations” between corporations organized under the laws of the state of Utah and “interested shareholders.” Our Articles contain provisions which prohibit us from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the interested shareholder became a shareholder, unless:

- prior to the date of the transaction that resulted in the shareholder becoming an interested shareholder, our board approved the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;
- upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of our voting stock (other than certain excluded shares) outstanding at the time the transaction commenced;
- on or subsequent to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the business combination is approved by the board and authorized at an annual or special meeting of shareholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested shareholder; or
- the shareholder is the owner of 15% or more of the outstanding voting stock of the Company at the time of the consummation of this offering.

For purposes of these provisions, a “business combination” includes mergers, consolidations, exchanges, asset sales, leases and other transactions resulting in a financial benefit to the interested shareholder. An “interested shareholder” is defined as any person or entity that beneficially owns 15% or more of our outstanding voting stock and any person or entity affiliated with or controlling or controlled by that person or entity.

Removal of Directors

Our Articles provide that our directors may be removed only for cause and only upon the affirmative vote of at least 66.66% of the outstanding shares of our capital stock entitled to vote for directors. These provisions may discourage, delay or prevent the removal of incumbent directors.

Forum Selection

Our Articles and Bylaws provide that the United States District Court for the District of Utah and any Utah state court sitting in Salt Lake County, Utah are the exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our shareholders, (3) any action asserting a claim arising pursuant to any provision of the BCA, our Articles or our Bylaws, or (4) any action asserting a claim governed by the internal affairs doctrine, unless we consent in writing to the selection of an alternative forum.

This exclusive forum provision in our Articles and Bylaws is intended to apply to claims arising under Utah state law and would not apply to claims brought pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts have exclusive jurisdiction. The exclusive forum provision in our Articles and Bylaws will not relieve us of any of our duties to comply with the federal securities laws and the rules and regulations thereunder, and our shareholders will not be deemed to have waived our compliance with these laws, rules and regulations.

Certain Provisions Potentially Having an Anti-Takeover Effect

Several provisions of our Articles and Bylaws, which are summarized herein, may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize shareholder value in connection with any unsolicited offer to acquire us. For example, our Articles and Bylaws contain provisions for, among other things, the restriction on business combinations with interested shareholders as discussed above and other provisions such as the staggered election of directors to serve for three-year terms, which may have the effect of discouraging a merger proposal, a take-over attempt or other efforts to gain control of us. The accelerated vesting of options and other incentive compensation in the event of a change of control may also have the effect of discouraging a merger proposal, a take-over attempt or other efforts to gain control of us. Such anti-takeover provisions, could discourage, delay or prevent (1) the merger or acquisition of our company by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest and (2) the removal of incumbent officers and directors.

Limited Actions by Shareholders

Our Articles and our Bylaws provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders.

Advance Notice Requirements for Shareholder Proposals and Director Nominations

Our Bylaws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder’s notice must be received at our principal executive offices not less than 150 days nor more than 180 days before the first anniversary of the preceding year’s annual meeting of shareholders. Our Bylaws also specify requirements as to the form and content of a shareholder’s notice. These provisions may impede a shareholder’s ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

Transfer Agent and Registrar

Broadridge Financial Solutions, Inc. serves as our transfer agent and registrar.

Listing

Our common stock on the NASDAQ Stock Market LLC under the symbol “FINW.”

FINWISE BANCORP
RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT (this "**Agreement**"), made to be effective as of __________ (the "**Effective Date**") among Finwise Bancorp, a bank holding company (the "**Company**") and ___________ (the "**Executive**"). The Company and the Executive are hereafter sometimes individually referred to as a "party" and collectively as the "parties".

WHEREAS, the Executive is an employee of the Company or an affiliate of the Company;

WHEREAS, the parties hereto desire to enter into this Agreement to provide for the issuance and vesting of shares of stock in the Company.

NOW THEREFORE, for and good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged the Company and the Executive agree as follows:

1. **Issuance of Award**. Pursuant to and subject to the terms of the Company's 2019 Stock Option Plan (the "**Plan**") and this Agreement, the Company hereby grants to the Executive, as of the Effective Date, an award of _____________ restricted shares of Common Stock (the "**Award**").

2. **Incorporation of Plan**. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan, as interpreted by the Administrator, shall govern. Except as otherwise provided herein, all capitalized terms used herein shall have the meaning given to such terms in the Plan.

3. **Vesting; Forfeiture**.

3.1. <u>Vesting</u>. Subject to Section 3.2, a number of whole shares as close as possible to ⅓ of the Award will vest on each of the first three anniversaries of the Effective Date (each such date, a "**Vesting Date**"), provided that with respect to each Vesting Date, the Return on Average Assets ("**ROAA**") for FinWise Bank (the "**Bank**"), a wholly-owned subsidiary of the Company, for the most recent annual period ended on or immediately prior to such Vesting Date that is also ended on the last day of the most recent annual period for which the Federal Deposit Insurance Corporation (the "**FDIC**") has published a national average ROAA is at least ___ times the national average ROAA published by the FDIC for such annual period.

3.2. <u>Forfeiture</u>. If the Executive's service with the Company or an affiliate of the Company terminates for any reason, whether by the employer or the Executive, prior to his becoming vested in all of the shares of Common Stock comprising the Award, then any part of the Award in which the Executive is not vested at the time of such termination, shall be automatically forfeited and cancelled without any payment thereon and all dividends or other distributions accrued with respect to such forfeited shares also shall be forfeited.

4. **Rights as a Shareholder**.

4.1. Reasonably promptly after the later to occur of the Effective Date and the execution and delivery of this Agreement by the parties hereto, the Company shall either issue stock certificates, registered in the name of the Executive, evidencing the shares of the Award or shall make (or cause to be made) an appropriate book entry reflecting the Executive's ownership of such shares. The restricted shares, if certificated, shall bear a legend reflecting the restrictions and forfeiture provisions set forth in the Plan and thus Agreement, and if held in uncertificated form, shall be subject to an appropriate electronic coding or stop order. Each such stock certificate shall be held in the custody of the Company until such shares vest.

