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

FORM 10-K

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

For the fiscal year ended December 31, 2021

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: 001-41196

USCB Financial Holdings, Inc.
(Exact name of registrant as specified in its charter)

Florida	**87-4070846**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

2301 NW 87th Avenue, Doral, FL 33172
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: **(305) 715-5200**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $1.00 par value per share	USCB	The Nasdaq Stock Market LLC

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 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," "non-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. ☐

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on March 1, 2022, based on the closing price of $13.41 for shares of the Registrant's Class A common stock as reported by the Nasdaq Stock Market was approximately $268.1 million. The registrant has elected to use March 1, 2022 as the calculation date because on June 30, 2021 (the last business day of the Registrant's second fiscal quarter), the Registrant was a privately held company. As of March 1, 2022, the registrant had 20,000,753 shares of Class A common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Proxy Statement for the 2022 Annual Meeting of Shareholders (the "2022 Proxy Statement") are incorporated by reference into Part III of this report.

USCB FINANCIAL HOLDINGS

FORM 10-K
DECEMBER 31, 2021

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements that are not historical in nature are intended to be, and are hereby identified as, forward-looking statements for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. The words “may,” “will,” “anticipate,” “should,” “would,” “believe,” “contemplate,” “expect,” “aim,” “plan,” “estimate,” “continue,” and “intend,” as well as other similar words and expressions of the future, are intended to identify forward-looking statements. These forward-looking statements include statements related to our projected growth, anticipated future financial performance, and management’s long-term performance goals, as well as statements relating to the anticipated effects on results of operations and financial condition from expected developments or events, or business and growth strategies, including anticipated internal growth.

These forward-looking statements involve significant risks and uncertainties that could cause our actual results to differ materially from those anticipated in such statements. Potential risks and uncertainties include, but are not limited to:

- the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
- the COVID-19 pandemic and its impact on us, our employees, customers and third-party service providers, and the ultimate extent of the impacts of the pandemic and related government stimulus programs;
- our ability to successfully manage interest rate risk, credit risk, liquidity risk, and other risks inherent to our industry;
- the accuracy of our financial statement estimates and assumptions, including the estimates used for our credit loss reserve and deferred tax asset valuation allowance;
- the efficiency and effectiveness of our internal control environment;
- our ability to comply with the extensive laws and regulations to which we are subject, including the laws for each jurisdiction where we operate;
- legislative or regulatory changes and changes in accounting principles, policies, practices or guidelines, including the effects of the forthcoming implementation of the Current Expected Credit Losses (“CECL”) standard;
- the effects of our lack of a diversified loan portfolio and concentration in the South Florida market, including the risks of geographic, depositor, and industry concentrations, including our concentration in loans secured by real estate;
- the concentration of ownership of our Class A common stock;
- fluctuations in the price of our Class A common stock;
- our ability to fund or access the capital markets at attractive rates and terms and manage our growth, both organic growth as well as growth through other means, such as future acquisitions;
- inflation, interest rate, unemployment rate, market, and monetary fluctuations;
- increased competition and its effect on pricing of our products and services as well as our margins;
- the effectiveness of our risk management strategies, including operational risks, including, but not limited to, client, employee, or third-party fraud and security breaches; and
- other risks described this Form 10-K and other filings we make with the Securities and Exchange Commission (“SEC”).

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations. Therefore, you are cautioned not to place undue reliance on any forward-looking statements. Further, forward-looking statements included in this presentation are made only as of the date hereof, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, unless required to do so under the federal securities laws. You should also review the risk factors described in the reports the Company filed or will file with the SEC and, for periods prior to the completion of the bank holding company reorganization, the Bank filed with the Federal Deposit Insurance Corporation (“FDIC”).

PART I

Item 1. Business

Overview

USCB Financial Holdings, Inc., a Florida corporation (the “Company”), was formed on December 17, 2021, to serve as the holding company for U.S. Century Bank, a Florida state-chartered bank (the “Bank”), and is a bank holding company (a “BHC”) registered with the Board of Governors of the Federal Reserve System (the “Federal Reserve”) under the Bank Holding Company Act of 1956, as amended (the “BHC Act”). The Company is headquartered in Miami, Florida, and, through the Bank, its sole subsidiary, operates 10 banking centers in South Florida providing a wide range of personal and business banking products and services. As of December 31, 2021, the Company had total consolidated assets of $1.9 billion.

