UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **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: 001-39165

BLUE RIDGE BANKSHARES, INC.

(Exact Name of Registrant as Specified in its Charter)

Virginia	**54-1838100**
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
1807 Seminole Trail, Charlottesville, Virginia	**22901**
Address of Principal Executive Offices	Zip Code

(540) 743-6521
Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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, no par value	**BRBS**	**NYSE American**

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 Section 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 Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant at June 30, 2022, based on the closing sale price of the registrant's common stock on June 30, 2022, was approximately $257,678,654.

The registrant had 18,946,466 shares of common stock, no par value per share, outstanding as of March 1, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Form 10-K will be included in the registrant's definitive proxy statement for the 2023 annual meeting of shareholders and incorporated herein by reference or in an amendment to this Form 10-K filed within 120 days after the end of the fiscal year covered by this Form 10-K.

Blue Ridge Bankshares, Inc.
Table of Contents

PART I

ITEM 1: BUSINESS

General

Blue Ridge Bankshares, Inc. (the “Company”) is a bank holding company headquartered in Charlottesville, Virginia. It provides commercial and consumer banking and financial services through its wholly-owned bank subsidiary, Blue Ridge Bank, National Association (the “Bank”), and its wealth and trust management subsidiary, BRB Financial Group, Inc. (the “Financial Group”). The Company was incorporated under the laws of the Commonwealth of Virginia in July 1988.

The Bank is a federally chartered national bank with its Main Office in Martinsville, Virginia that traces its roots to Page Valley Bank of Virginia, which opened for business in 1893. At December 31, 2022, the Bank operated twenty-seven full-service banking offices across its footprint, which stretches from the Shenandoah Valley across the Piedmont region through Richmond and into the coastal peninsulas and Hampton Roads region of Virginia and central North Carolina.

The Bank serves businesses, professionals, consumers, nonprofits, and municipalities with a wide variety of financial services, including retail and commercial banking, mortgage banking, government guaranteed lending, and employee benefit plans. Banking products include checking accounts, savings accounts, money market accounts, cash management accounts, certificates of deposit, individual retirement accounts, commercial and industrial loans, residential mortgages, commercial mortgages, home equity loans, consumer installment loans, credit cards, online banking, telephone banking, and mobile banking. Deposits of the Bank are insured by the Deposit Insurance Fund (the “DIF”) of the Federal Deposit Insurance Corporation (“FDIC”) to the full extent of the limits of the DIF.

As of December 31, 2022, the Company had total assets of approximately \$3.14 billion, total gross loans of approximately \$2.48 billion, total deposits of approximately \$2.50 billion, and stockholders’ equity of approximately \$259.4 million.

On January 31, 2021, the Company completed a merger with Bay Banks of Virginia, Inc. (“Bay Banks”), a bank holding company conducting substantially all its operations through its subsidiaries Virginia Commonwealth Bank and VCB Financial Group, Inc. Immediately following the Company’s merger with Bay Banks, Virginia Commonwealth Bank was merged with and into the Bank, while VCB Financial Group, Inc., subsequently renamed BRB Financial Group, Inc., became a subsidiary of the Company (collectively, the “Bay Banks Merger”). Pursuant to the terms of the Bay Banks Merger agreement, each share of Bay Banks common stock was converted into the right to receive 0.50 shares of the Company’s common stock plus cash in lieu of fractional shares. In the merger, the Company issued 6,627,558 shares of its common stock and paid \$3.4 thousand in lieu of fractional shares. The Bay Banks Merger added \$1.22 billion in assets and \$1.03 billion in deposits and expanded the Bank’s operating footprint east through the greater Richmond region, the Northern Neck region, Middlesex County, and the Hampton Roads region of Virginia.

The Company, through the Financial Group, offers management services for personal and corporate trusts, including estate planning, estate settlement and trust administration, insurance products, and investment and wealth management. Employment benefit services are offered under the trade name BluePoint Benefits. The Company, through its minority investment in Hammond Insurance Agency, Incorporated (“Hammond Insurance”), offers property and casualty insurance to individuals and businesses. The Bank’s mortgage banking activities include a retail mortgage business operating as Monarch Mortgage and a wholesale mortgage business operating as LenderSelect Mortgage Group (“LenderSelect”). LenderSelect offers wholesale and third-party residential mortgage origination services to other financial institutions and credit unions.

The Company has partnerships with financial technology (fintech) providers and ended 2022 with active partnerships including Unit Finance, Flexible Finance, Increase, Upgrade, Kashable, Jaris, Grow Credit, MentorWorks, and Marlette. Fintech companies provide technologies to enable the delivery of digital bank services, which generate interest income, fees, and deposits and increase the Bank’s customer reach beyond its traditional branch footprint. Two of the Company's fintech relationships provide the Bank access to other fintech companies and vastly expand the Bank’s customer reach.

As a bank holding company incorporated under the laws of the Commonwealth of Virginia, the Company is subject to regulation by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Bureau of Financial Institutions of the Virginia State Corporation Commission (the “Virginia SCC”). The Bank’s primary federal regulator is the Office of the Comptroller of the Currency (the “OCC”).

The Bank's primary source of revenue is interest income from its lending activities. The Bank's other major sources of revenue are interest and dividend income from investments, interest income from its interest-earning deposit balances in other depository institutions, mortgage banking income, gains on sales of government-guaranteed loans, transactions and fee income from its lending and deposit activities, including fintech, and income associated with wealth and trust management services. The Bank's major expenses are interest on deposits and general and administrative expenses, such as employee salaries and benefits, federal deposit insurance premiums, data processing expenses, technology costs, and office occupancy expenses.

On August 29, 2022, the Bank entered into a formal written agreement (the "Written Agreement") with the OCC. The Written Agreement principally concerns the Bank's fintech line of business and requires the Bank to continue enhancing its controls for assessing and managing the third-party, Bank Secrecy Act/Anti-Money Laundering, and information technology risks stemming from its fintech partnerships. A complete copy of the Written Agreement was furnished in a Form 8-K filed with the Securities and Exchange Commission ("SEC") on September 1, 2022 and can be accessed on the SEC's website (www.sec.gov) and the Company's website (www.blueridgebankshares.com). The Company is actively working to bring the Bank's fintech policies, procedures, and operations into conformity with OCC directives and believes its work to date has been delivered on schedule.

On December 15, 2019, the Company completed its acquisition of Virginia Community Bankshares, Inc. ("VCB"), the bank holding company of Virginia Community Bank based in Louisa, Virginia. Immediately following the merger, Virginia Community Bank, merged with and into the Bank. Pursuant to the acquisition, the Company acquired total assets of approximately $242.5 million and assumed total liabilities of approximately $219.2 million. In the merger, the Company issued 1,312,919 shares of its common stock and made cash payments to VCB shareholders totaling $16.6 million in the aggregate.

In the first quarter of 2022, the Bank sold its majority interest in MoneyWise Payroll Solutions, Inc., to the holder of the minority interest.

The principal executive offices of the Company are located at 1807 Seminole Trail, Charlottesville, Virginia 22901, and its telephone number is (540) 743-6521.

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC. The Company's SEC filings are filed electronically and are available to the public over the Internet at the SEC's website at http://www.sec.gov. The Company's website can be accessed at https://www.blueridgebankshares.com. The Company makes its SEC filings available free of charge through this website under "Investor Relations," "Financial Documents," "Documents" as soon as practicable after filing or furnishing the material to the SEC. Copies of documents can also be obtained free of charge by writing to the Company's Corporate Secretary at P.O. Box 609, 17 West Main Street, Luray, Virginia 22835, or by calling (540) 743-6521. Information on the Company's website does not constitute part of, and is not incorporated into, this report or any other filing the Company makes with the SEC.

The Company qualifies as an "emerging growth company", as defined in federal securities laws. For as long as it continues to be an emerging growth company, the Company may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, as an emerging growth company, the Company has elected to take advantage of the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to a company that is not an issuer (as defined under Section 2(a) of the Sarbanes-Oxley Act), if such standards apply to companies that are not issuers. This may make the Company's financial statements not comparable with other public companies that are not emerging growth companies or that are emerging growth companies that have opted out of the extended transition period because of the potential differences in accounting standards used. The Company may be an emerging growth company for up to five years, although that status is lost sooner if gross revenues exceed $1.235 billion, if it issues more than $1.0 billion in non-convertible debt in a three-year period, or if the market value of common stock held by non-affiliates exceeds $700 million as of any June 30 before that time, in which case the Company would no longer be an emerging growth company as of the following December 31.

Market Area

The Bank currently has branches in Callao, Charlottesville, Chester, Colonial Heights, Culpeper, Fredericksburg, Gordonsville, Harrisonburg, Hartfield, Henrico, Kilmarnock, Louisa, Luray, Martinsville, Midlothian, Mineral, Montross, Orange, Petersburg, Richmond, Shenandoah, Suffolk, Virginia Beach, Warsaw, and White Stone, Virginia, and in Greensboro, North Carolina. Interstates 40, 64, 66, 73, 74, 81, 85, and 95 and ancillary major highways pass through the Bank's trade area and provide efficient access to other regions of Virginia, North Carolina, and beyond. The Company's primary market area stretches from the Shenandoah Valley across the Piedmont region through Richmond and into the coastal peninsulas and Hampton Roads region of Virginia and central North Carolina. The Company's retail mortgage operations are primarily in the Mid-Atlantic and Southern regions of the United States, while the Company's wholesale mortgage operations are nationwide. The Company's guaranteed government lending and fintech markets span across the United States.

Products and Services

Mortgage Loans on Real Estate. The Company's mortgage loans on real estate comprise the largest segment of its loan portfolio. Mortgage loans on real estate include family residential properties, 1-4 family investment properties, home equity loans, commercial properties, and owner-occupied commercial properties. The Company also makes loans on properties under construction to qualified individuals and builders. These loans are generally for the construction period only and funds are disbursed as construction progresses and verified by the Company. Loans are for varying terms and may be at fixed or adjustable interest rates.

Residential Mortgage Loans. Residential mortgages are underwritten and documented within regulatory guidelines. The Company offers residential loan origination with such loans either sold in the secondary market or held by the Bank. Home mortgages are generally underwritten in accordance with the guidelines of agencies including the Federal Home Loan Mortgage Corporation ("Freddie Mac"), Federal National Mortgage Association ("Fannie Mae"), and Government National Mortgage Association ("Ginnie Mae"). These loans are then sold into the secondary market on a loan-by-loan basis, usually directly to Freddie Mac, Fannie Mae, and Ginnie Mae. The Bank earns origination fees and a premium on servicing rights, if the loans are sold with servicing retained.

Commercial Real Estate Loans. Loans in this category include loans on real estate used for commercial purposes. Loans in this segment are underwritten to mitigate declines in real estate values, changes in the underlying cash flows from the properties, and general economic conditions.

Commercial and Industrial Loans. Commercial lending activities of the Company include business loans, asset-based loans, and other secured and unsecured loans and lines of credit. Commercial and industrial loans may entail greater risk than residential mortgage loans, and therefore are underwritten with strict risk management standards. During 2022, the Company added a team focused on commercial and industrial lending to middle market businesses, which are those businesses generally with revenues of at least $25 million. Among the criteria for determining the borrower's ability to repay is a cash flow analysis of the business and business collateral.

Guaranteed Government Loans. Loans in this category provide customers access to capital that avoid many of the challenges of conventional commercial lending. Loans are generally underwritten pursuant to U.S. Small Business Administration ("SBA") or U.S. Department of Agriculture ("USDA") guidelines and afford the Company guarantees under these programs. The guaranteed portion of government guaranteed loans may be sold, in whole or in part, to secondary market buyers.

Consumer Loans. The Company's consumer lending services include automobile lending, home equity lines of credit, credit cards, and other unsecured personal loans. These consumer loans historically entail greater risk than loans secured by real estate.

Consumer Deposit Services. Consumer deposit products offered by the Company include checking accounts, savings accounts, money market accounts, certificates of deposit, online banking, mobile banking, and electronic statements.

Commercial Banking Services. The Company offers a variety of services to commercial customers, including analysis checking, cash management deposit accounts, wire services, direct deposit payroll service, online banking, telephone banking, remote deposit, and a full line of commercial lending options. The Company also offers property and casualty insurance and employee benefit plans and administration.

Wealth and Trust Services. The Company, through the Financial Group, offers management services for personal and corporate trusts, including estate planning, estate settlement and trust administration, insurance products, and investment and wealth management.

Banking as a Service. The Company, through the Bank, provides banking as a service ("BaaS") to its fintech partners. BaaS is a model that provides products and banking services to nonbank fintech partners, which are, in turn, offered to a broad base of consumers and small businesses through internet-enabled connections. The Company refers to BaaS as an offering to those fintech partners that generate deposits and provide payment services. The Company also partners with certain of the fintech providers that accommodate lending programs, both consumer and small business.

Competition

The financial services industry is highly competitive. The Company competes for loans, deposits, and financial services directly with other bank and nonbank institutions, including credit unions, located within its markets, internet-based banks, out-of-market banks, fintech companies, and bank holding companies that advertise in or otherwise serve its markets, along with money market and mutual funds, brokerage houses, mortgage companies, and insurance companies or other commercial entities that offer financial services products. Competition involves efforts to retain current customers and to obtain new loans and deposits, and differentiators include the scope and type of services offered, interest rates paid on deposits and charged on loans, and the customer service experience. Many of the Company’s competitors enjoy competitive advantages, including greater financial resources, a wider geographic presence, more accessible branch office locations, greater technology, the ability to offer additional services, more favorable pricing alternatives and lower origination and operating costs. The Company believes that its competitive pricing, personalized service, and community involvement enable it to effectively compete in the communities in which it operates.

Environmental, Social and Governance

The Company is committed to promoting sound Environmental, Social and Governance (“ESG”) practices through strong board of directors and management oversight. Management believes ESG initiatives are important to its customers, its employees, its shareholders, and the communities it serves.

Environmental. During 2021, the Company began its initiative to contribute to curtailing the impacts of global climate change. The Company, through the Bank, joined the Net-Zero Banking Alliance ("NZBA"), a United Nations convened and industry-led initiative to lead practices and accountability in carbon reduction plans. The Bank will align its operations and its lending and investment portfolios to achieve net-zero emissions by 2040, while achieving intermediate performance targets by 2030. The Bank has installed electric vehicle charging stations at two of its branch locations and is reviewing other locations for accessibility and utilization. In April 2022, the Company announced an initiative to eliminate single-use plastic items within its business offices by the end of 2024 in conjunction with an effort to boost recycling efforts internally. The Company has a number of initiatives that are in various stages of study for feasibility.

Social. The Company’s board of directors and management are committed to employing a diverse workforce and the Company has developed plans, and continues to develop plans, and metrics against which actions will be measured. For example, the Company plans to adopt a diversity, equity, and inclusion plan in 2023.

As further discussed in the Supervision and Regulation section below, the Bank is subject to the Community Reinvestment Act (the "CRA"), under which the appropriate federal banking agency periodically assesses the Bank’s record in meeting the credit needs of the communities it serves, including low and moderate income neighborhoods. The Bank has a designated CRA officer who monitors the Bank’s compliance under the CRA.

Governance. The Company operates under a strong governance structure, starting with the chairman of the board of directors that is independent from management. Members of the board of directors routinely undergo evaluations to assess their effectiveness. Employees operate under policies approved by the Company’s or the Bank’s board of directors and complete as many as 33 courses per year, covering topics such as preventing harassment, confidentiality of data, and unfair banking practices.

Human Capital Resources

The success of the Company is directly attributable to its exceptional and dedicated team of employees. Management focuses on designing compensation, incentive, and benefit programs to ensure that the Company is competitive in attracting and retaining top talent in the market, while emphasizing the importance of diversity, equity, and inclusion. Management believes that the Company's compensation programs offer competitive pay and benefits, including paid time off for vacations and sick leave, a 401(k) plan, health, dental, and vision plans, life and disability coverage, wellness plans, paid training, including tuition reimbursement, and pre-tax flexible spending accounts. In February 2023, the Company announced a sabbatical leave program to promote the benefits of work-life balance in conjunction with rewarding longevity. The Company is committed to maintaining a living wage for all its employees, raising the minimum pay rate in 2021 to $17 per hour, and then raising it to $18 per hour in February 2023. Management believes that fostering an environment that values diversity, equity, and inclusion creates an organization that is able to embrace, leverage, and respect differences amongst the

Company's employees and customers. Management believes that such an environment results in improved employee morale and higher levels of job satisfaction, which ultimately translates into a better customer experience.

Management also believes in giving back to the communities in which the Company serves. In 2022, the Company committed approximately $440 thousand of financial donations to many community organizations and nonprofits, including first responders, colleges and universities, youth athletics, and the arts. In addition, the Company's employees donate countless hours volunteering in business associations and helping the underserved.

The Company had 496 full-time and 39 part-time employees as of December 31, 2022. None of its employees are represented by any collective bargaining unit and the Company believes that relations with its employees are good.

Supervision and Regulation

The Company and the Bank are extensively regulated under federal and state law. The following information describes certain aspects of that regulation applicable to the Company and the Bank and does not purport to be complete. Proposals to change the laws, regulations, and policies governing the banking industry are frequently raised in the U.S. Congress, in state legislatures, and before the various bank regulatory agencies. The likelihood and timing of any changes and the impact such changes might have on the Company and the Bank are impossible to determine with any certainty. A change in applicable laws, regulations or policies, or a change in the way such laws, regulations, or policies are interpreted by regulatory agencies or courts, may have a material impact on the business, operations, and earnings of the Company and the Bank.

The Bank is subject to the Written Agreement, which principally concerns the Bank’s fintech line of business and requires the Bank to continue enhancing its controls for assessing and managing the third-party, Bank Secrecy Act/Anti-Money Laundering, and information technology risks stemming from its fintech partnerships. A complete copy of the Written Agreement was furnished in a Form 8-K filed with the SEC on September 1, 2022 and can be accessed on the SEC’s website (www.sec.gov) and the Company’s website (www.blueridgebankshares.com). The Company is actively working to bring the Bank’s fintech policies, procedures, and operations into conformity with OCC directives and believes its work to date has been delivered on schedule.

As with other financial institutions, the earnings of the Bank are affected by general economic conditions and by the monetary policies of the Federal Reserve. The Federal Reserve exerts a substantial influence on interest rates and credit conditions, primarily through open market operations in U.S. Government securities, setting the reserve requirements of member banks, and establishing the discount rate on member bank borrowings. The policies of the Federal Reserve have a direct impact on loan and deposit growth and the interest rates charged and paid thereon. They also impact the source, cost of funds, and the rates of return on investments. Changes in the Federal Reserve’s monetary policies have had a significant impact on the operating results of the Bank and other financial institutions and are expected to continue to do so in the future.

Blue Ridge Bankshares, Inc.

The Company is qualified as a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the “BHC Act”), and is registered as such with the Federal Reserve. As a bank holding company, the Company is subject to supervision, regulation, and examination by the Federal Reserve and is required to file various reports and additional information with the Federal Reserve. The Company is also registered under the bank holding company laws of Virginia and is subject to supervision, regulations, and examination by the Virginia SCC.

Under the Gramm-Leach-Bliley Act of 1999 (the “GLB Act”), a bank holding company may elect to become a financial holding company and thereby engage in a broader range of financial and other activities than are permissible for traditional bank holding companies. In order to qualify for the election, all of the depository institution subsidiaries of the bank holding company must be well capitalized, well managed, and have achieved a rating of “satisfactory” or better under the CRA. Financial holding companies are permitted to engage in activities that are “financial in nature” or incidental or complementary thereto as determined by the Federal Reserve. The GLB Act identifies several activities as “financial in nature,” including insurance underwriting and sales, investment advisory services, merchant banking and underwriting, and dealing or making a market in securities. The Company has not elected to become a financial holding company and has no immediate plans to become a financial holding company.

Blue Ridge Bank, National Association

The Bank is a federally chartered national bank. The Bank is subject to supervision, regulation, and examination by the OCC and is required to file various reports and additional information with the OCC. The OCC has primary supervisory and regulatory authority over the operations of the Bank. Because the Bank accepts insured deposits from the public, it is also subject to examination by the FDIC.

Depository institutions, including the Bank, are subject to extensive federal and state regulations that significantly affect their businesses and activities. Regulatory bodies have broad authority to implement standards and initiate proceedings designed to prohibit depository institutions from engaging in unsafe and unsound banking practices. The standards relate generally to operations and management, asset quality, interest rate exposure, and capital. The bank regulatory agencies are authorized to take action against institutions that fail to meet such standards.

The Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), signed into law in July 2010, significantly restructured the financial regulatory regime in the United States and has had a broad impact on the financial services industry as a result of the significant regulatory and compliance changes required under the act.

The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 (the "EGRRCPA"), which became effective May 24, 2018, amended the Dodd-Frank Act to provide regulatory relief for certain smaller and regional financial institutions, such as the Company and the Bank. The EGRRCPA, among other things, provides financial institutions with less than $10 billion in total consolidated assets with relief from certain capital requirements and exempts banks with less than $250 billion in total consolidated assets from the enhanced prudential standards and the company-run and supervisory stress tests required under the Dodd-Frank Act. The Dodd-Frank Act has had, and may in the future have, a material impact on the Company's operations, particularly through increased compliance costs resulting from new and possible future consumer and fair lending regulations. The future changes resulting from the Dodd-Frank Act may affect the profitability of business activities, require changes to certain business practices, impose more stringent regulatory requirements, or otherwise adversely affect the business and financial condition of the Company and the Bank. These changes may also require the Company to invest significant management attention and resources to evaluate and make necessary changes to comply with new statutory and regulatory requirements.

Deposit Insurance

The deposits of the Bank are insured up to applicable limits by the DIF and are subject to deposit insurance assessments to maintain the DIF. The deposit insurance assessment base is based on average total assets minus average tangible equity, pursuant to a rule issued by the FDIC as required by the Dodd-Frank Act. Deposit insurance pricing is a "financial ratios method" based on "CAMELS" composite ratings to determine assessment rates for small established institutions with less than $10 billion in assets. The CAMELS rating system is a supervisory rating system designed to take into account and reflect all financial and operational risks that a bank may face, including capital adequacy, asset quality, management capability, earnings, liquidity, and sensitivity to market risk ("CAMELS").

On October 18, 2022, the FDIC adopted a final rule to increase base deposit insurance assessment rate schedules uniformly by 2 basis points beginning in the first quarterly assessment period of 2023. The increase is being instituted to account for extraordinary growth in insured deposits during the first and second quarters of 2020, which caused a substantial decrease in the "reserve ratio" of the DIF to total industry deposits. The FDIC has indicated that the new assessment rate schedules will remain in effect until the DIF reserve ratio meets or exceeds 2 percent. In the years ended December 31, 2022 and 2021, the Company recorded expense of $1.3 million and $1.0 million, respectively, for FDIC insurance premiums.

Capital Requirements

The Federal Reserve, the OCC, and the FDIC have issued substantially similar capital requirements applicable to all banks and bank holding companies. In addition, those regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels because of its financial condition or actual or anticipated growth.

The Bank is subject to the rules implementing the Basel III capital framework and certain related provisions of the Dodd-Frank Act (the "Basel III Capital Rules"). The Basel III Capital Rules, effective January 1, 2015, require the Company and the Bank to comply with the following minimum capital ratios: (i) a ratio of common equity Tier 1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (effectively resulting in a minimum ratio of common equity Tier 1 to risk-weighted assets of 7%), (ii) a ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the 2.5% capital conservation buffer (effectively resulting in a minimum Tier 1 capital ratio of 8.5%), (iii) a ratio of total capital to risk-weighted assets of at least 8.0%, plus the 2.5% capital conservation buffer (effectively resulting in a minimum total capital ratio of 10.5%), and (iv) a leverage ratio of 4%, calculated as the ratio of Tier 1 capital to average assets ("Tier 1 Leverage ratio"). The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of common equity Tier 1 to risk-weighted assets above the minimum but below the conservation buffer face constraints on dividends, equity repurchases, and compensation, based on the amount of the shortfall. The common equity Tier 1 capital ratio was 10.25% for the Bank as of December 31, 2022. The Tier 1 and total capital to risk-weighted asset ratios of the Bank were 10.25% and 11.15%, respectively, as of December 31, 2022. The Tier 1 Leverage ratio for the Bank was 9.25% as of December 31, 2022.

With respect to the Bank, the "prompt corrective action" regulations pursuant to Section 38 of the FDI Act incorporate a common equity Tier 1 capital ratio and increase certain other capital ratios. To be well capitalized under these regulations, a bank must have the following minimum capital ratios: (i) a common equity Tier 1 capital ratio of at least 6.5%; (ii) a Tier 1 capital to risk-weighted assets ratio of at least 8.0%; (iii) a total capital to risk-weighted assets ratio of at least 10.0%; and (iv) a Tier 1 Leverage ratio of at least 5.0%. The Bank exceeded the thresholds to be considered well capitalized as of December 31, 2022.

Under the Basel III Capital Rules, banks must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios of 2.50% for all ratios, except the tier 1 leverage ratio. If a banking organization dips into its capital conservation buffer, it is subject to limitations on certain activities, including payment of dividends, share repurchases, and discretionary compensation to certain officers. Management believes, as of December 31, 2022, the Bank met all capital adequacy requirements to which it is subject.

In December 2017, the Basel Committee on Banking Supervision published standards that it described as the finalization of the Basel III post-crisis regulatory reforms (the standards are commonly referred to as "Basel IV"). Among other things, these standards revise the standardized approach for credit risk (including by recalibrating risk weights and introducing new capital requirements for certain "unconditionally cancellable commitments," such as unused credit card lines of credit) and provide a new standardized approach for operational risk capital. Under the proposed framework, these standards are effective on January 1, 2023, with an aggregate output floor phasing-in through January 1, 2027. Under the current capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to the Company. The impact of Basel IV on the Company and the Bank will depend on the manner in which it is implemented by the federal bank regulatory agencies.

In August 2018, the Federal Reserve issued an interim final rule required by the EGRRCPA that expands the applicability of the Federal Reserve's Small Bank Holding Company Policy Statement (the "SBHC Policy Statement") to bank holding companies with total consolidated assets of less than $3 billion (up from the prior $1 billion threshold). The annual measurement date to determine if a bank holding company's total assets meets the $3 billion threshold is June 30. Under the SBHC Policy Statement, qualifying bank holding companies have additional flexibility in the amount of debt they can issue and are also exempt from the Basel III Capital Rules (subsidiary depository institutions of qualifying bank holding companies are still subject to capital requirements). As of June 30, 2022, the most recent annual measurement date, the Company had less than $3 billion in total consolidated assets and would likely qualify under the revised SBHC Policy Statement. However, the Company does not currently intend to issue a material amount of debt or take any other action that would cause its capital ratios to fall below the minimum ratios required by the Basel III Capital Rules.

In September 2019, the federal banking agencies jointly issued a final rule required by the EGRRCPA that permits qualifying banks and bank holding companies that have less than $10 billion in consolidated assets to elect to be subject to a 9% leverage ratio that would be applied using less complex leverage calculations (commonly referred to as the community bank leverage ratio or "CBLR"). Under the rule, which became effective on January 1, 2020, banks and bank holding companies that opt into the CBLR framework and maintain a CBLR of greater than 9% are not subject to other risk-based and leverage capital requirements under the Basel III Capital Rules and would be deemed to have met the well capitalized ratio requirements under the "prompt corrective action" framework. These CBLR rules were modified in response to the COVID-19 pandemic. See "Coronavirus Aid, Relief, and Economic Security Act and Consolidated Appropriations Act, 2021" below. The Company has not opted into the CBLR framework.

Dividends

The Company's principal source of cash flow, including cash flow to pay dividends to its shareholders, is dividends it receives from the Bank. Statutory and regulatory limitations apply to the Bank's payment of dividends to the Company. As a general rule, the amount of a dividend may not exceed, without prior regulatory approval, the sum of net income in the calendar year to date and the retained net earnings of the immediately preceding two calendar years. A depository institution may not pay any dividend if payment would cause the institution to become "undercapitalized" or if it already is "undercapitalized." The OCC may prevent the payment of a dividend if it determines that the payment would be an unsafe and unsound banking practice. The OCC also has advised that a national bank should generally pay dividends only out of current operating earnings. In addition, under the current supervisory practices of the Federal Reserve, the Company should inform and consult with the Federal Reserve reasonably in advance of declaring or paying a dividend that exceeds earnings for the period (e.g., quarter) for which the dividend is being paid or that could result in a material adverse change to the Company's capital structure.

Permitted Activities

As a bank holding company, the Company is limited to managing or controlling banks, furnishing services to or performing services for its subsidiaries, and engaging in other activities that the Federal Reserve determines by regulation or order to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In determining whether a particular activity is permissible, the Federal Reserve must consider whether the performance of such an activity reasonably can be expected to produce benefits to the public that outweigh possible adverse effects. Possible benefits include greater convenience, increased competition, and gains in efficiency. Possible adverse effects include undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices. Despite prior approval, the Federal Reserve may order a bank holding company or its subsidiaries to terminate any activity or to terminate ownership or control of any subsidiary when the Federal Reserve has reasonable cause to believe that a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that bank holding company may result from such an activity.

Banking Acquisitions; Changes in Control

The BHC Act requires, among other things, the prior approval of the Federal Reserve in any case where a bank holding company proposes to (i) acquire direct or indirect ownership or control of more than 5% of the outstanding voting stock of any bank or bank holding company (unless it already owns a majority of such voting shares), (ii) acquire all or substantially all of the assets of another bank or bank holding company, or (iii) merge or consolidate with any other bank holding company. In determining whether to approve a proposed bank acquisition, the Federal Reserve will consider, among other factors, the effect of the acquisition on competition, the public benefits expected to be received from the acquisition, the projected capital ratios and levels on a post-acquisition basis, and the acquiring institution's performance under the CRA, and its compliance with fair housing and other consumer protection laws.

Subject to certain exceptions, the BHC Act and the Change in Bank Control Act, together with the applicable regulations, require Federal Reserve approval (or, depending on the circumstances, no notice of disapproval) prior to any person or company acquiring "control" of a bank or bank holding company. A conclusive presumption of control exists if an individual or company acquires the power, directly or indirectly, to direct the management or policies of an insured depository institution or to vote 25% or more of any class of voting securities of any insured depository institution. A rebuttable presumption of control exists if a person or company acquires 10% or more but less than 25% of any class of voting securities of an insured depository institution and either the institution has registered its securities with the SEC under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or no other person will own a greater percentage of that class of voting securities immediately after the acquisition.

In addition, Section 18(c) of the Federal Deposit Insurance Act, commonly known as the "Bank Merger Act," requires the prior written approval of the OCC before any national bank may (i) merge or consolidate with, (ii) purchase or otherwise acquire the assets of, or (iii) assume the deposit liabilities of, another bank if the resulting institution is to be a national bank. In determining whether to approve a proposed merger transaction, the OCC must consider the effect on competition, the financial and managerial resources and future prospects of the existing and resulting institutions, the convenience and needs of the communities to be served, and the effectiveness of each insured depository institution involved in the proposed merger transaction in combating money-laundering activities.

In addition, Virginia law requires the prior approval of the Virginia SCC for (i) the acquisition of more than 5% of the voting shares of a Virginia bank or any holding company that controls a Virginia bank, or (ii) the acquisition by a Virginia bank holding company of a bank or its holding company domiciled outside Virginia.

Source of Strength

Federal Reserve policy has historically required bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. The Dodd-Frank Act codified this policy as a statutory requirement. Under this requirement, the Company is expected to commit resources to support the Bank, including at times when the Company may not be in a financial position to provide such resources. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to depositors and to certain other indebtedness of such subsidiary banks. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

The Federal Deposit Insurance Corporation Improvement Act

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), the federal bank regulatory agencies possess broad powers to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institution is "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized," as defined by the law.

As required by FDICIA, the federal bank regulatory agencies also have adopted guidelines prescribing safety and soundness standards relating to, among other things, internal controls and information systems, internal audit systems, loan documentation, credit underwriting, and interest rate exposure. In general, the guidelines require appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. In addition, the agencies adopted regulations that authorize, but do not require, an institution that has been notified that it is not in compliance with safety and soundness standard to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the prompt corrective action provisions described above.

Transactions with Affiliates

Pursuant to Sections 23A and 23B of the Federal Reserve Act and Regulation W, the authority of the Bank to engage in transactions with related parties or "affiliates" or to make loans to insiders is limited. Loan transactions with an affiliate generally must be collateralized and certain transactions between the Bank and its affiliates, including the sale of assets, the payment of money or the provision of services, must be on terms and conditions that are substantially the same, or at least as favorable to the Bank, as those prevailing for comparable nonaffiliated transactions. In addition, the Bank generally may not purchase securities issued or underwritten by affiliates.

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 a bank, are subject to Sections 22(g) and 22(h) of the Federal Reserve Act and their corresponding regulations (Regulation O) and Section 13(k) of the Exchange Act relating to the prohibition on personal loans to executives (which exempts financial institutions in compliance with the insider lending restrictions of Section 22(h) of the Federal Reserve Act). Among other things, these loans must be made on terms substantially the same as those prevailing on transactions made to unaffiliated individuals, and certain extensions of credit to those persons must first be approved in advance by a disinterested majority of the entire board of directors. Section 22(h) of the Federal Reserve Act 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) of the Federal Reserve Act identifies limited circumstances in which the Bank is permitted to extend credit to executive officers.

Consumer Financial Protection

The Company is subject to a number of federal and state consumer protection laws that extensively govern its relationship with its customers. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the Service Members Civil Relief Act, laws governing flood insurance, federal and state laws prohibiting unfair and deceptive business practices, foreclosure laws, and various regulations that implement some or all of the foregoing. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, collecting loans and providing other services. For example, mortgage lenders are required to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms, either by considering underwriting factors prescribed by Regulation Z or by originating loans that meet the definition of a "qualified mortgage." If the Company fails to comply with these laws and regulations, it may be subject to various penalties. Failure to comply with consumer protection requirements may also result in failure to obtain any required bank regulatory approval for merger or acquisition transactions the Company may wish to pursue or being prohibited from engaging in such transactions even if approval is not required.

The Dodd-Frank Act centralized responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau ("CFPB"), and giving it responsibility for implementing, examining, and enforcing compliance with federal consumer protection laws. The CFPB focuses on (i) risks to consumers and compliance with the federal consumer financial laws, (ii) the markets in which firms operate and risks to consumers posed by activities in those markets, (iii) depository institutions that offer a wide variety of consumer financial products and services, and (iv) non-depository companies that offer one or more consumer financial products or services. The CFPB has broad rule making authority for a wide range of consumer financial laws that apply to all banks, including, among other things, the authority to prohibit “unfair, deceptive or abusive” acts and practices. Abusive acts or practices are defined as those that materially interfere with a consumer’s ability to understand a term or condition of a consumer financial product or service or take unreasonable advantage of a consumer’s (i) lack of financial savvy, (ii) inability to protect himself in the selection or use of consumer financial products or services, or (iii) reasonable reliance on a covered entity to act in the consumer’s interests. The CFPB can issue cease-and-desist orders against banks and other entities that violate consumer financial laws. The CFPB may also institute a civil action against an entity in violation of federal consumer financial law in order to impose a civil penalty or injunction.

Community Reinvestment Act

The CRA requires the appropriate federal banking agency, in connection with its examination of a bank, to assess the bank’s record in meeting the credit needs of the communities served by the bank, including low and moderate income neighborhoods. Furthermore, such assessment is also required of banks that have applied, among other things, to merge or consolidate with or acquire the assets or assume the liabilities of an insured depository institution, or to open or relocate a branch. In the case of a bank holding company applying for approval to acquire a bank or bank holding company, the record of each subsidiary bank of the applicant bank holding company is subject to assessment in considering the application. Under the CRA, institutions are assigned a rating of “outstanding,” “satisfactory,” “needs to improve,” or “substantial non-compliance.” The Bank was rated “satisfactory” in its most recent CRA evaluation.

In May 2022, the federal bank regulatory agencies jointly issued a proposed rule intended to strengthen and modernize the CRA regulatory framework. If implemented, the rule would, among other things, (i) expand access to credit, investment and basic banking services in low- and moderate-income communities, (ii) adapt to changes in the banking industry, including internet and mobile banking, (iii) provide greater clarity, consistency and transparency in the application of the regulations and (iv) tailor performance standards to account for differences in bank size, business model, and local conditions.

Anti-Money Laundering Legislation

The Company is subject to several federal laws that are designed to combat money laundering, terrorist financing, and transactions with persons, companies or foreign governments designated by U.S. authorities (the “AML laws”). This category of laws includes the Bank Secrecy Act of 1970, the Money Laundering Control Act of 1986, the USA PATRIOT Act of 2001, and the Anti-Money Laundering Act of 2020.

The AML laws and their implementing regulations require insured depository institutions, broker-dealers, and certain other financial institutions to have policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing. The AML laws and their regulations also provide for information sharing, subject to conditions, between federal law enforcement agencies and financial institutions, as well as among financial institutions, for counter-terrorism purposes. Federal banking regulators are required, when reviewing bank holding company acquisition and bank merger applications, to take into account the effectiveness of the anti-money laundering activities of the applicants. To comply with these obligations, the Company has implemented internal practices, procedures, and controls.

Office of Foreign Assets Control

The U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”) is responsible for administering and enforcing economic and trade sanctions against specified foreign parties, including countries and regimes, foreign individuals, and other foreign organizations and entities. OFAC publishes lists of prohibited parties that are regularly consulted by the Company in the conduct of its business in order to assure compliance. The Company is responsible for, among other things, blocking accounts of, and transactions with, prohibited parties identified by OFAC, avoiding unlicensed trade and financial transactions with such parties, and reporting blocked transactions after their occurrence. Failure to comply with OFAC requirements could have serious legal, financial, and reputational consequences for the Company.

Privacy Legislation

Several recent laws, including the Right to Financial Privacy Act, and related regulations issued by the federal bank regulatory agencies, also provide new protections against the transfer and use of customer information by financial institutions. A financial institution must provide to its customers information regarding its policies and procedures with respect to the handling of customers' personal information. Each institution must conduct an internal risk assessment of its ability to protect customer information. These privacy provisions generally prohibit a financial institution from providing a customer's personal financial information to unaffiliated parties without prior notice and approval from the customer.