4.2. The Executive shall not be deemed for any purpose to be, or have rights as, a shareholder of the Company by virtue of the grant of the Award, except to the extent a stock certificate is issued therefor or an appropriate book entry is made reflecting the issuance thereof pursuant to Section 4.1 hereof, and then only from the date such certificate is issued or such book entry is made. Following the issuance of such stock certificate or the making of such book entry, the Executive shall have all rights as a shareholder of common stock for all shares comprising the Award, whether or not such shares are vested, including all rights to dividends, subject to forfeiture of such dividends in the event that the underlying shares are later forfeited, as well as the right to vote; provided, however, that the Executive acknowledges that unless he has made an election under Section 83(b) of the IRS Code, any amounts paid as dividends on shares that have not vested may be treated as additional compensation to the Executive and the Executive hereby authorizes the Company to withhold any taxes or other amounts required to be withheld from such dividends.

4.3. Unless the Administrator otherwise determines, any property received by the Executive with respect to a share of the Award as a result of any cash dividend, stock dividend, recapitalization, merger, consolidation, combination, exchange of shares, distribution or otherwise, (i) will not vest until such share of the Award vests, (ii) may, in the sole discretion of the Administrator, be held in custody by the Company and (iii) shall be subject to the provisions of this Agreement, and to all other restrictions as apply to the shares in respect of which such property was paid. The Company shall issue to the Executive a receipt evidencing the property held by it in respect of the Award. Any such property received by the Executive with respect to a share of the Award shall be delivered to the Company in the event such share is forfeited. Any securities received by the Executive with respect to a restricted share of the Award as a result of any dividend, recapitalization, merger, consolidation, combination, exchange of shares or otherwise shall bear a legend or be subject to an electronic coding or stop order, as set forth in Section 4.1 hereof.

5. **Restrictions on Transfer of Awards**. Prior to vesting, the Award may not be transferred without the prior written consent of the Company which consent may be withheld in its discretion; provided, however, that the Award may be transferred for estate planning purposes to a trust or limited liability company controlled by the Executive. Any permitted transferee of the Award shall take such Award subject to the terms of this Agreement. Any such permitted transferee must agree to be bound by this Agreement, and shall execute a joinder agreement, and must agree to such other waivers, limitations, and restrictions as the Company may reasonably require. Any transfer of the Award which is not made in compliance with this Agreement shall be null and void and of no effect.

6. **Tax Advice**. The Executive acknowledges that none of the Employers or their agents, employees or representatives have made any warranties or representations to the Executive with respect to the income tax consequences of the transactions contemplated by this Agreement, and the Executive is in no manner relying on the Company or its agents, employees or representatives for an assessment of such tax consequences. The Executive should rely on the Executive's own tax advisors for such advice.

7. **Taxes**. The Executive is solely responsible for any taxes, interest or penalties with respect to the issuance, vesting or disposition of the Award. Prior to the vesting of any portion of the Award, the Executive must make arrangements satisfactory to the Company to pay or provide for any applicable federal, state and local withholding obligations of the Company. The Executive may satisfy such tax withholding obligation relating to the vesting of the Award by tendering a cash payment or through such means as the Administrator may determine in its sole discretion. The Company may withhold from amounts, if any, payable to the Executive any applicable withholding or employment taxes resulting from the issuance or vesting of the Award or any dividends or distribution with respect to the Award.

8. **Remedies**. The Executive shall be liable to the Company for all costs and damages, including incidental and consequential damages, resulting from a disposition of the Award which is in violation of the provisions of this Agreement. Without limiting the generality of the foregoing, the Executive agrees that the Company shall be entitled to obtain specific performance of the obligations of the Executive under this Agreement and immediate injunctive relief in the event any action or proceeding is brought in equity to enforce the same. The Executive will not urge as a defense that there is an adequate remedy at law.

9. **Notices**. Any notice or communication required or permitted to be given to any party under this Agreement shall be in writing and shall be deemed to have been duly given or made: (a) if delivered personally by courier or otherwise, then as of the date delivered or if delivery is refused, then as of the date presented; (b) if sent or mailed by reputable overnight courier service to the Company at its principal office address and to the Executive at his address appearing in the current records of the Company, then as of the first business day after the date so sent; (c) if sent or mailed by certified U.S. Mail, return receipt requested, to the Company at its principal office address and to the Executive at his address appearing in the current records of the Company, then as of the third business day after the date so mailed or (d) by email to the Company at [______] and to the Executive at his email address appearing in the current records of the Company. The address or email address to which notices to a party shall be sent may be changed by such party from time to time by written notice to the other party.

10. **Successors and Assigns**. Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors and assigns of the parties hereto, including, without limitation, any business entity that succeeds to the business of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon the Executive and his or her heirs, executors, administrators, successors and assigns.

11. **Interpretation**. The Executive hereby acknowledges that all decisions, determinations and interpretations of the Administrator in respect of this Agreement and the Award shall be final and conclusive.

12. **Delays or Omissions**. No delay or omission to exercise any right, power or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, must be in a writing signed by such party and shall be effective only to the extent specifically set forth in such writing.

13. **Entire Agreement; Amendments and Waivers**. This Agreement, [together with the Executive's employment agreement, dated as of_______,] constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. This Agreement may not be amended except in an instrument in writing signed on behalf of each of the parties hereto and approved by the Board. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby.

14. **Non-solicitation**.

14.1. In consideration of the Award, the Executive agrees and covenants not to:

a. directly or indirectly, solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company or its Affiliates for twelve months following the Executive's termination of employment; or

b. or indirectly, solicit, contact (including, but not limited to, e-mail, regular mail, express mail, telephone, fax, and instant message), attempt to contact or meet with the current customers of the Company or any of its Affiliates for purposes of offering or accepting goods or services similar to or competitive with those offered by the Company or any of its Affiliates for a period of twelve months following the Executive's termination of employment.