The Bank commenced operations on October 28, 2002 and is a Florida state-chartered, non-Federal Reserve System member bank. Over the course of 2021, the Bank simplified its capitalization structure by exchanging and/or repurchasing all of its issued and outstanding preferred shares, including Class C, Class D, and Class E preferred stock. Most recently, in December 2021, the Bank reached agreements with holders of its Class B common stock, to exchange all outstanding Class B common stock for Class A common stock in a 1-for-5 reverse stock split.

On July 27, 2021, the Bank completed an initial public offering of 4,600,000 shares of its Class A common stock. Shares of the Bank’s Class A common stock were sold at a price to the public of $10.00 per share and began trading on the Nasdaq Stock Market under ticker symbol “USCB”.

On December 30, 2021 (the “Effective Date”), the Company acquired all of the issued and outstanding stock of the Bank in a share exchange (the “Reorganization”) effected under the Florida Business Corporation Act and in accordance with the terms of an Agreement and Plan of Share Exchange dated December 27, 2021 between the Bank and the Company (the “Share Exchange Agreement”). The Reorganization and the Share Exchange Agreement were approved by the Bank’s stockholders at a special meeting of the Bank’s stockholders held on December 20, 2021. Pursuant to the Share Exchange Agreement, on the Effective Date each issued and outstanding share of the Bank’s Class A common stock was converted into and exchanged for one share of the Company’s Class A common stock. As a result, the Bank became the sole subsidiary of the Company, the Company became the holding company for the Bank and the stockholders of the Bank became stockholders of the Company.

Prior the Effective Date, the Bank’s Class A common stock was registered under Section 12(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), and the Bank was subject to the information requirements of the Exchange Act and, in accordance with Section 12(i) thereof, filed quarterly reports, proxy statements and other information with the FDIC. As a result of the Reorganization, pursuant to Rule 12g-3(a) under the Exchange Act, the Company became the successor registrant to the Bank, the Company’s Class A common stock was deemed to be registered under Section 12(b) of the Exchange Act, and the Company became subject to the information requirements of the Exchange Act and is now required to file reports, proxy statements and other information with the SEC. The trading symbol for the Company’s Class A Common Stock is “USCB”, which is the same as the Bank’s former trading symbol.

Prior to the Reorganization, the Company had no material assets and had not conducted any business or operations except for activities related to its incorporation and the Reorganization.

Our strategy in becoming a publicly traded company and forming a BHC is to continue pursuing organic growth as well as strategic acquisitions if the opportunity arises which efforts will be further facilitated by access to public capital and the added flexibility provided by a BHC structure.

In this Annual Report, unless the context indicated otherwise, references to “we,” “us,”, and “our” refer to the Company and the Bank. However, if the discussion relates to a period before the Effective Date, the terms refer only to the Bank.

Products and Services

Lending Services

Our mission is to provide high value, relationship-based banking products, services and solutions to a diverse set of clients in the markets we serve. We focus on serving small-to-medium sized businesses (“SMBs”) and catering to the needs of local business owners, entrepreneurs and professionals in South Florida. We have further leveraged our success in providing comprehensive banking solutions to SMBs to also secure the personal retail deposit relationships of the owners, operators, and employees of our commercial lending clients, which has been a cornerstone of our deposit growth strategy.

In addition to our traditional commercial banking services, we are among a select number of banks of our size within our market area that can offer certain specialty banking products, services and solutions designed for small businesses, homeowner associations, law firms, medical practices and other professional services firms, and global banking services. Our major specialty banking offerings include the following:

- **Small Business Administration (SBA) lending:** Our SBA platform originates loans under Sections 7(a) and 504 of the SBA program. The 7(a) loan program, SBA's most common loan program, includes financial help for small businesses with special requirements while the 504 loan program provides long-term, fixed rate financing of up to $5.0 million for major fixed assets that promote business growth and job creation. Since its formation in 2018, the platform serves as an opportunity to generate commercial and industrial loans, or C&I loans, and to diversify our revenue stream through originating and selling SBA 7(a) loans. As of December 31, 2021, the Bank is a Preferred Lending Partner with the SBA which allows us to offer the full range of SBA loan products and to exercise lending authority at the local Bank level, allowing us to make timely credit decisions for prospective clients.
- **Yacht lending:** In 2021, two portfolios of yacht loans were purchased as part of our strategic initiative to launch a new business vertical and diversify our portfolio.
- **Homeowner Association (HOA) services:** We provide banking services to HOAs and property managers, including deposit collection, lockbox services, payment services, and lending products. Launched in 2016, we offer our HOA customers a unique combination of market knowledge of a local bank, and a highly personalized “white glove” approach to customer service.
- **Jurist Advantage and Private Client Group services:** Our Jurist Advantage and Private Client Group vertical provides customized banking solutions for law firms as well as their partners, associates, staff, and high net worth clients. We also leverage our relationships with our law firm clients to generate personal deposit accounts.
- **Global Banking services:** Our Global Banking vertical provides correspondent banking services for banks headquartered in certain Latin America and the Caribbean countries. We also cross-sell our correspondent banking relationships to generate international personal banking clients for our Bank. Our compliance team is experienced in issues related to foreign banking, and we have consistent open communication with our foreign bank clients to ensure proper compliance controls are maintained at such institutions.