Incentive Compensation

In June 2010, the federal bank regulatory agencies issued final Interagency Guidance on Sound Incentive Compensation Policies intended to ensure that the incentive compensation policies of financial institutions do not undermine the safety and soundness of such institutions by encouraging excessive risk-taking. The Interagency Guidance on Sound Incentive Compensation Policies covers all employees who have the ability to materially affect the risk profile of a financial institution, either individually or as part of a group, and is based upon the key principles that a financial institution's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the institution's ability to effectively identify and manage risks, (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 financial institution's board of directors.

The Dodd-Frank Act requires the federal banking agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities that encourage inappropriate risk-taking by providing an executive officer, employee, director, or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. The federal banking agencies issued such proposed rules in March 2011 and issued a revised proposed rule in June 2016 implementing the requirements and prohibitions. The revised proposed rule would apply to all banks, among other institutions, with at least $1 billion in average total consolidated assets for which it would go beyond the existing Interagency Guidance on Sound Incentive Compensation Policies to (i) prohibit certain types and features of incentive-based compensation arrangements for senior executive officers, (ii) require incentive-based compensation arrangements to adhere to certain basic principles to avoid a presumption of encouraging inappropriate risk, (iii) require appropriate board or committee oversight, (iv) establish minimum recordkeeping, and (v) mandate disclosures to the appropriate federal banking agency. The comment period for these proposed rules has closed and final rules have not yet been published.

The Federal Reserve will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of financial institutions, such as the Company, that are not "large, complex banking organizations." These reviews are tailored to each financial institution based on the scope and complexity of the institution's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives are included in reports of examination. Deficiencies are incorporated into the institution's supervisory ratings, which can affect the institution's ability to make acquisitions and take other actions. Enforcement actions may be taken against a financial institution if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the institution's safety and soundness and the financial institution is not taking prompt and effective measures to correct the deficiencies. As of December 31, 2022, the Company had not been made aware of any instances of non-compliance with the guidance.

In October 2022, the SEC adopted a final rule directing national securities exchanges and associations, including the NYSE American, the exchange on which the Company's common stock is listed, to implement listing standards that require listed companies to adopt policies mandating the recovery or "clawback" of excess incentive compensation earned by a current or former executive officer during the three fiscal years preceding the date the listed company is required to prepare an accounting restatement, including to correct an error that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. The final rule requires the Company to adopt a clawback policy that is compliant with the new listing standard within 60 days after such standard becomes effective.

Ability-to-Repay and Qualified Mortgage Rule

Pursuant to the Dodd-Frank Act, the CFPB issued a final rule effective in January 2014, amending Regulation Z as implemented by the Truth in Lending Act, requiring mortgage lenders to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms. Mortgage lenders are required to determine consumers' ability to repay in one of two ways. The first alternative requires the mortgage lender to consider the following eight underwriting factors when making the credit decision: (i) current or reasonably expected income or assets; (ii) current employment status; (iii) the monthly payment on the covered transaction; (iv) the monthly payment on any simultaneous loan; (v) the monthly payment for mortgage-related obligations; (vi) current debt obligations, alimony, and child support; (vii) the monthly debt-to-income ratio or residual income; and (viii) credit history. Alternatively, the mortgage lender can originate “qualified mortgages,” which are entitled to a presumption that the creditor making the loan satisfied the ability-to-repay requirements. In general, a “qualified mortgage” is a mortgage loan without negative amortization, interest-only payments, balloon payments, or term exceeding 30 years. In addition, a qualified mortgage generally must meet certain price-based thresholds, and the points and fees paid by a consumer cannot exceed 3% of the total loan amount. Qualified mortgages that are “higher-priced” (e.g., subprime loans) garner a rebuttable presumption of compliance with the ability-to-repay rules, while qualified mortgages that are not “higher-priced” (e.g., prime loans) are given a safe harbor of compliance. The Company is predominantly an originator of compliant qualified mortgages.

Cybersecurity

In March 2015, federal regulators issued two related statements regarding cybersecurity. One statement indicates that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. The other statement indicates that a financial institution’s management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption, and maintenance of the institution’s operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. If the Company fails to observe the regulatory guidance, it could be subject to various regulatory sanctions, including financial penalties.

In November 2021, the federal banking agencies approved a final rule that, among other things, requires banking organizations to notify their primary regulator within 36 hours of becoming aware of a “computer-security incident” that rises to the level of a “notification incident.” The rule also requires bank service providers to notify their banking organization customers as soon as possible after becoming aware of similar incidents.

The Company’s systems and those of its customers and third-party service providers are under constant threat. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of internet banking, mobile banking, and other technology-based products and services by the Company and its customers.

Coronavirus Aid, Relief, and Economic Security Act and Consolidated Appropriations Act, 2021

In response to the COVID-19 pandemic, the CARES Act was signed into law on March 27, 2020 and the Consolidated Appropriations Act, 2021 (“Appropriations Act”) was signed into law on December 27, 2020. Among other things, the CARES Act and Appropriations Act include the following provisions impacting financial institutions.

Temporary Troubled Debt Restructurings (“TDRs”) Relief. The CARES Act allowed banks to elect to suspend requirements under U.S. generally accepted accounting principles (“GAAP”) for loan modifications related to the COVID-19 pandemic (for loans that were not more than 30 days past due as of December 31, 2019) that would otherwise be categorized as a TDR, including impairment for accounting purposes, until the earlier of 60 days after the termination date of the national emergency or December 31, 2020. Federal banking agencies are required to defer to the determination of the banks making such suspension. The Appropriations Act extended this temporary relief until January 1, 2022.

Paycheck Protection Program. The CARES Act created the PPP, administered by the SBA, and it was extended by the Appropriations Act. Under the PPP, a total of $953 billion of relief was made available through May 31, 2021, and the money was authorized for small business loans to pay payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt. The loans were provided through participating financial institutions, such as the Bank, that process loan applications and service the loans.

Future Legislation and Regulation

Congress may enact legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of the proposed legislation could impact the regulatory structure under which the Company and the Bank operate and may significantly increase costs, impede the efficiency of internal business processes, require an increase in regulatory capital, require modifications to business strategy, and limit the ability to pursue business opportunities in an efficient manner. A change in statutes, regulations or regulatory policies applicable to the Company or the Bank could have a material adverse effect on the business, financial condition, and results of operations of the Company and the Bank.

ITEM 1A: RISK FACTORS

An investment in the Company’s common stock involves certain risks, including those described below. In addition to the other information set forth in this report, investors in the Company’s securities should carefully consider the factors discussed below. These factors, either alone or taken together, could materially and adversely affect the Company’s business, financial condition, liquidity, results of operations, capital position, and prospects. One or more of these could cause the Company’s actual results to differ materially from its historical results or the results contemplated by the forward-looking statements contained in this report, in which case the trading price of the Company’s securities could decline.

Regulatory and Operational

The Bank’s formal written agreement with the OCC has required, and in the future will require, the Bank to devote significant resources to enhance its fintech policies, procedures, and operations, and the failure to comply with any provision of the agreement may cause the OCC to take further action against it.

On August 29, 2022, the Bank entered into the Written Agreement with the OCC. The Written Agreement requires the Bank to, among other things, enhance oversight of its third-party fintech partnerships, improve its control framework related to anti-money laundering and Bank Secrecy Act compliance and adopt, implement, and adhere to revised and expanded risk-based policies, procedures, and processes. While subject to the Written Agreement, the Bank will also be required to obtain an OCC non-objection prior to onboarding or signing a contract with a new third-party fintech partner or offering new products or services or conducting new activities with or through existing third-party fintech partners.

The Company's management and boards of directors have devoted, and expect to continue to devote considerable time, attention, and resources on developing, implementing, and monitoring corrective actions to comply with the terms of the Written Agreement. The Company is also utilizing third-party consultants and other advisors to assist in complying with the Written Agreement and noninterest expense has increased, and may continue to increase, as a result. The Company's noninterest income and deposits may decrease to the extent that the Company changes or terminates certain fintech relationships or products or is unable to successfully create new fintech relationships or products. There is no guarantee that the Company will ultimately address the OCC’s concerns and comply with all of the terms of the Written Agreement. If the Company does not comply with the Written Agreement, it could be subject to more restrictive enforcement actions.

The Company operates in a highly-regulated industry and the laws and regulations that govern the Company’s operations, corporate governance, executive compensation and financial accounting or reporting, including changes in them or the Company’s failure to comply with them, may adversely affect the Company.

The Company is subject to extensive regulation and supervision that govern almost all aspects of its operations. These laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the Company’s business activities, limit the dividends or distributions that it can pay, restrict the ability of institutions to guarantee its debt, and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in its capital than GAAP. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs.

The Company faces increasing regulation and supervision of its industry. The Dodd-Frank Act instituted major changes to the banking and financial institutions regulatory regimes. Other changes to statutes, regulations, or regulatory policies, or supervisory guidance, including changes in interpretation or implementation of statutes, regulations, policies or supervisory guidance, could affect the Company in substantial and unpredictable ways. Such additional regulation and supervision has increased, and may continue to increase, the Company’s costs and limit its ability to pursue business opportunities. Further, the Company’s failure to comply with these laws and regulations, even if the failure was inadvertent or reflects a difference in interpretation, could subject it to restrictions on its business activities, fines, and other penalties, any of which could adversely affect the Company’s results of operations, capital base, and the price of its securities. Further, any new laws, rules and regulations could make compliance more difficult or expensive or otherwise adversely affect the Company’s business and financial condition.

Regulations issued by the CFPB could adversely impact earnings due to, among other things, increased compliance costs or costs due to noncompliance.

The CFPB has broad rulemaking authority to administer and carry out the provisions of the Dodd-Frank Act with respect to financial institutions that offer covered financial products and services to consumers. The CFPB has also been directed to write rules identifying practices or acts that are unfair, deceptive, or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. For example, the CFPB has issued a final rule, requiring mortgage lenders to make a reasonable and good faith determination based on verified and documented information that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms, or to originate "qualified mortgages" that meet specific requirements with respect to terms, pricing and fees. The rule also contains additional disclosure requirements at mortgage loan origination and in monthly statements. The requirements under the CFPB's regulations and policies could limit the Company's ability to make certain types of loans or loans to certain borrowers or could make it more expensive and/or time consuming to make these loans, which could adversely impact the Company's profitability.

The Company is subject to laws regarding the privacy, information security, and protection of personal information and any violation of these laws or another incident involving personal, confidential, or proprietary information of individuals could damage the Company's reputation and otherwise adversely affect its business.

The Company's business requires the collection and retention of large volumes of customer data, including personally identifiable information ("PII") in various information systems that the Company maintains and in those maintained by third- party service providers. The Company also maintains important internal company data such as PII about its employees and information relating to its operations. The Company is subject to complex and evolving laws and regulations governing the privacy and protection of PII of individuals (including customers, employees and other third parties). For example, the Company's business is subject to the GLB Act, which, among other things: (i) imposes certain limitations on the Company's ability to share nonpublic PII about its customers with nonaffiliated third parties; (ii) requires that the Company provide certain disclosures to customers about its information collection, sharing, and security practices and afford customers the right to "opt out" of any information sharing by it with nonaffiliated third parties (with certain exceptions); and (iii) requires that the Company develop, implement, and maintain a written comprehensive information security program containing appropriate safeguards based on the Company's size and complexity, the nature and scope of its activities, and the sensitivity of customer information it processes, as well as plans for responding to data security breaches. Various federal and state banking regulators and states have also enacted data breach notification requirements with varying levels of individual, consumer, regulatory, or law enforcement notification in the event of a security breach. Ensuring that the Company's collection, use, transfer, and storage of PII complies with all applicable laws and regulations can increase the Company's costs. Furthermore, the Company may not be able to ensure that customers and other third parties have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. If personal, confidential, or proprietary information of customers or others were to be mishandled or misused, the Company could be exposed to litigation or regulatory sanctions under privacy and data protection laws and regulations. Concerns regarding the effectiveness of the Company's measures to safeguard PII, or even the perception that such measures are inadequate, could cause the Company to lose customers or potential customers and thereby reduce its revenues. Accordingly, any failure, or perceived failure, to comply with applicable privacy or data protection laws and regulations may subject the Company to inquiries, examinations, and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties, and could damage the Company's reputation and otherwise adversely affect its operations, financial condition, and results of operations.

Changes in accounting standards could impact reported earnings.

The authorities that promulgate accounting standards, including the Financial Accounting Standards Board ("FASB"), the SEC and other regulatory authorities, periodically change the financial accounting and reporting standards that govern the preparation of the Company's consolidated financial statements. These changes are difficult to predict and can materially impact how the Company records and reports its financial condition and results of operations. In some cases, the Company could be required to apply a new or revised standard retroactively, resulting in the restatement of financial statements for prior periods. Such changes could also require the Company to incur additional personnel or technology costs. For example, effective January 1, 2023, the Company will adopt Accounting Standards Codification ("ASC") 326, Financial Instruments - Credit Losses (referred herein as "current expected credit losses" or "CECL"). CECL is generally viewed throughout the industry as the most significant change in accounting standards to affect financial institutions in decades as it fundamentally changes the accounting for and estimation of the allowance for loan losses. The current incurred loss approach will be replaced by a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. As a result, the Company has incurred additional expenses to support both the adoption and the subsequent accounting and financial reporting requirements of CECL. For more information regarding recent accounting pronouncements and their effects on the Company, including CECL, see "Recent Accounting Pronouncements" in Note 2 of the Company's audited financial statements as of and for the year ended December 31, 2022.

Failure to maintain effective systems of internal and disclosure controls could have a material adverse effect on the Company's results of operation and financial condition.

Effective internal and disclosure controls are necessary for the Company to provide reliable financial reports and effectively prevent fraud and to operate successfully as a public company. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results would be harmed. As part of the Company's ongoing monitoring of internal controls, it may discover material weaknesses or significant deficiencies in its internal controls that require remediation. A "material weakness" is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company's inability to maintain the operating effectiveness of the controls described above could result in a material misstatement to the Company's financial statements or other disclosures, which could have an adverse effect on its business, financial condition, or results of operations. In addition, any failure to maintain effective controls in accordance with Section 404 of the Sarbanes-Oxley Act and FDIC regulations or to timely effect any necessary improvement of the Company's internal and disclosure controls could, among other things, result in losses from fraud or error, harm the Company's reputation, or cause investors to lose confidence in its reported financial information, all of which could have a material adverse effect on its results of operations and financial condition.

The Company's success depends on its management team, and the unexpected loss of any of these personnel could adversely affect operations.

The Company's success is, and is expected to remain, highly dependent on its management team. The Company's growth will continue to place significant demands on management, and the loss of any such person's services may have an adverse effect upon growth and profitability. If the Company fails to retain or continue to recruit qualified employees, growth and profitability could be adversely affected.

The success of the Company's strategy depends on its ability to identify and retain individuals with experience and relationships in its markets.

In order to be successful, the Company must identify and retain experienced key management members and sales staff with local expertise and relationships. Competition for qualified personnel is intense and there is a limited number of qualified persons with knowledge of and experience in banking and in the Company's chosen geographic markets. Even if the Company identifies individuals that it believes could assist it in building its franchise, it may be unable to recruit these individuals away from their current employers. In addition, the process of identifying and recruiting individuals with the combination of skills and attributes required to carry out the Company's strategy is often lengthy. The Company's inability to identify, recruit, and retain talented personnel could limit its growth and could materially adversely affect its business, financial condition, and results of operations.

The Company relies on other companies to provide key components of its business infrastructure.

Third parties provide key components of the Company's business operations such as data processing, recording, and monitoring transactions, online banking interfaces and services, internet connections, and network access. While the Company has selected these third-party vendors carefully, it does not control their actions. Any problem caused by these third parties, including poor performance of services, failure to provide services, disruptions in communication services provided by a vendor and failure to handle current or higher volumes, could adversely affect the Company's ability to deliver products and services to its customers and otherwise conduct its business, and may harm its reputation. Financial or operational difficulties of a third-party vendor could also hurt the Company's operations if those difficulties interface with the vendor's ability to serve the Company. Replacing these third-party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to the Company's business operations.

The soundness of other financial institutions could adversely affect the Company.

The Company's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. The Company has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial industry. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by the Company or by other institutions. Many of these transactions expose the Company to credit risk in the event of default of its counterparty or client. In addition, credit risk may be exacerbated when the collateral held cannot be realized upon or is liquidated at prices insufficient to recover the full amount of the financial instrument exposure due. There is no assurance that any such losses would not materially and adversely affect results of operations.

The Company is subject to a variety of operational risks, including reputational risk, legal and compliance risk, and the risk of fraud or theft by employees, directors or outsiders.

The Company is exposed to many types of operational risks, including reputational risk, legal and compliance risk, the risk of fraud or theft by employees, directors or outsiders, unauthorized transactions by employees, operational errors, clerical or record-keeping errors, and errors resulting from faulty or disabled computer or communications systems.

Reputational risk, or the risk to the Company's earnings and capital from negative public opinion, could result from the Company's actual or alleged conduct in any number of activities, including lending practices, corporate governance, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect the Company's ability to attract and keep customers and employees and can expose it to litigation and regulatory action.

Further, if any of the Company's financial, accounting, or other data processing systems fail or have other significant issues, the Company could be adversely affected. The Company depends on internal systems and outsourced technology to support these data storage and processing operations. The Company's inability to use or access these information systems at critical points in time could unfavorably impact the timeliness and efficiency of the Company's business operations. It could be adversely affected if one of its employees causes a significant operational break-down or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates its operations or systems. The Company is also at risk of the impact of natural disasters, terrorism, and international hostilities on its systems and from the effects of outages or other failures involving power or communications systems operated by others. The Company may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control (for example, computer viruses, or electrical or communications outages), which may give rise to disruption of service to customers and to financial loss or liability. In addition, there have been instances where financial institutions have been victims of fraudulent activity in which criminals pose as customers to initiate wire and automated clearinghouse transactions out of customer accounts. Although the Company has policies and procedures in place to verify the authenticity of its customers, it cannot guarantee that such policies and procedures will prevent all fraudulent transfers. Such activity can result in financial liability and harm to the Company's reputation. If any of the foregoing risks materialize, it could have a material adverse effect on the Company's business, financial condition, and results of operations.

Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to ESG practices may impose additional costs on the Company or expose it to new or additional risks.

Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to ESG practices and disclosure. Investor advocacy groups, investment funds, and influential investors are also increasingly focused on these practices, especially as they relate to climate risk, hiring practices, the diversity of the work force, and racial and social justice issues. Increased ESG related compliance costs could result in increases to the Company's overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact the Company's reputation, ability to do business with certain partners, and the Company's stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure.

Pending litigation could result in a judgment against the Company resulting in the payment of damages.

On August 12, 2019, a former employee of VCB and participant in its Employee Stock Ownership Plan (the "VCB ESOP") filed a class action complaint against VCB, Virginia Community Bank, and certain individuals associated with the VCB ESOP in the U.S. District Court for the Western District of Virginia, Charlottesville Division (Case No. 3:19-cv-00045-GEC). The complaint alleges, among other things, that the defendants breached their fiduciary duties to ESOP participants in violation of the Employee Retirement Income Security Act of 1974, as amended. The complaint alleges that the ESOP incurred damages "that approach or exceed $12 million." The Company automatically assumed any liability of VCB in connection with this litigation as a result of the Company's acquisition of VCB. The Company believes the claims are without merit. The outcome of this litigation is uncertain, and the plaintiff and other individuals may file additional lawsuits related to the VCB ESOP. The defense, settlement, or adverse outcome of any such lawsuit or claim could have a material adverse impact on the Company.

The Company may be adversely impacted by the transition from the use of the LIBOR index as a reference rate.

In 2017, the United Kingdom's Financial Conduct Authority announced that after 2021 it would no longer compel banks to submit the rates required to calculate LIBOR. In November 2020, the administrator of LIBOR announced it will consult on its intention to extend the retirement date of certain offered rates whereby the publication of the one-week and two-month LIBOR offered rates will cease after December 31, 2022, but the publication of the remaining LIBOR offered rates will continue until June 30, 2023. Given consumer protection, litigation, and reputation risks, federal bank regulators have indicated that entering into new contracts that use LIBOR as a reference rate after December 31, 2022 would create safety and soundness risks and that they will examine bank practices accordingly. Therefore, the agencies encouraged banks to cease entering into new contracts that use LIBOR as a reference rate as soon as practicable and in any event by December 31, 2022. As of December 31, 2022, the Company had approximately $129.6 million of existing loan agreements indexed to LIBOR.

Regulators, industry groups, and certain committees (e.g., the Alternative Reference Rates Committee) have, among other things, published recommended fallback language for LIBOR-linked financial instruments, identified recommended alternatives for certain LIBOR rates (e.g., SOFR, as the recommended alternative to U.S. Dollar LIBOR), and proposed implementations of the recommended alternatives in floating rate instruments. The Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act"), enacted in March 2022, provides a statutory framework to replace LIBOR with a benchmark rate based on SOFR for contracts governed by U.S. law that have no or ineffective fallbacks. Although governmental authorities have endeavored to facilitate an orderly discontinuation of LIBOR, no assurance can be provided that this aim will be achieved or that the use, level, and volatility of LIBOR or other interest rates or the value of LIBOR-based securities will not be adversely affected. For example, SOFR is a relatively new reference rate, has a very limited history, and differs fundamentally from U.S. Dollar LIBOR. SOFR is a broad U.S. Treasury repo financing rate that represents overnight secured funding transactions, whereas U.S. Dollar LIBOR is an unsecured rate that represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as U.S. Dollar LIBOR would have done at any time, and there is no guarantee that it is a comparable substitute for U.S. Dollar LIBOR. The implementation of a substitute index or indices for the calculation of interest rates under the Company's loan agreements with borrowers, subordinated notes that it has issued, or other financial arrangements may cause the Company to incur expenses in effecting the transition, may result in reduced loan balances if borrowers do not accept the substitute index or indices, and may result in disputes or litigation with customers or other counter-parties over the appropriateness or comparability to LIBOR of the substitute index or indices, any of which could have a material adverse effect on the Company's results of operations.

The Company's operations may be adversely affected by cybersecurity risks.

In the ordinary course of business, the Company collects and stores sensitive data, including proprietary business information and personally identifiable information of its customers and employees in systems and on networks. The secure processing, maintenance, and use of this information is critical to operations and the Company's business strategy. The Company has invested in accepted technologies and continually reviews processes and practices that are designed to protect its networks, computers, and data from damage or unauthorized access. Despite these security measures, the Company's computer systems and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance, or other disruptions. A breach of any kind could compromise systems and the information stored there could be accessed, damaged, or disclosed. A breach in security could result in legal claims, regulatory penalties, disruption in operations, and damage to the Company's reputation, which could adversely affect its business and financial condition. Furthermore, as cyber threats continue to evolve and increase, the Company may be required to expend significant additional financial and operational resources to modify or enhance its protective measures, or to investigate and remediate any identified information security vulnerabilities.

In addition, multiple major U.S. companies have experienced data systems incursions reportedly resulting in the thefts of credit and debit card information, online account information, and other financial or privileged data. These incursions affect cards issued and deposit accounts maintained by many banks, including the Bank. Although the Company's systems are not breached in these incursions, these events can cause it to reissue a significant number of cards and take other costly steps to avoid significant theft loss to the Company and its customers. In some cases, the Company may be required to reimburse customers for the losses they incur. Other possible points of intrusion or disruption not within the Company's control include internet service providers, electronic mail portal providers, social media portals, distant-server (cloud) service providers, electronic data security providers, telecommunications companies, and smart phone manufacturers.

The Company’s ability to operate profitably may be dependent on its ability to integrate or introduce various technologies into its operations.

The market for financial services, including banking and consumer finance services, is increasingly affected by advances in technology, including developments in telecommunications, data processing, computers, automation, online banking, and tele-banking. The Company’s ability to compete successfully in its market may depend on the extent to which it is able to implement or exploit such technological changes. If the Company is not able to afford such technologies, properly or timely anticipate or implement such technologies, or effectively train its staff to use such technologies, its business, financial condition, or operating results could be adversely affected.

Severe weather, natural disasters, acts of war or terrorism, geopolitical instability, public health issues, and other external events could significantly impact the Company's business.

Severe weather, natural disasters, acts of war or terrorism, geopolitical instability, public health issues, and other adverse external events could have a significant impact on the Company's ability to conduct business. In addition, such events could affect the stability of the Company’s deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue, and/or cause the Company to incur additional expenses. The occurrence of any such events in the future and the economic impact from such events could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on its financial condition and results of operations.

Climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact the Company’s business.

The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. Federal and state legislatures and regulatory agencies have continued to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. The federal banking agencies, including the OCC, have emphasized that climate-related risks are faced by banking organizations of all types and sizes and are in the process of enhancing supervisory expectations regarding banks’ risk management practices. In December 2021, the OCC published proposed principles for climate risk management by banking organizations with more than $100 billion in assets. The OCC also has appointed its first ever Climate Change Risk Officer and established an internal climate risk implementation committee in order to assist with these initiatives and to support the agency’s efforts to enhance its supervision of climate change risk management. Similar and even more expansive initiatives are expected, including potentially increasing supervisory expectations with respect to banks’ risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change. To the extent that these initiatives lead to the promulgation of new regulations or supervisory guidance applicable to the Company, the Company would likely experience increased compliance costs and other compliance-related risks.

The lack of empirical data surrounding the credit and other financial risks posed by climate change render it impossible to predict how specifically climate change may impact the Company’s financial condition and results of operations; however, the physical effects of climate change may also directly impact the Company. Specifically, unpredictable and more frequent weather disasters may adversely impact the value of real property securing the loans in the Bank’s loan portfolio. Additionally, if insurance obtained by borrowers is insufficient to cover any losses sustained to the collateral, or if insurance coverage is otherwise unavailable to borrowers, the collateral securing loans may be negatively impacted by climate change, which could impact the Company’s financial condition and results of operations. Further, the effects of climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on customers and impact the communities in which the Company operates. Overall, climate change, its effects and the resulting unknown impact, could have a material adverse effect on the Company’s financial condition and results of operations.

Interest Rate Risk

The Company’s business is subject to interest rate risk, and variations in interest rates and inadequate management of interest rate risk may negatively affect financial performance.

Changes in the interest rate environment may reduce the Company’s profits. It is expected that the Company will continue to realize income from the differential or “spread” between the interest earned on loans, securities, and other interest earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. Net interest spreads are affected by the difference between the maturities and repricing characteristics of interest-earning assets and interest-bearing liabilities. In addition, loan volume and yields are affected by market interest rates on loans, and the current interest rate environment encourages extreme competition for new loan originations from qualified borrowers. The Company's management cannot ensure that it can minimize interest rate risk. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, the Company's net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. Accordingly, changes in levels of market interest rates could materially and adversely affect the net interest spread, asset quality, loan origination volume, and the Company's overall profitability. In 2022, the Federal Reserve increased the target federal funds rate by 425 basis points to a range of 425 to 450 basis points as of December 31, 2022.

Market Conditions

The economic impact of the COVID-19 pandemic and measures intended to prevent its spread could adversely affect the Company's business, financial condition, and operations.

Global health and economic concerns relating to the COVID-19 pandemic and government actions taken to reduce the spread of the virus have significantly disrupted the macroeconomic environment in the United States. Although the domestic and global economies have begun to recover from the COVID-19 pandemic as many health and safety restrictions have been lifted and vaccine distribution has increased, certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist for some time, including labor shortages and disruptions of global supply chains. The growth in economic activity and in the demand for goods and services, coupled with labor shortages and supply chain disruptions, has also contributed to rising inflationary pressures and the risk of recession. Further, the COVID-19 pandemic could have long-lasting impacts on consumer behavior and business practices, including on remote work and business travel. The COVID-19 pandemic and related adverse economic consequences could cause adverse effects on the Company due to a number of operational factors impacting it or its customers or business partners, including but not limited to:

- loan losses resulting from financial stress experienced by the Company's customers;
- collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase;
- operational failures, disruptions, or inefficiencies due to changes in the Company's normal business practices;
- business disruptions experienced by the Company's vendors and business partners in carrying out critical services that support the Company's operations;
- decreased demand for the Company's products and services;
- potential financial liability, loan losses, litigation costs, or reputational damage resulting from the Company's origination of loans as a participating lender in the PPP administered by the SBA; and
- heightened levels of cybersecurity risks and payment fraud due to disruption brought about by the pandemic, remote work and increased online activity.

The extent to which the COVID-19 pandemic and related economic consequences impact the Company's business, liquidity, financial condition, and operations will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, if and when the virus can be fully controlled and abated and the extent of its lasting impacts on economic and operating conditions. The impact of the removal of most pandemic related economic stimulus programs is also unknown. To the extent any of the foregoing risks or other factors that develop as a result of COVID-19 and related economic consequences materialize, it could exacerbate the other risk factors discussed in this section, or otherwise materially and adversely affect the Company's business, liquidity, financial condition, and results of operations.

Changes in economic conditions, especially in the areas in which the Company conducts operations, could materially and negatively affect its business.

The Company's business is directly impacted by economic conditions, legislative and regulatory changes, changes in government monetary and fiscal policies, and inflation, all of which are beyond its control. A deterioration in economic conditions, whether caused by global, national, or local concerns (including the continued effects of the COVID-19 pandemic, inflation concerns, rising wages in a tight labor market, geopolitical uncertainty, and supply chain complications), especially within the Company's market area, could result in the following potentially material consequences: loan delinquencies increasing; problem assets and foreclosures increasing; demand for products and services decreasing; low cost or non-interest bearing deposits decreasing; and collateral for loans, especially real estate, declining in value, in turn reducing customers' borrowing power, and reducing the value of assets and collateral associated with existing loans. A continued economic downturn could result in losses that materially and adversely affect the Company's business.

The Company may be adversely impacted by changes in market conditions.

The Company is directly and indirectly affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. As a financial institution, market risk is inherent in the financial instruments associated with the Company's operations and activities, including loans, deposits, securities, short-term borrowings, long-term debt, and trading account assets and liabilities. A few of the market conditions that may shift from time to time, thereby exposing the Company to market risk, include fluctuations in interest rates, equity and futures prices, and price deterioration or changes in value due to changes in market perception or actual credit quality of issuers. The Company's investment securities portfolio, in particular, may be impacted by market conditions beyond its control, including rating agency downgrades of the securities, defaults of the issuers of the securities, lack of market pricing of the securities, inactivity or instability in the credit markets, and changes in market interest rates. For example, the Company carries its available for sale securities portfolio at estimated fair market value. The after-tax unrealized loss of this portfolio, a component of accumulated other comprehensive income on the consolidated balance sheets, was approximately $45.1 million and $3.6 million as of December 31, 2022 and 2021, respectively. The increase in the after-tax unrealized loss in 2022 was primarily attributable to increases in market interest rates from the time such investments were purchased. Any changes in these market conditions, in current accounting principles or interpretations of these principles could impact the Company's assessment of fair value and thus the determination of other-than-temporary impairment of the securities in the investment securities portfolio, which could adversely affect the Company's financial condition, capital ratios, and results of operations.

The Company's mortgage banking revenue is cyclical and is sensitive to the level of interest rates, changes in economic conditions, decreased economic activity, and slowdowns in the housing market, any of which could adversely impact the Company's profits.

Residential mortgage banking income, net, represented approximately 26.2% of total noninterest income for the year ended December 31, 2022. The success of the Company's mortgage division is dependent upon its ability to originate loans and sell them to investors at or near current volumes. Mortgage loan production levels are highly sensitive to changes in the level of interest rates and changes in economic conditions. Revenues from mortgage banking generally are favorably impacted by decreasing interest rates and a low interest rate environment that creates the potential for mortgage loan refinancing activity. Conversely, revenues are adversely affected by rising interest rates, home affordability and inventory, increases in competitive pressures, and changing incentives for homeownership. During 2022, revenues from mortgage banking decreased significantly, primarily due to lower mortgage volumes as demand declined as market interest rates increased significantly during 2022. Loan production levels may continue to suffer if there is a sustained slowdown in the housing markets in which the Company conducts business or tightening credit conditions. Any sustained period of decreased activity caused by an economic downturn, fewer refinancing transactions, higher interest rates, housing price pressure, or loan underwriting restrictions would adversely affect the Company's mortgage originations and, consequently, could significantly reduce its income from mortgage banking activities. As a result, these conditions would also adversely affect the Company's results of operations.

The Company's business and earnings are impacted by governmental, fiscal, and monetary policy over which it has no control.

The Company is affected by domestic monetary policy. The Federal Reserve regulates the supply of money and credit in the United States, and its policies determine in large part the Company's cost of funds for lending, investing, and capital raising activities and the return it earns on those loans and investments, both of which affect the Company's net interest margin. The actions of the Federal Reserve also can materially affect the value of financial instruments that the Company holds, such as loans and debt securities, and also can affect the Company's borrowers, potentially increasing the risk that they may fail to repay their loans. The Company's business and earnings also are affected by the fiscal or other policies that are adopted by various regulatory authorities of the United States. Changes in fiscal or monetary policy are beyond the Company's control and hard to predict. In 2022, the Federal Reserve increased the target federal funds rate by 425 basis points to a range of 425 to 450 basis points as of December 31, 2022.

The Company faces strong and growing competition from financial services companies and other companies that offer banking and other financial services, which could negatively affect the Company's business.

The Company encounters substantial competition from other financial institutions in its market area and competition is increasing. Ultimately, the Company may not be able to compete successfully against current and future competitors. Many competitors offer the same banking services that the Company offers in its service area. These competitors include national, regional, and community banks. The Company also faces competition from many other types of financial institutions, including finance companies, mutual and money market fund providers, brokerage firms, insurance companies, credit unions, financial subsidiaries of certain industrial corporations, financial technology companies, and mortgage companies. Increased competition may result in reduced business for the Company.

Additionally, banks and other financial institutions with larger capitalization and financial intermediaries not subject to bank regulatory restrictions have larger lending limits and are thereby able to serve the credit needs of larger customers. Areas of competition include interest rates for loans and deposits, efforts to obtain loans and deposits, and range and quality of products and services provided, including new technology-driven products and services. If the Company is unable to attract and retain banking customers, it may be unable to continue to grow loan and deposit portfolios and its results of operations and financial condition may otherwise be adversely affected.

Consumers may increasingly decide not to use banks to complete their financial transactions, which would have a material adverse impact on the Company's financial condition and operations.

Technology and other changes are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds, or general-purpose reloadable prepaid cards. Consumers can also complete transactions such as paying bills or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on the Company's financial condition and results of operations.

The Company's common stock is thinly traded, and a more liquid market for its common stock may not develop, which may limit the ability of shareholders to sell their shares and may increase price volatility.

The Company's common stock is listed on the NYSE American market under the symbol "BRBS". There is no guarantee that the Company will be able to maintain the listing of its common stock on the NYSE American in the future. Currently, the Company's common stock is thinly traded and has substantially less liquidity than the trading markets for many other bank holding companies. In addition, there can be no assurance that a more active trading market for shares of the Company's common stock will develop or if one develops, that it can be sustained. The development of a liquid public market depends on the existence of willing buyers and sellers, the presence of which is not within the Company's control. Therefore, the Company's shareholders may not be able to sell their shares at the volume, prices, or times that they desire. Shareholders should be financially prepared and able to hold shares for an indefinite period.

In addition, thinly traded stocks can be more volatile than more widely traded stocks. Several factors could cause the price of the Company's stock to fluctuate substantially. These factors include, but are not limited to, analysts' recommendations or projections, developments related to the Company's business and operations, stock performance of other companies deemed to be peers, news reports of trends, concerns, and irrational exuberance on the part of investors, geopolitical uncertainty, and other issues related to the financial services industry. The Company's stock price may fluctuate significantly in the future, and these fluctuations may be unrelated to its performance. General market declines or market volatility in the future, especially in the financial institutions sector of the economy, could adversely affect the price of the Company's common stock, and the current market price may not be indicative of future market prices.

Credit Risk

The Company's credit standards and its on-going credit assessment processes might not protect it from significant credit losses.

The Company assumes credit risk by virtue of making loans and extending loan commitments and letters of credit. The Company manages credit risk through a program of underwriting standards, the review of certain credit decisions, and a continuous quality assessment process of credit already extended. The Company's exposure to credit risk is managed through the use of consistent underwriting standards that emphasize local lending while avoiding highly leveraged transactions, as well as excessive industry and other concentrations. The Company's credit administration function employs risk management techniques to help ensure that problem loans are promptly identified. While these procedures are designed to provide the Company with the information needed to implement policy adjustments where necessary and to take appropriate corrective actions, there can be no assurance that such measures will be effective in avoiding undue credit risk.

The Bank's allowance for loan losses may be insufficient and any increases in the allowance for loan losses may have a material adverse effect on the Company's financial condition and results of operations.

The Bank maintains an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, that represents the Bank's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance for loan losses is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio.

The level of the allowance reflects management's evaluation of the level of loans outstanding, the level of nonperforming loans, historical loan loss experience, delinquency trends, underlying collateral values, the amount of actual losses charged to the reserve in a given period and assessment of present and anticipated economic conditions. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires the Bank to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Although the Company believes the allowance for loan losses is a reasonable estimate of known and inherent losses in the loan portfolio, it cannot precisely predict such losses or be certain that the loan loss allowance will be adequate in the future. Deterioration of economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside the Bank's control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies and the Bank's auditors periodically review its allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. Further, if charge-offs in future periods exceed the allowance for loan losses, the Bank will need additional provisions to increase the allowance for loan losses.

Nonperforming assets take significant time to resolve and adversely affect the Company's results of operations and financial condition.