14.2. In the event of a breach or threatened breach of any of the covenants contained in Section 14.1, the Executive hereby consents and agrees that the Company shall be entitled to, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

15. **Clawback**. The Award or any portion thereof, whether or not vested, shall be subject to forfeiture as set forth in this Section 15, as determined by the Administrator in its sole discretion. In the event that any portion of the Award is forfeited, any dividends or other distributions with respect to such shares also shall be forfeited. Upon notice by the Administrator, the Executive shall deliver to the Company any applicable stock certificates and any dividends or other distributions received by the Executive relating to the forfeited Award or portion of the Award.

15.1. <u>Financial Restatement</u>. In the event of the restatement of the Company's financial statements due to material noncompliance with financial reporting requirements under applicable securities laws, as required by the Securities and Exchange Commission, any portion of the Award that would not have been granted to the Executive or which would not have vested, after giving effect to the restatement, will be subject to forfeiture.

15.2. <u>Financial Loss or Reputational Damage</u>. If the Company suffers extraordinary financial loss, reputational damage or similar adverse impact as a result of actions taken or decisions made by the Executive in circumstances constituting illegal or intentionally wrongful conduct, gross negligence or seriously poor judgment, the entire Award will be subject to forfeiture.

15.3. <u>Risk-Adjustment</u>: Unvested shares of the Award will be subject to forfeiture if the Executive engaged in risk-taking that is determined by the Administrator to be outside the company's risk parameters.

16. **Invalidity**. If for any reason one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

17. **Titles**. The titles, captions or headings of the Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

18. **No Right to Employment**. This Agreement shall **NOT** confer upon the Executive any right to continue as an employee of the Company or an affiliate. Further, nothing in this Agreement shall be construed to limit the discretion of the Company or any affiliate to terminate the Executive's employment at any time and for any reason.

19. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, with regard to the conflict of laws principles thereof.

20. **Titles**. The titles, captions or headings of the Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

21. **Counterparts**. This Agreement may be executed in any number of counterparts, any of which may be executed and transmitted by facsimile, by email in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, and each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.

22. **Executive Acknowledgment**. The Executive hereby acknowledges (i) receipt of a copy of the Plan, (ii) that all decisions, determinations and interpretations of the Administrator in respect of the Plan, this Agreement and the Award shall be final and conclusive and (iii) that any shares of Common Stock acquired pursuant to the Award are being acquired for the Employee's own account and not with a view to distribution.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Stock Agreement as of the day and year first above written.

FINWISE BANCORP, a Utah corporation

By: ____________________________
Name:
Title:

The Executive hereby accepts and agrees to be bound by all of the terms and conditions of this Agreement.

____
[Name]

FinWise Bancorp
Incentive Stock Option Agreement

This Stock Option Agreement (this "**Agreement**") is made and entered into as of_______, ____ by and between FinWise Bancorp, a Utah corporation, (the "**Company**") and _______ (the "**Executive**").

Grant Date:	__________
Exercise Price per Share:	$ ________
Number of Option Shares:	__________
Expiration Date:	__________

1. **Grant of Option**.

1.1. Grant; Type of Option. Pursuant to and subject to the terms of the Company's 2019 Stock Option Plan (the "**Plan**") and this Agreement, the Company hereby grants to the Executive an option (the "**Option**") to purchase the total number of shares of Common Stock of the Company equal to the number of Option Shares set forth above, at the Exercise Price set forth above. This Option is an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**"), provided, however, that to the extent any portion of the Option does not qualify as an incentive stock option under Section 422(d) of the Code, such portion of the Option shall be a non-qualified option.

1.2. Consideration. The grant of the Option is made in consideration of the services rendered by the Executive to the Company.

2. **Incorporation of Plan**. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan, as interpreted by the Administrator, shall govern. Except as otherwise provided herein, all capitalized terms used herein shall have the meaning given to such terms in the Plan.

3. **Exercise Period; Vesting**.

3.1. Vesting Schedule. Subject to Section 3.2, this Option shall vest and become exercisable with respect to a whole number of shares as close as possible to ⅓ of the shares subject to the Option on each of the first three anniversaries of the Grant Date (each such date, a "**Vesting Date**"), provided that with respect to each Vesting Date, the Return on Average Assets ("**ROAA**") for FinWise Bank (the "**Bank**"), a wholly-owned subsidiary of the Company, for the most recent annual period ended on or immediately prior to such Vesting Date that is also ended on the last day of the most recent annual period for which the Federal Deposit Insurance Corporation (the "**FDIC**") has published a national average ROAA is at least ___ times the national average ROAA published by the FDIC for such annual period.

3.2. If the Executive's service with the Company or an affiliate of the Company terminates for any reason, whether by the employer or the Executive, prior to the Option being vested and exercisable in full, then any portion of the Option that is not vested and exercisable at the time of such termination, shall be automatically forfeited and cancelled without any payment thereon.

3.3. Expiration. Unless terminated earlier pursuant to the terms of the Plan or this Agreement, the Option will expire on the Expiration Date set forth above.

4. **Termination of Employment**.

4.1. Termination for Reasons Other Than Death, Disability. If the Executive's employment is terminated for any reason other than death, Disability or Cause, the Executive may exercise the vested portion of the Option, but only within such period of time ending on the earlier of (a) the date three months following the termination of the Executive's employment or (b) the Expiration Date.

4.2. Termination due to Disability. If the Executive's employment terminates as a result of the Executive's Disability, the Executive may exercise the vested portion of the Option, but only within such period of time ending on the earlier of (a) the date 12 months following the Executive's termination of employment or (b) the Expiration Date.

4.3. Termination due to Death. If the Executive's employment terminates as a result of the Executive's death, or the Executive dies within a period following termination of the Executive's employment during which the vested portion of the Option remains exercisable, the vested portion of the Option may be exercised by the Executive's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by the person designated to exercise the Option upon the Executive's death, but only within the time period ending on the earlier of (a) the date 12 months following the Executive's death or (b) the Expiration Date.