Credit Practices

Our underwriting process is informed by a conservative credit culture that encourages prudent lending. We believe our strong asset quality is due to our understanding of and experience with businesses within Florida, our long-standing relationships with clients and our disciplined underwriting processes. Our thorough underwriting processes collaboratively engage our seasoned business bankers, credit underwriters and portfolio managers in the analysis of each loan request.

We manage our credit risk by analyzing metrics related to our different lines of business, which allows us to maintain a conservative and well-diversified loan portfolio reflective of our assessment of various industry sectors. Based upon our aggregate exposure to any given borrower relationship, we undertake a scaled review of loan originations that may involve senior credit officers, our Chief Credit Officer, our Credit Committee or, ultimately, our Board of Directors (“Board”).

Deposit Products

We offer traditional deposit products including commercial and consumer checking accounts, money market deposit accounts, savings accounts and certificates of deposit with a variety of terms and rates as well as a robust suite of treasury, commercial payments and cash management services. We offer commercial and consumer deposit products across our primary geographic footprint.

Seasonality

We do not believe our business to be seasonal in nature.

Markets

Our primary banking market is South Florida. Due to the recent acceptance and expected ongoing emphasis on remote work, coupled with a low tax environment, warm weather and a strong real estate market has encouraged companies to relocate some or all of their operations to South Florida. We believe this trend is further demonstrated by recent relocation initiatives undertaken by large financial institutions such as Blackstone Group Inc., Goldman Sachs Group Inc., and Citadel Advisors LLC, all of which have established operations in South Florida. We believe Florida offers long-term attractive banking opportunities. Our largest concentration is in the Miami metropolitan statistical area; however, we are also focused on growth in other urban Florida markets in which we have a presence, such as Broward and Palm Beach counties.

According to the 2020 United States Census Bureau, Florida was the third most populous state in the country and the three largest populations were in Miami-Dade, Broward, and Palm Beach counties, all located in South Florida. According to estimates from the United States Census Bureau, from 2010 to 2021, Florida's population increased to 21.8 million residents, an increase of 3.0 million new residents. The percentage change in Florida's population between April 2020 and July 2021 alone was 1.1% according to the United States Census Bureau.

Competition

Our markets are highly competitive, and we compete with a wide range of lenders and other financial institutions within our markets, including local, regional, national, and international commercial banks and credit unions. We also compete with mortgage companies, brokerage firms, trust service providers, consumer finance companies, mutual funds, securities firms, insurance companies, third-party payment processors, financial technology companies, or Fintechs, and other financial intermediaries on various of our products and services. Some of our competitors are not subject to the regulatory restrictions and the level of regulatory supervision applicable to us. Many of our competitors are much larger financial institutions that have greater financial resources than we do and compete aggressively for market share. These competitors attempt to gain market share through their financial product mix, pricing strategies and larger banking center networks.

Interest rates on both loans and deposits and prices of fee-based services are significant competitive factors among financial institutions generally. Other important competitive factors include convenience, quality of customer service, availability and quality of digital offerings, community reputation, and continuity of personnel and services.

Emerging Growth Company

We are an "emerging growth company," or "EGC", as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). As such, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act also provides that an EGC can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act"), for complying with new or revised accounting standards. In other words, an EGC can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We intend to take advantage of the benefits of this extended transition period, for as long as it is available.