The Company's nonperforming assets adversely affect its net income in various ways. Nonperforming assets, which include nonaccrual loans and loans past due 90 days and still accruing interest (excluding purchased credit-impaired loans and accruing TDRs) and other real estate owned ("OREO"), were $18.6 million, or 0.59% of total assets, as of December 31, 2022. When the Company receives collateral through foreclosures and similar proceedings, it is required to record the related loan to the then fair market value of the collateral less estimated selling costs, which may result in a loss. An increased level of nonperforming assets also increases the Company's risk profile and may impact the capital levels regulators believe are appropriate in light of such risks. The Company utilizes various techniques such as workouts, restructurings, and loan sales to manage problem assets. Increases in, or negative changes in, the value of these problem assets, the underlying collateral, or in the borrowers' performance or financial condition, could adversely affect the Company's business, results of operations, and financial condition. In addition, the resolution of nonperforming assets requires significant commitments of time from management and staff, which can be detrimental to the performance of their other responsibilities, including generation of new loans. There can be no assurance that the Company will avoid increases in nonperforming loans in the future.

The Company's focus on lending to small to mid-sized community-based businesses may increase its credit risk.

Most of the Company's commercial business and commercial real estate loans are made to small business or middle market customers. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities and have a heightened vulnerability to economic conditions. If general economic conditions in the market areas in which the Company operates negatively impact this important customer sector, the Company's results of operations and financial condition may be adversely affected. Moreover, a portion of these loans have been made by the Company in recent years and the borrowers may not have experienced a complete business or economic cycle. Any deterioration of the borrowers' businesses may hinder their ability to repay their loans with the Company, which could have a material adverse effect on its financial condition and results of operations.

The Company's concentration in loans secured by real estate may increase its future credit losses, which would negatively affect the Company's financial results.

The Company offers a variety of secured loans, including commercial lines of credit, commercial term loans, real estate, construction, home equity, consumer and other loans. Credit risk and credit losses can increase if its loans are concentrated to borrowers who, as a group, may be uniquely or disproportionately affected by economic or market conditions. As of

December 31, 2022, approximately 73.1% of the Company's loans were secured by real estate, both residential and commercial, substantially all of which are located in its market area. A major change in the region's real estate market, resulting in a deterioration in real estate values, or in the local or national economy, could adversely affect the Company's customers' ability to pay these loans, which in turn could adversely impact the Company. Risk of loan defaults and foreclosures are inherent in the banking industry, and the Company tries to limit its exposure to this risk by carefully underwriting and monitoring its extensions of credit. The Company cannot fully eliminate credit risk, and as a result, losses may occur in the future.

The Company has a moderate concentration of credit exposure in commercial real estate and loans with this type of collateral are viewed as having more risk of default.

As of December 31, 2022, the Company had approximately $865.0 million in loans secured by commercial real estate, representing approximately 35.9% of total loans outstanding at that date. The real estate consists primarily of non-owner-occupied properties and other commercial properties. These types of loans are generally viewed as having more risk of default than residential and owner-occupied real estate loans. They are also typically larger than residential real estate loans and consumer loans and depend on cash flows from the owner's business or the property to service the debt. It may be more difficult for commercial real estate borrowers to repay their loans in a timely manner, as commercial real estate borrowers ability to repay their loans frequently depends on the successful rental of their properties. Cash flows may be affected significantly by general economic conditions, and a sustained downturn in the local economy or in occupancy rates in the local economy where the property is located could increase the likelihood of default. Because the Company's loan portfolio contains a number of commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in its percentage of nonperforming loans. An increase in nonperforming loans could result in a loss of earnings from these loans, an increase in the provision for loan losses, and an increase in charge-offs, all of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company's banking regulators generally give commercial real estate lending greater scrutiny, and may require banks with higher levels of commercial real estate loans to implement improved underwriting, internal controls, risk management policies, and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital, which could have a material adverse effect on the Company's results of operations.

A portion of the Company's loan portfolio consists of construction and land development loans, and a decline in real estate values and economic conditions would adversely affect the value of the collateral securing the loans and could have an adverse effect on the Company's financial condition.

At December 31, 2022, approximately 10.8% of the Company's loan portfolio, or $259.9 million, consisted of construction and land development loans. Construction financing typically involves a higher degree of credit risk than financing on improved, owner-occupied real estate and improved, income producing real estate. Risk of loss on a construction or land development loan is largely dependent upon the accuracy of the initial estimate of the property's value at completion of construction or development, the marketability of the property, and the bid price and estimated cost (including interest) of construction or development. If the estimate of construction or development costs proves to be inaccurate, the Company may be required to advance funds beyond the amount originally committed to permit completion of the project. If the estimate of the value proves to be inaccurate, it may be confronted, at or prior to the maturity of the loan, with a project whose value is insufficient to assure full repayment. When lending to builders and developers, the cost breakdown of construction or development is provided by the builder or developer. Although the Company's underwriting criteria are designed to evaluate and minimize the risks of each construction or land development loan, there can be no guarantee that these practices will have safeguarded against material delinquencies and losses to the Company's operations. In addition, construction and land development loans are dependent on the successful completion of the projects they finance. Loans secured by vacant or unimproved land are generally riskier than loans secured by improved property. These loans are more susceptible to adverse conditions in the real estate market and local economy.

The Company's results of operations are significantly affected by the ability of borrowers to repay their loans.

A significant source of risk for the Company is the possibility that losses will be sustained because borrowers, guarantors, and related parties may fail to perform in accordance with the terms of their loan agreements. Most of the Company's loans are secured, but some loans are unsecured. With respect to the secured loans, the collateral securing the repayment of these loans may be insufficient to cover the obligations owed under such loans. Collateral values may be adversely affected by changes in economic, environmental, and other conditions, including the impacts of the COVID-19 pandemic, declines in the value of real estate, changes in interest rates, changes in monetary and fiscal policies of the federal government, terrorist activity, environmental contamination, and other external events. In addition, collateral appraisals that are out of date or that do not meet industry recognized standards may create the impression that a loan is adequately collateralized when it is not. The Company has adopted underwriting and credit monitoring procedures and policies, including regular reviews of appraisals and borrower financial statements, that management believes are appropriate to mitigate the risk of loss. An increase in nonperforming loans could result in a net loss of earnings from these loans, an increase in the provision for loan losses and an increase in loan charge-offs, all of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company depends on the accuracy and completeness of information about clients and counterparties and the Company's financial condition could be adversely affected if it relies on misleading or incorrect information.

In deciding whether to extend credit or to enter into other transactions with clients and counterparties, the Company may rely on information furnished to it by or on behalf of clients and counterparties, including financial statements and other financial information, which it does not independently verify. The Company also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to clients, the Company may assume that a client's audited financial statements conform with GAAP and present fairly, in all material respects, the financial condition, results of operations and cash flows of that client. The Company's financial condition and results of operations could be negatively impacted to the extent it relies on financial statements that do not comply with GAAP or are materially misleading or other information that turns out to be misleading or incorrect.

The Company relies upon independent appraisers to determine the value of the real estate that secures a significant portion of its loans and the value of foreclosed properties carried on its books, and the values indicated by such appraisers may not be realizable if it is forced to foreclose upon such loans or liquidate such foreclosed properties.

As indicated above, a significant portion of the Company's loan portfolio consists of loans secured by real estate and it also holds a portfolio of foreclosed properties. The Company relies upon independent appraisers to estimate the value of such real estate. Appraisals are only estimates of value and the independent appraisers may make mistakes of fact or judgment that adversely affect the reliability of their appraisals. In addition, events occurring after the initial appraisal may cause the value of the real estate to increase or decrease. As a result of any of these factors, the real estate securing some of the Company's loans and the foreclosed properties held by the Company may be more or less valuable than anticipated. If a default occurs on a loan secured by real estate that is less valuable than originally estimated, the Company may not be able to recover the outstanding balance of the loan. It may also be unable to sell its foreclosed properties for the values estimated by their appraisals.

The Company is exposed to risk of environmental liabilities with respect to properties to which it takes title.

In the course of its business, the Company may foreclose and take title to real estate, potentially becoming subject to environmental liabilities associated with such properties. The Company may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation, and clean-up costs, or the Company may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. Costs associated with investigation or remediation activities can be substantial. If the Company is the owner or former owner of a contaminated site, it may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could adversely affect the Company's results of operations.

Mergers and Acquisitions and Growth Strategy

The Company may not be able to successfully manage its long-term growth, which may adversely affect its results of operations and financial condition.

A key aspect of the Company's long-term business strategy is its continued growth and expansion. During the past several years, the Company has experienced rapid growth through loan growth, its acquisitions of Virginia Community Bankshares, Inc. and Bay Banks of Virginia, Inc., and its partnerships with fintech providers.

The Company may not be able to successfully continue its growth if it is unable to identify attractive markets, locations, or opportunities to expand in the future, or if the Company is subject to regulatory restrictions on growth or expansion of its operations, including its fintech partnerships, due to the Written Agreement with the OCC. The Company's ability to manage its growth successfully also will depend on whether it can maintain capital levels adequate to support its growth, maintain cost controls and asset quality, maintain regulatory requirements, and successfully integrate any businesses the Company acquires or partners with into its organization.

The Company has acquired and expanded into new product lines and may consider additional acquisitions and expansion into other businesses that it believes will help it fulfill its strategic objectives. The Company expects that other banking and financial companies, some of which have significantly greater resources, will compete with it to acquire financial services businesses. This competition could increase prices for potential acquisitions that the Company believes are attractive. Acquisitions are also subject to various regulatory approvals. If the Company fails to receive the appropriate regulatory approvals, it will not be able to consummate acquisitions that it believes are in its best interests.

When the Company enters into new markets or new lines of business, its lack of history and familiarity with those markets, clients, and lines of business may lead to unexpected challenges or difficulties that inhibit its success. The Company's plans to expand could depress earnings in the short run, even if it efficiently executes a growth strategy leading to long-term financial benefits.

The Company's strategy also includes growing partnerships with fintech companies, which serve as a source of loan and deposit growth, fee income, and technology-related solutions for the Bank. These initiatives may require the Bank to employ additional qualified personnel and additional operational and control systems to oversee and manage operational, legal, and compliance risks associated with these partnerships. As noted previously, during 2022, the Bank entered into the Written Agreement with the OCC requiring it, among other things, to enhance oversight of these third-party fintech partnerships, improve its control framework related to anti-money laundering and Bank Secrecy Act compliance and adopt, implement, and adhere to revised and expanded risk-based policies, procedures, and processes. In certain cases, the Company also has made and may continue to make investments in these third-party fintech companies, which may be unseasoned, unprofitable, or have limited established operating histories or earnings and may be more vulnerable to financial failure. Any failure to successfully manage these partnerships and related Bank operations, or the failure of these fintech companies to perform, subjects the Bank to supervisory or compliance risks, subjects the Company to a loss of its investment, or delays or otherwise adversely affects the Company's expansion, future financial condition, and results of operations.

Liquidity and Capital

The Company's liquidity needs could adversely affect results of operations and financial condition.

The Company's primary sources of funds are deposits and loan repayments. While scheduled loan repayments are a relatively stable source of funds, they are subject to the ability of borrowers to repay the loans. The ability of borrowers to repay loans can be adversely affected by a number of factors, including, but not limited to, changes in economic conditions, adverse trends or events affecting business industry groups, reductions in real estate values or markets, availability of, and/or access to, sources of refinancing, business closings or lay-offs, pandemics or endemics, inclement weather, natural disasters and geopolitical uncertainty. Additionally, deposit levels may be affected by a number of factors, including, but not limited to, rates paid by competitors, general interest rate levels, regulatory capital requirements, returns available to customers on alternative investments, the ability to maintain fintech partnerships, and general economic conditions. The Company may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations. Such sources include Federal Home Loan Bank of Atlanta ("FHLB") advances, sales of securities and loans, and federal funds lines of credit from correspondent banks, as well as additional out-of-market time deposits and brokered deposits. While the Company believes that these sources are currently adequate, there can be no assurance they will be sufficient to meet future liquidity demands, particularly if the Company continues to grow experiences increasing loan demand or is unable to maintain its deposit base. The Company may be required to slow or discontinue loan growth, capital expenditures or other investments, liquidate assets, or pay higher rates on deposits should such sources not be adequate.

The Company may need to raise additional capital in the future and may not be able to do so on acceptable terms, or at all.

Access to sufficient capital is critical in order to enable the Company to implement its business plan, support its business, expand its operations, and meet applicable capital requirements. The inability to have sufficient capital, whether internally generated through earnings or raised in the capital markets, could adversely impact the Company's ability to support and to grow its operations. If the Company grows its operations faster than it generates capital internally, it will need to access the capital markets. The Company may not be able to raise additional capital in the form of additional debt or equity on acceptable terms, or at all. The Company's ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, the Company's financial condition and its results of operations. Economic conditions and a loss of confidence in financial institutions may increase the Company's cost of capital and limit access to some sources of capital. Further, if the Company needs to raise capital in the future, it may have to do so when many other financial institutions are also seeking to raise capital and would then have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse impact on the Company's business, financial condition, and capital ratios.

Future issuances of the Company's common stock could adversely affect the market price of the common stock and could be dilutive.

The Company's board of directors, without the approval of shareholders, could from time to time decide to issue additional shares of common stock or shares of preferred stock, which may adversely affect the market price of the shares of common stock and could be dilutive to the Company's shareholders. Any sale of additional shares of the Company's common stock may be at prices lower than the current market value of the Company's shares. In addition, new investors may have rights, preferences, and privileges that are senior to, and that could adversely affect, the Company's existing shareholders. For example, preferred stock would be senior to common stock in right of dividends and as to distributions in liquidation. The Company cannot predict or estimate the amount, timing, or nature of its future offerings of equity securities. Thus, the Company's shareholders bear the risk of future offerings diluting their stock holdings, adversely affecting their rights as shareholders, and/or reducing the market price of the Company's common stock.

Regulatory capital standards, including the Basel III Capital Rules, may require the Company and the Bank to maintain higher levels of capital and liquid assets, which could adversely affect the Company's profitability and return on equity.

The Company is subject to capital adequacy guidelines and other regulatory requirements specifying minimum amounts and types of capital that the Company and the Bank must maintain. From time to time, regulators implement changes to these regulatory capital adequacy guidelines. If the Company fails to meet these minimum capital guidelines and/or other regulatory requirements, its financial condition would be materially and adversely affected. The Basel III Capital Rules require bank holding companies and their subsidiaries to maintain significantly more capital as a result of higher required capital levels and more demanding regulatory capital risk weightings and calculations. While the Company is exempt from these capital requirements under the Federal Reserve's SBHC Policy Statement, the Bank is not exempt and must comply. The Bank must also comply with the capital requirements set forth in the "prompt corrective action" regulations pursuant to Section 38 of the FDI Act. Satisfying capital requirements may require the Company to limit its banking operations, reduce dividends, or raise additional capital to improve regulatory capital levels, which could negatively affect its business, financial condition, and results of operations. The EGRRCPA, which became effective May 24, 2018, amended the Dodd-Frank Act to, among other things, provide relief from certain of these requirements. Although the EGRRCPA is still being implemented, the Company does not expect the EGRRCPA and the related rulemakings to materially reduce the impact of capital requirements on its business.

The Company is not obligated to pay dividends and its ability to pay dividends is limited.

The Company's ability to make dividend payments on its common stock depends primarily on certain regulatory considerations and the receipt of dividends and other distributions from the Bank. There are various regulatory restrictions on the ability of banks, such as the Bank, to pay dividends or make other payments to their holding companies. Although the Company has historically paid a cash dividend to the holders of its common stock, holders of its common stock are not entitled to receive dividends, and the Company is not obligated to pay dividends in any particular amounts or at any particular times. Regulatory, economic, and other factors may cause the Company's board of directors to consider, among other things, the reduction of dividends paid on its common stock. See "Business – Supervision and Regulation – Dividends."

ITEM 1B: UNRESOLVED STAFF COMMENTS

Not required.

ITEM 2: PROPERTIES

The Company, through its subsidiaries, owns or leases buildings and office space that are used in the normal course of business. The headquarters of the Company is located at 1807 Seminole Trail, Charlottesville, Virginia 22901 in a building leased by the Bank. The Main Office of the Bank is located at 1 East Market Street, Martinsville, Virginia 24112 in a building leased by the Bank. The Company's subsidiaries own or lease various other offices in the counties and cities in which they operate. As of December 31, 2022, the Company's employees occupied an additional 46 properties, of which 18 were owned by the Company. Additional information with respect to the amounts at which Company premises and equipment are carried and commitments under long-term leases is set forth in Part II, Item 8 - "Financial Statements and Supplementary Data", Note 5 - "Premises and Equipment, net" and Note 12 - "Leases", respectively, in this Form 10-K.

The Company’s properties are maintained in good operating condition and the Company believes the properties are suitable and adequate for its operational needs.

ITEM 3: LEGAL PROCEEDINGS

In the ordinary course of its operations, the Company is a party to various legal proceedings. As of the date of this report, there are no pending or threatened proceedings against the Company, other than as set forth below, that, if determined adversely, would have a material effect on the business, financial position, or results of operations of the Company.

On August 12, 2019, a former employee of VCB and participant in the VCB ESOP filed a class action complaint against VCB, Virginia Community Bank, and certain individuals associated with the VCB ESOP in the U.S. District Court for the Western District of Virginia, Charlottesville Division (Case No. 3:19-cv-000450-GEC). The complaint alleges, among other things, that the defendants breached their fiduciary duties to VCB ESOP participants in violation of the Employee Retirement Income Security Act of 1974, as amended. The complaint alleges that the VCB ESOP incurred damages “that approach or exceed $12 million.” The Company automatically assumed any liability of VCB in connection with this litigation as a result of its 2019 acquisition of VCB. The outcome of this litigation is uncertain, and the plaintiff and other individuals may file additional lawsuits related to the VCB ESOP.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

PART II

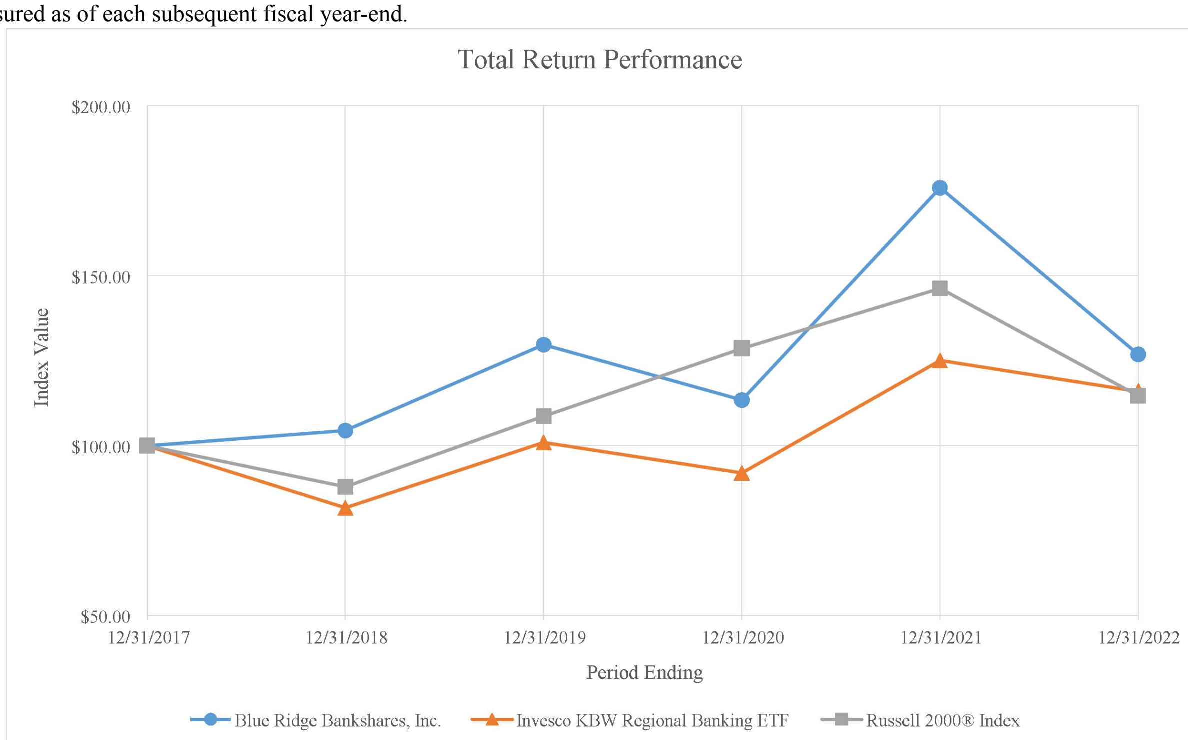
ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

General

The Company's common stock is listed on the NYSE American market under the symbol "BRBS". There were 18,946,466 shares of the Company's common stock outstanding at the close of business on March 1, 2023, which were held by approximately 2,552 shareholders of record. The closing price of the Company's common stock on December 31, 2022 was $12.49 per common share compared to $17.78 per common share as of December 31, 2021.

Five-Year Stock Performance Graph

The following five-year stock performance graph compares the cumulative total shareholder return (assuming reinvestment of dividends) on the Company's common stock to the Invesco KBW Regional Banking ETF (NASDAQ ticker: "KBWR") and the Russell 2000® Index (ticker: "RUT"). This comparison assumes $100.00 was invested on December 31, 2017 in the Company's common stock and the comparison indices and the cumulative return is measured as of each subsequent fiscal year-end.



Index		12/31/2017		12/31/2018		12/31/2019		12/31/2020		12/31/2021		12/31/2022
Blue Ridge Bankshares, Inc.	$	100.00	$	104.45	$	129.72	$	113.44	$	175.85	$	126.86
Invesco KBW Regional Banking ETF		100.00		81.69		100.94		91.91		125.04		116.02
Russell 2000® Index		100.00		87.82		108.66		128.61		146.23		114.70

The performance graph above does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Exchange Act, except to the extent the Company specifically incorporates the performance graph by reference therein.

Dividends

The Company paid four quarterly dividends totaling $0.49 per common share in the year ended December 31, 2022. On January 10, 2023, the board of directors of the Company declared a quarterly dividend of $0.1225 per common share to shareholders of record as of the close of business on January 23, 2023, which was paid on January 31, 2023.

The dividend type, amount, and timing are established by the Company’s board of directors. In making its decisions regarding the payment of dividends on the Company’s common stock, the board of directors considers the Company's operating results, financial condition, capital adequacy, regulatory requirements, shareholders' return, and other factors.

A discussion of certain restrictions and limitations on the ability of the Bank to pay dividends to the Company, and the ability of the Company to pay dividends to shareholders of its common stock, is set forth in Part I, Item 1, Business, of this Form 10-K under the heading “Supervision and Regulation.”

Stock Repurchases

There were no repurchases of the Company's common stock during the year ended December 31, 2022.

ITEM 6: [RESERVED]

ITEM 7: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following presents management’s discussion and analysis of the Company’s consolidated financial condition and the results of the Company’s operations. This discussion should be read in conjunction with the Company’s consolidated financial statements and the notes thereto presented in Item 8, Financial Statements and Supplementary Information, of this Form 10-K.

Cautionary Note About Forward-Looking Statements

The Company makes certain forward-looking statements in this Form 10-K that are subject to risks and uncertainties. These forward-looking statements represent plans, estimates, objectives, goals, guidelines, expectations, intentions, projections, and statements of management’s beliefs concerning future events, business plans, objectives, expected operating results, and the assumptions upon which those statements are based. Forward-looking statements include without limitation, any statement that may predict, forecast, indicate, or imply future results, performance or achievements, and are typically identified with words such as “may,” “could,” “should,” “will,” “would,” “believe,” “anticipate,” “estimate,” “expect,” “aim,” “intend,” “plan,” or words or phases of similar meaning. The Company cautions that the forward-looking statements are based largely on management’s expectations and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors which are, in many instances, beyond the its control. Actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements.

The following factors, among others, could cause the Company’s financial performance to differ materially from that expressed in such forward-looking statements:

- the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Federal Reserve, inflation, interest rate, market, and monetary fluctuations;
- the impact of, and the ability to comply with, the terms of the formal written agreement between the Bank and the OCC;
- the strength of the United States economy in general and the strength of the local economies in which it conducts operations;
- changes in the level of the Company’s nonperforming assets and charge-offs;
- management of risks inherent in the Company’s real estate loan portfolio, and the risk of a prolonged downturn in the real estate market, which could impair the value of collateral and the ability to sell collateral upon any foreclosure;
- changes in consumer spending and savings habits;

- the Company's ability to identify, attract, and retain experienced management, relationship managers, and support personnel, particularly in a competitive labor environment;
- technological and social media changes impacting the Company, the Bank, and the financial services industry in general;
- the Bank's ability to effectively manage its fintech partnerships, and the abilities of those fintech companies to perform as expected;
- changing bank regulatory conditions, laws, regulations, policies, or programs, whether arising as new legislation or regulatory initiatives, that could lead to restrictions on activities of banks generally, or the Bank in particular, more restrictive regulatory capital requirements, increased costs, including deposit insurance premiums, increased regulations, prohibition of certain income producing activities, or changes in the secondary market for loans and other products;
- the impact of changes in financial services policies, laws and regulations, including laws, regulations and policies concerning taxes, banking, securities and insurance, and the application thereof by regulatory bodies;
- the Company’s involvement, from time to time, in legal proceedings and examination and remedial actions by regulators;
- the impact of changes in laws, regulations, and policies affecting the real estate industry;
- the effect of changes in accounting policies and practices, as may be adopted from time to time by bank regulatory agencies, the SEC, the Public Company Accounting Oversight Board, the FASB, or other accounting standards setting bodies, for example, the Company's adoption of CECL effective January 1, 2023;
- the impact of the COVID-19 pandemic, including the adverse impact on our business and operations and on the Company’s customers which may result, among other things, in increased delinquencies, defaults, foreclosures and losses on loans;
- the occurrence of significant natural disasters, including severe weather conditions, floods, health related issues, and other catastrophic events;
- geopolitical conditions, including acts or threats of terrorism and/or military conflicts, or actions taken by the U.S. or other governments in response to acts or threats of terrorism and/or military conflicts, which could impact business and economic conditions in the U.S. and abroad;
- the timely development of competitive new products and services and the acceptance of these products and services by new and existing customers;
- the willingness of users to substitute competitors’ products and services for the Company’s products and services;
- the Company’s inability to successfully manage growth or implement its growth strategy;
- reputational risk and potential adverse reactions of the Company’s customers, suppliers, employees or other business partners;
- the effect of acquisitions the Company may make in the future, including, without limitation, disruption of employee or customer relationships, and the failure to achieve the expected revenue growth and/or expense savings from such acquisitions;
- the Company’s participation in the PPP established by the U.S. government and its administration of the loans and processing fees earned under the program;
- the Company’s involvement, from time to time, in legal proceedings, and examination and remedial actions by regulators;
- the Company’s potential exposure to fraud, negligence, computer theft, and cyber-crime; and
- the Bank’s ability to pay dividends.

The foregoing factors should not be considered exhaustive and should be read together with other cautionary statements that are included in this Form 10-K, including those discussed in the section entitled "Risk Factors" in Item 1A above. If one or more of the factors affecting forward-looking information and statements proves incorrect, then actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained in this Form 10-K. Therefore, the Company cautions you not to place undue reliance on its forward-looking information and statements. The Company will not update the forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking statements. New risks and uncertainties may emerge from time to time, and it is not possible for the Company to predict their occurrence or how these risks and uncertainties will affect it.

Critical Accounting Policies and Estimates

General

The accounting principles the Company applies under GAAP are complex and require management to apply significant judgment to various accounting, reporting, and disclosure matters. Management must use assumptions, judgments, and estimates when applying these principles where precise measurements are not possible or practical. The Company views these policies as critical because they are highly dependent upon subjective or complex judgments, assumptions, and estimates. Changes in such judgments, assumptions, and estimates may have a significant impact on the consolidated financial statements. Actual results, in fact, could differ from initial estimates.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level believed to be adequate to absorb probable losses inherent in the portfolio and is based on the size and current risk characteristics of the loan portfolio, an assessment of individual problem loans and actual loss experience, current economic events in specific industries, and other pertinent factors, such as regulatory guidance and general economic conditions. The Company’s allowance for loan losses is established through a provision for loan losses charged to earnings. Loans identified as losses and deemed uncollectible by management are charged to the allowance for loan losses. Subsequent recoveries, if any, are credited to the allowance for loan losses. The allowance for loan losses is evaluated on a periodic basis by management, but no less than quarterly.

The allowance for loan losses consists of specific and general components. The specific component relates to loans that are determined to be impaired and, therefore, individually evaluated for impairment. The Company considers a loan to be impaired when 1) the risk grade of the loan is substandard or worse and the balance of the loan exceeds $500,000 or 2) the loan is a TDR, regardless of balance. A loan is not considered impaired during a period of delay in payment if the Company expects to collect all amounts due, including past due interest. Measurement of impairment is based on the expected future cash flows of an impaired loan, discounted at the loan's effective interest rate, or measured based on an observable market value, if one exists, or the fair value of the collateral underlying the loan, discounted to consider estimated costs to sell the collateral for collateral-dependent loans. If the net value is less than the loan balance (including any unamortized premium or discount associated with the loan) an impairment is recognized and a specific reserve is established for the impaired loan. The general component of the allowance for loan losses covers those loans not classified as impaired and those loans classified as impaired that are not individually evaluated for impairment. Loans in the general component population are segmented into homogenous groups that share similar characteristics and receive a loss factor that is based on historical loss experience adjusted for other internal or external influences on credit quality that are not fully reflected in the historical data. Internal and external factors include, but are not limited to, internal underwriting standards, loan portfolio composition and concentrations, and local and national economic conditions.

The determination of the allowance for loan losses is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends, all of which may be susceptible to significant change.

Credit losses are an inherent part of the Company’s business. Management believes the methodologies for determining the allowance for loan losses and the current level of the allowance are appropriate; however, it is possible that there may be unidentified losses in the portfolio at any particular time that may become evident at a future date pursuant to additional internal analysis or regulatory comment. Additional provisions for such losses, if necessary, would be recorded as a charge to earnings.

Accounting for Acquired Loans

Loans acquired pursuant to a business combination are recorded at fair value, with no allowance for loan losses carrying over at the effective date of the transaction. The difference between contractually required amounts receivable and the acquisition date fair value of the loans that are not deemed credit-impaired at acquisition is accreted (recognized) into income over the life of the loan either on a level yield or interest method in accordance to ASC 310-20, Receivables-Nonrefundable Fees and Other Costs.

Subsequent to the acquisition date, an allowance for loan losses may be established through a provision for loan losses, based upon a process that is similar to the evaluation process used for originated loans. This evaluation, which includes a review of loans on which full collectability may not be reasonably assured, considers, among other factors, the estimated fair value of the underlying collateral, economic conditions, historical net loan loss experience, carrying value of the loans, which includes the remaining net purchase discount or premium, and other factors that warrant recognition in determining the allowance for loan losses.

Loans are designated purchased credit-impaired ("PCI") on the effective date of a business combination when there is evidence of credit deterioration after origination and for which it is probable that all contractually required principal and interest payments will not be collected. The applicable accounting guidance for PCI loans is ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. PCI loans are initially recorded at fair value (as determined by the present value of expected future cash flows) with no allowance for loan losses. The Company recognizes interest income on PCI loans acquired at a discount (that is due, in part, to credit quality) based on the acquired loans' expected cash flows. PCI loans may be aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. A pool is accounted for as a single asset with a single composite yield and an aggregate expectation of cash flow. The difference between the cash flows expected at acquisition and the investment in the loans, or the accretable yield, is recognized as interest income utilizing the level-yield method over the life of each pool. Increases in expected cash flows subsequent to the acquisition are recognized prospectively through adjustment of the yield on the pool over its remaining life, while decreases in expected cash flows are recognized as impairment through a loan loss provision and an increase in the allowance for loan losses. Therefore, the allowance for loan losses on these impaired pools reflects only losses incurred after the acquisition (representing the present value of all cash flows that were expected at acquisition but currently are not expected to be received).

Management periodically evaluates the remaining contractual required payments due and estimates of cash flows expected to be collected. These evaluations, performed no less than semi-annually, require the continued use of key assumptions and estimates, similar to the initial estimate of fair value. Changes in the contractual required payments due and estimated cash flows expected to be collected may result in changes in the accretable yield and non-accretable difference or reclassifications between accretable yield and the non-accretable difference.

Fair Value Measurements

The Company determines the fair values of financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy describes three levels of inputs that may be used to measure fair value. For example, the Company's available-for-sale investment securities are recorded at fair value using reliable and unbiased evaluations by an industry-wide valuation service. This service uses evaluated pricing models that vary based on asset class and include available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary models, vast descriptive terms and conditions databases, as well as extensive quality control programs. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates; therefore, the values presented may not represent future fair values and may not be realizable.

Derivatives

Derivatives are recognized as assets and liabilities on the Company's consolidated balance sheets and measured at fair value. The Company's derivatives consist of forward sales of to-be-announced ("TBA") mortgage-backed securities ("MBS") and interest rate lock commitments. The Company's hedging policies permit the use of various derivative financial instruments to manage interest rate risk or to hedge specified assets and liabilities. The Company may be required to recognize certain contracts and commitments as derivatives when the characteristics of those contracts and commitments meet the definition of a derivative. If derivative instruments are designated as hedges of fair values, both the change in the fair value of the hedge and the hedged item are included in current earnings.

During the normal course of business, the Company enters into commitments to originate mortgage loans, whereby the interest rate on the loan is determined prior to funding ("rate lock commitments"). For commitments issued in connection with potential loans intended for sale, the Company enters into positions of forward month MBS TBA contracts on a mandatory basis or on a one-to-one forward sales contract on a best efforts basis. The Company enters into TBA contracts in order to control interest rate risk during the period between the rate lock commitment and mandatory sale of the mortgage loan. Both the rate lock commitment and the forward TBA contract are considered derivatives. A mortgage loan sold on a best efforts basis is locked into a forward sales contract with a counterparty on the same day as the rate lock commitment to control interest rate risk during the period between the commitment and the sale of the mortgage loan. Both the rate lock commitment and the forward sales contract are considered derivatives.

The market values of rate lock commitments and delivery commitments are not readily ascertainable with precision because rate lock commitments and best efforts contracts are not actively traded in stand-alone markets. The Company determines the fair value of rate lock commitments, delivery contracts, and forward sales contracts of MBS by measuring the change in the value of the underlying asset, while taking into consideration the probability that the rate lock commitments will close or will be funded. Certain risks arise from the forward delivery contracts in that the counterparties to the contracts may not be able to meet the terms of the contracts. Additional risks inherent in mandatory delivery programs include the risk that, if the Company does not close the loans subject to rate lock commitments, it will still be obligated to deliver MBS to the counterparty under the forward sales agreements.

Income Taxes

Income taxes are accounted for using the balance sheet method in accordance with ASC 740, Accounting for Income Taxes. Per ASC 740, the objective is to (a) recognize the amount of taxes payable or refundable for the current year, and (b) defer tax liabilities and assets for the future tax consequences of events that have been recognized in the financial statements or federal income tax returns. A net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book (i.e., financial statement) and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. Temporary differences are reversed in the period in which an amount or amounts become taxable or deductible.

A deferred tax liability is recognized for all temporary differences that will result in future taxable income; a deferred tax asset is recognized for all temporary differences that will result in future tax deductions, potentially reduced by a valuation allowance. A valuation allowance is recognized if, based on an analysis of available evidence, management determines that it is more likely than not that some portion or all of the deferred tax asset will not be realized. In making this assessment, all sources of taxable income available to realize the deferred tax asset are considered including taxable income in prior carryback years, future releases of existing temporary differences, tax planning strategies, and future taxable income exclusive of reversing temporary differences and carryforwards. The predictability that future taxable income, exclusive of reversing temporary differences, will occur is the most subjective of these four sources. Additionally, cumulative losses in recent years, if any, are considered negative evidence that may be difficult to overcome to support a conclusion that future taxable income, exclusive of reversing temporary differences and carryforwards, is sufficient to realize a deferred tax asset. Adjustments to increase or decrease the valuation allowance are charged or credited, respectively, to income tax expense. The evaluation of the recoverability of deferred tax assets requires management to make significant judgments regarding the releases of temporary differences and future profitability, among other items. The Company concluded that, as of December 31, 2022, no valuation allowance was required on the Company's deferred tax asset.

Mortgage Servicing Rights ("MSR")

MSR assets represent the economic value associated with servicing a borrower during the life of the mortgage. The assets are separate from the underlying mortgage and may be retained or sold by the Company when the related mortgage is sold. In accordance with ASC 860-50, Transfers and Servicing, MSR assets are initially recognized at fair value and subsequently accounted for using either the amortization method or the fair value measurement method. On January 1, 2022, the Company changed its accounting method for MSR assets from the amortization method to the fair value measurement method. This change in accounting method, which was an irrevocable election, was prospective in nature and resulted in an after-tax difference in carrying values of its MSR assets under the two methods at the beginning of the year. Consequently, a positive $3.5 million after-tax cumulative effect adjustment was recorded to stockholders' equity as of January 1, 2022.