4.4. Termination for Cause. If the Company terminates the Executive's employment for Cause, the Option shall expire as of the commencement of business on the effective date of such termination and thereafter shall be null and void and of no further force or effect.

5. **Manner of Exercise**.

5.1. Election to Exercise. The Option shall be exercisable in whole or in part. The partial exercise of the Option shall not cause the expiration, termination or cancellation of the remaining portion thereof. The Option shall be exercised by delivering notice to the Company in the form, manner and time specified by the Administrator, accompanied by payment for the shares of Common Stock being purchased upon the exercise of the Option. If someone other than the Executive exercises the Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the legal right to exercise the Option.

5.2. Payment of Exercise Price. The entire Exercise Price of the Option shall be payable in full at the time of exercise in the manner designated by the Administrator.

5.3. Withholding. Prior to the issuance of shares upon the exercise of the Option, the Executive must make arrangements satisfactory to the Company to pay or provide for any applicable federal, state and local withholding obligations of the Company. The Executive may satisfy such tax withholding obligation relating to the exercise of the Option by tendering a cash payment, by means of a brokered cashless exercise or through such means as the Administrator may determine in its sole discretion. The Company has the right to withhold from any compensation paid to Executive.

5.4. Issuance of Shares. Provided that the exercise notice and payment are in form and substance satisfactory to the Company, the Company shall issue the shares of Common Stock registered in the name of the Executive, the Executive's authorized assignee, or the Executive's legal representative, and shall deliver certificates representing the shares with the appropriate legends affixed thereto.

6. **No Right to Continue as an Executive**. This Agreement shall **NOT** confer upon the Executive any right to continue as an employee of the Company or an affiliate. Further, nothing in this Agreement shall be construed to limit the discretion of the Company or any affiliate to terminate the Executive's employment at any time and for any reason. The Executive shall not have any rights as a shareholder with respect to any shares of Common Stock subject to the Option prior to the date that such shares have been issued upon exercise of the Option.

7. **Transferability**. The Option may be transferred to a Permitted Transferee upon written approval by the Administrator.

8. **Tax Obligations**. Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Executive's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting, or exercise of the Option or the subsequent sale of any shares acquired on exercise; and (b) does not commit to structure the Option to reduce or eliminate the Executive's liability for Tax-Related Items.

9. **Non-solicitation**.

9.1. In consideration of the Option, the Executive agrees and covenants not to:

a. directly or indirectly, solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company or its Affiliates for twelve months following the Executive's termination of employment; or

b. or indirectly, solicit, contact (including, but not limited to, e-mail, regular mail, express mail, telephone, fax, and instant message), attempt to contact or meet with the current customers of the Company or any of its Affiliates for purposes of offering or accepting goods or services similar to or competitive with those offered by the Company or any of its Affiliates for a period of twelve months following the Executive's termination of employment.

9.2. In the event of a breach or threatened breach of any of the covenants contained in Section 9.1, the Executive hereby consents and agrees that the Company shall be entitled to, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

10. **Clawback**. The Option or any portion thereof, whether or not vested, shall be subject to forfeiture as set forth in this Section 10, as determined by the Administrator in its sole discretion. In the event of any forfeiture relating to any portion of the Option that has been exercised, the shares of Common Stock acquired by the Executive upon exercise shall be subject to repurchase at the lesser of the exercise price paid for such shares and the Fair Market Value of such shares as of the date of repurchase and any dividends or other distributions with respect to such shares also shall be forfeited. Upon notice by the Administrator, the Executive shall deliver to the Company this Agreement, any shares acquired upon exercise of the Option and any dividends or other distributions received by the Executive on such shares relating to the forfeited Option or portion of the Option.

10.1. Financial Restatement. In the event of the restatement of the Company's financial statements due to material noncompliance with financial reporting requirements under applicable securities laws, as required by the Securities and Exchange Commission, any portion of the Option that would not have been granted to the Executive or which would not have vested, after giving effect to the restatement, will be subject to forfeiture.

10.2. Financial Loss or Reputational Damage. If the Company suffers extraordinary financial loss, reputational damage or similar adverse impact as a result of actions taken or decisions made by the Executive in circumstances constituting illegal or intentionally wrongful conduct, gross negligence or seriously poor judgment, the entire Option will be subject to forfeiture.

10.3. Risk-Adjustment: Any unvested portion of the Option will be subject to forfeiture if the Executive engaged in risk-taking that is determined by the Administrator to be outside the company's risk parameters.

11. **Notices**. Any notice or communication required or permitted to be given to any party under this Agreement shall be in writing and shall be deemed to have been duly given or made: (a) if delivered personally by courier or otherwise, then as of the date delivered or if delivery is refused, then as of the date presented; (b) if sent or mailed by reputable overnight courier service to the Company at its principal office address and to the Executive at his address appearing in the current records of the Company, then as of the first business day after the date so sent; (c) if sent or mailed by certified U.S. Mail, return receipt requested, to the Company at its principal office address and to the Executive at his address appearing in the current records of the Company, then as of the third business day after the date so mailed or (d) by email to the Company at [______] and to the Executive at his email address appearing in the current records of the Company. The address or email address to which notices to a party shall be sent may be changed by such party from time to time by written notice to the other party.

12. **Governing Law**. This Agreement will be construed and interpreted in accordance with the laws of the State of Utah without regard to conflict of law principles.

13. **Definitions**.