Human Capital Resources

We respect the values and diversity throughout our organization and the community. Diversity and inclusion are integral parts of our organization's culture. We seek the active engagement and participation of people with diverse backgrounds and ethnicities. We are taking steps to create programs to ensure that we are organized in a way where the unique contributions of each individual in our Company is recognized and supported. Each team member is to be treated fairly with equal access to opportunities and resources for success. Additionally, we run homebuyer educational and financial literacy workshops in an effort to reach the financing needs of the sectors of our communities in which these workshops are most needed.

At December 31, 2021, we had 187 full-time equivalent employees. None of our employees are parties to a collective bargaining agreement. We believe that our employees are our greatest asset and vital to our success. As such, we seek to hire and retain the best candidate for each position, without regard to age, gender, ethnicity, or other protected class status,

but with an appreciation for a diversity of perspectives and experiences. We have designed a compensation structure including an array of benefit plans and programs that we believe is attractive to our current and prospective employees.

Regulation and Supervision

Bank holding companies, banks, and their affiliates are extensively regulated under federal and state law. These regulations have a material effect on the operations of the Company and its direct and indirect subsidiaries, including the Bank, which is currently the Company's only subsidiary.

Statutes, regulations and policies limit the activities in which we may engage and the conduct of our permitted activities and establish capital requirements with which we must comply. The regulatory framework is intended primarily for the protection of depositors, borrowers, customers and clients, the FDIC insurance funds and the banking system as a whole, and not for the protection of our stockholders or creditors. In many cases, the applicable regulatory authorities have broad enforcement power over bank holding companies, banks and their subsidiaries, including the power to impose substantial fines, remove officers and directors from their positions, force the termination of certain activities and the divestures of certain investments and other penalties for violations of laws and regulations.

Further, the regulatory system imposes reporting and information collection obligations. Banking statutes and regulations are subject to change, and additional statutes, regulations, and corresponding guidance may be adopted. We are unable to predict these future changes or the effects, if any, that these changes could have on the business, prospects, revenues, and results of operations of our Bank and Company.

The material statutory and regulatory requirements that are applicable to us are summarized below. The description below is not intended to summarize all laws and regulations applicable to us. These summary descriptions are not complete, and you should refer to the full text of the statutes, regulations, and corresponding guidance for more information.

Bank and Bank Holding Company Regulation

As a Florida state-chartered bank, the Bank is subject to ongoing and comprehensive supervision, regulation, examination, and enforcement by the FDIC and Florida Office of Financial Regulation ("FOFR"). The FOFR supervises and regulates all areas of our operations including, without limitation, the making of loans, the issuance of securities, the conduct of our corporate affairs, the satisfaction of capital adequacy requirements, the payment of dividends, and the establishment or closing of banking centers. In addition, our deposit accounts are insured by the Deposit Insurance Fund administered by the FDIC to the maximum extent permitted by law, and the FDIC has certain supervisory and enforcement powers over us.

Any entity that directly or indirectly controls a bank must be approved by the Federal Reserve Board under the Bank Holding Company Act of 1956 (the "BHC Act") to become a BHC, BHCs and their bank affiliates. BHCs are subject to regulation, inspection, examination, supervision and enforcement by the Federal Reserve Board under the BHC Act. The Federal Reserve Board's jurisdiction also extends to any company (except, in most instances, a bank) that is directly or indirectly controlled by a BHC.

The Company, which controls the Bank, is a BHC and, as such, is subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the Federal Reserve Board.

Prior Notice and Approval Requirements Related to Control

Banking laws impose prior notice, approval, and ongoing regulatory requirements on any stockholder or other party that seeks to acquire, and subsequently acquires, direct or indirect "control" of an FDIC-insured depository institution. These laws include the BHC Act and the Change in Bank Control Act. Among other things, these laws require regulatory filings by individuals or companies that seek to acquire direct or indirect "control" of an FDIC-insured depository institution. The determination of whether an investor "controls" a depository institution is based on all of the facts and circumstances surrounding the investment. As a general matter, a party is deemed to control a depository institution or other company if the party owns or controls 25% or more of any class of voting stock of the depository institution, control the election of a majority of the board of directors of the depositary institution and/or exercises a controlling influence over the management and policies of such institution. Subject to rebuttal, a party generally may be presumed to control a depository institution or other company if the investor owns or controls 10% or more of any class of voting stock. Except under very limited circumstances, bank holding companies are prohibited from acquiring, without prior approval, control of any other bank or BHC or substantially all the assets thereof or more than 5% of the voting shares of a bank or BHC which is not already a subsidiary.