Five Year Summary of Selected Financial Data

(Dollars and shares in thousands, except per share data)	2022	2021	2020	2019	2018
Income Statement Data:					
Interest income	$ 127,476	$ 103,546	$ 54,460	$ 30,888	$ 22,437
Interest expense	17,085	11,065	9,950	9,520	5,152
Net interest income	110,391	92,481	44,510	21,368	17,285
Provision for loan losses	17,886	117	10,450	1,742	1,225
Net interest income after provision for loan losses	92,505	92,364	34,060	19,626	16,060
Noninterest income	48,092	86,988	55,850	17,816	9,113
Noninterest expense	104,776	110,988	67,236	31,806	19,361
Income from continuing operations before income tax expense	35,821	68,364	22,674	5,636	5,812
Income tax expense attributable to continuing operations	8,244	15,740	4,837	985	1,167
Net income from continuing operations	27,577	52,624	17,837	4,651	4,645
Net income (loss) from discontinued operations	337	(144)	(140)	(47)	(73)
Net income from discontinued operations attributable to noncontrolling interest	(1)	(3)	(1)	(24)	(13)
Net income attributable to Blue Ridge Bankshares, Inc.	$ 27,913	$ 52,477	$ 17,696	$ 4,580	$ 4,559
Per Common Share Data:					
Diluted EPS from continuing operations (1)	$ 1.46	$ 2.95	$ 2.07	$ 0.74	$ 1.09
Dividends declared per share (1) (2)	0.4900	0.4350	0.2850	0.3800	0.3600
Book value per common share (1)	13.69	14.76	12.61	10.88	9.41
Balance Sheet Data:					
Total assets	$ 3,141,045	$ 2,665,139	$ 1,498,258	$ 960,811	$ 539,590
Loans held for investment, gross (including PPP loans)	2,411,059	1,807,578	1,016,694	646,834	414,868
Loans held for sale	69,534	121,943	152,931	55,646	29,233
Securities	399,374	396,050	120,648	128,897	58,750
Total deposits	2,502,507	2,297,771	945,109	722,030	415,027
Subordinated notes, net	39,920	39,986	24,506	9,800	9,766
FHLB borrowings	311,700	10,111	115,000	124,800	73,100
FRB borrowings	51	17,901	281,650	—	—
Stockholders' equity	259,373	277,139	108,200	92,337	39,621
Weighted average common shares outstanding - basic (1)	18,811	17,841	8,535	6,221	4,169
Weighted average common shares outstanding - diluted (1)	18,825	17,851	8,535	6,221	4,169
Financial Ratios:					
Return on average assets	0.99 %	1.86 %	1.44 %	0.61 %	0.95 %
Return on average equity	10.58 %	21.50 %	17.65 %	6.94 %	12.02 %
Net interest margin	4.22 %	3.51 %	3.49 %	3.34 %	3.88 %
Efficiency ratio	66.11 %	62.15 %	67.49 %	81.78 %	74.66 %
Dividend payout ratio	33.56 %	14.80 %	13.75 %	51.61 %	32.92 %
Capital and Credit Quality Ratios:					
Average equity to average assets	9.34 %	8.65 %	7.08 %	8.79 %	7.89 %
Allowance for loan losses to loans held for investment, excluding PPP loans	0.96 %	0.68 %	1.90 %	0.71 %	0.86 %
Nonperforming loans to total assets	0.59 %	0.60 %	0.44 %	0.54 %	1.39 %
Nonperforming assets to total assets	0.60 %	0.61 %	0.44 %	0.54 %	1.42 %
Net charge-offs to total loans held for investment	0.30 %	0.10 %	0.12 %	0.12 %	0.11 %

(1) Share and per share figures have been adjusted for all periods presented to reflect the Company's 3-for-2 stock split effective April 30, 2021.

(2) Beginning in the fourth quarter of 2020, the quarterly dividends have been declared and paid subsequent to the applicable quarter-end.

Comparison of Results of Operations for the Years Ended December 31, 2022 and 2021

This section of this Form 10-K generally discusses 2022 and 2021 events and results and year-to-year comparisons between 2022 and 2021. Discussions of 2020 items and year-to-year comparisons between 2021 and 2020 that are not included in this Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

For the year ended December 31, 2022, the Company reported net income from continuing operations of $27.5 million compared to $52.6 million reported for 2021. Basic and diluted earnings per share from continuing operations were $1.46 for 2022 compared to $2.95 for 2021.

Net Interest Income. Net interest income is the excess of interest earned on loans, investments, and other interest-earning assets over the interest paid on deposits and borrowings and is the Company’s primary revenue source. Net interest income is thereby affected by overall balance sheet growth, changes in interest rates, and changes in the mix of investments, loans, deposits, and borrowings.

The following table presents the average balance sheets for each of the years ended December 31, 2022, 2021, and 2020. In addition, the amounts of interest earned on interest-earning assets, with related taxable equivalent yields, and interest expense on interest-bearing liabilities, with related rates, are presented.

	For the Years Ended December 31,								
	2022			2021			2020		
(Dollars in thousands)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets:									
Taxable securities	$ 386,363	$ 8,744	2.26 %	$ 304,685	$ 5,192	1.70 %	$ 106,228	$ 2,582	2.43 %
Tax-exempt securities (1)	20,562	423	2.06 %	12,518	302	2.41 %	6,175	178	2.88 %
Total securities	406,925	9,167	2.25 %	317,203	5,494	1.73 %	112,403	2,760	2.46 %
Interest-earning deposits in other banks	83,544	1,208	1.45 %	114,316	135	0.12 %	108,587	169	0.16 %
Federal funds sold	33,989	364	1.07 %	45,314	47	0.10 %	596	2	0.34 %
Loans held for sale	44,543	1,494	3.35 %	145,075	4,162	2.87 %	140,496	3,922	2.79 %
Paycheck Protection Program loans (2)	18,224	535	2.94 %	351,179	17,311	4.93 %	237,229	10,347	4.36 %
Loans held for investment (including loan fees) (2,3,4)	2,028,828	114,797	5.66 %	1,659,845	76,460	4.61 %	675,226	37,291	5.52 %
Total average interest-earning assets	2,616,053	127,565	4.88 %	2,632,932	103,609	3.94 %	1,274,537	54,491	4.28 %
Less: allowance for loan losses	(16,474)			(13,036)			(7,944)		
Total noninterest-earning assets	225,253			201,222			106,245		
Total average assets	$ 2,824,832			$ 2,821,118			$ 1,372,838		
Liabilities and stockholders' equity:									
Interest-bearing demand, money market deposits, and savings	$ 1,131,718	$ 7,625	0.67 %	$ 908,418	$ 2,244	0.25 %	$ 346,784	$ 1,485	0.43 %
Time deposits (5)	412,671	3,635	0.88 %	540,471	4,193	0.78 %	261,891	4,761	1.82 %
Total interest-bearing deposits	1,544,389	11,260	0.73 %	1,448,889	6,437	0.44 %	608,675	6,246	1.03 %
FHLB borrowings (6)	113,478	3,497	3.08 %	147,919	1,211	0.82 %	121,033	1,654	1.37 %
FRB borrowings	4,881	114	2.34 %	245,196	790	0.32 %	223,869	785	0.35 %
Subordinated notes (7)	39,953	2,215	5.54 %	46,226	2,627	5.68 %	23,566	1,265	5.37 %
Total average interest-bearing liabilities	1,702,701	17,086	1.00 %	1,888,230	11,065	0.59 %	977,143	9,950	1.02 %
Noninterest-bearing demand deposits	821,208			658,063			283,186		
Other noninterest-bearing liabilities	37,042			30,700			15,358		
Stockholders' equity	263,881			244,125			97,151		
Total average liabilities and stockholders' equity	$ 2,824,832			$ 2,821,118			$ 1,372,838		
Net interest income and margin (8)		$ 110,479	4.22 %		$ 92,544	3.51 %		$ 44,541	3.49 %
Cost of funds (9)			0.68 %			0.43 %			0.79 %
Net interest spread (10)			3.87 %			3.35 %			3.26 %

(1) Computed on a fully taxable equivalent basis assuming a 21% federal income tax rate.
(2) Includes deferred loan fees/costs.
(3) Nonaccrual loans have been included in the computations of average loan balances.
(4) Includes accretion of fair value adjustments (discounts) on acquired loans of $7.4 million, $2.0 million, and $1.0 million for the years ended December 31, 2022, 2021, and 2020, respectively.
(5) Includes amortization of fair value adjustments (premiums) on assumed time deposits of $1.5 million, $3.2 million and $23 thousand for the years ended December 31, 2022, 2021, and 2020, respectively.
(6) Includes amortization of fair value adjustments (premiums) on assumed FHLB borrowings of $111 thousand, $12 thousand, and $0 for the years ended December 31, 2022, 2021, and 2020, respectively.
(7) Includes amortization of fair value adjustments (premiums) on assumed subordinated notes of $101 thousand, $176

thousand, and $0 for the years ended December 31, 2022, 2021, and 2020, respectively.
(8) Net interest margin is net interest income divided by average interest-earning assets.
(9) Cost of funds is total interest expense divided by total interest-bearing liabilities and non interest-bearing demand deposits.
(10) Net interest spread is the yield on average interest-earning assets less the cost of average interest-bearing liabilities.

The following table presents the changes in interest income and interest expense due to changes in average assets and liability balances and changes in rates earned on assets and paid on liabilities for the periods stated.

	2022 compared to 2021			2021 compared to 2020		
	Increase/(Decrease) Due to (1)		Total Increase/ (Decrease)	Increase/(Decrease) Due to (1)		Total Increase/ (Decrease)
(Dollars in thousands)	Volume	Rate		Volume	Rate	
Interest Income						
Taxable securities	$ 1,392	$ 2,160	$ 3,552	$ 4,824	$ (2,214)	$ 2,610
Tax-exempt securities	194	(72)	122	183	(59)	124
Interest-earning deposits in other banks	(36)	1,110	1,074	9	(43)	(34)
Federal funds sold	(12)	328	316	150	(105)	45
Loans held for sale	(2,884)	216	(2,668)	128	112	240
Paycheck Protection Program loans	(16,413)	(363)	(16,776)	4,970	1,994	6,964
Loans held for investment	16,996	21,341	38,337	54,378	(15,209)	39,169
Total interest income	$ (763)	$ 24,720	$ 23,957	$ 64,642	$ (15,524)	$ 49,118
Interest Expense						
Interest-bearing demand, money market deposits, and savings	$ 551	$ 4,830	$ 5,381	$ 2,405	(1,646)	$ 759
Time deposits	(991)	434	(557)	5,064	(5,632)	(568)
FHLB borrowings	(282)	2,568	2,286	367	(810)	(443)
FRB borrowings	(775)	98	(677)	75	(70)	5
Subordinated notes	(356)	(55)	(411)	1,218	144	1,362
Total interest expense	(1,853)	7,875	$ 6,022	9,129	(8,014)	1,115
Change in Net Interest Income	$ 1,090	$ 16,845	$ 17,935	$ 55,513	$ (7,510)	$ 48,003

(1) Change in income/expense due to both volume and rate has been allocated in proportion to the absolute dollar amounts of the change in each.

Average interest-earning assets were $2.62 billion for the year ended December 31, 2022 compared to $2.63 billion for the same period of 2021, a $16.9 million decrease. Growth in average balances of loans held for investment, excluding PPP loans, was $369.0 million for 2022, partially attributable to the Company's investment in its government guaranteed, middle market, and specialized lending teams, which drove approximately 30% of this growth. This growth was partially offset by lower average balances of PPP loans in the 2022 period ($18.2 million) compared to the 2021 period ($351.2 million). Total interest income (on a taxable equivalent basis) increased by $24.0 million to $127.6 million for the year ended December 31, 2022 compared to the same period of 2021. This increase was primarily due to higher average balances of and yields on loans held for investments, excluding PPP loans, partially offset by lower average balances of PPP loans. Processing fees, net of costs, and interest income earned by the Company for PPP loans for the years ended December 31, 2022 and 2021 were $535 thousand and $17.3 million, respectively. Interest income in 2022 and 2021 included accretion of fair value adjustments (discounts) on acquired loans of $7.4 million and $2.0 million, respectively.

Average interest-bearing liabilities were $1.70 billion for the year ended December 31, 2022 compared to $1.89 billion for the same period of 2021, a $185.5 million decrease. Most of this decrease was attributable to lower average balances of Federal Reserve Bank of Richmond ("FRB") and FHLB borrowings and time deposits, partially offset by higher average balances of non-maturity interest-bearing deposits. Interest expense increased by $6.0 million to $17.1 million for the year ended December 31, 2022 compared to 2021. Higher interest expense was primarily attributable to higher rates paid on interest-bearing liabilities (except for subordinated notes), particularly deposits related to the Bank's fintech relationships, due to significant increases in market interest rates throughout 2022. The interest rate for the majority of the fintech-related accounts are index-priced, with the index being the federal funds rate. The cost of average interest-bearing liabilities increased to 1.00% in 2022 from 0.59% in 2021, while the cost of funds increased to 0.68% in 2022 from 0.43% in 2021. Interest expense in the 2022 and 2021 periods included the amortization of fair value adjustments (premium) on assumed time deposits of $1.5 million and $3.2 million, respectively, which was a reduction to interest expense.

Net interest income (on a taxable equivalent basis) was $110.5 million for the year ended December 31, 2022 compared to $92.5 million for the year ended December 31, 2021, while net interest margin was 4.22% and 3.51% for the same respective periods. The increase in net interest income in 2022 was primarily due to significant loan growth, higher loan and other interest-earning asset yields, a positive shift in the mix of interest-earning assets, and favorable purchase accounting adjustments, partially offset by higher funding costs and lower PPP-related income. The Company anticipates that net interest income and net interest margin will be negatively affected if funding costs continue to rise in 2023.

Provision for Loan Losses. The provision for loan losses was $17.9 million for the year ended December 31, 2022 compared to $117 thousand for the year ended December 31, 2021, an increase of $17.8 million. The increase in the provision for loan losses during 2022 was primarily due to reserves for loan growth, excluding PPP loans, of $621.9 million, qualitative loss factor adjustments, primarily due to changes in economic conditions, and higher specific reserves for impaired loans.

Noninterest Income. The following table provides detail for noninterest income and changes for the periods stated.

	For the years ended December 31,			
(Dollars in thousands)	**2022**	**2021**	**Change $**	**Change %**
Fair value adjustments of other equity investments	$ 9,306	$ 7,316	$ 1,990	27.20 %
Gain on sale of Paycheck Protection Program loans	—	24,315	(24,315)	(100.00 %)
Residential mortgage banking income, net	12,609	28,624	(16,015)	(55.95 %)
Mortgage servicing rights	8,038	8,398	(360)	(4.29 %)
Gain on termination of interest rate swaps	—	6,221	(6,221)	(100.00 %)
Gain on sale of guaranteed government loans	4,734	2,005	2,729	136.11 %
Wealth and trust management	1,769	2,373	(604)	(25.45 %)
Service charges on deposit accounts	1,289	1,464	(175)	(11.95 %)
Increase in cash surrender value of bank owned life insurance	1,348	932	416	44.64 %
Bank and purchase card, net	2,240	1,805	435	24.10 %
Other	6,759	3,535	3,224	91.20 %
Total noninterest income	$ 48,092	$ 86,988	$ (38,896)	(44.71 %)

The Company's primary noninterest income sources include residential mortgage banking income, which includes gains on sales of mortgages, mortgage servicing income, gains on the sale of government guaranteed loans, and wealth and trust management fees. Noninterest income totaled $48.1 million and $87.0 million for the years ended December 31, 2022 and 2021, respectively. The lower noninterest income in 2022 compared to 2021 was primarily attributable to lower residential mortgage banking income, which was driven by lower mortgage volumes in the 2022 period ($404.7 million) compared to the 2021 period ($1.18 billion) as a result of significant increases in market interest rates throughout 2022. Also contributing to the decline in noninterest income was a $24.3 million gain on the sale of PPP loans and a $6.2 million gain on the termination of interest rate swaps that hedged interest rates on certain FHLB advances, both of which were 2021 transactions. Fair value adjustments attributable to certain other equity investments, primarily direct investments in fintech companies, were $9.3 million and $7.3 million in the 2022 and 2021 periods, respectively.

Noninterest Expense. The following table provides detail for noninterest expense and changes for the periods stated.

(Dollars in thousands)	For the years ended December 31, 2022	2021	Change $	Change %
Salaries and employee benefits	$ 56,006	$ 61,481	$ (5,475)	(8.91%)
Occupancy and equipment	5,916	6,413	(497)	(7.75%)
Data processing	4,593	4,233	360	8.50%
Legal and regulatory filing	3,004	1,736	1,268	73.04%
Advertising and marketing	1,460	1,364	96	7.04%
Communications	3,825	2,810	1,015	36.12%
Audit and accounting fees	1,304	902	402	44.57%
FDIC insurance	1,340	1,014	326	32.15%
Intangible amortization	1,525	1,671	(146)	(8.74%)
Other contractual services	3,137	2,783	354	12.72%
Other taxes and assessments	2,668	2,607	61	2.34%
Regulatory remediation	7,442	—	7,442	100.00%
Merger-related	50	11,868	(11,818)	(99.58%)
Other	12,506	12,106	400	3.30%
Total noninterest expense	$ 104,776	$ 110,988	$ (6,212)	(5.60%)

Noninterest expense totaled $104.8 million and $111.0 million for the years ended December 31, 2022 and 2021, respectively. Regulatory remediation expenses incurred in 2022 consisted primarily of consulting and legal fees associated with the Written Agreement. Excluding merger-related and regulatory remediation expenses, noninterest expense decreased $1.8 million for the year ended December 31, 2022 compared to the same period in 2021. Lower noninterest expense for the 2022 period was primarily attributable to lower salaries and employee benefit expenses in the Company's mortgage division due to reduced headcount and lower commissions, partially offset by salaries and employee benefits and other expenses related to the addition of commercial lenders and support personnel, primarily in the Company's government guaranteed, middle market, and specialized lending teams, and personnel to support the fintech business. The increase in legal and regulatory filing expenses in 2022 was primarily related to legal costs incurred for loan origination and on corporate, employee benefit plans and other employment matters.

Income Tax Expense. For the year ended December 31, 2022, provision for income taxes was $8.3 million (effective tax rate of 23.0%) compared to $15.7 million (effective tax rate of 23.0%) for the same period of 2021.

Analysis of Financial Condition

Loan Portfolio. The Company makes loans to individuals as well as to commercial entities. Specific loan terms vary as to interest rate and repayment and collateral requirements based on the type of loan requested and the creditworthiness of the prospective borrower. Credit risk tends to be geographically concentrated in that a majority of the loan customers are located in the markets serviced by the Bank. All loans are underwritten within specific lending policy guidelines that are designed to maximize the Company’s profitability within an acceptable level of credit and business risk.

The following table presents the Company's loan portfolio by category of loan and the percentage of loans in each category to total loans as of the dates stated.

	December 31,			
	2022		2021	
(Dollars in thousands)	Amount	Percent	Amount	Percent
Commercial and industrial	$ 590,049	24.4 %	$ 320,827	17.7 %
Paycheck Protection Program	11,967	0.5 %	30,742	1.7 %
Real estate – construction, commercial	183,301	7.6 %	146,523	8.1 %
Real estate – construction, residential	76,599	3.2 %	58,857	3.3 %
Real estate – mortgage, commercial	864,989	35.8 %	701,503	38.8 %
Real estate – mortgage, residential	631,772	26.2 %	493,982	27.3 %
Real estate – mortgage, farmland	6,599	0.3 %	6,173	0.3 %
Consumer	47,423	2.0 %	49,877	2.8 %
Gross loans	2,412,699	100.0 %	1,808,484	100.0 %
Less: deferred loan fees, net of costs	(1,640)		(906)	
Gross loans, net of deferred loan fees	2,411,059		1,807,578	
Less: Allowance for loan losses	(22,939)		(12,121)	
Net loans	$ 2,388,120		$ 1,795,457	
Loans held for sale (not included in totals above)	$ 69,534		$ 121,943	

The following table presents the remaining maturities, based on contractual maturity, by loan type and by rate type (variable or fixed) as of December 31, 2022.

			Variable rate				Fixed rate			
(Dollars in thousands)	**Total Maturities**	**One Year or Less**	**Total**	**1-5 years**	**5-15 years**	**More than 15 years**	**Total**	**1-5 years**	**5-15 years**	**More than 15 years**
Commercial and industrial	$ 590,049	$ 126,390	$ 218,423	$ 178,193	$ 37,292	$ 2,938	$ 245,236	$ 125,642	$ 94,471	$ 25,123
Paycheck Protection Program	11,967	—	—	—	—	—	11,967	11,967	—	—
Real estate – construction, commercial	183,301	47,658	93,144	59,449	9,845	23,850	42,499	40,063	2,429	7
Real estate – construction, residential	76,599	25,969	2,560	655	—	1,905	48,070	1,581	3,121	43,368
Real estate – mortgage, commercial	864,989	22,704	461,289	68,670	213,472	179,147	380,996	195,934	159,521	25,541
Real estate – mortgage, residential	631,772	22,519	342,318	13,377	73,255	255,686	266,935	39,186	44,849	182,900
Real estate – mortgage, farmland	6,599	683	1,786	91	261	1,434	4,130	2,474	907	749
Consumer	47,423	5,418	4,726	4,560	166	—	37,279	23,650	13,565	64
Gross loans	$ 2,412,699	$ 251,341	$ 1,124,246	$ 324,995	$ 334,291	$ 464,960	$ 1,037,112	$ 440,497	$ 318,863	$ 277,752

The following table presents a summary of the activity in the Company's allowance for loan losses and the ratio of net charge-offs to average loans outstanding for the periods stated.

	For the years ended December 31,	
(Dollars in thousands)	2022	2021
Allowance, beginning of period	$ 12,121	$ 13,827
Charge-offs		
Commercial and industrial	$ (4,779)	$ (1,098)
Real estate – construction	(162)	(195)
Real estate – mortgage	(1,824)	(125)
Consumer	(1,686)	(1,123)
Total charge-offs	(8,451)	(2,541)
Recoveries		
Commercial and industrial	442	196
Real estate – construction	40	—
Real estate – mortgage	409	98
Consumer	492	424
Total recoveries	1,383	718
Net charge-offs	(7,068)	(1,823)
Provision for loan losses	17,886	117
Allowance, end of period	$ 22,939	$ 12,121
Ratio of net charge-offs to average loans outstanding during period:		
Commercial and industrial	0.98 %	0.32 %
Real estate – construction	0.06 %	0.10 %
Real estate – mortgage	0.11 %	0.00 %
Consumer	1.04 %	0.32 %
Total loans	0.34 %	0.10 %

The $3.7 million and $1.7 million increase in 2022 in commercial and industrial loan and real estate - mortgage charge-offs, respectively, was primarily due to charge-offs of loans to a single borrower. The Company does not anticipate any additional charge-offs attributable to this borrower in future periods.

Management believes that the Company's allowance for loan losses was adequate as of December 31, 2022. There can be no assurance that adjustments to the allowance for loan losses will not be required in the future. Changes in the economic assumptions underlying management’s estimates and judgments; adverse developments in the economy, on a national basis or in the Company’s market area; or changes in the circumstances of particular borrowers are criteria that could require adjustments to the provision for loan losses. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to record additions to the allowance for loan losses based on their judgments of information available to them at the time of their examination.

The allowance for loan losses includes specific and general components applicable to all loan categories; however, management has allocated the allowance by loan type to provide an indication of the relative risk characteristics of the loan portfolio. The allocation is an estimate and should not be interpreted as an indication that charge-offs will occur in these amounts, or that the allocation indicates future trends, and does not restrict the usage of the allowance for any specific loan or category.

The following presents the allocation of the allowance for loan losses by loan category and the percentage of loans in each category to total loans as of the dates stated.

	December 31,			
(Dollars in thousands)	2022	% of Loans	2021	% of Loans
Commercial and industrial	$ 15,272	24.4 %	$ 2,859	17.7 %
Paycheck Protection Program	—	0.5 %	—	1.7 %
Real estate – construction, commercial	1,637	7.6 %	895	8.1 %
Real estate – construction, residential	628	3.2 %	21	3.3 %
Real estate – mortgage, commercial	2,356	35.8 %	4,294	38.8 %
Real estate – mortgage, residential	1,760	26.2 %	1,493	27.3 %
Real estate – mortgage, farmland	4	0.3 %	18	0.3 %
Consumer	1,282	2.0 %	2,541	2.8 %
	$ 22,939	100.0 %	$ 12,121	100.0 %

The Company does not carry an allowance for loan losses on PPP loans as they are fully guaranteed by the U.S. government. In future periods, the Company may be required to establish an allowance for loan losses for these loans, which would result in a provision for loan losses charged to earnings.

Nonperforming Assets. The following table presents a summary of nonperforming assets and various measures as of the dates stated.

	December 31,	
(Dollars in thousands)	2022	2021
Nonaccrual loans (1)	$ 10,324	$ 15,177
Loans past due 90 days and still accruing (1)	8,260	917
Total nonperforming loans	$ 18,584	$ 16,094
Other real estate owned	195	157
Total nonperforming assets	$ 18,779	$ 16,251
Allowance for loan losses	$ 22,939	$ 12,121
Loans held for investment, including PPP loans	$ 2,411,059	$ 1,807,578
Loans held for investment, excluding PPP loans	$ 2,399,092	$ 1,777,172
Total assets	$ 3,141,045	$ 2,665,139
Allowance for loan losses to total loans held for investment, including PPP loans	0.95 %	0.67 %
Allowance for loan losses to total loans held for investment, excluding PPP loans	0.96 %	0.68 %
Allowance for loan losses to nonaccrual loans	222.19 %	79.86 %
Allowance for loan losses to nonperforming loans	123.43 %	75.31 %
Nonaccrual loans to total loans held for investment, including PPP loans	0.43 %	0.84 %
Nonaccrual loans to total loans held for investment, excluding PPP loans	0.43 %	0.85 %
Nonperforming loans to total loans held for investment, including PPP loans	0.77 %	0.89 %
Nonperforming loans to total loans held for investment, excluding PPP loans	0.77 %	0.91 %
Nonperforming assets to total assets	0.60 %	0.61 %

(1) Excluding PCI loans and accruing TDRs

The $7.3 million increase in loans past due 90 days and still accruing in 2022 was primarily attributable to a matured $6.2 million commercial real estate loan that was in the process of being extended as of December 31, 2022. It was well-secured and in the process of collection as of the same date. The Company anticipates that this loan will be renewed in the first quarter of 2023 and it will collect all contractually owed principal and interest up to and through the sale of the underlying collateral.

The increases in the above allowance for loan losses ratios in 2022 was primarily due to reserve needs for commercial and industrial loans, which are generally riskier than loans secured by real estate, and higher qualitative loss factor adjustments, primarily due to changes in economic conditions. During 2022, the Company added a team of commercial lenders that focus on relationships lending to middle market borrowers. Loans to these borrowers are generally larger and may be secured by cash flows and/or other assets of the business.

Loans are placed in nonaccrual status when in the opinion of management the collection of additional interest is unlikely or a specific loan meets the criteria for nonaccrual status established by regulatory authorities, generally 90 days or more past due. Any unpaid interest previously accrued on those loans is reversed from income in the period in which the loan's status changes to nonaccrual. No interest income is recognized on loans in nonaccrual status and any payments received for interest reduce the recorded investment of the respective loan. Generally, a loan remains on nonaccrual status until the loan is current as to both principal and interest or the borrower demonstrates the ability to pay and remain current, or both.

OREO includes properties that have been substantively repossessed or acquired in complete or partial satisfaction of debt. Such properties, which are held for resale, are initially stated at fair value, including a reduction for the estimated selling expenses, which becomes the carrying value. In subsequent periods, such properties are stated at the lower of the restated carrying value or fair value.

Impaired loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Company’s loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance, or other actions. Certain TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower’s sustained repayment performance for a reasonable period, generally six months. The Company had 11 TDRs in the amount of $1.1 million as of December 31, 2022 and eight TDRs in the amount of $688 thousand as of December 31, 2021.

Investment Securities. The investment portfolio is used as a source of interest income, credit risk diversification, and liquidity, as well as to manage interest rate sensitivity and provide collateral for short-term borrowings. Securities in the investment portfolio classified as securities available for sale may be sold in response to changes in market interest rates, securities’ prepayment risk, liquidity needs for loan demand, for general liquidity needs, and other similar factors, and are carried at estimated fair value. The fair value of the Company’s investment securities available for sale was $354.3 million at December 31, 2022, a decrease of $19.2 million from $373.5 million at December 31, 2021. Primarily as a result of a significant increase in market interest rates in the year ended December 31, 2022, the Company’s portfolio of securities available for sale had a net unrealized loss of approximately $58.8 million in the same period. A significant portion of the unrealized loss in the portfolio at December 31, 2022 was related to securities backed by U.S. government agencies.

Securities in the investment portfolio may be classified as held to maturity, if the Company has the ability and intent to hold them to maturity, in which case they would be carried at amortized cost. The Company did not hold any investment securities held to maturity as of December 31, 2022 or December 31, 2021.

As of December 31, 2022 and 2021, the majority of the investment securities portfolio consisted of securities rated investment grade by a leading rating agency. Investment grade securities are judged to have a low risk of default, to be of the best quality and carry the smallest degree of investment risk. The fair value of investment securities that were pledged to secure public deposits totaled $0 and $8.7 million as of December 31, 2022 and December 31, 2021, respectively. At December 31, 2022 and 2021, securities with a fair value of $241.9 million and $23.1 million, respectively, were pledged to secure the Bank's borrowing facility with the FHLB.

The Company reviews for other-than-temporary impairment of its investment portfolio at least quarterly. At December 31, 2022 and 2021, the majority of securities in an unrealized loss position were of investment grade; however, a few did not have a third-party investment grade available. These ungraded securities were primarily subordinated debt instruments issued by bank holding companies and are classified as corporate bonds. Investment securities with unrealized losses are generally a result of pricing changes due to changes in the interest rate environment since purchase and not as a result of permanent credit impairment. Contractual cash flows for MBS are guaranteed and/or funded by the U.S. government. Municipal securities with unrealized losses showed no indication that the contractual cash flows will not be received when due. The Company does not intend to sell nor does it believe that it will be required to sell, any of its temporarily impaired securities prior to the recovery of the amortized cost. No other-than-temporary impairment was recognized for the securities in the Company’s investment portfolio as of and for the years ended December 31, 2022 and 2021.

Restricted equity investments consisted of stock in the FHLB (carrying basis $14.7 million and $1.7 million at December 31, 2022 and 2021, respectively), FRB stock (carrying basis of $6.1 million at both December 31, 2022 and 2021), and stock in the Company’s correspondent bank (carrying basis of $468 thousand at both December 31, 2022 and 2021). Restricted equity investments are carried at cost. The Company holds various other equity investments, including shares in other financial institutions and fintech companies, totaling $23.8 million and $14.2 million as of December 31, 2022 and 2021, respectively, which are carried at fair value with any gain or loss reported in the consolidated statements of operations each reporting period.

The following table presents the composition of the Company's available for sale securities portfolio, at amortized cost, as of the dates stated.

	December 31,			
	2022		2021	
(Dollars in thousands)	Balance	Percent of total	Balance	Percent of total
Securities available for sale				
State and municipal	$ 60,018	14.5 %	$ 51,341	13.6 %
U. S. Treasury and agencies	80,073	19.4 %	65,680	17.3 %
Mortgage backed securities	230,015	55.7 %	222,968	58.9 %
Corporate bonds	42,909	10.4 %	38,752	10.2 %
Total	$ 413,015	100.0 %	$ 378,741	100.0 %

The following table presents the amortized cost of the investment portfolio by contractual maturities, as well as the weighted average yields for each of the maturity ranges as of and for the period stated. Expected 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								
	Within One Year		One to Five Years		Five to Ten Years		Over Ten Years		
(Dollars in thousands)	**Amortized Cost**	**Weighted Average Yield**	**Amortized Cost**	**Weighted Average Yield**	**Amortized Cost**	**Weighted Average Yield**	**Amortized Cost**	**Weighted Average Yield**	**Total Amortized Cost**
Securities available for sale									
State and municipal	$ 502	1.04 %	$ 4,146	2.40 %	$ 30,940	1.89 %	$ 24,430	2.34 %	$ 60,018
U. S. Treasury and agencies	—	—	17,486	0.97 %	51,627	1.80 %	10,960	2.23 %	80,073
Mortgage backed securities	2,894	(0.09 %)	3,133	0.51 %	19,313	2.23 %	204,675	1.91 %	230,015
Corporate bonds	1,500	5.58 %	6,000	6.57 %	34,908	4.62 %	501	4.00 %	42,909
Total	$ 4,896		$ 30,765		$ 136,788		$ 240,566		$ 413,015

Deposits. The principal sources of funds for the Company are core deposits, which include transaction accounts (demand deposits and money market accounts), time deposits, and savings accounts, all of which provide the Bank a source of fee income and cross-marketing opportunities. Core deposits are generally a low-cost source of funding for the Bank and are preferred to brokered deposits. The Company's fintech partnerships have been a significant source of deposits and comprised approximately $690 million (or 27.6%) of the Company's deposits as of December 31, 2022 compared to approximately $189 million (or 8.2%) as of December 31, 2021.

The following table presents the composition of deposits as of the dates stated.

	December 31,			
	2022		2021	
(Dollars in thousands)	Amount	% of Total Deposits	Amount	% of Total Deposits
Noninterest-bearing demand	$ 640,101	25.6 %	$ 685,801	29.8 %
Interest-bearing demand and money market deposits	1,318,799	52.7 %	962,092	41.9 %
Savings	151,646	6.1 %	150,376	6.5 %
Time deposits	391,961	15.6 %	499,502	21.8 %
Total deposits	$ 2,502,507	100.0 %	$ 2,297,771	100.0 %

Total deposits include uninsured deposits of $1.14 billion and $680.4 million as of December 31, 2022 and 2021, respectively. Uninsured deposit amounts are based on estimates as of the reported date.

Brokered deposits comprising both time deposits and money market accounts totaled $49.5 million and $62.1 million as of December 31, 2022 and 2021, respectively.

Approximately 15.6% of the Company’s deposits as of December 31, 2022 were comprised of time deposits, which are generally the most expensive form of deposit because of their fixed rate and term, compared to 21.8% as of December 31, 2021. Noninterest-bearing demand deposits, which represented 25.6% and 29.8% of total deposits as of December 31, 2022 and 2021, respectively, are generally viewed as the most favorable form of deposit for financial institutions.

The following table presents a summary of average deposits and the weighted average rate paid for the periods stated.

	For the year ended December 31,			
	2022		2021	
(Dollars in thousands)	Average Balance	Rate	Average Balance	Rate
Noninterest-bearing demand deposits	$ 821,208	—	$ 658,063	—
Interest-bearing deposits:				
Demand deposits	567,897	0.93 %	262,679	0.27 %
Savings	150,947	0.32 %	144,151	0.16 %
Money market deposits	412,874	0.45 %	501,588	0.26 %
Time deposits	412,671	0.88 %	540,471	0.78 %
Total interest-bearing deposits	1,544,389		1,448,889	
Total average deposits	$ 2,365,597		$ 2,106,952	

The following table presents maturities of time deposits for certificate of deposits $250 thousand or greater as of the dates stated.

	December 31,	
(Dollars in thousands)	2022	2021
Maturing in:		
3 months or less	$ 10,642	$ 30,943
Over 3 months through 6 months	14,699	47,818
Over 6 months through 12 months	15,423	14,213
Over 12 months	35,075	51,868
	$ 75,839	$ 144,842

Borrowings. The Company uses short-term and long-term borrowings from various sources, including FHLB advances and FRB advances, to fund asset growth and operations. The following table presents information on the balances and interest rates on borrowings as of and for periods stated.

	December 31, 2022			
(Dollars in thousands)	Period-End Balance	Highest Month-End Balance	Average Balance	Weighted Average Rate
FHLB borrowings	$ 311,700	$ 311,700	$ 113,478	3.08 %
FRB borrowings	51	17,197	4,881	2.34 %

	December 31, 2021			
(Dollars in thousands)	Period-End Balance	Highest Month-End Balance	Average Balance	Weighted Average Rate
FHLB borrowings	$ 10,111	$ 220,000	$ 147,919	0.82 %
FRB borrowings	17,901	632,540	245,196	0.32 %

FHLB advances are secured by collateral consisting of a blanket lien on qualifying loans in the Company's residential, multifamily, and commercial real estate mortgage loan portfolios, as well as selected investment portfolio securities. FRB borrowings in the 2022 and 2021 periods consist exclusively of PPPLF advances secured by PPP loans.

Subordinated notes, net, totaled $39.9 million as of December 31, 2022 and $40.0 million as of December 31, 2021.

Liquidity. Liquidity in the banking industry is defined as the ability to meet the demand for funds of both depositors and borrowers. The Company must be able to meet these needs by obtaining funding from depositors or other lenders or by converting non-cash items into cash. Stable core deposits and a strong capital position provide the base for the Company's liquidity position. The objective of the Company's liquidity management program is to ensure that it has sufficient resources to meet the demands of depositors and borrowers. Management believes the Company has demonstrated its ability to attract deposits through its branch network, personal service, technology, and pricing. Cash flows from amortizing or maturing assets (loans and securities) also provide funding to meet the needs of depositors and borrowers. A significant source of the Company's liquidity is deposits sourced through fintech partnerships. The Bank enters into agreements with its fintech partners and continually monitors these relationships. Management believes any changes in deposit balances can be effectively controlled and replacement funds, if necessary, can be managed. Having diverse funding alternatives reduces the Company's reliance on any one source for funding.

The Company maintains secured lines of credit with the FHLB under which the Bank can borrow up to the allowable amount for the collateral pledged. The FHLB may provide a credit line of up to 30% of the Bank's asset value as of the prior quarter-end, subject to certain eligibility requirements, and loan and/or securities pledged as collateral. The Bank's line of credit with the FHLB was $525.0 million as of December 31, 2022, with available credit of $128.3 million as of the same date. Outstanding advances drawn on this line totaled $311.7 million and letters of credit pledged for the purpose of collateral for public deposits with the Treasury Board of the Commonwealth of Virginia, which also reduce the available credit balance, totaled $85.1 million as of December 31, 2022. The Company continually reviews its loan portfolio for additional qualifying collateral.

The Bank had unsecured federal fund lines available with correspondent banks for overnight borrowing totaling $28.0 million and $44.0 million at December 31, 2022 and 2021, respectively. These lines bear interest at the prevailing rate for such lines and are cancellable at any time by the correspondent banks. These lines were not drawn upon at December 31, 2022 or 2021.

In addition to deposits and federal funds lines, the Company has access to various wholesale funding markets. These markets include the brokered certificate of deposit market, and listing service deposit market. The Bank is a member of the IntraFi Network, which allows banking customers to access FDIC insurance protection through the Bank on deposits that exceed FDIC insurance limits. The Bank has one-way authority with IntraFi for both its Certificate of Deposit Account Registry Service and Insured Cash Swap Service products, providing the Bank with the ability to access additional wholesale funding as needed.