13.1. "Cause" has the meaning provided in any employment, severance or other agreement governing the relationship between the Executive and the Company that includes a definition of "cause," and if no such agreement exists, "Cause" shall mean one or more of the following:

a. any failure by the Executive substantially to perform the Executive's employment or other duties;

b. any excessive unauthorized absenteeism by the Executive;

c. any refusal by the Executive to obey the lawful orders of the Board or any other person or committee to whom the Executive reports;

d. any act or omission by the Executive that is or may be injurious to the Company, monetarily or otherwise;

e. any act by the Executive that is inconsistent with the best interests of the Company;

f. the Executive's material violation of any of the Company's policies, including, without limitation, those policies relating to discrimination or sexual harassment;

g. the Executive's unauthorized (a) removal from the premises of the Company or an affiliate of any document (in any medium or form) relating to the Company or an affiliate or the customers or clients of the Company or an affiliate or (b) disclosure to any person or entity of any of the Company's, or its affiliates', confidential or proprietary information;

h. the Executive's commission of any felony or any other crime involving moral turpitude; and

i. the Executive's commission of any act involving dishonesty or fraud.

Any rights the Company may have hereunder in respect of the events giving rise to Cause shall be in addition to the rights the Company may have under any other agreement with the Executive or at law or in equity. Any determination of whether the Executive's employment is (or is deemed to have been) terminated for Cause shall be made by the Administrator in its sole discretion. If, subsequent to the Executive's voluntary termination of employment or involuntary termination of employment without Cause, it is discovered that the Executive's employment could have been terminated for Cause, the Administrator may deem the Executive's employment to have been terminated for Cause. The Executive's termination of employment for Cause shall be effective as of the date of the occurrence of the event giving rise to Cause, regardless of when the determination of Cause is made.

13.2. "Common Stock" means the Company's common stock, $0.001 par value per share.

13.3. "Disability" means Executive's total and permanent disability as defined in Section 22(e)(3) of the Internal Revenue Code.

13.4. "Permitted Transferee" means: (a) a member of the Executive's immediate family (child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships), any person sharing the Executive's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Executive) control the management of assets, and any other entity in which these persons (or the Executive) own more than 50% of the voting interests; or (b) such other transferees as may be permitted by the Board in its sole discretion.

14. **Successors and Assigns**. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Executive and the Executive's beneficiaries, executors, administrators and the person(s) to whom the Option may be transferred by will or the laws of descent or distribution.

15. **Severability**. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each provision of this Agreement shall be severable and enforceable to the extent permitted by law.

16. **Discretionary Nature**. The grant of the Option in this Agreement does not create any contractual right or other right to receive any Options or other Awards in the future. Future Awards, if any, will be at the sole discretion of the Company.

17. **Entire Agreement; Amendments and Waivers**. This Agreement, [together with the Executive's employment agreement, dated as of_______,] constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. This Agreement may not be amended except in an instrument in writing signed on behalf of each of the parties hereto and approved by the Board. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby.

18. **No Impact on Other Benefits**. The value of the Executive's Option is not part of his or her normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

19. **Counterparts**. This Agreement may be executed in any number of counterparts, any of which may be executed and transmitted by facsimile, by email in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, and each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.

20. **Executive Acknowledgment**. The Executive hereby acknowledges (i) receipt of a copy of the Plan, (ii) that all decisions, determinations and interpretations of the Administrator in respect of the Plan, this Agreement and the Option shall be final and conclusive, (iii) that any shares of Common Stock acquired through exercise of the Option are being acquired for the Executive's own account and not with a view to distribution and (iv) that there may be adverse tax consequences upon exercise of the Option, vesting or disposition of the underlying shares and that the Executive should consult a tax advisor prior to such vesting, exercise or disposition.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

FINWISE BANCORP

By: ______________________
Name:
Title:

EXECUTIVE

____
[Name]

Exhibit 10-25

FinWise Bancorp
Incentive Stock Option Agreement

This Stock Option Agreement (this "**Agreement**") is made and entered into as of_______, ____ by and between FinWise Bancorp, a Utah corporation, (the "**Company**") and _______ (the "**Employee**").

Grant Date:	__________
Exercise Price per Share:	$ ________
Number of Option Shares:	__________
Expiration Date:	__________

1. **Grant of Option**.

1.1. Grant; Type of Option. Pursuant to and subject to the terms of the Company's [2016/2019] Stock Option Plan (the "**Plan**") and this Agreement, the Company hereby grants to the Employee an option (the "**Option**") to purchase the total number of shares of Common Stock of the Company equal to the number of Option Shares set forth above, at the Exercise Price set forth above. This Option is an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**"), provided, however, that to the extent any portion of the Option does not qualify as an incentive stock option under Section 422(d) of the Code, such portion of the Option shall be a non-qualified option.

1.2. Consideration. The grant of the Option is made in consideration of the services rendered by the Employee to the Company.

2. **Incorporation of Plan**. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan, as interpreted by the Administrator, shall govern. Except as otherwise provided herein, all capitalized terms used herein shall have the meaning given to such terms in the Plan.

3. **Exercise Period; Vesting**.

3.1. Vesting Schedule. Subject to Section 3.2, this Option shall vest and become exercisable with respect to a whole number of shares as close as possible to ⅓ of the shares subject to the Option on each of the first three anniversaries of the Grant Date (each such date, a "**Vesting Date**").

3.2. If the Employee's service with the Company or an affiliate of the Company terminates for any reason, whether by the employer or the Employee, prior to the Option being vested and exercisable in full, then any portion of the Option that is not vested and exercisable at the time of such termination, shall be automatically forfeited and cancelled without any payment thereon.

3.3. Expiration. Unless terminated earlier pursuant to the terms of the Plan or this Agreement, the Option will expire on the Expiration Date set forth above.

4. **Termination of Employment**.

4.1. Termination for Reasons Other Than Death, Disability. If the Employee's employment is terminated for any reason other than death, Disability or Cause, the Employee may exercise the vested portion of the Option, but only within such period of time ending on the earlier of (a) the date three months following the termination of the Employee's employment or (b) the Expiration Date.

4.2. Termination due to Disability. If the Employee's employment terminates as a result of the Employee's Disability, the Employee may exercise the vested portion of the Option, but only within such period of time ending on the earlier of (a) the date 12 months following the Employee's termination of employment or (b) the Expiration Date.