Source of Strength

All companies, including BHCs, that directly or indirectly control an insured depository institution, are required to serve as a source of strength for the institution. Under this requirement, the Company in the future could be required to provide financial assistance to the Bank should it experience financial distress. Such support may be required at times when, absent this statutory and Federal Reserve Policy requirement, a BHC may not be inclined to provide it.

Safety and Soundness Regulation

As an insured depository institution, the Bank is subject to prudential regulation and supervision and must undergo regular on-site examinations by our state and federal bank regulatory agencies. The cost of examinations of insured depository institutions and any affiliates are assessed by the appropriate agency against each institution or affiliate that is subject to examination as it deems necessary or appropriate. We file quarterly consolidated reports of condition and income, or call reports, with the FDIC and FOFR.

The federal banking agencies have also adopted guidelines establishing safety and soundness standards for all insured depository institutions including our Bank. The safety and soundness guidelines relate to, among other things, our internal controls, information systems, internal audit systems, liquidity, capital adequacy, loan underwriting and documentation, anti-money laundering policies and procedures, transactions with insiders, risk management, compensation, asset growth, and interest rate exposure. These standards assist the federal banking agencies with early identification and resolution of problems at insured depository institutions. If we were to fail to meet or otherwise comply with any of these standards, the FDIC could require us to submit a plan for achieving and maintaining compliance. If a financial institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by the FDIC, the FDIC is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the order is cured, the FDIC may restrict the financial institution's rate of growth, require the financial institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action, including cease and desist orders and civil money penalty assessments. In addition, the FDIC could terminate our deposit insurance if it determines that our financial condition was unsafe or unsound or that we engaged in unsafe or unsound practices that violated applicable rules, regulations, orders or conditions enacted or imposed on us by our regulators.

During the past decade, the bank regulatory agencies have increasingly emphasized the importance of sound risk management processes and strong internal controls when evaluating the activities of the financial institutions they supervise. Properly managing risks has been identified as critical to the conduct of safe and sound banking activities and has become even more important as new technologies, product innovation and the size and speed of financial transactions have changed the nature of banking markets. The agencies have identified a spectrum of risks facing a banking institution including, but not limited to, credit, market, liquidity, interest rate, cybersecurity, operational, legal and reputational risk. Recent regulatory pronouncements have focused on operational risk, which arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud or unforeseen deficiencies will result in unexpected losses. New products and services, use of outside vendors and cybersecurity are critical sources of operational risk that financial institutions are expected to address in the current environment. We expect to have active Board and senior management oversight; adequate policies, procedures and risk limits; adequate risk measurement and monitoring and adequate management information systems; and comprehensive internal controls to address these various risks.

Permissible Activities and Investments

Bank regulatory laws generally restrict the ability of the Company, as a BHC, to engage in activities other than those determined by the Federal Reserve Board to be so closely related to banking as to be a proper incident thereto. The Gramm-Leach-Bliley Act (the "GLB Act") expanded the scope of permissible activities for a BHC that qualifies as a financial holding company. Under the regulations implementing the GLB Act, a financial holding company may engage in additional activities that are financial in nature or incidental or complementary to a financial activity. The Company is not a financial holding company.

In addition, as a general matter, the establishment or acquisition by the Company, of a non-bank entity, or the initiation of a non-banking activity, requires prior regulatory approval from the Federal Reserve Board. In approving acquisitions or the addition of activities, the Federal Reserve Board considers, among other things, whether the acquisition or the additional activities can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition or gains in efficiency, that outweigh such possible adverse effects as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

Regulatory Capital Requirements

The federal banking regulators have adopted risk-based capital adequacy guidelines for bank holding companies and their subsidiary banks and banks without bank holding companies based on the Basel III standards. Under these guidelines, assets and off-balance sheet items are assigned to specific risk categories, each with designated risk weightings. The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance sheet exposure, to minimize disincentives for holding liquid assets, and to achieve greater consistency in evaluating the capital adequacy of major banks throughout the world. The resulting capital ratio requirements represent capital as a percentage of total risk-weighted assets and off-balance sheet items. Final rules implementing the capital adequacy guidelines became effective, with various phase-in periods, on January 1, 2015 for community banks such as us. All of the rules were fully phased in as of January 1, 2019. These final rules represent a significant change to the prior general risk-based capital rules and are designed to substantially conform to the Basel III international standards.