The Company's liquidity could be impaired by an inability to access the capital markets or by unforeseen outflows of cash, including deposits. This situation may arise due to circumstances that the Company may be unable to control, such as general market disruption, negative views about the financial services industry generally, or an operational problem that affects a third party or the Company. The Company's ability to borrow from other financial institutions on favorable terms or at all could be adversely affected by disruptions in the capital markets or other events. The Company has established a formal liquidity contingency plan, which provides guidelines for liquidity management. For the Company's liquidity management program, the current liquidity position is determined and then forecasted based on anticipated changes in the balance sheet. In this forecast, the Company expects to maintain a liquidity cushion. The Company then stresses its liquidity position under several different stress scenarios, from moderate to severe. Guidelines for the forecasted liquidity cushions and under each stress scenario have been established by policies approved by the board of directors. Management believes the Company has sufficient resources to meet its liquidity needs.

Capital. Capital adequacy is an important measure of financial stability and performance. Management's objectives are to maintain a level of capitalization that is sufficient for the Bank to be categorized as "well capitalized" for regulatory purposes, to sustain asset growth, and promote depositor and investor confidence.

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

The Basel III Capital Rules were phased-in over a multi-year schedule and were fully phased-in on January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios of 2.50% for all ratios, except the tier 1 leverage ratio. If a banking organization dips into its capital conservation buffer, it is subject to limitations on certain activities, including payment of dividends, share repurchases, and discretionary compensation to certain officers. As of December 31, 2022, the Bank met all capital adequacy requirement to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized; although, these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2022, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework. There are no conditions or events since that notification that management believes have changed the institution's category.

On September 17, 2019, the federal banking agencies jointly issued a final rule required by the EGRRCPA that permits qualifying banks and bank holding companies that have less than $10 billion in consolidated assets to elect to be subject to the CBLR. Under the rule, which became effective on January 1, 2020, banks and bank holding companies that opt into the CBLR framework and maintain a CBLR of greater than 9% are not subject to other risk-based and leverage capital requirements under the Basel III Capital Rules and would be deemed to have met the well capitalized ratio requirements under the "prompt corrective action" framework. The Company has not opted into the CBLR framework.

As previously noted, the Company will adopt CECL effective January 1, 2023. Federal and state banking regulations allow financial institutions to irrevocably elect to phase-in the after-tax cumulative effect adjustment to retained earnings ("Day 1 CECL adjustment") over a three-year period. The three-year phase-in of the Day 1 CECL adjustment to regulatory capital will be 25%, 50%, and 25% in 2023, 2024, and 2025, respectively. The Bank plans to make this irrevocable election effective with its first quarter 2023 call report. See "Recent Accounting Pronouncements" in Note 2 of the Company's audited financial statements as of and for the year ended December 31, 2022 for additional information.

The following tables present the capital and capital ratios to which the Bank is subject and the amounts and ratios to be adequately and well capitalized for the dates stated. Adequately capitalized ratios include the conversation buffer.

	As of December 31, 2022					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk based capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 303,876	11.15 %	$ 286,161	10.50 %	$ 272,535	10.00 %
Tier 1 capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 279,125	10.25 %	$ 231,470	8.50 %	$ 217,854	8.00 %
Common equity tier 1 capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 279,125	10.25 %	$ 190,622	7.00 %	$ 177,006	6.50 %
Tier 1 leverage						
(To average assets)						
Blue Ridge Bank, N.A.	$ 279,125	9.25 %	$ 120,703	4.00 %	$ 150,878	5.00 %

	As of December 31, 2021					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk based capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 273,978	13.11 %	$ 219,393	10.50 %	$ 208,946	10.00 %
Tier 1 capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 260,896	12.49 %	$ 177,604	8.50 %	$ 167,157	8.00 %
Common equity tier 1 capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 260,896	12.49 %	$ 146,262	7.00 %	$ 135,815	6.50 %
Tier 1 leverage						
(To average assets)						
Blue Ridge Bank, N.A.	$ 260,896	10.05 %	$ 103,883	4.00 %	$ 129,853	5.00 %

Off-Balance Sheet Activities

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 and involve the same credit risk and evaluation as making a loan to a customer. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2022 and December 31, 2021, the Company had outstanding loan commitments of $719.2 million and $475.1 million, respectively. Of these amounts, $107.9 million and $88.1 million were unconditionally cancellable at the sole discretion of the Company as of the same respective dates.

Conditional commitments are issued by the Company in the form of performance stand-by letters of credit, which guarantee the performance of a customer to a third party. As of December 31, 2022 and 2021, commitments under outstanding performance stand-by letters of credit totaled $0 and $655 thousand, respectively. Additionally, the Company issues financial stand-by letters of credit, which guarantee payment to the underlying beneficiary (i.e., third party) if the customer fails to meet its designated financial obligation. As of December 31, 2022 and 2021, commitments under outstanding financial stand-by letters of credit totaled $29.8 million and $4.5 million, respectively. The credit risk of issuing stand-by letters of credit can be greater than the risk involved in extending loans to customers.

The Company invests in various partnerships, limited liability companies, and small business investment company funds. Pursuant to these investments, the Company commits to an investment amount that may be fulfilled in future periods. At December 31, 2022, the Company had future commitments outstanding totaling $19.0 million related to these investments.

Interest Rate Risk Management

As a financial institution, the Company is exposed to various business risks, including interest rate risk. Interest rate risk is the risk to earnings and value arising from volatility in market interest rates. Interest rate risk arises from timing differences in the repricing and maturities of interest-earning assets and interest-bearing liabilities, changes in the expected maturities of assets and liabilities arising from embedded options, such as borrowers' ability to prepay loans and depositors' ability to redeem certificates of deposit before maturity, changes in the shape of the yield curve where interest rates increase or decrease in a nonparallel fashion, and changes in spread relationships between different yield curves, such as U.S. Treasuries and other market-based index rates. The Company’s goal is to maximize net interest income without incurring excessive interest rate risk. Management of net interest income and interest rate risk must be consistent with the level of capital and liquidity that the Bank maintains. The Company manages interest rate risk through an asset and liability committee comprised of members of its board of directors and management (the “ALCO”). The ALCO is responsible for monitoring the Company’s interest rate risk in conjunction with liquidity and capital management.

The Company employs an independent firm to model its interest rate sensitivity that uses a net interest income simulation model as its primary tool to measure interest rate sensitivity. Assumptions for modeling are developed based on expected activity in the balance sheet. For maturing assets, assumptions are created for the redeployment of these assets. For maturing liabilities, assumptions are developed for the replacement of these funding sources. Assumptions are also developed for assets and liabilities that could reprice during the modeled time period. These assumptions also cover how management expects rates to change on non-maturity deposits such as interest checking, money market checking, savings accounts, as well as certificates of deposit. Based on inputs that include the current balance sheet, the current level of interest rates, and the developed assumptions, the model produces an expected level of net interest income assuming that market rates remain unchanged. This is considered the base case. The model then simulates what net interest income would be based on specific changes in interest rates. The rate simulations are performed for a two-year period and include rapid rate changes of down 100 basis points to 300 basis points and up 100 basis points to 300 basis points. The results of these simulations are then compared to the base case.

The following table illustrates the expected effect on net interest income for year one and year two following December 31, 2022 due to an immediate change ("instantaneous parallel rate shock" scenario) in interest rates at various degrees of change. Estimated changes set forth below are dependent on material assumptions, such as those previously discussed.

	December 31, 2022			
	Instantaneous Parallel Rate Shock Scenario			
	Change in Net Interest Income - Year 1		Change in Net Interest Income - Year 2	
Change in interest rates:				
+300 basis points	$ (14,509)	(12.2%)	$ (12,436)	(9.7%)
+200 basis points	(8,790)	(7.4%)	(7,179)	(5.6%)
+100 basis points	(3,912)	(3.3%)	(2,939)	(2.3%)
Base case				
-100 basis points	1,958	1.6%	115	0.1%
-200 basis points	3,232	2.7%	(1,480)	(1.1%)
-300 basis points	4,147	3.5%	(4,122)	(3.2%)

The severity of the effect of instantaneous increases in interest rates as shown above is due to the timing of pricing change in the Company's interest-bearing liabilities compared to its interest-earning assets. A significant portion of the Company's deposits through its fintech partnerships reprice with changes in federal funds rates. Therefore, an instantaneous change in this index rate results in a relative change in deposit costs. The Company contracts with its fintech partners and continually assesses the cost of these fintech-related deposits relative to sources of fees and other noninterest income earned from these partnerships.

Stress testing the balance sheet and net interest income using instantaneous parallel rate shock movements in the yield curve of 100 to 300 basis points is a regulatory and banking industry practice. However, these stress tests may not represent a realistic forecast of future interest rate movements in the yield curve. In addition, instantaneous parallel rate shock modeling is not a predictor of actual future performance of earnings. It is a financial metric used to manage interest rate risk and track the movement of the Company’s interest rate risk position over a historical time frame for comparison purposes.

The asset and liability repricing characteristics of the Company’s assets and liabilities will have a significant impact on its future interest rate risk profile.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is incorporated herein by reference to the information in section "Interest Rate Risk Management" within Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

elliott davis

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Blue Ridge Bankshares, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Blue Ridge Bankshares, Inc. and its subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

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

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

/s/ Elliott Davis, PLLC

We have served as the Company's auditor since 2020.

Raleigh, North Carolina
March 10, 2023

Blue Ridge Bankshares, Inc.
Consolidated Balance Sheets
December 31, 2022 and 2021

(Dollars in thousands except share data)	As of December 31, 2022	2021
ASSETS		
Cash and due from banks	$ 77,274	$ 130,548
Federal funds sold	1,426	43,903
Securities available for sale, at fair value	354,341	373,532
Restricted equity investments	21,257	8,334
Other equity investments	23,776	14,184
Other investments	24,672	12,681
Loans held for sale	69,534	121,943
Paycheck Protection Program loans, net of deferred fees and costs	11,967	30,406
Loans held for investment, net of deferred fees and costs	2,399,092	1,777,172
Less allowance for loan losses	(22,939)	(12,121)
Loans held for investment, net	2,376,153	1,765,051
Accrued interest receivable	12,393	9,573
Other real estate owned	195	157
Premises and equipment, net	23,152	26,624
Right-of-use asset	6,903	6,317
Bank owned life insurance	47,245	46,545
Goodwill	26,826	26,826
Other intangible assets	6,583	7,594
Mortgage servicing rights, net	28,991	16,469
Deferred tax asset, net	9,182	150
Other assets	19,175	23,001
Assets of discontinued operations	—	1,301
Total assets	$ 3,141,045	$ 2,665,139
LIABILITIES & STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$ 640,101	$ 685,801
Interest-bearing demand and money market deposits	1,318,799	962,092
Savings	151,646	150,376
Time deposits	391,961	499,502
Total deposits	2,502,507	2,297,771
FHLB borrowings	311,700	10,111
FRB borrowings	51	17,901
Subordinated notes, net	39,920	39,986
Lease liability	7,860	7,651
Other liabilities	19,634	14,543
Liabilities of discontinued operations	—	37
Total liabilities	2,881,672	2,388,000
Commitments and contingencies (Note 22)		
Stockholders' Equity:		
Common stock, no par value; 50,000,000 and 25,000,000 shares authorized at December 31, 2022 and December 31, 2021, respectively; 18,950,329 and 18,774,082 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	195,960	194,309
Additional paid-in capital	252	252
Retained earnings	108,262	85,982
Accumulated other comprehensive loss, net of tax	(45,101)	(3,632)
Total Blue Ridge Bankshares, Inc. stockholders' equity before noncontrolling interest	259,373	276,911
Noncontrolling interest of discontinued operations	—	228
Total stockholders' equity	259,373	277,139
Total liabilities and stockholders' equity	$ 3,141,045	$ 2,665,139

See accompanying notes to consolidated financial statements.

Blue Ridge Bankshares, Inc.
Consolidated Statements of Operations
For the years ended December 31, 2022, 2021, and 2020

	For the years ended December 31,		
(Dollars in thousands, except per share data)	**2022**	**2021**	**2020**
INTEREST INCOME			
Interest and fees on loans	$ 116,826	$ 97,933	$ 51,559
Interest on securities, deposit accounts, and federal funds sold	10,650	5,613	2,901
Total interest income	127,476	103,546	54,460
INTEREST EXPENSE			
Interest on deposits	11,260	6,437	6,246
Interest on subordinated notes	2,215	2,627	1,265
Interest on FHLB and FRB borrowings	3,610	2,001	2,439
Total interest expense	17,085	11,065	9,950
Net interest income	110,391	92,481	44,510
Provision for loan losses	17,886	117	10,450
Net interest income after provision for loan losses	92,505	92,364	34,060
NONINTEREST INCOME			
Fair value adjustments of other equity investments	9,306	7,316	—
Gain on sale of Paycheck Protection Program loans	—	24,315	—
Residential mortgage banking income, net	12,609	28,624	44,460
Mortgage servicing rights	8,038	8,398	7,084
Gain on sale of guaranteed government loans	4,734	2,005	880
Gain on termination of interest rate swaps	—	6,221	—
Wealth and trust management	1,769	2,373	—
Service charges on deposit accounts	1,289	1,464	905
Increase in cash surrender value of bank owned life insurance	1,348	932	390
Bank and purchase card, net	2,240	1,805	1,297
Other	6,759	3,535	834
Total noninterest income	48,092	86,988	55,850
NONINTEREST EXPENSE			
Salaries and employee benefits	56,006	61,481	44,974
Occupancy and equipment	5,916	6,413	3,444
Data processing	4,593	4,233	2,504
Legal and regulatory filing	3,004	1,736	2,687
Advertising and marketing	1,460	1,364	734
Communications	3,825	2,810	718
Audit and accounting fees	1,304	902	436
FDIC insurance	1,340	1,014	749
Intangible amortization	1,525	1,671	629
Other contractual services	3,137	2,783	1,408
Other taxes and assessments	2,668	2,607	1,006
Regulatory remediation	7,442	—	—
Merger-related	50	11,868	2,372
Other	12,506	12,106	5,575
Total noninterest expense	104,776	110,988	67,236
Income from continuing operations before income tax expense	35,821	68,364	22,674
Income tax expense	8,244	15,740	4,837
Net income from continuing operations	$ 27,577	$ 52,624	$ 17,837
Discontinued Operations			
Income (loss) from discontinued operations before income taxes (including gain on disposal of $471 thousand for the year ended December 31, 2022)	426	(183)	(177)
Income tax expense (benefit)	89	(39)	(37)
Net income (loss) from discontinued operations	337	(144)	(140)
Net income	$ 27,914	$ 52,480	$ 17,697
Net income from discontinued operations attributable to noncontrolling interest	(1)	(3)	(1)
Net income attributable to Blue Ridge Bankshares, Inc.	$ 27,913	$ 52,477	$ 17,696
Net income available to common stockholders	$ 27,913	$ 52,477	$ 17,696
Basic and Diluted EPS from continuing operations	$ 1.46	$ 2.95	$ 2.07

See accompanying notes to consolidated financial statements.

Blue Ridge Bankshares, Inc.
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2022, 2021, and 2020

(Dollars in thousands)	For the years ended December 31, 2022	2021	2020
Net income	$ 27,914	$ 52,480	$ 17,697
Other comprehensive income (loss):			
Gross unrealized (losses) gains on securities available for sale arising during the period	(53,405)	(6,093)	491
Deferred income tax benefit (expense)	11,936	1,279	(103)
Reclassification of net loss (gain) on securities available for sale included in net income	—	144	(211)
Income tax (benefit) expense	—	(30)	44
Unrealized (losses) gains on securities available for sale arising during the period, net of tax	(41,469)	(4,700)	221
Gross unrealized gains (losses) on interest rate swaps	—	7,240	(774)
Deferred income tax (expense) benefit	—	(1,521)	163
Reclassification of net gains on interest rate swaps included in net income	—	(6,221)	—
Income tax expense	—	1,307	—
Unrealized gains (losses) on interest rate swaps, net of tax	—	805	(611)
Gross unrealized losses on pension and post-retirement benefit plans	—	(2)	—
Deferred income tax benefit	—	1	—
Unrealized losses on pension and post-retirement benefit plans	—	(1)	—
Transfer of securities held to maturity to available for sale	—	—	538
Deferred income tax expense	—	—	(113)
Unrealized gains on transfer of securities held to maturity to available for sale, net of tax	—	—	425
Other comprehensive (loss) gain, net of tax	(41,469)	(3,896)	35
Comprehensive net (loss) income	$ (13,555)	$ 48,584	$ 17,732
Comprehensive net income from discontinued operations attributable to noncontrolling interest	(1)	(3)	(1)
Comprehensive net (loss) income attributable to Blue Ridge Bankshares, Inc.	$ (13,556)	$ 48,581	$ 17,731

See accompanying notes to consolidated financial statements.

Blue Ridge Bankshares, Inc.
Consolidated Statements of Changes in Stockholders' Equity
As of and for the years ended December 31, 2022, 2021, and 2020

(Dollars in thousands except share data)	Shares of Common Stock (1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net	Noncontrolling Interest of Discontinued Operations	Total
Balance, December 31, 2019	8,487,878	$ 66,204	$ 252	$ 25,428	$ 229	$ 224	$ 92,337
Net income	—	—	—	17,696	—	1	17,697
Other comprehensive income	—	—	—	—	35	—	35
Dividends on common stock	—	—	—	(2,436)	—	—	(2,436)
Restricted stock awards, net of forfeitures	90,054	567	—	—	—	—	567
Balance, December 31, 2020	8,577,932	$ 66,771	$ 252	$ 40,688	$ 264	$ 225	$ 108,200
Net income	—	—	—	52,477	—	3	52,480
Other comprehensive loss	—	—	—	—	(3,896)	—	(3,896)
Dividends on common stock	—	—	—	(7,183)	—	—	(7,183)
Issuance of common stock and other consideration paid in business combination	9,951,743	125,403	—	—	—	—	125,403
Stock option exercises	89,786	804	—	—	—	—	804
Restricted stock awards, net of forfeitures	154,621	1,331	—	—	—	—	1,331
Balance, December 31, 2021	18,774,082	$ 194,309	$ 252	$ 85,982	$ (3,632)	$ 228	$ 277,139
Cumulative effect adjustment of change in accounting method, net of income taxes	—	—	—	3,542	—	—	3,542
Net income	—	—	—	27,913	—	1	27,914
Other comprehensive loss	—	—	—	—	(41,469)	—	(41,469)
Dividends on common stock	—	—	—	(9,175)	—	—	(9,175)
Stock option exercises	1,183	14	—	—	—	—	14
Restricted stock awards, net of forfeitures	169,584	1,564	—	—	—	—	1,564
Dividend reinvestment plan issuances	5,480	73	—	—	—	—	73
Disposition of noncontrolling interest	—	—	—	—	—	(229)	(229)
Balance, December 31, 2022	18,950,329	$ 195,960	$ 252	$ 108,262	$ (45,101)	$ —	$ 259,373

(1) Common stock outstanding as of and for the periods presented is reflective of the Company's 3-for-2 stock split effective April 30, 2021 (the "Stock Split").

See accompanying notes to consolidated financial statements.

Blue Ridge Bankshares, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2022, 2021, and 2020

(Dollars in thousands)	For the years ended December 31, 2022	2021	2020
Cash Flows From Operating Activities			
Net income from continuing operations	$ 27,577	$ 52,624	$ 17,837
Net income (loss) from discontinued operations	337	(144)	(140)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,977	2,144	924
Deferred income tax expense (benefit)	3,025	1,923	(1,680)
Provision for loan losses	17,886	117	10,450
Accretion of fair value adjustments (discounts) on acquired loans	(7,392)	(2,006)	(1,030)
Accretion of fair value adjustments (premiums) on acquired time deposits	(1,480)	(3,225)	(23)
Accretion of fair value adjustments (premiums) on acquired subordinated notes	(101)	(176)	—
Proceeds from sale of mortgage loans held for sale	522,252	1,228,021	1,099,378
Mortgage loans held for sale, originated	(416,772)	(1,171,787)	(1,180,190)
Gain on sale of mortgage loans	(4,451)	(21,432)	(42,140)
Proceeds from sale of guaranteed government loans held for sale	54,271	—	—
Guaranteed government loans held for sale, originated	(88,077)	—	—
Gain on sale of guaranteed government loans	(4,734)	—	—
Gain on sale of Paycheck Protection Program loans	—	(24,315)	—
Realized losses (gains) on sale of available for sale securities	—	144	(211)
(Gain) loss on disposal of premises and equipment	(263)	110	160
Investment amortization expense, net	1,332	1,865	1,138
Amortization of subordinated debt issuance costs	35	206	55
Intangible amortization	1,525	1,671	629
Fair value adjustments of other equity investments	(9,306)	(7,316)	—
Fair value adjustments attributable to mortgage servicing rights	(2,248)	—	—
Fair value adjustments on other real estate owned	—	75	—
Increase in cash surrender value of bank owned life insurance	(1,348)	(932)	(390)
(Increase) decrease in other assets	(5,431)	12,347	(26,332)
Increase (decrease) in other liabilities	5,262	(10,921)	13,002
Net cash provided by (used in) operating activities - continuing operations	93,876	58,993	(108,563)
Net cash provided by operating activities - discontinued operations	55	220	223
Cash provided by (used in) operating activities	93,931	59,213	(108,340)
Cash Flows From Investing Activities			
Net increase in loans held for investment	(631,797)	(59,053)	(53,320)
Net decrease (increase) in federal funds sold	42,477	(41,396)	(295)
Purchases of securities available for sale	(68,261)	(264,929)	(44,164)
Proceeds from calls, sales, paydowns, and maturities of securities available for sale	32,655	71,804	53,595
Proceeds from calls, sales, paydowns, and maturities of securities held to maturity	—	—	1,212
Proceeds from sale of other real estate owned	70	341	—
Proceeds from sale of Paycheck Protection Program loans	—	705,930	—
Net decrease (increase) in Paycheck Protection Program loans	18,439	(382,830)	(292,068)
Net change in restricted equity and other investments	(13,899)	(78)	(2,943)
Purchase of premises and equipment	(455)	(1,217)	(3,010)
Proceeds from sale of premises and equipment	2,211	547	719
Purchase of bank owned life insurance	—	(9,600)	—
Redemption of bank owned life insurance	414	—	—
Capital calls of small business investment company funds and other investments	(11,310)	(11,582)	(609)

Net cash acquired in acquisition of Bay Banks of Virginia, Inc.	—	44,066	—
Nonincome distributions from SBICs and other investments	1,028	647	94
Net cash (used in) provided by investing activities - continuing operations	(628,428)	52,650	(340,789)
Net cash provided by (used in) investing activities - discontinued operations	245	(166)	(96)
Cash (used in) provided by investing activities	(628,183)	52,484	(340,885)
Cash Flows From Financing Activities			
Net increase in demand, savings, and other interest-bearing deposits	312,277	452,173	232,591
Net decrease in time deposits	(106,061)	(127,174)	(9,512)
Common stock dividends paid	(9,175)	(7,183)	(2,436)
FHLB advances	822,900	721,000	676,900
FHLB repayments	(521,200)	(836,000)	(686,700)
FRB advances	—	434,336	363,682
FRB repayments	(17,850)	(722,900)	(82,032)
Stock option exercises	14	804	—
Dividend reinvestment plan issuances	73	—	—
Redemption of subordinated notes	—	(14,150)	—
Issuance of subordinated notes	—	—	15,000
Payment of subordinated notes issuance costs	—	—	(349)
Net cash provided by (used in) financing activities - continuing operations	480,978	(99,094)	507,144
Net cash provided by financing activities - discontinued operations	—	—	—
Cash provided by (used in) financing activities	480,978	(99,094)	507,144
Net (decrease) increase in cash and due from banks	(53,274)	12,603	57,919
Cash and due from banks at beginning of period	130,548	117,945	60,026
Cash and due from banks at end of period	$ 77,274	$ 130,548	$ 117,945

Supplemental Schedule of Cash Flow Information			
Cash paid for:			
Interest	$ 16,011	$ 11,583	$ 10,030
Income taxes	$ 2,077	$ 10,131	$ 2,000
Non-cash investing and financing activities:			
Unrealized (losses) gains on securities available for sale	$ (53,405)	$ (6,024)	$ 1,029
Transfers of securities from held to maturity to available for sale	$ —	$ —	$ 10,980
Restricted stock awards, net of forfeitures	$ 1,564	$ 1,331	$ 567
Assets acquired in business combination	$ —	$ 1,224,583	$ —
Liabilities assumed in business combination	$ —	$ 1,107,036	$ —
Effective settlement of subordinated notes in business combination	$ —	$ 650	$ —
Change in goodwill	$ —	$ 7,206	$ 23
Cumulative effect adjustment of change in accounting method	$ 3,542	$ —	$ —

See accompanying notes to consolidated financial statements.

Note 1. Organization and Basis of Presentation

Blue Ridge Bankshares, Inc. (the "Company"), a Virginia corporation, was formed in 1988 and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. The Company is headquartered in Charlottesville, Virginia and conducts its business activities primarily through its wholly-owned subsidiary bank, Blue Ridge Bank, National Association (the "Bank") and its wealth and trust management subsidiary, BRB Financial Group, Inc. (the “Financial Group”). The Company exists primarily for the purposes of holding the stock of its subsidiaries, the Bank and the Financial Group.

The Bank operates under a national charter and is subject to regulation by the Office of the Comptroller of the Currency (the “OCC”). Consequently, it undergoes periodic examinations by this regulatory authority. As a bank holding company, the Company is subject to supervision and regulation by the Board of Governors of the Federal Reserve System and the Bureau of Financial Institutions of the Virginia State Corporation Commission, which also periodically conduct examinations of the holding company's activities.

As of December 31, 2022, the Bank operated twenty-seven full-service banking offices across its footprint, which stretches from the Shenandoah Valley across the Piedmont region through Richmond and into the coastal peninsulas and Hampton Roads region of Virginia and north-central North Carolina.

The Company, through the Financial Group, offers management services for personal and corporate trusts, including estate planning, estate settlement and trust administration, insurance products, and investment and wealth management. The Bank’s mortgage banking activities include a retail mortgage business operating as Monarch Mortgage and wholesale mortgage business operating as LenderSelect Mortgage Group ("LenderSelect"). LenderSelect offers wholesale and third-party residential mortgage origination services to other financial institutions and credit unions. The Company, through its minority investment in Hammond Insurance Agency, Inc. (“Hammond Insurance”) offers property and casualty insurance to individuals and businesses. Employment benefit services are offered under the trade name BluePoint Benefits ("BluePoint Benefits").

On January 31, 2021, the Company completed a merger with Bay Banks of Virginia, Inc. (“Bay Banks”), a bank holding company conducting substantially all its operations through its bank subsidiary, Virginia Commonwealth Bank, and the Financial Group (formerly VCB Financial Group, Inc.). Immediately following the Company’s merger with Bay Banks, Bay Banks’ subsidiary bank was merged with and into the Bank, while the Financial Group became a subsidiary of the Company (collectively, the “Bay Banks Merger”).

The Company sold its majority interest in MoneyWise Payroll Solutions, Inc. ("MoneyWise") to the holder of the minority interest in MoneyWise in the first quarter of 2022. Asset and liability balances and income statement amounts related to MoneyWise are reported as discontinued operations for all periods presented.

On August 29, 2022, the Bank entered into a formal written agreement (the “Written Agreement”) with the OCC, the Bank's primary federal banking regulator. The Written Agreement principally concerns the Bank’s fintech line of business and requires the Bank to continue enhancing its controls for assessing and managing the third-party, Bank Secrecy Act/Anti-Money Laundering, and information technology risks stemming from its fintech partnerships. A complete copy of the Written Agreement was furnished in a Form 8-K filed with the Securities and Exchange Commission (the "SEC") on September 1, 2022 and can be accessed on the SEC’s website (www.sec.gov) and the Company’s website (www.blueridgebankshares.com). The Bank is actively working to bring its fintech policies, procedures, and operations into conformity with OCC directives and believes its work to date has been delivered on schedule.

The accompanying consolidated financial statements of the Company include the accounts of the Bank and the Financial Group and were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and to general practices within the banking industry. All significant intercompany balances and transactions have been eliminated in consolidation.

Information contained herein as of December 31, 2022 includes the balances of Bay Banks; information contained herein as of and for the year ended December 31, 2021 includes the operations of Bay Banks for the period immediately following the effective date of the Bay Banks Merger (January 31, 2021) through December 31, 2021.

Certain amounts presented in the consolidated financial statements of prior periods have been reclassified to conform to current year presentations, including the following instances. The reclassifications had no effect on net income, net income per share, or shareholders' equity, as previously reported.

Correction of Immaterial Classification Error

During the third quarter of 2022, the Company determined that a deposit account classified as a noninterest-bearing demand deposit as of December 31, 2021 should have been classified as an interest-bearing demand deposit. The Company has changed the classification of this deposit account on its December 31, 2021 consolidated balance sheet, which resulted in a $20.3 million decrease from what was previously reported in the Company's 2021 Form 10-K in noninterest-bearing demand deposits with a corresponding increase in interest-bearing demand deposits of the same amount. This change in classification did not affect the Company's reported total assets, deposits, or earnings as of and for the year ended December 31, 2021 on its consolidated balance sheet and statement of operations. The Company evaluated and concluded that its previously issued financial statements were not materially misstated due to this change in classification.

Note 2. Summary of Significant Accounting Policies

The significant accounting and reporting policies of the Company outlined below are in accordance with GAAP.

(a) Use of Estimates

In preparing consolidated financial statements in conformity with GAAP, management is required to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities, as of the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to accounting for business combinations, accounting for acquired loans, the allowance for loan losses, the valuation of deferred tax assets, mortgage servicing rights, and the valuation of derivative instruments and certain investments.

(b) Cash and due from banks and federal funds sold

For purposes of the consolidated statements of cash flows and balance sheets, cash and due from banks include cash on hand and amounts due from banks, including short-term investments with original maturities of less than 90 days.

Federal funds sold represents excess bank reserves lent (generally on an overnight basis) to other financial institutions in the federal funds market. Federal funds sold are separately disclosed within the consolidated balance sheets.

(c) Investment Securities

Management determines the appropriate classification of securities at the time of purchase. If management has the intent and the Company has the ability at the time of purchase to hold securities until maturity, they are classified as held to maturity and carried at amortized historical cost. Securities not intended to be held to maturity are classified as available for sale and carried at fair value. Securities available for sale are intended to be used as part of the Company's asset and liability management strategy and may be sold in response to liquidity needs, changes in interest rates, prepayment risk, or other similar factors. Securities reclassified from one category to another are transferred at fair value.

Amortization of premiums and accretion of discounts on securities are reported as adjustments to interest income using the effective interest method. Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold using the specific identification method and recorded on the date of settlement. Unrealized gains and losses on investment securities available for sale are based on the difference between book value and fair value of each security. These gains and losses are credited or charged to shareholders' equity, whereas realized gains and losses flow through the Company's current earnings.

Investment securities for which the fair value of the security is less than its amortized cost are evaluated on a quarterly basis for credit related other-than-temporary impairment ("OTTI"). For debt securities, impairment is considered other-than-temporary and recognized in its entirety in the consolidated statements of income if either the Company intends to sell the security or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If, however, the Company does not intend to sell the security and it is not more likely than not that it will be required to sell the security before recovery, management must determine what portion of the impairment is attributable to a credit loss, which occurs when the amortized cost basis of the security exceeds the present value of the cash flows expected to be collected from the security. If there is credit loss, the loss is recognized in the consolidated statements of income, and the remaining portion of the impairment is recognized in other comprehensive income (loss). Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

The Company has made investments in several fintech companies, which are being accounted for as equity securities under Accounting Standards Codification ("ASC") 321, Investments – Equity Investments. None of the Company's fintech investments have readily-determinable fair values and most are reported at cost, less impairment, if any. The Company reports such investments at fair value if observable market transactions have occurred in similar securities. Several of the fintech entities had observable market transactions in 2022 and 2021 that, in the opinion of management, were in securities similar to the Company's existing investments. Accordingly, the Company recorded fair market value adjustments (unrealized gains) on its existing investments totaling $9.3 million and $7.3 million for the years ended December 31, 2022 and 2021, respectively, which is reported in noninterest income as fair value adjustments on other equity investments on the consolidated statements of operations. These investments, inclusive of the fair value adjustments, totaled $21.6 million and $12.3 million as of December 31, 2022 and 2021, respectively, and are included in other equity investments on the Company's consolidated balance sheets.

The Company also holds investments in early-stage focused investment funds, small business investment companies ("SBIC"), and low-income housing partnerships, which are reported in other investments on the consolidated balance sheets, and total $24.7 million and $12.7 million as of December 31, 2022 and 2021, respectively. These investments do not have readily-determinable fair values, are generally reported at amortized cost, and are periodically evaluated for potential impairment.

(d) Loans Held for Sale

Mortgage loans originated or purchased and intended for sale in the secondary market are carried at estimated fair value in the aggregate. Changes in fair value are recognized in residential mortgage banking income on the consolidated statements of income. The Company participates in a mandatory delivery program for its government guaranteed and conventional mortgage loans. Under the mandatory delivery program, loans with interest rate locks are paired with the sale of a to-be-announced ("TBA") mortgage-backed security bearing similar attributes in the aggregate. Under the mandatory delivery program, the Bank commits to deliver loans to an investor at an agreed upon price after the close of such loans. This differs from a best efforts delivery, which sets the sale price with the investor on a loan-by-loan basis when each loan is locked.

Certain consumer loans originated by the Company and sourced by fintech partners are classified on the Company's consolidated balance sheets as held for sale. These loans are originated by the Bank and either sold directly to the applicable fintech partner or another investor at par, generally up to 10 days from origination. These loans are carried at cost. As of December 31, 2022 and 2021, fintech loans held for sale totaled $9.8 million and $5.8 million, respectively, and are included in loans held for sale on the Company's consolidated balance sheets.

The Company holds for sale the conditionally guaranteed portion of certain loans guaranteed by the U.S. Small Business Administration or the U.S. Department of Agriculture (collectively referred to as "government guaranteed loans"). These loans are carried at the lower of cost or fair market value. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Gains or losses on government guaranteed loans held for sale are recognized upon completion of the sale, based on the difference between the selling price and the carrying value of the related loan sold. As of December 31, 2022 and 2021, government guaranteed loans classified as held for sale on the consolidated balance sheets were $44.7 million and $0, respectively.

(e) Loans Held for Investment and Allowance for Loan Losses

Loans receivable that management has the intent and ability to hold for the foreseeable future or until loan maturity or pay-off are reported at their outstanding principal balance adjusted for any charge-offs, and net of any deferred fees and origination costs. Loan origination fees and certain direct origination costs are deferred and amortized as an adjustment of the yield using the payment terms required by the loan contract.

As a result of the Bay Banks Merger and the Company's acquisition of Virginia Community Bankshares, Inc. in 2019, the Company's loan portfolio is segregated between loans initially accounted for under the amortized cost method (referred to as "originated" loans) and loans acquired (referred to as "acquired" loans). The loans segregated to the acquired loan portfolio were initially measured at fair value and subsequently accounted for under either ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, or ASC 310-20, Nonrefundable Fees and Other Costs.

Purchased credit-impaired ("PCI") loans, which were the nonperforming loans acquired in the Company's acquisitions, were acquired at a discount that is due, in part, to credit quality and are accounted for under ASC 310-30. These loans are initially recorded at fair value (as determined by the present value of expected future cash flows) with no allowance for loan losses. The Company accounts for interest income on all loans acquired at a discount (that is due, in part, to credit quality) based on the acquired loans' expected cash flows. The acquired loans may be aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flow. The difference between the cash flows expected at acquisition and the investment in the loans, or the "accretable yield," is recognized as interest income utilizing the level-yield method over the life of each pool. Increases in expected cash flows subsequent to the acquisition are recognized prospectively through adjustment to any previously recognized allowance for loan loss for that pool of loans and then through an increase in the yield on the pool over its remaining life, while decreases in expected cash flows are recognized as impairment through a loss provision and an increase in the allowance for loan losses. Therefore, the allowance for loan losses on these impaired pools reflects only losses incurred after the acquisition (representing the present value of all cash flows that were expected at acquisition but currently are not expected to be received).

The Company periodically evaluates the remaining contractual required payments due and estimates of cash flows expected to be collected for PCI loans. These evaluations, performed no less than semi-annually, require the continued use of key assumptions and estimates, similar to the initial estimate of fair value. Changes in the contractual required payments due and estimated cash flows expected to be collected may result in changes in the accretable yield and non-accretable difference or reclassifications between accretable yield and the non-accretable difference. On an aggregate basis, if the acquired pools of PCI loans perform better than originally expected, the Company would expect to receive more future cash flows than originally modeled at the acquisition date. For the pools with better than expected cash flows, the forecasted increase would be recorded as an additional accretable yield that is recognized as a prospective increase to the Company's interest income on loans.

Loans are generally placed into nonaccrual status when they are past due 90 days or more as to either principal or interest or when, in the opinion of management, the collection of principal and/or interest is in doubt. A loan remains in nonaccrual status until the loan is current as to payment of both principal and interest or past due less than 90 days and the borrower demonstrates the ability to pay and remain current. When cash payments are received, they are applied to principal first, then to accrued interest. It is the Company's policy not to record interest income on nonaccrual loans until principal has become current. In certain instances, accruing loans that are past due 90 days or more as to principal or interest may not go on nonaccrual status if the Company determines that the loans are well secured and are in the process of collection. Loans are charged-off in whole or in part when a loan or a portion thereof is considered uncollectible.

Nonperforming assets include nonaccrual loans, loans past due 90 days or more, and other real estate owned ("OREO").

The Company maintains an allowance for loan losses at a level that represents management's best estimate of known and inherent losses in the loan portfolio. Both the amount of the provision expense and the level of the allowance for loan losses are impacted by many factors, including general and industry-specific economic conditions, actual and expected credit losses, historical trends, and specific conditions of the individual borrowers. As a part of the analysis, the Company uses comparative peer group data and qualitative factors such as levels of and trends in delinquencies, nonaccrual loans, charged-off loans, changes in volume and terms of loans, effects of changes in lending policy, experience and ability and depth of management, national and local economic trends, and conditions and concentrations of credit, competition, and loan review results to support estimates.

The allowance for loan losses is increased or decreased by provision for loan losses, increased by recoveries of loans previously charged off, and decreased by loans charged off.