4.3. Termination due to Death. If the Employee's employment terminates as a result of the Employee's death, or the Employee dies within a period following termination of the Employee's employment during which the vested portion of the Option remains exercisable, the vested portion of the Option may be exercised by the Employee's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by the person designated to exercise the Option upon the Employee's death, but only within the time period ending on the earlier of (a) the date 12 months following the Employee's death or (b) the Expiration Date.

4.4. Termination for Cause. If the Company terminates the Employee's employment for Cause, the Option shall expire as of the commencement of business on the effective date of such termination and thereafter shall be null and void and of no further force or effect.

5. **Manner of Exercise**.

5.1. Election to Exercise. The Option shall be exercisable in whole or in part. The partial exercise of the Option shall not cause the expiration, termination or cancellation of the remaining portion thereof. The Option shall be exercised by delivering notice to the Company in the form, manner and time specified by the Administrator, accompanied by payment for the shares of Common Stock being purchased upon the exercise of the Option. If someone other than the Employee exercises the Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the legal right to exercise the Option.

5.2. Payment of Exercise Price. The entire Exercise Price of the Option shall be payable in full at the time of exercise in the manner designated by the Administrator.

5.3. Withholding. Prior to the issuance of shares upon the exercise of the Option, the Employee must make arrangements satisfactory to the Company to pay or provide for any applicable federal, state and local withholding obligations of the Company. The Employee may satisfy such tax withholding obligation relating to the exercise of the Option by tendering a cash payment, by means of a brokered cashless exercise or through such means as the Administrator may determine in its sole discretion. The Company has the right to withhold from any compensation paid to Employee.

5.4. Issuance of Shares. Provided that the exercise notice and payment are in form and substance satisfactory to the Company, the Company shall issue the shares of Common Stock registered in the name of the Employee, the Employee's authorized assignee, or the Employee's legal representative, and shall deliver certificates representing the shares with the appropriate legends affixed thereto.

6. **No Right to Continue as an Employee**. This Agreement shall **NOT** confer upon the Employee any right to continue as an employee of the Company or an affiliate. Further, nothing in this Agreement shall be construed to limit the discretion of the Company or any affiliate to terminate the Employee's employment at any time and for any reason. The Employee shall not have any rights as a shareholder with respect to any shares of Common Stock subject to the Option prior to the date that such shares have been issued upon exercise of the Option.

7. **Transferability**. The Option may be transferred to a Permitted Transferee upon written approval by the Administrator.

8. **Tax Obligations**. Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Employee's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting, or exercise of the Option or the subsequent sale of any shares acquired on exercise; and (b) does not commit to structure the Option to reduce or eliminate the Employee's liability for Tax-Related Items.

9. **Non-solicitation**.

9.1. In consideration of the Option, the Employee agrees and covenants not to:

a. directly or indirectly, solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company or its Affiliates for twelve months following the Employee's termination of employment; or

b. or indirectly, solicit, contact (including, but not limited to, e-mail, regular mail, express mail, telephone, fax, and instant message), attempt to contact or meet with the current customers of the Company or any of its Affiliates for purposes of offering or accepting goods or services similar to or competitive with those offered by the Company or any of its Affiliates for a period of twelve months following the Employee's termination of employment.

9.2. In the event of a breach or threatened breach of any of the covenants contained in Section 9.1, the Employee hereby consents and agrees that the Company shall be entitled to, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

10. **Notices**. Any notice or communication required or permitted to be given to any party under this Agreement shall be in writing and shall be deemed to have been duly given or made: (a) if delivered personally by courier or otherwise, then as of the date delivered or if delivery is refused, then as of the date presented; (b) if sent or mailed by reputable overnight courier service to the Company at its principal office address and to the Employee at his address appearing in the current records of the Company, then as of the first business day after the date so sent; (c) if sent or mailed by certified U.S. Mail, return receipt requested, to the Company at its principal office address and to the Employee at his address appearing in the current records of the Company, then as of the third business day after the date so mailed or (d) by email to the Company at [______] and to the Employee at his email address appearing in the current records of the Company. The address or email address to which notices to a party shall be sent may be changed by such party from time to time by written notice to the other party.

11. **Governing Law**. This Agreement will be construed and interpreted in accordance with the laws of the State of Utah without regard to conflict of law principles.

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12. **Definitions**.

12.1. “Cause” has the meaning provided in any employment, severance or other agreement governing the relationship between the Employee and the Company that includes a definition of “cause,” and if no such agreement exists, “Cause” shall mean one or more of the following:

a. any failure by the Employee substantially to perform the Employee’s employment or other duties;

b. any excessive unauthorized absenteeism by the Employee;

c. any refusal by the Employee to obey the lawful orders of the Board or any other person or committee to whom the Employee reports;

d. any act or omission by the Employee that is or may be injurious to the Company, monetarily or otherwise;

e. any act by the Employee that is inconsistent with the best interests of the Company;

f. the Employee’s material violation of any of the Company’s policies, including, without limitation, those policies relating to discrimination or sexual harassment;

g. the Employee’s unauthorized (a) removal from the premises of the Company or an affiliate of any document (in any medium or form) relating to the Company or an affiliate or the customers or clients of the Company or an affiliate or (b) disclosure to any person or entity of any of the Company’s, or its affiliates’, confidential or proprietary information;

h. the Employee’s commission of any felony or any other crime involving moral turpitude; and

i. the Employee’s commission of any act involving dishonesty or fraud.

Any rights the Company may have hereunder in respect of the events giving rise to Cause shall be in addition to the rights the Company may have under any other agreement with the Employee or at law or in equity. Any determination of whether the Employee’s employment is (or is deemed to have been) terminated for Cause shall be made by the Administrator in its sole discretion. If, subsequent to the Employee’s voluntary termination of employment or involuntary termination of employment without Cause, it is discovered that the Employee’s employment could have been terminated for Cause, the Administrator may deem the Employee’s employment to have been terminated for Cause. The Employee’s termination of employment for Cause shall be effective as of the date of the occurrence of the event giving rise to Cause, regardless of when the determination of Cause is made.