The Company also maintains an allowance for loan losses for acquired loans: (i) accounted for under ASC 310-30, when there is deterioration in credit quality subsequent to acquisition, and (ii) accounted for under ASC 310-20, when the inherent losses in the loans exceed the remaining discount recorded at the time of acquisition.

The allowance for loan losses consists of specific and general components. The specific component relates to loans that are determined to be impaired and, therefore, individually evaluated for impairment. The Company considers a loan to be impaired when 1) the risk grade of the loan is substandard or worse and the balance of the loan exceeds $500,000, or 2) the loan is a troubled debt restructuring ("TDR"), regardless of balance. The Company determines and recognizes impairment of certain loans when, based on current information and events, it is probable that it will be unable to collect all amounts due according to the loan agreement. A loan is not considered impaired during a period of delay in payment if the Company expects to collect all amounts due, including past-due interest. The Company evaluates the impairment of certain loans on a loan-by-loan basis for those loans that are adversely risk rated. Measurement of impairment is based on the expected future cash flows of an impaired loan, discounted at the loan's effective interest rate, or measured on an observable market value, if one exists, or the fair value of the collateral underlying the loan, discounted to consider estimated costs to sell the collateral for collateral-dependent loans. If the net value is less than the loan's carrying value (including accrued interest and any unamortized premium or discount associated with the loan) an impairment is recognized and a specific reserve is established for the impaired loan. Loans classified as loss loans are fully reserved or charged-off. The general component of the allowance for loan losses covers those loans not classified as impaired and those loans classified as impaired that are not individually evaluated for impairment. Loans in the general component population are segmented into homogenous groups that share similar characteristics and receive a loss factor that is based on historical loss experience and adjusted for other internal or external influences on credit quality that are not fully reflected in the historical data. Internal and external factors include, but are not limited to, internal underwriting standards, loan portfolio composition and concentrations, and local and national economic conditions.

Loans considered to be TDRs are loans that have their terms restructured (e.g., interest rates, loan maturity date, payment and amortization period, etc.) in circumstances that provide payment relief to a borrower experiencing financial difficulty. All restructured loans are considered impaired loans and may either be in accruing status or nonaccruing status. Nonaccruing restructured loans may return to accruing status provided doubt has been removed concerning the collectability of principal and interest as evidenced by a sufficient period of payment performance in accordance with the restructured terms. Loans may be removed from the restructured category in the year subsequent to the restructuring, if their revised loan terms are considered to be consistent with terms that can be obtained in the credit market for loans with comparable risk and if they meet certain performance criteria.

(f) Premises and Equipment

Land is carried at cost. Premises and equipment, other than land, are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Estimated useful lives ranges from 39 to 40 years for buildings and from 3 to 15 years for furniture, fixtures, and equipment.

Amortization of leasehold improvements is computed using the straight-line method over the shorter of the useful life of the improvements or the lease term. Purchased computer software, which is capitalized, is amortized over estimated useful lives of one to three years.

(g) Leases

In accordance with the requirements of ASC 842, Leases, the Company evaluates new real estate and equipment leases to determine whether the contractual arrangements constitute a lease, or contain an embedded lease, which would be in scope under ASC 842 and whether such leases would meet the requirements of an operating or financing lease under the standard.

For operating leases, right-of-use assets (“ROU assets”) and lease liabilities are recognized at the commencement date of the lease. ROU assets represent the Company’s right to use leased assets over the term of the lease. Lease liabilities represent the Company’s contractual obligation to make lease payments over the lease term and are measured as the present value of the lease payments over the lease term. ROU assets are measured as the amount of the lease liability adjusted for certain items such as prepaid lease payments, unamortized lease incentives, and unamortized direct costs. ROU assets are amortized on a straight-line basis less the periodic interest expense adjustment of the lease liability and the amortization is included in occupancy expense in the Company's consolidated statements of operations. The discount rate used for the present value calculations for lease liabilities was the rate implicit in the lease if determinable, and when the rate was not determinable, the Company used its incremental, collateralized borrowing rate with the Federal Home Loan Bank of Atlanta ("FHLB") for the period that most closely coincided with the respective lease term as of the commencement date of the lease.

Most of the Company's leases include renewal options, with renewal terms extending the lease obligation up to as much as eight years. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised as assessed at lease commencement. As of and for the years ended December 31, 2022 and 2021, the Company did not have any leases that met the standard definition of a finance lease nor did it engage in any sale-leaseback transactions or have any material sublease income. In accordance with the ASC, the Company elects not to recognize an ROU asset and lease obligation for contracts with an initial term of twelve months or less. The expense associated with these short-term leases is included in noninterest expense in the consolidated statements of operations. To the extent that a lease arrangement includes both lease and non-lease components, the Company has elected not to account for these separately.

Rent expense on operating leases is recorded using the straight-line method over the appropriate lease term.

(h) Goodwill and Other Intangible Assets

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is not amortized but is evaluated at least annually for impairment by comparing its fair value with its carrying amount. Impairment is indicated when the carrying amount of a reporting unit exceeds its estimated fair value.

Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. The Company performs the impairment test annually during the fourth quarter. Goodwill is the only intangible asset with an indefinite life on the Company's balance sheet.

Intangible assets with definite useful lives are amortized over their estimated useful lives and tested for impairment if events and circumstances exist that might indicate impairment may have occurred. The majority of the Company's intangible assets with definite useful lives is a core deposit intangible asset acquired as part of the Bay Banks Merger.

No impairment was recorded for goodwill and other intangible assets in 2022 and 2021.

(i) Mortgage Servicing Rights ("MSR") Assets

MSR assets represent the economic value associated with servicing a mortgage loan during the life of the loan. The Company retains servicing rights on mortgages originated and sold to the secondary market. The assets are separate from the underlying mortgage and may be retained or sold by the Company when the related mortgage is sold. Under ASC 860, Transfers and Servicing, MSR assets are initially recognized at fair value and subsequently accounted for using either the amortization method or the fair value measurement method. Beginning January 1, 2022, the Company elected the fair value measurement method for accounting for MSR assets; prior to this, MSR assets were recorded under the amortization method. This change in accounting method, which was an irrevocable election, was prospective in nature and resulted in an after-tax difference in carrying values of its MSR assets under the two methods at the beginning of 2022. Consequently, a positive $3.5 million cumulative effect adjustment was recorded to stockholders' equity as of January 1, 2022. MSR assets and servicing income are reported on the Company's consolidated balance sheets and consolidated statements of income, respectively.

(j) Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and reported as OREO. At the time of acquisition these properties are recorded at estimated fair value less estimated selling costs, with any write down charged to the allowance for loan losses and any gain on foreclosure recorded in the allowance up to the amount previously charged off, establishing a new cost basis. Subsequent to foreclosure, valuations of the assets are periodically performed by management, and these assets are subsequently accounted for at the lower of cost or fair value, less estimated selling costs. Adjustments are made for subsequent declines in the fair value of the assets, less selling costs. Revenue and expenses from operations and valuation changes are charged to operating income in the period of the transaction.

(k) Cash Surrender Value of Life Insurance

The Company has purchased life insurance policies on certain key employees. The cash surrender value of life insurance is recorded at the gross amount that can be realized under the insurance contract at the balance date, which is the cash surrender value. The increase in the cash surrender value over time is recorded as other noninterest income. The Company monitors the financial strength and condition of the counterparty.

(l) Income Taxes

Income taxes are accounted for using the balance sheet method in accordance with ASC 740, Accounting for Income Taxes. Per ASC 740, the objective is to recognize (a) the amount of taxes payable or refundable for the current year, and (b) defer tax liabilities and assets for the future tax consequences of events that have been recognized in the financial statements or federal income tax returns. Deferred tax assets and liabilities are determined based on the tax effects of the temporary differences between the book (i.e., financial statement) and tax bases of the various balance sheet assets and liabilities and give current recognition to changes in tax rates and laws. Temporary differences are reversed in the period in which an amount or amounts become taxable or deductible.

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

(m) Earnings Per Share

Accounting guidance specifies the computation, presentation, and disclosure requirements for earnings per share (“EPS”) for entities with publicly held common stock or potential common stock such as options, warrants, convertible securities, or contingent stock agreements if those securities trade in a public market. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding. Diluted EPS is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive common shares had been issued.

(n) Derivatives

Derivatives are recognized as assets and liabilities on the Company’s consolidated balance sheets and measured at fair value. The Company’s derivatives consist of forward sales of to-be-announced mortgage-backed securities and interest rate lock commitments. The Company’s hedging policies permit the use of various derivative financial instruments to manage interest rate risk or to hedge specified assets and liabilities. All derivatives are recorded at fair value on the consolidated balance sheets. The Company may be required to recognize certain contracts and commitments as derivatives when the characteristics of those contracts and commitments meet the definition of a derivative. If derivative instruments are designated as hedges of fair values, both the change in the fair value of the hedge and the hedged item are included in current earnings.

During the normal course of business, the Company enters into commitments to originate mortgage loans, whereby the interest rate on the loan is determined prior to funding (“rate lock commitments”). For commitments issued in connection with potential loans intended for sale, the Bank enters into positions of forward month mortgage-backed securities (“MBS”) to be announced (“TBA”) contracts on a mandatory basis or on a one-to-one forward sales contract on a best efforts basis. The Company enters into TBA contracts in order to control interest rate risk during the period between the rate lock commitment and mandatory sale of the mortgage loan. Both the rate lock commitment and the TBA contract are considered derivatives. A mortgage loan sold on a best efforts basis is locked into a forward sales contract with a counterparty on the same day as the rate lock commitment to control interest rate risk during the period between the commitment and the sale of the mortgage loan. Both the rate lock commitment and the forward sales contract are considered derivatives.

The market values of rate lock commitments and best efforts forward delivery commitments is not readily ascertainable with precision because rate lock commitments and best efforts contracts are not actively traded in stand-alone markets. The Company determines the fair value of rate lock commitments, delivery contracts, and forward sales contracts of MBS by measuring the change in the value of the underlying asset, while taking into consideration the probability that the rate lock commitments will close or will be funded. Certain risks arise from the forward delivery contracts in that the counterparties to the contracts may not be able to meet the terms of the contracts. Additional risks inherent in mandatory delivery programs include the risk that, if the Company does not close the loans subject to rate lock commitments, it will still be obligated to deliver MBS to the counterparty under the forward sales agreement.

The Company enters into interest rate swap agreements to accommodate the needs of its banking customers. The Company mitigates the interest rate risk entering into these swap agreements by entering into equal and offsetting swap agreements with a highly-rated third-party financial institutions. These back-to-back swap agreements are a free-standing derivatives and are recorded at fair value in the Company's consolidated balance sheets.

The Company entered into various interest rate swaps in 2020 and 2019 that qualified as cash flow hedges as defined by ASC 815, Derivatives and Hedging. The hedging objective was to reduce the interest rate risk associated with the Company's fixed rate advances from the designation date and going through the maturity date. The Company terminated these cash flow hedges during the fourth quarter of 2021 and recorded a gain on the termination.

(o) Business Segments

The Company has three reportable business segments consisting of commercial banking, mortgage banking, and holding company activities. The commercial banking business segment makes loans to and generates deposits from individuals and businesses, while offering a wide array of general financial services to its customers. It is distinct from the Company's mortgage banking division, which concentrates on individual, wholesale, and participated mortgage lending, and sales activities. Activities at the holding company or parent level are primarily associated with investments, borrowings, and certain noninterest expenses.

(p) Recent Accounting Pronouncements (Issued But Not Adopted)

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13 – Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). In November 2019, the FASB issued ASU 2019-11 – Codification Improvements to Topic 326, Financial Instruments–Credit Losses. In March 2022, the FASB issued ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02"). Together, these ASUs create a new standard that significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace the current incurred loss approach with an expected loss model, referred to as the current expected credit loss ("CECL") model. The new standard will apply to financial assets subject to credit losses and measured at amortized cost and certain off-balance-sheet credit exposures, which include, but are not limited to, loans, leases, held-to-maturity securities, loan commitments and financial guarantees. ASU 2016-13 simplifies the accounting for PCI debt securities and loans and expands the disclosure requirements regarding an entity's assumptions, models and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination (or vintage year). ASU 2022-02 eliminates existing TDR guidance for organizations that have adopted (or will adopt) ASU 2016-13 while also requiring additional disclosures for loan modifications and gross charge-offs by year of origination. For public business entities that meet the definition of an emerging growth company, such as the Company, implementation of the new CECL standard is effective for interim and annual reporting periods beginning after December 15, 2022. Early adoption is permitted in any interim period as long as the Company has adopted to the amendments in ASU 2016-13. Upon adoption, ASU 2016-13 provides for a modified retrospective transition by means of a cumulative effect adjustment to equity as of the beginning of the period in which the guidance is effective.

The Company expects to finalize the adoption of ASU 2016-13 during the first quarter of 2023 effective as of January 1, 2023. The Company to date has selected the software vendor for implementation, sourced and tested required data from the Company's loan systems, tested data feeds to the model, determined appropriate segmentations of its portfolio, selected a preliminary forecast period for reasonable and supportable forecasts, and has performed parallel runs of the model as of the second, third, and fourth quarters of 2022. Additionally, the Company contracted for and received results from an independent third party, which validated the CECL model and process. The Company is currently finalizing its assessment of current and forecasted macroeconomic factors and assumptions and is testing and finalizing internal controls.

The increase to the allowance for loan losses and the liability for unfunded commitments will have no impact on the consolidated statement of operations upon the adoption of CECL. Instead, the increase in the allowance for loan losses will result in a corresponding increase in the carrying value of loans held for investment for those loans deemed to be purchased credit deteriorated ("PCD") or a decrease to retained earnings through an after-tax cumulative effect adjustment for those loans deemed to be non-PCD. The increase in the liability for unfunded commitments, which is included in other liabilities on the consolidated balance sheets, will result in a corresponding decrease to retained earnings through an after-tax cumulative effect adjustment. The Company currently estimates its allowance for loan losses as of January 1, 2023 will increase by a range of $8.5 million to $9.5 million while retained earnings will decrease by a range of $6.1 million to $6.8 million. In addition, the Company expects to recognize an increase to the liability for unfunded commitments by a range of $3.5 million to $4.5 million while retained earnings will decrease by a range of $2.7 million to $3.5 million.

Note 3. Investment Securities and Other Investments

Investment securities available for sale are carried on the Company's consolidated balance sheets at fair value. The following table presents amortized cost, fair values, and gross unrealized gains and losses of investment securities as of the dates stated.

	December 31, 2022			
(Dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available for sale				
State and municipal	$ 60,018	$ —	$ (9,025)	$ 50,993
U.S. Treasury and agencies	80,073	—	(12,911)	67,162
Mortgage backed securities	230,015	51	(33,730)	196,336
Corporate bonds	42,909	124	(3,183)	39,850
Total investment securities	$ 413,015	$ 175	$ (58,849)	$ 354,341

	December 31, 2021			
(Dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available for sale				
State and municipal	$ 51,341	$ 302	$ (530)	$ 51,113
U.S. Treasury and agencies	65,680	—	(1,614)	64,066
Mortgage backed securities	222,968	403	(4,261)	219,110
Corporate bonds	38,752	808	(317)	39,243
Total investment securities	$ 378,741	$ 1,513	$ (6,722)	$ 373,532

At December 31, 2022 and 2021, no securities and securities with fair values of $8.7 million, respectively, were pledged to secure public deposits with the Treasury Board of the Commonwealth of Virginia.

At December 31, 2022 and 2021, securities with fair values of $241.9 million and $23.1 million, respectively, were pledged to secure the Bank's line of credit with the FHLB.

The following tables present fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of the dates stated. The reference point for determining when securities are in an unrealized loss position is period-end; therefore, it is possible that a security's market value exceeded its amortized cost on other days during the past twelve-month period.

		December 31, 2022					
		Less than 12 Months		12 Months or Greater		Total	
(Dollars in thousands)	Number of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State and municipal	82	$ 18,252	$ (2,178)	$ 31,530	$ (6,847)	$ 49,782	$ (9,025)
U.S. Treasury and agencies	28	9,904	(1,039)	56,686	(11,872)	66,590	(12,911)
Mortgage backed securities	78	39,006	(3,061)	148,449	(30,669)	187,455	(33,730)
Corporate bonds	33	26,018	(2,283)	5,675	(900)	31,693	(3,183)
Total	221	$ 93,180	$ (8,561)	$ 242,340	$ (50,288)	$ 335,520	$ (58,849)

		December 31, 2021					
		Less than 12 Months		12 Months or Greater		Total	
(Dollars in thousands)	Number of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State and municipal	38	$ 27,905	$ (530)	$ —	$ —	$ 27,905	$ (530)
U.S. Treasury and agencies	22	64,067	(1,614)	—	—	64,067	(1,614)
Mortgage backed securities	54	186,924	(4,257)	543	(4)	187,467	(4,261)
Corporate bonds	11	6,770	(313)	996	(4)	7,766	(317)
Total	125	$ 285,666	$ (6,714)	$ 1,539	$ (8)	$ 287,205	$ (6,722)

The following table presents the amortized cost and fair value of securities available for sale by contractual maturity as of the dates stated. Expected 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	
(Dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 4,896	$ 4,880
Due after one year through five years	30,765	28,243
Due after five years through ten years	136,788	118,605
Due after ten years	240,566	202,613
Total	$ 413,015	$ 354,341

The Company reviews for OTTI of its investment securities portfolio quarterly. At December 31, 2022 and 2021, the majority of securities in an unrealized loss position were of investment grade; however, a few did not have a third-party investment grade available. These ungraded securities were primarily subordinated debt instruments issued by bank holding companies and are classified as corporate bonds in the tables above. Investment securities with unrealized losses are generally a result of pricing changes due to changes in the interest rate environment since purchase and not as a result of permanent credit impairment. Contractual cash flows for MBS are guaranteed and/or funded by the U.S. government. Municipal securities show no indication that the contractual cash flows will not be received when due. The Company does not intend to sell, nor does it believe that it will be required to sell, any of its temporarily impaired securities prior to the recovery of the amortized cost.

Restricted equity investments consisted of stock in the FHLB (carrying basis $14.7 million and $1.7 million at December 31, 2022 and 2021, respectively), FRB stock (carrying basis of $6.1 million at both December 31, 2022 and 2021), and stock in the Company’s correspondent bank (carrying basis of $468 thousand at both December 31, 2022 and 2021). Restricted equity investments are carried at cost.

The Company has various other equity investments, including shares in other financial institutions and fintech companies, totaling $23.8 million and $14.2 million as of December 31, 2022 and 2021, respectively, which are carried at fair value with any gain or loss reported in the consolidated income statements each reporting period. As no actively traded market exists for substantially all of the Company's other equity investments, fair value adjustments are determined by reviewing recent observable market transactions, such as stock or equity transactions, that are substantially similar to the Company's existing investments. Other equity investments are also periodically evaluated for impairment using information obtained either directly from the investee or from a third-party broker. If an impairment has been identified, the carrying value of the investment is written down to its estimated fair market value through a charge to earnings.

Note 4. Loans and Allowance for Loan Losses

The following table presents loans held for investment, including Paycheck Protection Program ("PPP") loans, as of the dates stated.

(Dollars in thousands)	December 31, 2022	December 31, 2021
Commercial and industrial	$ 590,049	$ 320,827
Paycheck Protection Program	11,967	30,742
Real estate – construction, commercial	183,301	146,523
Real estate – construction, residential	76,599	58,857
Real estate – mortgage, commercial	864,989	701,503
Real estate – mortgage, residential	631,772	493,982
Real estate – mortgage, farmland	6,599	6,173
Consumer	47,423	49,877
Gross loans	2,412,699	1,808,484
Less: deferred loan fees, net of costs	(1,640)	(906)
Total	$ 2,411,059	$ 1,807,578

The Company has pledged certain commercial and residential mortgages as collateral for borrowings with the FHLB. Loans totaling $436.0 million and $478.3 million were pledged as of December 31, 2022 and 2021, respectively. Additionally, PPP loans were pledged as collateral for Paycheck Protection Program Liquidity Facility ("PPPLF") advances in the amount of $51 thousand and $17.9 million as of December 31, 2022 and 2021, respectively.

As a result of the Bay Banks Merger and the 2019 acquisition of Virginia Community Bankshares, Inc., the acquired loan portfolios were initially measured at fair value as of the respective acquisition dates and subsequently accounted for as either purchased performing loans or PCI loans. The following table presents the outstanding principal balance and related recorded investment of these acquired loans included in the consolidated balance sheets as of the dates stated.

(Dollars in thousands)	December 31, 2022	December 31, 2021
PCI loans		
Outstanding principal balance	$ 64,911	$ 97,418
Recorded investment	58,748	84,029
Purchased performing loans		
Outstanding principal balance	513,461	706,147
Recorded investment	511,752	703,333
Total acquired loans		
Outstanding principal balance	578,372	803,565
Recorded investment	570,500	787,362

The following table presents the changes in the accretable yield for PCI loans for the periods stated.

(Dollars in thousands)	December 31, 2022	December 31, 2021
Balance, beginning of period	$ 16,849	$ 123
Additions	—	10,030
Accretion	(9,410)	(5,381)
Reclassification of nonaccretable difference due to improvement in expected cash flows	3,804	1,400
Other changes, net	(71)	10,677
Balance, end of period	$ 11,172	$ 16,849

The following tables present the aging of the recorded investment of loans held for investment as of the dates stated.

December 31, 2022 *(Dollars in thousands)*	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due & Accruing	Nonaccrual	Total Past Due & Nonaccrual	PCI Loans	Current Loans	Total Loans
Commercial and industrial	$ 488	$ 279	$ —	$ 2,314	$ 3,081	$ 1,481	$ 585,487	$ 590,049
Paycheck Protection Program	—	—	—	—	—	—	11,967	11,967
Real estate – construction, commercial	1,136	19	—	714	1,869	—	181,432	183,301
Real estate – construction, residential	1,416	1,204	—	—	2,620	7	73,972	76,599
Real estate – mortgage, commercial	6,199	297	6,234	1,658	14,388	51,223	799,378	864,989
Real estate – mortgage, residential	4,544	231	1,998	5,143	11,916	5,678	614,178	631,772
Real estate – mortgage, farmland	—	75	—	—	75	—	6,524	6,599
Consumer	880	200	28	495	1,603	359	45,461	47,423
Less: deferred loan fees, net of costs	—	—	—	—	—	—	(1,640)	(1,640)
Total Loans	$ 14,663	$ 2,305	$ 8,260	$ 10,324	$ 35,552	$ 58,748	$ 2,316,759	$ 2,411,059

December 31, 2021 *(Dollars in thousands)*	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due & Accruing	Nonaccrual	Total Past Due & Nonaccrual	PCI Loans	Current Loans	Total Loans
Commercial and industrial	$ 2,338	$ —	$ 30	$ 6,066	$ 8,434	$ 8,903	$ 303,490	$ 320,827
Paycheck Protection Program	—	—	—	—	—	—	30,742	30,742
Real estate – construction, commercial	271	—	—	88	359	14,754	131,410	146,523
Real estate – construction, residential	651	98	279	413	1,441	—	57,416	58,857
Real estate – mortgage, commercial	53	—	—	3,024	3,077	51,872	646,554	701,503
Real estate – mortgage, residential	13,950	1,587	359	5,190	21,086	7,621	465,275	493,982
Real estate – mortgage, farmland	—	—	—	—	—	—	6,173	6,173
Consumer	902	583	249	396	2,130	879	46,868	49,877
Less: deferred loan fees, net of costs	—	—	—	—	—	—	(906)	(906)
Total Loans	$ 18,165	$ 2,268	$ 917	$ 15,177	$ 36,527	$ 84,029	$ 1,687,022	$ 1,807,578

The following tables present the aging of the recorded investment of PCI loans as of the dates stated.

(Dollars in thousands)	December 31, 2022 30-89 Days Past Due	Greater than 90 Days Past Due & Accruing	Current Loans	Total Loans
Commercial and industrial	$ —	$ —	$ 1,481	$ 1,481
Real estate – construction, commercial	—	—	7	7
Real estate – mortgage, commercial	—	—	51,223	51,223
Real estate – mortgage, residential	354	—	5,324	5,678
Consumer	—	—	359	359
Total PCI Loans	$ 354	$ —	$ 58,394	$ 58,748

(Dollars in thousands)	December 31, 2021 30-89 Days Past Due	Greater than 90 Days Past Due & Accruing	Current Loans	Total Loans
Commercial and industrial	$ —	$ —	$ 8,903	$ 8,903
Real estate – construction, commercial	—	—	14,754	14,754
Real estate – mortgage, commercial	—	—	51,872	51,872
Real estate – mortgage, residential	147	—	7,474	7,621
Consumer	—	4	875	879
Total PCI Loans	$ 147	$ 4	$ 83,878	$ 84,029

The following tables present the allowance for loan losses and the amount of loans evaluated for impairment, individually and collectively, by loan type as of the dates stated.

(Dollars in thousands)	December 31, 2022 Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Loan Balances	Related Allowance for Loan Losses
PCI loans:				
Commercial and industrial	$ —	$ 1,481	$ 1,481	$ —
Real estate – construction, commercial	—	7	7	—
Real estate – mortgage, commercial	—	51,223	51,223	3
Real estate – mortgage, residential	—	5,678	5,678	—
Consumer	—	359	359	—
Total PCI loans	—	58,748	58,748	3
Originated and purchased performing loans:				
Commercial and industrial	39,247	549,321	588,568	15,272
Real estate – construction, commercial	521	182,773	183,294	1,637
Real estate – construction, residential	—	76,599	76,599	628
Real estate – mortgage, commercial	4,567	809,199	813,766	2,353
Real estate – mortgage, residential	835	625,259	626,094	1,760
Real estate – mortgage, farmland	—	6,599	6,599	4
Consumer	—	47,064	47,064	1,282
Total originated and purchased performing loans	45,170	2,296,814	2,341,984	22,936
Gross loans	45,170	2,355,562	2,400,732	22,939
Less: deferred loan fees, net of costs	—	—	(1,640)	—
Total	$ 45,170	$ 2,355,562	$ 2,399,092	$ 22,939

(Dollars in thousands)	December 31, 2021 Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Loan Balances	Related Allowance for Loan Losses
PCI loans:				
Commercial and industrial	$ —	$ 8,903	$ 8,903	$ —
Real estate – construction, commercial	—	14,754	14,754	—
Real estate – mortgage, commercial	—	51,872	51,872	—
Real estate – mortgage, residential	—	7,621	7,621	117
Consumer	—	879	879	—
Total PCI loans	—	84,029	84,029	117
Originated and purchased performing loans:				
Commercial and industrial	4,612	307,312	311,924	7,133
Real estate – construction, commercial	527	131,242	131,769	953
Real estate – construction, residential	—	58,857	58,857	395
Real estate – mortgage, commercial	3,194	646,437	649,631	1,403
Real estate – mortgage, residential	1,400	484,961	486,361	1,184
Real estate – mortgage, farmland	—	6,173	6,173	23
Consumer	—	48,998	48,998	913
Total originated and purchased performing loans	9,733	1,683,980	1,693,713	12,004
Gross loans	9,733	1,768,009	1,777,742	12,121
Less: deferred loan fees, net of costs	—	(570)	(570)	—
Total	$ 9,733	$ 1,767,439	$ 1,777,172	$ 12,121

The tables above exclude PPP loans of $12.0 million and $30.7 million as of December 31, 2022 and 2021, respectively. PPP loans are fully guaranteed by the U.S. government; therefore, the Company recorded no allowance for loan losses for these loans. In future periods, the Company may be required to establish an ALL for these loans, which would result in a provision for loan losses charged to earnings.

The following tables present information related to impaired loans by loan type as of the dates presented.

(Dollars in thousands)	December 31, 2022 Recorded Investment	Unpaid Principal Balance	Related Allowance	December 31, 2021 Recorded Investment	Unpaid Principal Balance	Related Allowance
With no specific allowance recorded:						
Commercial and industrial	$ 1,309	$ 1,289	$ —	$ —	$ —	$ —
Real estate – construction, commercial	521	521	—	527	527	—
Real estate – mortgage, commercial	4,438	4,404	—	—	—	—
Real estate – mortgage, residential	835	834	—	—	—	—
With an allowance recorded:						
Commercial and industrial	$ 37,938	$ 37,911	$ 3,178	$ 4,612	$ 4,612	$ 836
Real estate – mortgage, commercial	129	126	1	3,194	3,849	1
Real estate – mortgage, residential	—	—	—	1,400	1,400	42
Total	$ 45,170	$ 45,085	$ 3,179	$ 9,733	$ 10,388	$ 879

The $35.4 million increase in impaired loans from December 31, 2021 to December 31, 2022 was primarily attributable to one loan to a commercial and industrial borrower totaling $37.3 million as of December 31, 2022. This loan was risk graded as substandard as of the same date, and as a result, was deemed impaired per Company policy and individually evaluated for impairment. This impairment analysis resulted in a $2.9 million allowance for loan loss as of December 31, 2022, which is included in the table above.

Impaired loans also include TDRs. As of December 31, 2022, there were 11 TDRs totaling $1.1 million as compared to eight TDRs totaling $688 thousand as of December 31, 2021.

The following table presents an analysis of the change in the allowance for loans losses by loan type as of the dates and for the periods stated.

	December 31,		
(Dollars in thousands)	**2022**	**2021**	**2020**
Allowance for loan losses, beginning of period	$ 12,121	$ 13,827	$ 4,572
Charge-offs			
Commercial and industrial	(4,779)	(1,098)	(6)
Real estate – construction	(162)	(195)	—
Real estate – mortgage	(1,824)	(125)	(505)
Consumer	(1,686)	(1,123)	(994)
Total charge-offs	(8,451)	(2,541)	(1,505)
Recoveries			
Commercial and industrial	442	196	41
Real estate – construction	40	—	—
Real estate – mortgage	409	98	8
Consumer	492	424	261
Total recoveries	1,383	718	310
Net charge-offs	(7,068)	(1,823)	(1,195)
Provision for loan losses	17,886	117	10,450
Allowance for loan losses, end of period	$ 22,939	$ 12,121	$ 13,827

The Company categorizes loans into risk categories based on relevant information about the expected ability of borrowers to service their debt, such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company uses the following definitions for loan risk ratings and periodically evaluates the appropriateness of these ratings across its loan portfolio:

Risk Grade 1 – Strong: This grade is reserved for loans to the strongest of borrowers. These loans are to individuals or corporations that are well known to the Bank and are always secured with an almost guaranteed source of repayment such as a lien on a bank deposit account. Character, credit history, and ability of individuals or company principals are excellent and unquestioned. Source of income and industry of borrower appears stable. High liquidity, minimum risk, good ratios, and low handling cost are present.

Risk Grade 2 – Minimal: This grade is reserved for loans to borrowers who are deemed exceptionally strong. These loans are within guidelines and where the borrowers have documented significant overall financial strength. These loans have excellent sources of repayment, significant balance sheet liquidity, no significant identifiable risk of collection, and conform in all respects to policy, guidelines, underwriting standards, and federal and state regulations (no exceptions of any kind).

Risk Grade 3 – Acceptable: This grade is reserved for loans to borrowers who are deemed strong. These loans have adequate sources of repayment, with little identifiable risk of collection. Generally, loans assigned this risk grade will demonstrate the following characteristics: (1) conformity in all respects with policy, guidelines, underwriting standards, and federal and state regulations (no exceptions of any kind), (2) documented historical cash flow that meets or exceeds required minimum guidelines, or that can be supplemented with verifiable cash flow from other sources, and (3) adequate secondary sources to liquidate the debt.

Risk Grade 4 – Satisfactory: This grade is given to satisfactory loans containing more risk than Risk Grade 3 loans. These loans have adequate sources of repayment, with little identifiable risk of collection. Loans assigned this risk grade will demonstrate the following characteristics: (1) general conformity to the Bank's underwriting requirements, with limited exceptions to policy, product, or underwriting guidelines. All exceptions noted have documented mitigating factors that offset any additional risk associated with the exceptions noted, (2) documented historical cash flow that meets or exceeds required minimum guidelines, or that can be supplemented with verifiable cash flow from other sources, and (3) adequate secondary sources to liquidate the debt, including combinations of liquidity, liquidation of collateral, or liquidation value to the net worth of the borrower or guarantor.

Risk Grade 5 – Watch: This grade is for satisfactory loans containing acceptable but elevated risk. These loans are characterized by borrowers who have a marginal cash flow, marginal profitability, or have experienced an unprofitable year and declining financial condition. The borrower's management may be deemed to be satisfactory, the collateral securing the loan may create a loan-to-value ratio in excess of 90%, the debt service coverage ratio and global debt service coverage are unstable but mostly positive, and/or guarantor support, if any, is inadequate. Loans classified as Watch warrant additional monitoring by management.

Risk Grade 6 – Special Mention: This grade is for loans that have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the Bank's credit position at some future date. Special Mention loans are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Special mention credits typically exhibit underwriting guideline tolerances and/or exceptions with no mitigating factors, or emerging weaknesses that may or may not be cured as time passes.

Risk Grade 7 – Substandard: A substandard loan is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as substandard must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt; they are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Loans consistently not meeting the repayment schedule should be downgraded further to substandard. Loans in this category are characterized by deterioration in quality exhibited by any number of well-defined weaknesses requiring corrective action. The weaknesses may include, but are not limited to: (1) high debt to worth ratios, (2) declining or negative earnings trends, (3) declining or inadequate liquidity, (4) improper loan structure, (5) questionable repayment sources, (6) lack of well-defined secondary repayment source, and (7) unfavorable competitive comparisons. Such loans are no longer considered to be adequately protected due to the borrower's declining net worth, lack of earnings capacity, declining collateral margins, and/or unperfected collateral positions. A possibility of loss of a portion of the loan balance cannot be ruled out. The repayment ability of the borrower is marginal or weak and the loan may have exhibited excessive overdue status or extensions and/or renewals.

Risk Grade 8 – Doubtful: Loans classified doubtful have all the weaknesses inherent in loans classified substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable. However, these loans are not yet rated as loss because certain events may occur which would salvage the Bank's position, which can include, but not limited to (1) an injection of capital, (2) alternative financing, and (3) liquidation of assets or the pledging of additional collateral. Doubtful is a temporary grade where a loss is expected but is presently not quantified with any degree of accuracy. Once the loss position is determined, the amount is charged off against the allowance for loan losses.

Risk Grade 9 – Loss: Loans classified loss are considered uncollectable and of such little value that their continuance as assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer charging off the worthless loan, even though partial recovery may be effected in the future. Probable loss portions of doubtful loans are charged off promptly against the allowance for loan losses.

There were no loans classified as doubtful or loss as of December 31, 2022 and December 31, 2021.

The following tables present the Company's loan portfolio (PCI and originated and purchased performing) by internal loan grades as of the dates stated. PPP loans are risk graded strong because they are fully guaranteed by the U.S. government.

	December 31, 2022								
(Dollars in thousands)	**Grade 1 Prime**	**Grade 2 Desirable**	**Grade 3 Good**	**Grade 4 Acceptable**	**Grade 5 Pass/Watch**	**Grade 6 Special Mention**	**Grade 7 Substandard**	**Grade 8 Doubtful**	**Total**
PCI loans:									
Commercial and industrial	$ —	$ —	$ —	$ 1,369	$ —	$ 112	$ —	$ —	$ 1,481
Real estate – construction, commercial	—	—	—	7	—	—	—	—	7
Real estate – mortgage, commercial	—	—	—	22,778	26,059	1,700	686	—	51,223
Real estate – mortgage residential	—	—	—	1,453	1,985	—	2,240	—	5,678
Consumer	—	—	—	—	353	—	6	—	359
Total PCI loans	—	—	—	25,607	28,397	1,812	2,932	—	58,748
Originated and purchased performing loans:									
Commercial and industrial	318	885	193,144	312,278	38,552	2,834	40,557	—	588,568
Paycheck Protection Program	11,967	—	—	—	—	—	—	—	11,967
Real estate – construction, commercial	—	361	14,223	156,027	8,504	3,365	814	—	183,294
Real estate – construction, residential	—	—	3,110	72,327	1,162	—	—	—	76,599
Real estate – mortgage, commercial	—	2,330	187,648	561,554	54,352	2,048	5,834	—	813,766
Real estate – mortgage residential	—	7,311	233,697	365,511	11,858	—	7,717	—	626,094
Real estate – mortgage, farmland	549	—	1,315	4,609	126	—	—	—	6,599
Consumer	197	—	21,330	24,731	256	—	550	—	47,064
Total originated and purchased performing loans:	13,031	10,887	654,467	1,497,037	114,810	8,247	55,472	—	2,353,951
Gross loans	$ 13,031	$ 10,887	$ 654,467	$ 1,522,644	$ 143,207	$ 10,059	$ 58,404	$ —	$ 2,412,699
Less: deferred loan fees, net of costs									(1,640)
Total									$ 2,411,059

(Dollars in thousands)	Grade 1 Prime	Grade 2 Desirable	Grade 3 Good	Grade 4 Acceptable	Grade 5 Pass/Watch	Grade 6 Special Mention	Grade 7 Substandard	Grade 8 Doubt ful	Total
	December 31, 2021								
PCI loans:									
Commercial and industrial	$ —	$ —	$ —	$ 1,567	$ 2,818	$ 2,748	$ 1,770	$ —	$ 8,903
Real estate – construction, commercial	—	—	—	2,423	—	11,010	1,321	—	14,754
Real estate – mortgage, commercial	—	—	—	2,642	3,892	33,487	11,851	—	51,872
Real estate – mortgage residential	—	—	—	142	1,657	2,709	3,113	—	7,621
Consumer	—	—	—	—	388	481	10	—	879
Total PCI loans	—	—	—	6,774	8,755	50,435	18,065	—	84,029
Originated and purchased performing loans:									
Commercial and industrial	291	560	156,519	133,738	11,256	3,180	6,380	—	311,924
Paycheck Protection Program	30,742	—	—	—	—	—	—	—	30,742
Real estate – construction, commercial	—	412	28,973	91,900	7,995	1,846	643	—	131,769
Real estate – construction, residential	—	—	14,610	40,418	3,416	—	413	—	58,857
Real estate – mortgage, commercial	—	2,382	307,067	283,165	34,750	17,133	5,134	—	649,631
Real estate – mortgage residential	990	9,218	276,992	180,980	11,107	974	6,100	—	486,361
Real estate – mortgage, farmland	340	—	1,067	4,766	—	—	—	—	6,173
Consumer	262	3	16,920	30,691	542	—	580	—	48,998
Total originated and purchased performing loans:	32,625	12,575	802,148	765,658	69,066	23,133	19,250	—	1,724,455
Gross loans	$ 32,625	$ 12,575	$ 802,148	$ 772,432	$ 77,821	$ 73,568	$ 37,315	$ —	$ 1,808,484
Less: deferred loan fees, net of costs									(906)
Total									$ 1,807,578

Note 5. Premises and Equipment, net

The following table presents premises and equipment, net of accumulated depreciation, as of the dates stated.

	December 31,	
(Dollars in thousands)	2022	2021
Buildings and land	$ 23,134	$ 25,510
Furniture, fixtures and equipment	6,065	6,004
Software	262	324
Construction in progress	—	41
Total cost	29,461	31,879
Less: Accumulated depreciation	(6,309)	(5,255)
Premises and equipment, net	$ 23,152	$ 26,624

Depreciation expense for the years ended December 31, 2022, 2021, and 2020 was $1.9 million, $2.0 million, and $924 thousand, respectively. Software amortization expense for the years ended December 31, 2022, 2021, and 2020 was $96 thousand, $137 thousand, and $55 thousand, respectively.

Note 6. Goodwill and Other Intangible Assets

As of December 31, 2022 and 2021, goodwill totaled $26.8 million.

The following tables present information on amortizable intangible assets included on the consolidated balance sheets as of the dates stated.

	December 31, 2022		
(Dollars in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Core deposit intangibles	$ 9,626	$ (4,330)	$ 5,296
Other amortizable intangibles	3,282	(1,995)	1,287
Total	$ 12,908	$ (6,325)	$ 6,583

	December 31, 2021		
(Dollars in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Core deposit intangibles	$ 9,626	$ (2,908)	$ 6,718
Other amortizable intangibles	2,463	(1,587)	876
Total	$ 12,089	$ (4,495)	$ 7,594

Intangible amortization expense is included in noninterest expense or interest and fees on loans in the consolidated statements of operations depending on the intangible. For the years ended December 31, 2022, 2021, and 2020, intangible amortization expense totaled $1.5 million, $1.7 million, and $629 thousand, respectively.

Included in other amortizable intangibles were loan servicing assets of $876 thousand and $362 thousand as of December 31, 2022 and 2021, respectively, related to the servicing of the government guaranteed portion of certain loans that the Company has sold. Loan servicing assets of $820 thousand and $266 thousand were added during the years ended December 31, 2022 and 2021, respectively. The amortization of these intangibles is included in interest and fees on loans in the consolidated statement of operations and totaled $306 thousand for the year ended December 31, 2022.

The following table presents estimated intangible asset amortization expense of the core deposit intangibles and other amortizable intangibles for the next five years and thereafter from the date stated.

(Dollars in thousands)	December 31, 2022
2023	$ 1,355
2024	1,221
2025	1,046
2026	1,073
2027	627
Thereafter	1,261
Total	$ 6,583

The Company retains servicing rights on mortgages originated and sold to the secondary market. Beginning January 1, 2022, the Company elected the fair value measurement method for accounting for MSR assets, pursuant to which assets are initially recorded at fair value and subsequently adjusted to fair value at each reporting period. Prior to this election, the Company accounted for MSR assets under the amortization method, whereby the MSR assets were recorded at the lower of cost or fair value. As of December 31, 2022, the fair value of MSR assets was $29.0 million, and at December 31, 2021, the carrying value of MSR assets under the amortization method was $16.5 million.

Note 7. Deposits

The aggregate amount of time deposits, with a minimum denomination of $250 thousand, were $75.8 million and $144.8 million as of December 31, 2022 and 2021, respectively.

The following table presents the scheduled maturities of time deposits, with a minimum denomination of $250 thousand, for the next five years and thereafter from the date stated.

(Dollars in thousands)	December 31, 2022
2023	$ 40,764
2024	29,616
2025	2,109
2026	2,744
2027	606
Thereafter	—
Total	$ 75,839

Brokered deposits totaled $45.3 million and $53.7 million at December 31, 2022 and 2021, respectively. Deposits obtained through a certificate of deposit listing service totaled $4.2 million and $8.4 million as of December 31, 2022 and 2021, respectively.

Note 8. Borrowings

FHLB Borrowings

The Bank has a line of credit from the FHLB of $525.1 million at December 31, 2022, secured by pledged qualifying real estate loans and certain pledged securities. The FHLB will lend up to 30% of the Bank's total assets as of the prior quarter end, subject to certain eligibility requirements, including adequate collateral. The Bank had borrowings from the FHLB that totaled $311.7 million and $10.1 million at December 31, 2022 and 2021, respectively. The interest rate on the borrowing as of December 31, 2022 was 4.57% with a maturity of May 8, 2023, but can be paid down or paid off anytime without penalty. The interest rate on the borrowing as of December 31, 2021 was 0.56% with a maturity of February 28, 2030 and was paid off in full in 2022 without penalty. FHLB borrowings required the Bank to hold $14.7 million and $1.7 million of FHLB stock as of December 31, 2022 and 2021, respectively, which is included in restricted equity investments on the consolidated balance sheets.

At December 31, 2022, 1-4 family residential loans classified as held for investment with a lendable value of $104.6 million, multi-family residential loans with a lendable value of $42.2 million, commercial real estate loans with a lendable value of $147.1 million, and securities with a lendable value of $231.2 million were pledged against the available line of credit with the FHLB. The Bank also has letters of credit with the FHLB in the amount of $85.1

million for the purpose of collateral for public deposits with the Treasury Board of the Commonwealth of Virginia. Outstanding letters of credit reduce the available balance of the borrowing facility with the FHLB, which was $128.3 million as of December 31, 2022.

Other Borrowings

The Company has unsecured lines of credit with correspondent banks totaling $28.0 million at December 31, 2022 and $44.0 million at December 31, 2021, available for overnight borrowing. These lines bear interest at the prevailing rates for such loans and are cancellable any time by the correspondent bank. At December 31, 2022 and 2021, none of these lines of credit with correspondent banks were drawn upon.

Subordinated Notes

The Company had $39.9 million and $40.0 million of subordinated notes, net, outstanding as of December 31, 2022 and December 31, 2021, respectively. The Company's subordinated notes are comprised of a $25 million issuance in October 2019 maturing October 15, 2029 (the “2029 Notes”) and a $15 million issuance in May 2020 maturing June 1, 2030 (the “2030 Note”).

The 2029 Notes, which were assumed in the Bay Banks Merger, bear interest at 5.625% per annum, through October 14, 2024, payable semi-annually in arrears. From October 15, 2024 through October 14, 2029, or up to an early redemption date, the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month Secured Overnight Funding Rate (SOFR) (as defined in the 2029 Notes) plus 433.5 basis points, payable quarterly in arrears. The 2029 Notes are unsecured, subordinated obligations of the Company and rank junior in right of payment to the Company’s existing and future senior indebtedness and rank in parity with the other subordinated notes issued by the Company. Beginning on October 15, 2024 through maturity, the 2029 Notes may be redeemed, at the Company's option, on any scheduled interest payment date. As of December 31, 2022, the net carrying amount of the 2029 Notes was $25.2 million, inclusive of a $678 thousand purchase accounting adjustment (premium) recorded at the effective date of the Bay Banks Merger (January 31, 2021). For the twelve months ended December 31, 2022 and 2021, the effective interest rate on the 2029 Notes was 5.08% and 4.73%, respectively, inclusive of the amortization of the purchase accounting adjustment (premium).

The 2030 Note bears interest at the rate of 6.00% per annum until June 1, 2025, at which date the rate will reset quarterly, equal to the three-month SOFR determined on the date of the applicable interest period plus 587 basis points. Interest on the 2030 Note is payable semi-annually in arrears. The 2030 Note is an unsecured, subordinated obligation of the Company and ranks junior in right of payment to the Company’s existing and future senior indebtedness and ranks in parity with the other subordinated notes issued by the Company. Beginning on June 1, 2025 through maturity, the 2030 Note may be redeemed, at the Company's option, on any scheduled interest payment date. The aggregate carrying value of the 2030 Note, including unamortized debt issuance costs, was $14.7 million as of December 31, 2022 and 2021. For the twelve months ended December 31, 2022, 2021, and 2020 the effective interest rate on the 2030 Note was 6.11%, 6.12%, and 6.12%, respectively.

Note 9. Derivative Financial Instruments and Hedging Activities

The Company enters into interest rate swap agreements to accommodate the needs of its banking customers. The Company mitigates the interest rate risk entering into these swap agreements by entering into equal and offsetting swap agreements with a highly rated third-party financial institution. These back-to-back swap agreements are free-standing derivatives and are recorded at fair value in the Company’s consolidated balance sheets (asset positions are included in other assets and liability positions are included in other liabilities).

The following table presents the notational and fair values of the swap agreements as of the dates stated.

	December 31, 2022	
(Dollars in thousands)	Notional Amount	Fair Value
Interest rate swap agreement		
Receive fixed/pay variable swaps	$ 2,178	$ (95)
Pay fixed/receive variable swaps	2,178	95

	December 31, 2021	
(Dollars in thousands)	Notional Amount	Fair Value
Interest rate swap agreement		
Receive fixed/pay variable swaps	$ 2,052	$ 199
Pay fixed/receive variable swaps	2,052	(199)

As part of its efforts to sell originated government guaranteed and conventional residential mortgages into the secondary market, the Bank had entered into $11.7 million and $64.8 million of rate lock commitments with borrowers, net of expected fallout, as of December 31, 2022 and 2021, respectively, and $12.8 million and $113.6 million of closed loan inventory waiting for sale, which were hedged by $21.5 million and $169.5 million in forward TBA mortgage backed securities as of December 31, 2022 and 2021, respectively. Mortgage derivative assets totaled $112 thousand and $1.9 million as of December 31, 2022 and 2021, respectively, and mortgage derivative liabilities, which are included in other liabilities on the consolidated balance sheets, were $24 thousand and $75 thousand as of December 31, 2022 and 2021, respectively.

Note 10. Employee Benefit Plans

The Company has a 401(k) plan that covers eligible employees (the “401(k) Plan”). Employees may make voluntary contributions subject to certain limits based on federal tax laws. The Bank contributes a matching contribution equal to 100% of an employee's contribution up to 5% of the elective deferral. This matching contribution is subject to a vesting schedule of six years. For the years ended December 31, 2022, 2021, and 2020, total expenses attributable to the 401(k) Plan were $1.8 million, $2.5 million, and $1.2 million, respectively.

The Company has an Employee Stock Ownership Plan (the “ESOP”) that covers eligible employees. Contributions to the ESOP are made at the discretion of the board of directors and are subject to a vesting schedule of six years. The ESOP held 192,066 total shares of Company common stock at both December 31, 2022 and December 31, 2021, which are considered outstanding in the computation of EPS.

The Company assumed the Bay Banks of Virginia, Inc. ESOP pursuant to the Bay Banks Merger (the “Bay Banks ESOP”). The Bay Banks ESOP remained a separate plan from the ESOP after the Bay Banks Merger, and no new participants were permitted to the Bay Banks ESOP beginning with the effective date of the merger. The Bay Banks ESOP held 361,500 total shares of Company common stock at both December 31, 2022 and December 31, 2021, which are considered outstanding in the computation of EPS.

Note 11. Stock-Based Compensation

The Company has granted restricted stock awards (“time-based RSAs”) to employees and directors under the Blue Ridge Bankshares, Inc. Equity Incentive Plan. Time-based RSAs are considered fixed awards as the number of shares and fair value is known at the date of grant, and the fair value of the award at the grant date is amortized over the requisite service period, which is generally three years. Beginning in 2022, the Company began granting performance-based restricted stock awards (“PSAs”) to employees under the same plan. PSAs vest at the end of a three-year period contingent on the Company's achievement of financial goals and are being expensed on a straight-line basis over the same period with adjustments periodically based on projected achievement of the performance target, which may change the number of PSA shares that will ultimately vest. In 2022, the Company granted time-based RSAs and PSAs relating to 210,669 shares of the Company's common stock to employees and directors, of which 94,783 shares were PSAs. Time-based RSAs carry voting and dividend rights, while PSAs carry voting rights but are subject to deferred dividend payout restrictions.

Compensation expense recognized in the consolidated statements of operations related to time-based RSAs and PSAs, net of forfeitures, was $1.7 million, $1.3 million, and $567 thousand for the years ended December 31, 2022, 2021, and 2020, respectively. Unrecognized compensation expense related to the restricted stock awards as of December 31, 2022 totaled $3.1 million.

The following table presents time-based RSA and PSA activity as of the dates and for the periods stated.

	Time-based RSAs		PSAs	
	Shares	Weighted Average Fair Value	Shares	Weighted Average Fair Value
Shares unvested and outstanding, December 31, 2020	148,600	$ 10.70	—	$ —
Granted	174,634	17.35	—	—
Vested	(85,037)	12.28	—	—
Forfeited	(20,013)	13.45	—	—
Shares unvested and outstanding, December 31, 2021	218,184	$ 15.31	—	$ —
Granted	115,886	15.06	94,783	14.91
Vested	(87,677)	15.40	—	—
Forfeited	(27,737)	14.25	(2,478)	14.91
Shares unvested and outstanding, December 31, 2022	218,656	$ 15.27	92,305	14.91

The following table presents stock option activity as of the dates and for the periods presented.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (1)
Options outstanding and exercisable, December 31, 2020	—	—	—	—
Assumed in Bay Banks Merger	148,758	9.89	5.47	
Granted	—	—		
Forfeited	(808)	13.80		
Exercised	(89,786)	9.99		
Expired	(557)	6.47		
Options outstanding and exercisable, December 31, 2021	57,607	11.75	6.18	$ 354,269
Granted	—	—		
Forfeited	—	—		
Exercised	(1,183)	11.88		
Expired	(3,750)	12.30		
Options outstanding and exercisable, December 31, 2022	52,674	$ 11.71	5.13	$ 66,754

(1) The aggregate intrinsic value of a stock option in the table above represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that would have been received by the option holders had all option holders exercised their options as of the respective years ended. This amount changes based on the market value of the Company's common stock.

All of the options outstanding as of December 31, 2022 were assumed in the Bay Banks Merger.

Note 12. Leases

The Company’s long-term lease agreements are classified as operating leases. Certain of these leases offer the option to extend the lease terms and the Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably assured of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations.

The following tables present information about the Company’s leases as of the dates and for the periods stated.

(Dollars in thousands)	December 31, 2022	December 31, 2021
Lease liabilities	$ 7,860	$ 7,651
Right-of-use asset	$ 6,903	$ 6,317
Weighted average remaining lease term (years)	5.85	6.79
Weighted average discount rate	2.40 %	1.86 %

(Dollars in thousands)	December 31, 2022	December 31, 2021	December 31, 2020
Operating lease cost	$ 2,495	$ 2,383	$ 1,731
Total lease cost	2,495	2,383	1,731
Cash paid for amounts included in the measurement of lease liabilities	2,080	2,014	—

The following table presents a maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total of operating lease liabilities for periods following the date stated.

(Dollars in thousands)	December 31, 2022
2023	$ 2,058
2024	1,441
2025	1,169
2026	1,050
2027	984
Thereafter	1,786
Total undiscounted cash flows	8,488
Discount	(628)
Lease liabilities	$ 7,860

Note 13. Fair Value

The fair value of a financial instrument is the current amount that would be exchanged between willing parties in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Accounting guidance for fair value excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The Company records fair value adjustments to certain assets and liabilities and determines fair value disclosures utilizing a definition of fair value of assets and liabilities that states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Additional considerations are involved to determine the fair value of financial assets in markets that are not active.

The Company uses a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. The three levels of the fair value hierarchy based on these two types of inputs are as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.
Level 2 – Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.
Level 3 – Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

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

Securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly-liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. The carrying value of restricted FRB and FHLB stock approximates fair value based upon the redemption provisions of each entity and is therefore excluded from the following table.

Rabbi trust assets

As a result of the Bay Banks Merger, the Company acquired and assumed a rabbi trust and deferred compensation plan. The assets held by the rabbi trust are invested at the direction of the individual participants and are generally invested in marketable investment securities, such as common stocks and mutual funds or short-term investments (e.g., cash) (Level 1). Rabbi trust assets and the associated deferred compensation plan liability are included in other assets and other liabilities, respectively, in the consolidated balance sheets.

Derivative financial instruments

Derivative instruments used to hedge residential mortgage loans held for sale and the related interest rate lock commitments are reported at fair value utilizing Level 2 inputs. The fair values of derivative financial instruments are based on derivative market data inputs as of the valuation date and the underlying value of mortgage loans for rate lock commitments.

The following tables present the balances of financial assets measured at fair value on a recurring basis as of the dates stated.

(Dollars in thousands)	December 31, 2022 Total	Level 1	Level 2	Level 3
Securities available for sale				
State and municipals	$ 50,993	$ —	$ 50,993	$ —
U.S. Treasury and agencies	67,162	—	67,162	—
Mortgage backed securities	196,336	—	188,719	7,617
Corporate bonds	39,850	—	35,561	4,289
Total securities available for sale	$ 354,341	$ —	$ 342,435	$ 11,906
Other assets				
MSR assets	$ 28,991	$ —	$ —	$ 28,991
Rabbi trust assets	584	584	—	—
Mortgage derivative asset	112	—	112	—
Interest rate swap asset	95	—	95	—
Other liabilities				
Mortgage derivative liability	$ 24	$ —	$ 24	$ —
Interest rate swap liability	95	—	95	—

(Dollars in thousands)	December 31, 2021 Total	Level 1	Level 2	Level 3
Securities available for sale				
State and municipals	$ 51,113	$ —	$ 51,113	$ —
U.S. Treasury and agencies	64,066	—	64,066	—
Mortgage backed securities	219,110	—	211,194	7,916
Corporate bonds	39,243	3,000	25,179	11,064
Total securities available for sale	$ 373,532	$ 3,000	$ 351,552	$ 18,980
Other assets				
Rabbi trust assets	$ 994	$ 994	$ —	$ —
Mortgage derivative asset	1,876	—	1,876	—
Interest rate swap asset	199	—	199	—
Other liabilities				
Mortgage derivative liability	$ 75	$ —	$ 75	$ —
Interest rate swap liability	199	—	199	—

The following table presents the change in corporate bonds and mortgage backed securities using Level 3 inputs for the periods stated.

(Dollars in thousands)	Corporate Bonds	Mortgage backed securities
Balance as of December 31, 2020	$ —	$ —
Transfers from Level 2 to Level 3	14,041	7,915
Transfers from Level 3 to Level 2	(996)	—
Sales or paydowns	(2,000)	—
Fair value adjustments	19	1
Balance as of December 31, 2021	$ 11,064	$ 7,916
Transfers from Level 3 to Level 2	(6,751)	—
Sales or paydowns	—	(300)
Fair value adjustments	(24)	1
Balance as of December 31, 2022	$ 4,289	$ 7,617

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. The following describes the valuation techniques used by the Company to measure certain financial assets recorded at fair value on a nonrecurring basis in the financial statements.

Mortgage Servicing Rights or MSR Assets

As previously noted, the Company changed its accounting for MSR assets from the amortization method to the fair value measurement method effective January 1, 2022. This was a prospective change in accounting method; therefore, the carrying value of the MSR assets in periods prior to January 1, 2022 were stated at amortized cost.

A third-party model is used to determine the fair value of the Company's MSR assets. The model establishes pools of performing loans, calculates projected future cash flows for each pool, and applies a discount rate to each pool. As of December 31, 2022 and 2021, the Company was servicing approximately $2.16 billion and $1.91 billion in loans, respectively, via a third-party subservicer. Loans are segregated into homogenous pools based on loan term, interest rates, and other similar characteristics. Cash flows are then estimated based on net servicing fee income and servicing costs, utilizing assumed prepayment speeds. The weighted average net servicing fee income of the portfolio was 28.4 basis points as of December 31, 2022. Estimated base annual servicing costs were $65.00 to $80.00 per loan depending on the guarantor. Prepayment speeds in the model are based on empirically derived data for mortgage pool factors and differences between a mortgage pool's weighted average coupon and its current mortgage rate. The weighted average prepayment speed assumption used in the fair value model was 8.17% as of December 31, 2022. A base discount rate of 9.00% to 14.50% (9.43% weighted average discount rate) was then applied to each pool's projected future cash flows as of December 31, 2022. The discount rate is intended to represent the estimated market yield for the highest quality grade of comparable servicing. MSR assets are classified as Level 3.

The following table presents the change in MSR assets as of the dates and for the periods stated.

(Dollars in thousands)	MSR Assets
Balance as of December 31, 2020	$ 7,084
Acquired in Bay Banks Merger	997
Additions	11,809
Write-offs	(959)
Amortization	(2,462)
Balance as of December 31, 2021 - Amortized cost	$ 16,469
Change in accounting method	4,484
Additions	5,791
Fair value adjustments	2,247
Balance as of December 31, 2022 - Fair value	$ 28,991

Other Equity Investments

The fair value of other equity investments, including the Company's investments in certain fintech companies, is based on either observable market prices, if available, or observable market transactions for identical or significantly similar investments (Level 2).

Impaired Loans

Impaired loans with specific reserves are carried at fair value. Fair value is based on the discounted cash flows of the loan or the fair value of the collateral less estimated costs to sell, if the loan is collateral-dependent. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. Any given loan may have multiple types of collateral; however, the majority of the Company's loan collateral is real estate. The value of real estate collateral is generally determined utilizing a market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company using observable market data (Level 2). However, if the collateral value is significantly adjusted due to differences in the comparable properties or is discounted by the Company because of lack of marketability, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant or the net book value on the applicable business's financial statements if not considered significant. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Fair value adjustments are recorded in the period incurred as provision for loan losses on the consolidated statements of operations.

Loans Held for Sale

Mortgage loans originated or purchased and intended for sale in the secondary market are carried at the lower of cost or estimated fair market value in the aggregate (i.e., loans held for sale). Changes in fair value are recognized in residential mortgage banking income, net on the consolidated statements of operations (Level 2).

Certain consumer loans originated by the Company and sourced by fintech partners are classified on the Company's consolidated balance sheets as held for sale. These loans are originated by the Bank and either sold directly to the applicable fintech partner or another investor at par, generally up to 10 days from origination. Due to relatively short time between origination and sale, these loans are held at cost, which approximates fair value (Level 2).

Government guaranteed loans, or portions thereof, intended for sale in the secondary market are classified as held for sale on the consolidated balance sheets and carried at the lower of cost or estimated fair market value (Level 2).

Other Real Estate Owned

Certain assets such as OREO are measured at fair value less estimated costs to sell. Valuation of OREO is generally determined using current appraisals from independent appraisers, a Level 2 input. If current appraisals cannot be obtained prior to reporting dates, or if declines in value are identified after the most recent appraisal, appraisal values are discounted, resulting in Level 3 estimates. If the Company markets the property with a real estate agent or broker, estimated selling costs reduce the listing price, resulting in a valuation based on Level 3 inputs.

The following tables summarize assets that were measured at fair value on a nonrecurring basis as of the dates stated.

	December 31, 2022			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Other equity investments	$ 23,776	$ —	$ 23,776	$ —
Impaired loans, net	34,888	—	—	34,888
Loans held for sale	69,534	—	69,534	—
OREO	195	—	—	195

	December 31, 2021			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Other equity investments	$ 14,184	$ —	$ 14,184	$ —
Impaired loans, net	8,344	—	—	8,344
Loans held for sale	121,943	—	121,943	—
OREO	157	—	—	157

The following tables present quantitative information about Level 3 fair value measurements as of the dates stated.

(Dollars in thousands)	**Balance as of December 31, 2022**	**Unobservable Input**	**Range**
Impaired loans, net			
Discounted appraised value technique	34,743	Selling Costs	7% - 10%
Discounted cash flows technique	145	Discount Rate	4% - 11%
OREO			
Discounted appraised value technique	195	Selling Costs	7 %

(Dollars in thousands)	Balance as of December 31, 2021	Unobservable Input	Range
Impaired loans, net			
Discounted appraised value technique	8,108	Selling Costs	7%
Discounted cash flows technique	236	Discount Rate	4% - 7%
OREO			
Discounted appraised value technique	157	Selling Costs	7%

Fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practical to estimate the value is based upon the characteristics of the instruments and relevant market information. Financial instruments include cash, evidence of ownership in an entity, or contracts that convey or impose on an entity that contractual right or obligation to either receive or deliver cash for another financial instrument. The information used to determine fair value is highly subjective and judgmental in nature and, therefore, the results may not be precise. Subjective factors include, among other things, estimates of cash flows, risk characteristics, credit quality, and interest rates, all of which are subject to change. Since the fair value is estimated as of the balance sheet date, the amounts that will actually be realized or paid upon settlement or maturity on these various instruments could be significantly different.

The carrying values of cash and due from banks and federal funds sold are of such short duration that carrying value reasonably approximates fair value (Level 1).

The carrying values of accrued interest receivable and accrued interest payable are of such short duration that carrying value reasonably approximates fair value (Level 2).

The carrying value of restricted equity investments approximates fair value based on the redemption provisions of the issuer (Level 2). The fair value of other investments is approximated by its carrying value (Level 3).

The fair value of the Company's loan portfolio includes a credit risk assumption in the determination of the fair value of its loans. This credit risk assumption is intended to approximate the fair value that a market participant would realize in a hypothetical orderly transaction. The Company's loan portfolio is initially fair valued using a segmented approach. The Company divides its loan portfolio into the following categories: variable rate loans, impaired loans, and all other loans. The results are then adjusted to account for credit risk as described above. The fair value of the Company's loan portfolio also considers illiquidity risk through the use of a discounted cash flow model to compensate for based on certain assumptions included within the discounted cash flow model, primarily the use of discount rates that better capture inherent credit risk over the lifetime of a loan. This consideration of both credit risk and illiquidity risk provides an estimated exit price for the Company's loan portfolio. Loans held for investment are reported as Level 3.

There is no credit risk associated with PPP loans as they are fully guaranteed by the U.S. government. Further, these loans are expected to be short term in nature. As a result, the carrying value of PPP loans reasonably approximates fair value (Level 3).

The carrying value of cash surrender value of life insurance reasonably approximates fair value. The Company records these policies at their cash surrender value, which is estimated using information provided by insurance carriers.

The carrying value of noninterest-bearing deposits approximates fair value (Level 1). The carrying values of interest-bearing demand, money market, and savings deposits approximates fair value based on their current pricing and are reported as Level 2. The fair values of time deposits were obtained using a discounted cash flow calculation that includes a market rate analysis of the current rates offered by market participants for time deposits that mature in the same period. Time deposits are reported as Level 3.

The fair value of the FHLB borrowings is estimated by discounting the future cash flows using current interest rates offered for similar advances (Level 2).

The fair value of FRB borrowings is approximated by its carrying value as there is no comparable debt to PPPLF advances (Level 2).

The fair value of the Company’s subordinated notes is estimated by utilizing recent issuance interest rates for subordinated debt offerings of similar issuer size (Level 3).

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company’s financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Borrowers with fixed rate obligations may be less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates may be more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company’s overall interest rate risk.

The following tables present estimated fair values and related carrying amounts of the Company’s financial instruments as of the dates stated.

	December 31, 2022				
			Fair Value Measurements		
(Dollars in thousands)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and due from banks	$ 77,274	$ 77,274	$ 77,274	$ —	$ —
Federal funds sold	1,426	1,426	1,426	—	—
Securities available for sale	354,341	354,341	—	342,435	11,906
Restricted equity investments	21,257	21,257	—	21,257	—
Other equity investments	23,776	23,776	—	23,776	—
Other investments	24,672	24,672	—	—	24,672
PPP loans receivable, net	11,967	11,967	—	—	11,967
Loans held for investment, net	2,376,153	2,321,042	—	—	2,321,042
Accrued interest receivable	12,393	12,393	—	12,393	—
Bank owned life insurance	47,245	47,245	—	47,245	—
MSR assets	28,991	28,991	—	—	28,991
Financial Liabilities					
Noninterest-bearing deposits	$ 640,101	$ 640,101	$ 640,101	$ —	$ —
Interest-bearing demand and money market deposits	1,318,799	1,318,799	—	1,318,799	—
Savings deposits	151,646	151,646	—	151,646	—
Time deposits	391,961	352,294	—	—	352,294
FHLB borrowings	311,700	311,700	—	311,700	—
FRB borrowings	51	51	—	51	—
Subordinated notes, net	39,920	37,689	—	—	37,689

(Dollars in thousands)	December 31, 2021				
			Fair Value Measurements		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and due from banks	$ 130,548	$ 130,548	$ 130,548	$ —	$ —
Federal funds sold	43,903	43,903	43,903	—	—
Securities available for sale	373,532	373,532	3,000	351,552	18,980
Restricted equity investments	8,334	8,334	—	8,334	—
Other equity investments	14,184	14,184	—	14,184	—
Other investments	12,681	12,681	—	—	12,681
PPP loans receivable, net	30,406	30,406	—	—	30,406
Loans held for investment, net	1,765,051	1,766,820	—	—	1,766,820
Accrued interest receivable	9,573	9,573	—	9,573	—
Bank owned life insurance	46,545	46,545	—	46,545	—
Financial Liabilities					
Noninterest-bearing deposits	$ 685,801	$ 685,801	$ 685,801	$ —	$ —
Interest-bearing demand and money market deposits	962,092	962,092	—	962,092	—
Savings deposits	150,376	150,376	—	150,376	—
Time deposits	499,502	503,968	—	—	503,968
FHLB borrowings	10,111	9,943	—	9,943	—
FRB borrowings	17,901	17,901	—	17,901	—
Subordinated notes, net	39,986	41,388	—	—	41,388

Note 14. Minimum Regulatory Capital Requirements

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

Under the Basel III Capital Rules, banks must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios of 2.50% for all ratios, except the tier 1 leverage ratio. If a banking organization dips into its capital conservation buffer, it is subject to limitations on certain activities, including payment of dividends, share repurchases, and discretionary compensation to certain officers. Management believes as of December 31, 2022 and 2021, the Bank met all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized; although, these terms are not used to represent overall financial condition. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2022, the most recent regulatory reporting categorized the Bank as well capitalized under the regulatory framework. There are no conditions or events since that notification that management believes have changed the institution's category.

Federal and state banking regulations place certain restrictions on dividends paid by the Company. The total amount of dividends that may be paid at any date is generally limited to retained earnings of the Company. Pursuant to the EGRRCPA, regulators have provided for an optional, simplified measure of capital adequacy, the community bank leverage ratio ("CBLR") framework, for qualifying community bank organizations. Banks that qualify may opt in to the CBLR framework beginning January 1, 2020 or any time thereafter. The CBLR framework eliminates the four required capital ratios disclosed below and requires the disclosure of a single leverage ratio, with a minimum requirement of 9%. The Company has not opted into the CBLR framework.

As previously noted, the Company will adopt CECL effective January 1, 2023. Federal and state banking regulations allow financial institutions to irrevocably elect to phase-in the after-tax cumulative effect adjustment to retained earnings ("Day 1 CECL adjustment") over a three-year period. The three-year phase-in of the Day 1 CECL adjustment to regulatory capital will be 25%, 50%, and 25% in 2023, 2024, and 2025, respectively. The Bank plans to make this irrevocable election effective with its first quarter 2023 call report.

The following tables present capital ratios for the Bank as of the periods stated. Adequately capitalized ratios include the conservation buffer.

	December 31, 2022					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk based capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 303,876	11.15 %	$ 286,161	10.50 %	$ 272,535	10.00 %
Tier 1 capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 279,125	10.25 %	$ 231,470	8.50 %	$ 217,854	8.00 %
Common equity tier 1 capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 279,125	10.25 %	$ 190,622	7.00 %	$ 177,006	6.50 %
Tier 1 leverage						
(To average assets)						
Blue Ridge Bank, N.A.	$ 279,125	9.25 %	$ 120,703	4.00 %	$ 150,878	5.00 %

	December 31, 2021					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk based capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 273,978	13.11 %	$ 219,393	10.50 %	$ 208,946	10.00 %
Tier 1 capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 260,896	12.49 %	$ 177,604	8.50 %	$ 167,157	8.00 %
Common equity tier 1 capital						
(To risk-weighted assets)						
Blue Ridge Bank, N.A.	$ 260,896	12.49 %	$ 146,262	7.00 %	$ 135,815	6.50 %
Tier 1 leverage						
(To average assets)						
Blue Ridge Bank, N.A.	$ 260,896	10.05 %	$ 103,883	4.00 %	$ 129,853	5.00 %

Note 15. Related Party Transactions

During the years ended December 31, 2022 and 2021, officers, directors, and principal shareholders and their related interests (related parties) were customers of and had transactions with the Bank. These transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not deemed related parties to the Bank and did not involve more than the normal risk of collectability or present other unfavorable features. The following table presents loan transactions with such related parties as of and for the periods stated.

(Dollars in thousands)	December 31, 2022	December 31, 2021
Total loans, beginning of period	$ 7,737	$ 13,957
Advances	4,703	6,699
Curtailments	(4,322)	(12,919)
Total loans, end of period	$ 8,118	$ 7,737

The Bank held related party deposits of approximately $11.6 million and $13.2 million as of December 31, 2022 and 2021, respectively.

Note 16. Earnings Per Share

The following table shows the calculation of basic and diluted EPS and the weighted average number of shares outstanding used in computing EPS and the effect on the weighted average number of shares outstanding of dilutive potential common stock for the periods stated. Basic EPS amounts are computed by dividing net income (the numerator) by the weighted average number of common shares outstanding (the denominator). Diluted EPS amounts assume the conversion, exercise, or issuance of all potential common stock instruments, unless the effect would be to reduce the loss or increase earnings per common share. Potential dilutive common stock instruments include exercisable stock options and PSAs. For the twelve months ended December 31, 2022, 2021, and 2020, no stock options or PSAs for shares of the Company's common stock were considered anti-dilutive. Weighted average common shares outstanding, basic and dilutive, for all periods presented are presented on a post Stock Split basis. The Company had 13,134, 9,898, and zero dilutive weighted average common shares outstanding for the years ended December 31, 2022, 2021, and 2020 respectively, which were attributable to exercisable stock options and time-based RSAs.

(Dollars in thousands, except per share data)	For the years ended December 31, 2022	2021	2020
Weighted average common shares outstanding, basic	18,811,484	17,840,675	8,535,606
Effect of dilutive securities	13,134	9,898	—
Weighted average common shares outstanding, dilutive	18,824,618	17,850,573	8,535,606
Net income:			
Net income from continuing operations	$ 27,577	$ 52,624	$ 17,837
Net income (loss) from discontinued operations	337	(144)	(140)
Net income from discontinued operations attributable to noncontrolling interest	(1)	(3)	(1)
Net income attributable to Blue Ridge Bankshares, Inc.	$ 27,913	$ 52,477	$ 17,696
Basic earnings per share:			
Earnings per share from continuing operations	$ 1.46	$ 2.95	$ 2.07
Earnings (loss) per share from discontinued operations	0.02	(0.01)	(0.02)
Earnings per share attributable to Blue Ridge Bankshares, Inc.	$ 1.48	$ 2.94	$ 2.05
Diluted earnings per share:			
Earnings per share from continuing operations	$ 1.46	$ 2.95	$ 2.07
Earnings (loss) per share from discontinued operations	0.02	(0.01)	(0.02)
Earnings per share attributable to Blue Ridge Bankshares, Inc.	$ 1.48	$ 2.94	$ 2.05

Note 17. Income Taxes

The following table presents the differences between the provision for income taxes at the federal statutory rate and the amounts computed as reported for the periods stated.

(Dollars in thousands)	For the years ended December 31, 2022		2021		2020	
Income tax at federal statutory rate	$ 7,612	21.0%	$ 14,317	21.0%	$ 4,725	21.0%
Increase (decrease) resulting from:						
State income taxes, net of federal tax effect	625	1.7%	1,499	2.2%	34	0.2%
Tax-exempt interest income	(121)	(0.3%)	(105)	(0.2%)	(20)	(0.1%)
Income from life insurance	(283)	(0.8%)	(196)	(0.3%)	(82)	(0.4%)
Merger-related expenses	—	—	250	0.4%	174	0.8%
Other permanent differences	500	1.4%	(64)	(0.1%)	(31)	(0.1%)
Provision for income taxes	$ 8,333	23.0%	$ 15,701	23.0%	$ 4,800	21.4%

The following table presents the significant components of the provision for income taxes as of the dates stated.

(Dollars in thousands)	For the years ended December 31, 2022	2021	2020
Current tax provision			
Federal	$ 4,762	$ 12,832	$ 6,437
State	546	946	43
Total current tax provision	5,308	13,778	6,480
Deferred tax provision (benefit)			
Federal	3,046	971	(1,680)
State	(21)	952	—
Total deferred tax provision (benefit)	3,025	1,923	(1,680)
Provision for income taxes	$ 8,333	$ 15,701	$ 4,800

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table presents significant components of deferred tax assets and liabilities as of the dates stated.

(Dollars in thousands)	December 31, 2022	2021
Deferred tax assets relating to:		
Allowance for loan losses	$ 5,126	$ 2,470
Compensation differences	1,340	1,221
Reserve for loan sale buy backs	640	227
Acquisition accounting adjustments	1,522	3,463
Loan origination costs	160	67
Pass-through entities	114	487
Unrealized losses on securities available for sale	13,149	1,092
Other	555	872
Total deferred tax assets	22,606	9,899
Deferred tax liabilities relating to:		
Premises and equipment, net	(2,191)	(2,885)
Core deposit and customer-based intangible assets	(1,179)	(1,549)
Mortgage servicing rights	(6,478)	(3,711)
Unrealized gains on other investments	(3,491)	(1,536)
Other	(85)	(68)
Total deferred tax liabilities	(13,424)	(9,749)
Deferred tax asset, net	$ 9,182	$ 150

Deferred income tax assets and liabilities are measured at the enacted tax rate for the period in which they are expected to reverse; therefore, as of December 31, 2022, they have been measured using the federal income tax rate enacted for subsequent years of 21% and applicable state income tax rates.