12.2. “Common Stock” means the Company’s common stock, $0.001 par value per share.

12.3. “Disability” means Employee’s total and permanent disability as defined in Section 22(e)(3) of the Internal Revenue Code.

12.4. “Permitted Transferee” means: (a) a member of the Employee’s immediate family (child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships), any person sharing the Employee’s household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Employee) control the management of assets, and any other entity in which these persons (or the Employee) own more than 50% of the voting interests; or (b) such other transferees as may be permitted by the Board in its sole discretion.

13. **Successors and Assigns**. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Employee and the Employee’s beneficiaries, executors, administrators and the person(s) to whom the Option may be transferred by will or the laws of descent or distribution.

14. **Severability**. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each provision of this Agreement shall be severable and enforceable to the extent permitted by law.

15. **Discretionary Nature**. The grant of the Option in this Agreement does not create any contractual right or other right to receive any Options or other Awards in the future. Future Awards, if any, will be at the sole discretion of the Company.

16. **Entire Agreement; Amendments and Waivers**. This Agreement, [together with the Employee’s employment agreement, dated as of_______,] constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. This Agreement may not be amended except in an instrument in writing signed on behalf of each of the parties hereto and approved by the Board. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby.

17. **No Impact on Other Benefits**. The value of the Employee’s Option is not part of his or her normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

18. **Counterparts**. This Agreement may be executed in any number of counterparts, any of which may be executed and transmitted by facsimile, by email in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, and each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.

19. **Employee Acknowledgment**. The Employee hereby acknowledges (i) receipt of a copy of the Plan, (ii) that all decisions, determinations and interpretations of the Administrator in respect of the Plan, this Agreement and the Option shall be final and conclusive, (iii) that any shares of Common Stock acquired through exercise of the Option are being acquired for the Employee’s own account and not with a view to distribution and (iv) that there may be adverse tax consequences upon exercise of the Option, vesting or disposition of the underlying shares and that the Employee should consult a tax advisor prior to such vesting, exercise or disposition.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

FINWISE BANCORP

By: ______________________

Name:

Title:

EMPLOYEE

____

[Name]

FINWISE BANCORP
DIRECTOR RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT (this "**Agreement**"), made to be effective as of _______, ____ (the "**Effective Date**") among Finwise Bancorp, a bank holding company (the "**Company**") and ____________ (the "**Director**"). The Company and the Director are hereafter sometimes individually referred to as a "party" and collectively as the "parties".

WHEREAS, the Director is a member of the Board of Directors of the Company;

WHEREAS, the parties hereto desire to enter into this Agreement to provide for the issuance and vesting of shares of stock in the Company.

NOW THEREFORE, for and good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged the Company and the Director agree as follows:

1. **Issuance of Award**. Pursuant to and subject to the terms of the Company's 2019 Stock Option Plan (the "**Plan**") and this Agreement, the Company hereby grants to the Director, as of the Effective Date, an award of _______ restricted shares of Common Stock (the "**Award**").

2. **Incorporation of Plan**. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan, as interpreted by the Administrator, shall govern. Except as otherwise provided herein, all capitalized terms used herein shall have the meaning given to such terms in the Plan.

3. **Vesting; Forfeiture**.

3.1. <u>Vesting</u>. Subject to Section 3.2, the Award shall vest on _______ (the "**Vesting Date**").

3.2. <u>Forfeiture</u>. If the Director's service with the Company terminates for any reason prior to the Director becoming vested in the Award, then the Award shall be automatically forfeited and cancelled without any payment thereon and all dividends or other distributions accrued with respect to such forfeited shares also shall be forfeited.

4. **Rights as a Shareholder**.

4.1. Reasonably promptly after the later to occur of the Effective Date and the execution and delivery of this Agreement by the parties hereto, the Company shall either issue stock certificates, registered in the name of the Director, evidencing the shares of the Award or shall make (or cause to be made) an appropriate book entry reflecting the Director's ownership of such shares. The restricted shares, if certificated, shall bear a legend reflecting the restrictions and forfeiture provisions set forth in the Plan and thus Agreement, and if held in uncertificated form, shall be subject to an appropriate electronic coding or stop order. Each such stock certificate shall be held in the custody of the Company until such shares vest.

4.2. The Director shall not be deemed for any purpose to be, or have rights as, a shareholder of the Company by virtue of the grant of the Award, except to the extent a stock certificate is issued therefor or an appropriate book entry is made reflecting the issuance thereof pursuant to Section 4.1 hereof, and then only from the date such certificate is issued or such book entry is made. Following the issuance of such stock certificate or the making of such book entry, the Director shall have all rights as a shareholder of common stock for all shares comprising the Award, whether or not such shares are vested, including all rights to dividends, subject to forfeiture of such dividends in the event that the underlying shares are later forfeited, as well as the right to vote; provided, however, that the Director acknowledges that unless he or she has made an election under Section 83(b) of the IRS Code, any amounts paid as dividends on shares that have not vested may be treated as additional compensation to the Director.

4.3. Unless the Administrator otherwise determines, any property received by the Director with respect to a share of the Award as a result of any cash dividend, stock dividend, recapitalization, merger, consolidation, combination, exchange of shares, distribution or otherwise, (i) will not vest until such share of the Award vests, (ii) may, in the sole discretion of the Administrator, be held in custody by the Company and (iii) shall be subject to the provisions of this Agreement, and to all other restrictions as apply to the shares in respect of which such property was paid. The Company shall issue to the Director a receipt evidencing the property held by it in respect of the Award. Any such property received by the Director with respect to a share of the Award shall be delivered to the Company in the event such share is forfeited. Any securities received by the Director with respect to a restricted share of the Award as a result of any dividend, recapitalization, merger, consolidation, combination, exchange of shares or otherwise shall bear a legend or be subject to an electronic coding or stop order, as set forth in Section 4.1 hereof.