As of December 31, 2022 and 2021, the Company had no net operating losses to be carried forward and applied against future taxable income. The Company's policy is to report interest and penalties, if any, related to uncertain tax positions in income tax expense in the consolidated statements of income. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2018. As of December 31, 2022 and 2021, the Company has no uncertain tax positions.

The Company's deferred tax asset was $22.6 million and $9.9 million at December 31, 2022 and 2021, respectively. As of December 31, 2022, management concluded that the Company's deferred tax assets were fully realizable, and accordingly, no valuation allowance was recorded. The Company will continue to monitor deferred tax assets to evaluate whether it will be able to realize the full benefit of the deferred tax asset or whether there is need for a valuation allowance. Significant negative trends in asset credit quality, losses from operations, or other factors could impact the realization of the deferred tax asset in the future.

Note 18. Business Segments

The Company has three reportable business segments, consisting of commercial banking, mortgage banking, and holding company activities. The commercial banking business segment makes loans to and generates deposits from individuals and businesses, while offering a wide array of general financial services to its customers. It is distinct from the Company's mortgage banking division, which concentrates on individual and wholesale mortgage lending and sales activities. Activities at the holding company (or parent level) are primarily associated with investments, borrowings, and certain noninterest expenses.

The following tables present statement of operations items and assets by segment as of the dates and periods stated.

	For the year ended December 31, 2022				
(Dollars in thousands)	**Commercial Banking**	**Mortgage Banking**	**Parent Only**	**Eliminations**	**Blue Ridge Bankshares, Inc. Consolidated**
NET INTEREST INCOME					
Interest income	$ 125,582	$ 1,455	$ 439	$ —	$ 127,476
Interest expense	14,122	419	2,544	—	17,085
Net interest income	111,460	1,036	(2,105)	—	110,391
Provision for loan losses	17,886	—	—	—	17,886
Net interest income after provision for loan losses	93,574	1,036	(2,105)	—	92,505
NONINTEREST INCOME					
Residential mortgage banking income, net	—	12,609	—	—	12,609
Mortgage servicing rights	147	7,891	—	—	8,038
Gain on sale of guaranteed government loans	4,734	—	—	—	4,734
Service charges on deposit accounts	1,289	—	—	—	1,289
Increase in cash surrender value of bank owned life insurance	1,348	—	—	—	1,348
Other income	11,193	17	9,453	(589)	20,074
Total noninterest income	18,711	20,517	9,453	(589)	48,092
NONINTEREST EXPENSE					
Salaries and employee benefits	40,012	15,994	—	—	56,006
Other operating expenses	42,571	4,875	1,913	(589)	48,770
Total noninterest expense	82,583	20,869	1,913	(589)	104,776
Income from continuing operations before income tax expense	29,702	684	5,435	—	35,821
Income tax expense	6,885	152	1,207	—	8,244
Net income from continuing operations	$ 22,817	$ 532	$ 4,228	$ —	$ 27,577
Discontinued Operations					
Income from discontinued operations before income taxes (including gain on disposal of $471 thousand)	426	—	—	—	426
Income tax expense	89	—	—	—	89
Net income from discontinued operations	337	—	—	—	337
Net income	$ 23,154	$ 532	$ 4,228	$ —	$ 27,914
Net income from discontinued operations attributable to noncontrolling interest	(1)	—	—	—	(1)
Net income attributable to Blue Ridge Bankshares, Inc.	$ 23,153	$ 532	$ 4,228	$ —	$ 27,913
Total assets as of December 31, 2022	$ 3,069,861	$ 40,840	$ 300,440	$ (270,096)	$ 3,141,045

(Dollars in thousands)	Commercial Banking	Mortgage Banking	Parent Only	Eliminations	Blue Ridge Bankshares, Inc. Consolidated
	For the year ended December 31, 2021				
NET INTEREST INCOME					
Interest income	$ 99,810	$ 3,596	$ 140	$ —	$ 103,546
Interest expense	8,181	257	2,627	—	11,065
Net interest income	91,629	3,339	(2,487)	—	92,481
Provision for loan losses	117	—	—	—	117
Net interest income after provision for loan losses	91,512	3,339	(2,487)	—	92,364
NONINTEREST INCOME					
Gain on sale of Paycheck Protection Program loans	24,315	—	—	—	24,315
Residential mortgage banking income, net	—	28,624	—	—	28,624
Mortgage servicing rights	—	8,398	—	—	8,398
Gain on sale of guaranteed government loans	2,005	—	—	—	2,005
Service charges on deposit accounts	1,464	—	—	—	1,464
Increase in cash surrender value of bank owned life insurance	932	—	—	—	932
Other income	13,733	194	7,505	(182)	21,250
Total noninterest income	42,449	37,216	7,505	(182)	86,988
NONINTEREST EXPENSE					
Salaries and employee benefits	35,320	26,161	—	—	61,481
Other operating expenses	37,601	8,428	3,660	(182)	49,507
Total noninterest expense	72,921	34,589	3,660	(182)	110,988
Income from continuing operations before income tax expense	61,040	5,966	1,358	—	68,364
Income tax expense	13,978	1,253	509	—	15,740
Net income from continuing operations	$ 47,062	$ 4,713	$ 849	$ —	$ 52,624
Discontinued Operations					
Loss from discontinued operations before income taxes	(183)	—	—	—	(183)
Income tax benefit	(39)	—	—	—	(39)
Net loss from discontinued operations	(144)	—	—	—	(144)
Net income	$ 46,918	$ 4,713	$ 849	$ —	$ 52,480
Net income from discontinued operations attributable to noncontrolling interest	(3)	—	—	—	(3)
Net income attributable to Blue Ridge Bankshares, Inc.	$ 46,915	$ 4,713	$ 849	$ —	$ 52,477
Total assets as of December 31, 2021	$ 2,498,916	$ 142,537	$ 319,685	$ (295,999)	$ 2,665,139

(Dollars in thousands)	Commercial Banking	Mortgage Banking	Parent Only	Eliminations	Blue Ridge Bankshares, Inc. Consolidated
	For the year ended December 31, 2020				
NET INTEREST INCOME					
Interest income	$ 51,020	$ 3,314	$ 126	$ —	$ 54,460
Interest expense	8,331	354	1,265	—	9,950
Net interest income	42,689	2,960	(1,139)	—	44,510
Provision for loan losses	10,450	—	—	—	10,450
Net interest income after provision for loan losses	32,239	2,960	(1,139)	—	34,060
NONINTEREST INCOME					
Residential mortgage banking income, net	—	44,460	—	—	44,460
Mortgage servicing rights	—	7,084	—	—	7,084
Gain on sale of guaranteed government loans	880	—	—	—	880
Service charges on deposit accounts	905	—	—	—	905
Increase in cash surrender value of bank owned life insurance	390	—	—	—	390
Other income	2,165	—	—	(34)	2,131
Total noninterest income	4,340	51,544	—	(34)	55,850
NONINTEREST EXPENSE					
Salaries and employee benefits	13,773	31,201	—	—	44,974
Other operating expenses	11,867	8,075	2,354	(34)	22,262
Total noninterest expense	25,640	39,276	2,354	(34)	67,236
Income from continuing operations before income tax expense	10,939	15,228	(3,493)	—	22,674
Income tax expense	2,199	3,337	(699)	—	4,837
Net income from continuing operations	$ 8,740	$ 11,891	$ (2,794)	$ —	$ 17,837
Discontinued Operations					
Loss from discontinued operations before income taxes	(177)	—	—	—	(177)
Income tax benefit	(37)	—	—	—	(37)
Net loss from discontinued operations	(140)	—	—	—	(140)
Net income	$ 8,600	$ 11,891	$ (2,794)	$ —	$ 17,697
Net income from discontinued operations attributable to noncontrolling interest	(1)	—	—	—	(1)
Net income attributable to Blue Ridge Bankshares, Inc.	$ 8,599	$ 11,891	$ (2,794)	$ —	$ 17,696
Total assets as of December 31, 2020	$ 1,312,095	$ 177,074	$ 133,041	$ (123,952)	$ 1,498,258

Note 19. Parent Company Only Financial Statements

The following tables present the condensed financial statements of Blue Ridge Bankshares, Inc. (parent company only) as of the dates and for the periods presented.

PARENT COMPANY ONLY CONDENSED BALANCE SHEETS

(Dollars in thousands)	As of December 31, 2022	2021
ASSETS		
Cash and due from banks	$ 2,432	$ 3,156
Investment in subsidiaries	267,123	291,525
Securities available for sale, at fair value	—	2,073
Other equity investments	23,590	14,184
Other investments	7,161	4,532
Accrued interest receivable	—	24
Income tax receivable	2,747	906
Other assets	583	2,221
Total assets	$ 303,636	$ 318,621
LIABILITIES & STOCKHOLDERS' EQUITY		
Accrued expenses	$ 3,971	$ 1,126
Accrued interest payable	372	370
Subordinated notes, net	39,920	39,986
Total liabilities	44,263	41,482
Stockholders' equity	259,373	277,139
Total liabilities and stockholders' equity	$ 303,636	$ 318,621

PARENT COMPANY ONLY CONDENSED STATEMENTS OF INCOME

(Dollars in thousands)	For the years ended December 31, 2022	2021	2020
INCOME			
Dividends from Bank subsidiary	$ 10,000	$ 10,000	$ 800
Interest income	439	140	126
Fair value adjustments of other equity investments	9,306	7,316	—
Other	147	250	—
Total income	19,892	17,706	926
EXPENSES			
Interest on subordinated notes	2,215	2,627	1,265
Professional fees	1,371	890	455
Merger-related	50	2,642	1,732
Other	821	189	165
Total expenses	4,457	6,348	3,617
Income before income tax expense and equity in undistributed earnings of subsidiary	15,435	11,358	(2,691)
Income tax expense (benefit)	1,207	509	(699)
Equity in undistributed earnings of subsidiaries	13,685	41,628	19,688
Net income	$ 27,913	$ 52,477	$ 17,696

PARENT COMPANY ONLY CONDENSED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	For the years ended December 31, 2022	2021	2020
Cash Flows From Operating Activities			
Net income	$ 27,913	$ 52,477	$ 17,696
Equity in undistributed earnings of subsidiaries	(13,685)	(41,628)	(19,688)
Deferred income tax benefit	(698)	(1,208)	(62)
Amortization of subordinated note issuance costs	35	206	54
Fair value adjustments of other equity investments	(9,306)	(7,316)	—
Increase in other assets	(180)	(2,677)	(140)
Increase in accrued expenses	4,247	646	528
Net cash provided by operating activities	8,326	500	(1,612)
Cash Flows From Investing Activities			
Net change in securities available for sale	2,073	(2,073)	—
Net change in other equity investments	(9,406)	(6,900)	—
Net change in other investments	(2,629)	(3,230)	(7,363)
Net cash acquired in Bay Banks Merger	—	23,214	—
Cash received from (contributed to) Bank subsidiary	10,000	10,000	(2,000)
Net cash provided by investing activities	38	21,011	(9,363)
Cash Flows From Financing Activities			
Dividends paid on common stock	(9,175)	(7,183)	(2,436)
Stock option exercises and dividend reinvestment plan issuances	87	804	—
Redemption of subordinated notes	—	(14,150)	—
Issuance of subordinated notes	—	—	15,000
Payment of subordinated notes issuance costs	—	—	(349)
Net cash used in financing activities	(9,088)	(20,529)	12,215
Net (decrease) increase in cash and due from banks	(724)	982	1,240
Cash and due from banks at beginning of period	3,156	2,174	934
Cash and due from banks at end of period	$ 2,432	$ 3,156	$ 2,174
Supplemental Schedule of Cash Flow Information			
Cash paid for:			
Interest	$ 2,213	$ 2,388	$ 1,190
Income taxes	$ 1,475	$ 10,000	$ 2,000
Non-cash investing and financing activities:			
Unrealized gain on securities available for sale	$ —	$ 300	$ —
Issuance of restricted stock awards, net of forfeitures	$ 1,564	$ 1,331	$ 567

Note 20. Legal Matters

On August 12, 2019, a former employee of Virginia Community Bankshares, Inc. ("VCB") and participant in its Employee Stock Ownership Plan (the "VCB ESOP") filed a class action complaint against VCB, Virginia Community Bank, and certain individuals associated with the VCB ESOP in the U.S. District Court for the Western District of Virginia, Charlottesville Division. The complaint alleges, among other things, that the defendants breached their fiduciary duties to VCB ESOP participants in violation of the Employee Retirement Income Security Act of 1974, as amended. The complaint alleges that the VCB ESOP incurred damages "that approach or exceed $12 million." The Company automatically assumed any liability of VCB in connection with this litigation as a result of its 2019 acquisition of VCB. The outcome of this litigation is uncertain, and the plaintiff and other individuals may file additional lawsuits related to the VCB ESOP. The Company believes the claims are without merit and no loss has been accrued for this lawsuit.

Note 21. Accumulated Other Comprehensive Income (Loss), net

The following tables present components of accumulated other comprehensive income (loss) for the periods stated.

(Dollars in thousands)	Securities Available For Sale	Transfer of Securities Held to Maturity to Available For Sale	Interest Rate Swaps	Pension and Post-retirement Benefit Plans	Accumulated Other Comprehensive Income (Loss), net
Balance as of December 31, 2020	$ 644	$ 425	$ (805)	$ —	$ 264
Change in net unrealized holding losses on securities available for sale, net of tax benefit of $1,279	(4,814)	—	—	—	(4,814)
Reclassification for previously unrealized net losses recognized in net income, net of tax benefit of $30	114	—	—	—	114
Change in net unrealized holding gains on interest rate swaps, net of tax expense of $1,521	—	—	5,719	—	5,719
Reclassification for previously unrealized net gains recognized in net income, net of tax expense of $1,307	—	—	(4,914)	—	(4,914)
Change in net unrealized losses on pension and post-retirement benefit plans, net of tax benefit of $1	—	—	—	(1)	(1)
Balance as of December 31, 2021	(4,056)	425	—	(1)	(3,632)
Change in net unrealized holding losses on securities available for sale, net of tax benefit of $11,936	(41,469)	—	—	—	(41,469)
Balance as of December 31, 2022	$ (45,525)	$ 425	$ —	$ (1)	$ (45,101)

Note 22. Commitments and Contingencies

In the ordinary course of operations, the Company is party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, in the aggregate, will not have a material adverse effect on the Company’s business, financial condition, results of operations, or cash flows.

Also, in the ordinary course of operations, the Company offers various financial products to its customers to meet their credit and liquidity needs. These instruments involve elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The Company’s exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and stand-by letters of credit written is represented by the contractual amount of these instruments. The Company uses the same credit policies in making commitments and conditional commitments as it does for on-balance sheet commitments.

Subject to its normal credit standards and risk monitoring procedures, the Company makes contractual commitments to extend credit. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments may expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2022 and December 31, 2021, the Company had outstanding loan commitments of $719.2 million and $475.1 million, respectively. Of these amounts, $107.9 million and $88.1 million were unconditionally cancellable at the sole discretion of the Company as of the same respective dates.

Conditional commitments are issued by the Company in the form of performance stand-by letters of credit, which guarantee the performance of a customer to a third party. As of December 31, 2022 and 2021, commitments under outstanding performance stand-by letters of credit totaled $0 and $655 thousand, respectively. Additionally, the Company issues financial stand-by letters of credit, which guarantee payment to the underlying beneficiary (i.e., third party) if the customer fails to meet its designated financial obligation. As of December 31, 2022 and 2021, commitments under outstanding financial stand-by letters of credit totaled $29.8 million and $4.5 million, respectively. The credit risk of issuing stand-by letters of credit can be greater than the risk involved in extending loans to customers. Reserves for unfunded commitments to borrowers as of December 31, 2022 and 2021 were $1.8 million and $962 thousand, respectively, and are included in other liabilities on the consolidated balance sheets.

The Company invests in various partnerships, limited liability companies, and SBIC funds. Pursuant to these investments, the Company commits to an investment amount that may be fulfilled in future periods. At December 31, 2022, the Company had future commitments outstanding totaling $19.0 million related to these investments.

Note 23. Subsequent Events

On January 10, 2023, the Board of Directors of the Company declared a quarterly dividend of $0.1225 per share, paid on January 31, 2023 to shareholders of record as of the close of business on January 23, 2023.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2022, the Company, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, completed an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. In designing and evaluating its disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that objectives of the disclosure controls and procedures are met. The design of any disclosure controls and procedures is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures as of December 31, 2022 were effective in providing reasonable assurance that information required to be disclosed in the Company's reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified by the SEC's rules and forms, and that such information is accumulated and communicated to management of the Company, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on this assessment, management concluded that, as of December 31, 2022, the Company's internal control over financial reporting was effective.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

ITEM 9B: OTHER INFORMATION

None.

ITEM 9C: DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than as set forth below, the information required by this item will be included in the Company's Definitive Proxy Statement for the 2023 Annual Meeting of Shareholders and incorporated herein by reference or included in an amendment to this Form 10-K filed within 120 days after the end of the fiscal year covered by this Form 10-K.

Code of Ethics

The Company has adopted a Code of Ethics and Conflict of Interest Policy that applies to directors, executive officers, and employees of the Company and the Bank. A copy of the code may be found at *blueridgebankshares.com/governance/governance-documents* and also may be obtained without charge by written request to the Company's Corporate Secretary.

ITEM 11: EXECUTIVE COMPENSATION

The information required by this Item will be included in the Company's Definitive Proxy Statement for the 2023 Annual Meeting of Shareholders and incorporated herein by reference or included in an amendment to this Form 10-K filed within 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Other than as set forth below, the information required by this Item will be included in the Company's Definitive Proxy Statement for the 2023 Annual Meeting of Shareholders and incorporated herein by reference or included in an amendment to this Form 10-K filed within 120 days after the end of the fiscal year covered by this Form 10-K.

Equity Compensation Plan Table

The following table summarizes information, as of December 31, 2022, relating to the Company's stock-based compensation plans, pursuant to which awards may be granted in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards, performance share awards, and performance compensation awards in the form of common stock from time to time.

	Number of Shares To be Issued Upon Exercise Of Outstanding Options, Warrants and Rights (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (1)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plan
Equity compensation plans approved by shareholders	—	$ —	67,172
Equity compensation plans not approved by shareholders	—	—	—
Total	—	$ —	67,172

(1) The information in this column does not include a total of 52,674 shares of common stock that are issuable upon the exercise of stock options assumed in the Bay Banks Merger with a weighted-average exercise price of $11.71 per share.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be included in the Company's Definitive Proxy Statement for the 2023 Annual Meeting of Shareholders and incorporated herein by reference or included in an amendment to this Form 10-K filed within 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be included in the Company’s Definitive Proxy Statement for the 2023 Annual Meeting of Shareholders and incorporated herein by reference or included in an amendment to this Form 10-K filed within 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV

ITEM 15: EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description
2.1	Agreement and Plan of Reorganization, dated as of May 13, 2019, between Blue Ridge Bankshares, Inc. and Virginia Community Bankshares, Inc. (incorporated by reference to Appendix A to the joint proxy statement/prospectus included in Amendment No. 2 to Blue Ridge Bankshares Inc.'s Registration Statement on Form S-4 (File No. 333-233148) filed on October 29, 2019).
2.2	Agreement and Plan of Reorganization, dated as of August 12, 2020, as amended on November 6, 2020, between Blue Ridge Bankshares, Inc. and Bay Banks of Virginia, Inc. (incorporated by reference to Appendix A to the joint proxy statement/prospectus included in Amendment No. 1 to Blue Ridge Bankshares Inc.'s Registration Statement on Form S-4 (File No. 333-249438) filed on December 9, 2020).
3.1	Articles of Incorporation of Blue Ridge Bankshares, Inc., as amended through August 16, 2011 (incorporated by reference to Exhibit 2.1 of Blue Ridge Bankshares, Inc.'s Form 1-A Offering Statement filed May 19, 2016).
3.2	Articles of Amendment of Blue Ridge Bankshares, Inc., dated June 27, 2018 (incorporated by reference to Exhibit 3.2 of Blue Ridge Bankshares, Inc.'s Registration Statement on Form S-4 filed on August 8, 2019).
3.3	Articles of Amendment of Blue Ridge Bankshares, Inc., dated July 7, 2020 (incorporated by reference to Exhibit 3.1 of Blue Ridge Bankshares, Inc.'s Current Report on Form 8-K filed on July 8, 2020).
3.4	Articles of Amendment to the Articles of Incorporation of Blue Ridge Bankshares, Inc., effective June 27, 2022 (incorporated by reference to Exhibit 3.1 of Blue Ridge Bankshares, Inc.'s Current Report on Form 8-K filed on June 29, 2022).
3.5	Bylaws of Blue Ridge Bankshares, Inc., as amended and restated January 31, 2021 (incorporated by reference to Exhibit 3.2 of Blue Ridge Bankshares, Inc.'s Current Report on Form 8-K filed on February 1, 2021).
4.1	Specimen Common Stock Certificate of Blue Ridge Bankshares, Inc. (incorporated by reference to Exhibit 3.1 of Blue Ridge Bankshares, Inc.'s Form 1-A Offering Statement filed May 19, 2016).
4.2	Form of 5.625% Fixed-to-Floating Rate Subordinated Note due 2029 (incorporated by reference to Exhibit 4.1 to Bay Banks of Virginia, Inc.'s Current Report on Form 8-K filed on October 7, 2019).
4.3	Form of Subordinated Note due 2030 (incorporated by reference to Exhibit 4.1 of Blue Ridge Bankshares, Inc.'s Current Report on Form 8-K filed on May 29, 2020).
4.4	Description of Blue Ridge Bankshares, Inc.'s Securities.
10.1	Amended and Restated Employment Agreement, dated December 21, 2022, by and among Blue Ridge Bankshares, Inc., Blue Ridge Bank, National Association and Brian K. Plum (incorporated by reference to Exhibit 10.1 of Blue Ridge Bankshares, Inc.'s Current Report on Form 8-K filed on December 27, 2022).
10.2	Amended and Restated Employment Agreement, dated April 20, 2022, by and among Blue Ridge Bankshares, Inc., Blue Ridge Bank, National Association and Judy C. Gavant (incorporated by reference to Exhibit 10.1 of Blue Ridge Bankshares, Inc.'s Current Report on Form 8-K filed on April 22, 2022).
10.3	Employment Agreement, dated November 19, 2020 and effective January 31, 2021, between Blue Ridge Bankshares, Inc. and C. Rodes Boyd, Jr. (incorporated by reference to Exhibit 10.13 to Amendment No. 1 to Blue Ridge Bankshares, Inc.'s Registration Statement on Form S-4 (File No. 333-249438) filed on December 9, 2020).
10.4	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.5 of Pre-Effective Amendment No. 1 to Blue Ridge Bankshares, Inc.'s Registration Statement on Form S-4 filed on October 4, 2019).
10.5	Description of Annual Cash Incentive Program, as amended (incorporated by reference to Exhibit 10.1 of Blue Ridge Bankshares, Inc.'s Current Report on Form 8-K filed on December 21, 2021).
10.6	Blue Ridge Bankshares, Inc. Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.6 of Blue Ridge Bankshares, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2021).

10.7	Form of Stock Purchase Agreement, by and among Blue Ridge Bankshares, Inc. and certain individual investors, dated December 31, 2014 and March 17, 2015 (incorporated by reference to Exhibit 6.9 of Blue Ridge Bankshares, Inc.'s Form 1-A Offering Statement filed May 19, 2016).
10.8	Form of Registration Rights Agreement, by and among Blue Ridge Bankshares, Inc. and certain individual investors, dated December 31, 2014 and March 17, 2015 (incorporated by reference to Exhibit 6.10 of Blue Ridge Bankshares, Inc.'s Form 1-A Offering Statement filed May 19, 2016).
10.9	Form of Subordinated Note Purchase Agreement, dated October 7, 2019, by and among Bay Banks of Virginia, Inc. and the purchasers thereto (incorporated by reference to Exhibit 10.1 to Bay Banks of Virginia, Inc.'s Current Report on Form 8-K filed on October 7, 2019).
10.10	Form of Subordinated Note Purchase Agreement, dated May 28, 2020 (incorporated by reference to Exhibit 10.1 of Blue Ridge Bankshares, Inc.'s Current Report on Form 8-K filed on May 29, 2020).
10.11	Bay Banks of Virginia, Inc. 2008 Non-Employee Directors Stock Option Plan (incorporated by reference to Exhibit 99.1 to Bay Banks of Virginia, Inc.'s Form S-8, filed on November 14, 2008).
10.12	Bay Banks of Virginia, Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 99.1 to Bay Banks of Virginia, Inc.'s Form S-8, filed on June 28, 2013).
10.13	Formal Written Agreement, dated August 29, 2022, between Blue Ridge Bank, National Association and the Office of the Comptroller of the Currency (incorporated by reference to Exhibit 10.1 of Blue Ridge Bankshares, Inc.'s Current Report on Form 8-K filed on September 1, 2022).
21.1	Subsidiaries of Blue Ridge Bankshares, Inc.
23.1	Consent of Independent Registered Public Accounting Firm – Elliott Davis, LLC.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, formatted in Inline Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2022 and 2021, (ii) Consolidated Statements of Income for the years ended December 31, 2022, 2021, and 2020 (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2022, 2021, and 2020; (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2022, 2021, and 2020 (v) Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021, and 2020, and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document in Exhibit 101).

ITEM 16: FORM 10-K SUMMARY

None.

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.

BLUE RIDGE BANKSHARES, INC.

Date: March 10, 2023

By: /s/ Brian K. Plum
Brian K. Plum
President and Chief Executive Officer

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

Signature	Title	Date
/s/ Brian K. Plum Brian K. Plum	President, Chief Executive Officer and Director (Principal Executive Officer)	March 10, 2023
/s/ Judy C. Gavant Judy C. Gavant	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 10, 2023
/s/ Brett E. Raynor Brett E. Raynor	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 10, 2023
/s/ Mensel D. Dean, Jr. Mensel D. Dean, Jr.	Chairman of the Board	March 10, 2023
/s/ Hunter H. Bost Hunter H. Bost	Director	March 10, 2023
/s/ Elizabeth H. Crowther Elizabeth H. Crowther	Director	March 10, 2023
/s/ Larry Dees Larry Dees	Director	March 10, 2023
/s/ Richard A. Farmar, III Richard A. Farmar, III	Director	March 10, 2023
/s/ Andrew C. Holzwarth Andrew C. Holzwarth	Director	March 10, 2023
/s/ Robert S. Janney Robert S. Janney	Director	March 10, 2023
/s/ Julien G. Patterson Julien G. Patterson	Director	March 10, 2023
/s/ Randolph N. Reynolds, Jr. Randolph N. Reynolds, Jr.	Director	March 10, 2023
/s/ C. Frank Scott, III C. Frank Scott, III	Director	March 10, 2023
/s/ Vance H. Spilman Vance H. Spilman	Director	March 10, 2023
/s/ William W. Stokes William W. Stokes	Director	March 10, 2023

/s/ Carolyn J. Woodruff	Director	March 10, 2023
Carolyn J. Woodruff		

Exhibit 4.4

DESCRIPTION OF BLUE RIDGE BANKSHARES, INC.'S SECURITIES

As of December 31, 2022, the common stock of Blue Ridge Bankshares, Inc. ("Blue Ridge") was the only class of its securities registered under Section 12 of the Securities Exchange Act of 1934. The following summary description of the material features of the common stock of Blue Ridge does not purport to be complete and is subject to, and qualified in its entirety by reference to, Blue Ridge's articles of incorporation and bylaws, each as amended. For more information, refer to Blue Ridge's articles of incorporation and bylaws and any applicable provisions of relevant law, including the Virginia Stock Corporation Act and federal laws governing banks and bank holding companies.

General

Blue Ridge is authorized to issue 50,000,000 shares of common stock, no par value per share. Each share of Blue Ridge common stock has the same relative rights as, and is identical in all respects to, each other share of its common stock. Blue Ridge's common stock is listed on the NYSE American market under the symbol "BRBS." The transfer agent for Blue Ridge's common stock is Computershare, Inc., 250 Royall Street, Canton, Massachusetts 02021.

Dividends

Blue Ridge's shareholders are entitled to receive dividends or distributions that its board of directors may declare out of funds legally available for those payments. The payment of distributions by Blue Ridge is subject to the restrictions of Virginia law applicable to the declaration of distributions by a corporation. A Virginia corporation generally may not authorize and make distributions if, after giving effect to the distribution, it would be unable to meet its debts as they become due in the usual course of business or if the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if it were dissolved at that time, to satisfy the preferential rights of shareholders whose rights are superior to the rights of those receiving the distribution. In addition, the payment of distributions to shareholders is subject to any prior rights of outstanding preferred stock.

As a bank holding company, Blue Ridge's ability to pay dividends is affected by the ability of Blue Ridge Bank, National Association ("Blue Ridge Bank"), its bank subsidiary, to pay dividends to the holding company. The ability of Blue Ridge Bank, as well as Blue Ridge, to pay dividends is influenced by bank regulatory requirements and capital guidelines.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of Blue Ridge, the holders of shares of its common stock will be entitled to receive, after payment of all debts and liabilities of Blue Ridge and after satisfaction of all liquidation preferences applicable to any preferred stock, all remaining assets of Blue Ridge available for distribution in cash or in kind.

Voting Rights

The holders of Blue Ridge common stock are entitled to one vote per share and, in general, a majority of votes cast with respect to a matter is sufficient to authorize action upon routine matters. Directors are elected by a plurality of the votes cast, and shareholders do not have the right to accumulate their votes in the election of directors.

Classes of Directors

Blue Ridge's board of directors is divided into three classes, apportioned as evenly as possible, with directors serving staggered three-year terms.

Preemptive Rights; Redemption and Assessment

Holders of shares of Blue Ridge common stock are not entitled to preemptive rights with respect to any shares that may be issued, other than as provided to certain individual shareholders for so long as such shareholders own at least 4.9% of the issued and outstanding common stock, on a separate and individual basis and not collectively, as set forth in those certain Stock Purchase Agreements, by and among Blue Ridge and certain individual investors, dated December 31, 2014 and March 17, 2015, respectively. Blue Ridge common stock is not subject to redemption or any sinking fund and the outstanding shares are fully paid and nonassessable.

Preferred Stock

Blue Ridge's board of directors is empowered to authorize the issuance of shares of preferred stock, in one or more classes or series, at such times, for such purposes and for such consideration as it may deem advisable without shareholder approval. Blue Ridge's board may fix the designations, voting powers, preferences, participation, redemption, sinking fund, conversion, dividend and other relative rights, qualifications, limitations and restrictions of any such series of preferred stock. The creation and issuance of any class or series of preferred stock, and the relative rights, designations and preferences of such class or series, if and when established, will depend upon, among other things, the future capital needs of Blue Ridge, then existing market conditions and other factors that, in the judgment of Blue Ridge's board, might warrant the issuance of preferred stock.

Anti-takeover Provisions

Certain provisions of Blue Ridge's articles of incorporation and bylaws contain provisions that may have the effect of discouraging, delaying, or preventing a change of control of Blue Ridge by means of a tender offer, a proxy fight, open market purchases of shares of its common stock, or otherwise in a transaction not approved by Blue Ridge's board of directors. These provisions are designed to reduce, or have the effect of reducing, Blue Ridge's vulnerability to coercive takeover practices and inadequate takeover bids. However, the existence of these provisions could prevent Blue Ridge shareholders from receiving a premium over the then prevailing market price of Blue Ridge common stock or a transaction that may otherwise be in the best interest of Blue Ridge shareholders. In addition, these provisions make it more difficult for Blue Ridge shareholders, should they choose to do so, to remove Blue Ridge's board of directors or management. These provisions include the following:

Authorized Preferred Stock. Blue Ridge's articles of incorporation authorize Blue Ridge's board of directors to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the preferences, rights, and other terms of such series. Under this authority, Blue Ridge's board could create and issue a series of preferred stock with rights, preferences, or restrictions that have the effect of discriminating against an existing or prospective holder of Blue Ridge's common stock as a result of such holder beneficially owning or commencing a tender offer for a substantial amount of common stock. One of the effects of authorized but unissued and unreserved shares of preferred stock may be to render it more difficult for, or to discourage an attempt by, a potential acquirer to obtain control of Blue Ridge by means of a merger, tender offer, proxy contest, or otherwise, and thereby protect the continuity of Blue Ridge's management.

Classified Board of Directors. Blue Ridge's articles of incorporation and bylaws divide its board of directors into three classes, apportioned as evenly as possible, with directors serving staggered three-year terms. As a result, at least two annual meetings of shareholders may be required for the shareholders to replace a majority of Blue Ridge's directors, subject to the shareholders' ability to remove directors with or without cause by vote of the holders of a majority of Blue Ridge's outstanding common shares. The classification of Blue Ridge's board makes it more difficult and time consuming to gain control of the board.

Board Vacancies. Virginia law and Blue Ridge's articles of incorporation and bylaws provide that any vacancy occurring on Blue Ridge's board may be filled by the remaining members of the board. These provisions may discourage, delay, or prevent a third party from voting to remove incumbent directors and simultaneously gaining control of Blue Ridge's board by filling the vacancies created by that removal with its own nominees.

Supermajority Voting Provisions. Blue Ridge's articles of incorporation provide that certain mergers or consolidations, share exchanges, acquisitions of control, sales of all or substantially all of Blue Ridge's assets, liquidation or dissolution, in each case with a corporation, person or entity that is the beneficial owner, directly or indirectly, of more than 5% of the shares of capital stock of Blue Ridge outstanding and entitled to vote on the transaction (a “significant shareholder”), must be approved by the affirmative vote of the holders of 80% of the outstanding capital stock of Blue Ridge entitled to vote on the transaction. If such an action does not involve a significant shareholder, it must be approved by the affirmative vote of the holders of more than two-thirds of the outstanding capital stock of Blue Ridge entitled to vote on the transaction. The voting provisions described in this paragraph do not apply to any transaction which is approved in advance by a majority of those directors of Blue Ridge (i) who were directors before the corporation, person or entity became a significant shareholder and who are not affiliates of such significant shareholder, and (ii) who became directors of Blue Ridge at the recommendation of the directors referred to in clause (i) above.

No Cumulative Voting. Blue Ridge’s articles of incorporation do not provide for cumulative voting for any purpose. The absence of cumulative voting may afford anti-takeover protection by making it more difficult for Blue Ridge’s shareholders to elect nominees opposed by the board of directors.

Shareholder Meetings. Pursuant to Blue Ridge’s bylaws, special meetings of shareholders may only be called by Blue Ridge’s President or by request in writing stating the purposes thereof delivered to the President and signed by a majority of the directors or by three or more shareholders owning, in the aggregate, not less than 20% in interest of the shares of Blue Ridge’s capital stock. This provision affords antitakeover protection by making it more difficult for shareholders to call a special meeting of shareholders to consider a proposed merger or other business combination.

Advance Notification of Shareholder Nominations. Blue Ridge’s bylaws establish advance notice procedures with respect to the nomination of persons for election as directors, other than nominations made by or at the direction of Blue Ridge’s board. Pursuant to Blue Ridge’s bylaws, a shareholder entitled to vote for the election of directors may nominate persons for election to Blue Ridge’s board by delivering written notice to Blue Ridge’s Corporate Secretary. With respect to an election to be held at an annual meeting of shareholders, its bylaws generally require that such notice be delivered not fewer than 60 days nor more than 90 days prior to the first anniversary of the preceding year’s annual meeting; provided, however, that if the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the shareholder must be delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. A shareholder wishing to nominate any person for election as a director must provide Blue Ridge with certain information concerning the nominee and the proposing shareholder.

Merger Considerations. The articles of incorporation of Blue Ridge provide that Blue Ridge’s board of directors, when evaluating a transaction that would or may involve a change in control of Blue Ridge, shall consider, among other things, the following factors: the social and economic effects of the proposed transaction on the depositors, employees, suppliers, customers and other constituents of Blue Ridge and on the communities in which Blue Ridge operates or is located, the business reputation of the other party proposing the transaction, and the evaluation of the then value of Blue Ridge in a freely negotiated sale and of the future prospects of Blue Ridge as an independent entity. This provision provides Blue Ridge’s board the latitude to consider additional factors, aside from the price of a proposed merger or other business combination, in determining whether the transaction is in the best interests of Blue Ridge and its shareholders.

Exhibit 21.1

Subsidiaries of Blue Ridge Bankshares, Inc.

Subsidiary	**Jurisdiction of Incorporation or Organization**
Blue Ridge Bank, National Association	United States of America
BRB Financial Group, Inc.	Virginia

Exhibit 23.1

elliott davis

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Nos. 333-249438 and 333-248227) on Form S-8 and Registration Statements (Nos. 333-268215 and 333-264860) on Form S-3 of our report dated March 10, 2023, relating to the consolidated financial statements of Blue Ridge Bankshares, Inc. and Subsidiaries, appearing in this Annual Report on Form 10-K of Blue Ridge Bankshares, Inc. for the year ended December 31, 2022.

/s/ Elliott Davis, PLLC

Raleigh, North Carolina
March 10, 2023

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Section 302 Certification

I, Brian K. Plum, certify that:

1. I have reviewed this annual report on Form 10-K of Blue Ridge Bankshares, Inc.;

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

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

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

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

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

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

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

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

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

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

/s/ Brian K. Plum
Brian K. Plum
President and Chief Executive Officer

Date: March 10, 2023

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Section 302 Certification

I, Judy C. Gavant, certify that:

1. I have reviewed this annual report on Form 10-K of Blue Ridge Bankshares, Inc.;

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

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

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

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

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

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

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

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

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

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

/s/ Judy C. Gavant

Date: March 10, 2023

Judy C. Gavant
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of Blue Ridge Bankshares, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that based on their 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 as of and for the periods covered in the Report.

/s/ Brian K. Plum

Brian K. Plum
President and Chief Executive Officer

/s/ Judy C. Gavant

Judy C. Gavant
Executive Vice President and Chief Financial Officer

Date: March 10, 2023