5. **Restrictions on Transfer of Awards**. Prior to vesting, the Award may not be transferred without the prior written consent of the Company which consent may be withheld in its discretion; provided, however, that the Award may be transferred for estate planning purposes to a trust or limited liability company controlled by the Director. Any permitted transferee of the Award shall take such Award subject to the terms of this Agreement. Any such permitted transferee must agree to be bound by this Agreement, and shall execute a joinder agreement, and must agree to such other waivers, limitations, and restrictions as the Company may reasonably require. Any transfer of the Award which is not made in compliance with this Agreement shall be null and void and of no effect.

6. **Tax Advice**. The Director acknowledges that none of the Company or its agents, employees or representatives have made any warranties or representations to the Director with respect to the income tax consequences of the transactions contemplated by this Agreement, and the Director is in no manner relying on the Company or its agents, employees or representatives for an assessment of such tax consequences. The Director should rely on the Director’s own tax advisors for such advice.

7. **Taxes**. The Director is solely responsible for any taxes, interest or penalties with respect to the issuance, vesting or disposition of the Award.

8. **Remedies**. The Director shall be liable to the Company for all costs and damages, including incidental and consequential damages, resulting from a disposition of the Award which is in violation of the provisions of this Agreement. Without limiting the generality of the foregoing, the Director agrees that the Company shall be entitled to obtain specific performance of the obligations of the Director under this Agreement and immediate injunctive relief in the event any action or proceeding is brought in equity to enforce the same. The Director will not urge as a defense that there is an adequate remedy at law.

9. **Notices**. Any notice or communication required or permitted to be given to any party under this Agreement shall be in writing and shall be deemed to have been duly given or made: (a) if delivered personally by courier or otherwise, then as of the date delivered or if delivery is refused, then as of the date presented; (b) if sent or mailed by reputable overnight courier service to the Company at its principal office address and to the Director at his address appearing in the current records of the Company, then as of the first business day after the date so sent; (c) if sent or mailed by certified U.S. Mail, return receipt requested, to the Company at its principal office address and to the Director at his address appearing in the current records of the Company, then as of the third business day after the date so mailed or (d) by email to the Company at [______] and to the Director at his email address appearing in the current records of the Company. The address or email address to which notices to a party shall be sent may be changed by such party from time to time by written notice to the other party.

10. **Successors and Assigns**. Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors and assigns of the parties hereto, including, without limitation, any business entity that succeeds to the business of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon the Director and his or her heirs, executors, administrators, successors and assigns.

11. **Interpretation**. The Director hereby acknowledges that all decisions, determinations and interpretations of the Administrator in respect of this Agreement and the Award shall be final and conclusive.

12. **Delays or Omissions**. No delay or omission to exercise any right, power or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, must be in a writing signed by such party and shall be effective only to the extent specifically set forth in such writing.

13. **Entire Agreement; Amendments and Waivers**. This Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. This Agreement may not be amended except in an instrument in writing signed on behalf of each of the parties hereto and approved by the Board. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby.

14. **Invalidity**. If for any reason one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

15. **Titles**. The titles, captions or headings of the Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

16. **No Right to Continued Service**. This Agreement shall **NOT** confer upon the Director any right to continue as a director of or Service Provider to the Company. Further, nothing in this Agreement shall be construed to limit the discretion of the Company or its shareholders to terminate the Director's service at any time and for any reason.

17. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, with regard to the conflict of laws principles thereof.

18. **Titles**. The titles, captions or headings of the Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

19. **Counterparts**. This Agreement may be executed in any number of counterparts, any of which may be executed and transmitted by facsimile, by email in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, and each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.

20. **Director Acknowledgment**. The Director hereby acknowledges (i) receipt of a copy of the Plan, (ii) that all decisions, determinations and interpretations of the Administrator in respect of the Plan, this Agreement and the Award shall be final and conclusive and (iii) that any shares of Common Stock acquired pursuant to the Award are being acquired for the Employee's own account and not with a view to distribution.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Stock Agreement as of the day and year first above written.

FINWISE BANCORP, a Utah corporation

By: ______________________
Name:
Title:

The Director hereby accepts and agrees to be bound by all of the terms and conditions of this Agreement.

____
[Name]

Exhibit 21.1

Subsidiaries of the Registrant

The following is a list of subsidiaries of FinWise Bancorp, the names under which such subsidiaries do business, and the jurisdiction in which each was organized, as of the date of this prospectus. All subsidiaries are wholly-owned unless otherwise noted.

Subsidiaries of FinWise Bancorp

Name	Jurisdiction of Organization
FinWise Bank	**Utah**
FinWise Investments, LLC	**Utah**

Subsidiaries of FinWise Bank and FinWise Investments, LLC

None

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-262531 and No. 333-268550) of FinWise Bancorp and Subsidiaries (the “Company”), of our report dated March 30, 2023, relating to the consolidated financial statements of the Company, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2022.

/s/ Moss Adams LLP

Spokane, WA
March 30, 2023

Exhibit 31.1

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

I, Kent Landvatter, certify that:

1. I have reviewed this annual report on Form 10-K 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 statement 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 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 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.

FINWISE BANCORP

Date: March 30, 2023

By: /s/ Kent Landvatter
Kent Landvatter
President and Chief Executive Officer

Exhibit 31.2

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

I, Javvis Jacobson, certify that:

1. I have reviewed this annual report on Form 10-K 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 statement 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 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 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.

FINWISE BANCORP

Date: March 30, 2023

By: /s/ Javvis Jacobson
Javvis Jacobson
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER 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 annual report of FinWise Bancorp (the "Company") on Form 10-K for the period ended December 31, 2022, as filed with the Securities and Exchange Commission (the “Report”), each of the undersigned, in his respective capacities indicated below, hereby certifies as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, 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; and

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

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

FINWISE BANCORP

Date: March 30, 2023

By: /s/ Kent Landvatter
Kent Landvatter
President and Chief Executive Officer

Date: March 30, 2023

By: /s/ Javvis Jacobson
Javvis Jacobson
Executive Vice President and Chief Financial Officer