In computing total risk-weighted assets, bank and bank holding company assets are given risk-weights of 0%, 20%, 50%, 100% and 150%. In addition, certain off-balance sheet items are given similar credit conversion factors to convert them to asset equivalent amounts to which an appropriate risk-weight will apply. Most loans will be assigned to the 100% risk category, except for performing first mortgage loans fully secured by 1-to-4 family and certain multi-family residential property, which carry a 50% risk rating. Most investment securities (including, primarily, general obligation claims on states or other political subdivisions of the United States) will be assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% risk-weight, and direct obligations of the U.S. Treasury or obligations backed by the full faith and credit of the U.S. government, which have a 0% risk-weight. In covering off-balance sheet items, direct credit substitutes, including general guarantees and standby letters of credit backing financial obligations, are given a 100% conversion factor. Transaction-related contingencies such as bid bonds, standby letters of credit backing nonfinancial obligations, and undrawn commitments (including commercial credit lines with an initial maturity of more than one year) have a 50% conversion factor. Short-term commercial letters of credit are converted at 20% and certain short-term unconditionally cancelable commitments have a 0% factor.

Under the final rules, minimum requirements increased for both the quality and quantity of capital held by banking organizations. In this respect, the final rules implement strict eligibility criteria for regulatory capital instruments and improve the methodology for calculating risk-weighted assets to enhance risk sensitivity. Consistent with the international Basel III framework, the rules include a new minimum ratio of Common Equity Tier 1 Capital to Risk-Weighted Assets of 4.5%. The rules also create a Common Equity Tier 1 Capital conservation buffer of 2.5% of risk-weighted assets. This buffer is added to each of the three risk-based capital ratios to determine whether an institution has established the buffer. The rules raise the minimum ratio of Tier 1 Capital to Risk-Weighted Assets from 4% to 6% and include a minimum leverage ratio of 4% for all banking organizations. If a financial institution's capital conservation buffer falls below 2.5% — e.g., if the institution's Common Equity Tier 1 Capital to Risk-Weighted Assets is less than 7.0% — then capital distributions and discretionary payments will be limited or prohibited based on the size of the institution's buffer. The types of payments subject to this limitation include dividends, share buybacks, discretionary payments on Tier 1 instruments, and discretionary bonus payments.

The new capital regulations may also impact the treatment of accumulated other comprehensive income, or AOCI, for regulatory capital purposes. Under the new rules, AOCI generally flows through to regulatory capital, however, community banks and their holding companies (if any) may make a one-time irrevocable opt-out election to continue to treat AOCI the same as under the old regulations for regulatory capital purposes. This election was required to be made on the first call report filed after January 1, 2015. We made the opt-out election. Additionally, the new rules also permit community banks with less than $15.0 billion in total assets to continue to count certain non-qualifying capital instruments issued prior to May 19, 2010 as Tier 1 capital, including trust preferred securities and cumulative perpetual preferred stock (subject to a limit of 25% of Tier 1 capital). However, non-qualifying capital instruments issued on or after May 19, 2010 do not qualify for Tier 1 capital treatment.

On September 17, 2019, the federal banking agencies jointly finalized a rule to be effective January 1, 2020 and intended to simplify the regulatory capital requirements described above for qualifying community banking organizations that opt into the Community Bank Leverage Ratio, or CBLR, framework, as required by Section 201 of the Regulatory Relief Act. The final rule became effective on January 1, 2020, and the CBLR framework became available for banks to use beginning with their March 31, 2020 call reports. Under the final rule, if a qualifying community banking organization opts into the CBLR framework and meets all requirements under the framework, it will be considered to have met the well-capitalized ratio requirements under the prompt corrective action regulations described elsewhere in this offering circular and will not be required to report or calculate risk-based capital. In order to qualify for the CBLR framework, a community banking organization must have a tier 1 leverage ratio of greater than 9%, less than $10.0 billion in total consolidated assets, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of

total consolidated assets. However, Section 4012 of the CARES Act required that the CBLR be temporarily lowered to 8%. The federal regulators issued a rule implementing the lower CBLR effective April 23, 2020. The rule also established a two-quarter grace period for a qualifying institution whose leverage ratio falls below the 8% CBLR requirement so long as the bank maintains a leverage ratio of 7% or greater. Another rule was issued to transition back to the 9% CBLR by increasing the ratio to 8.5% for calendar year 2021 and 9% thereafter. Although the Bank is a qualifying community banking organization, the Bank has elected not to opt in to the CBLR framework at this time and will continue to follow the Basel III capital requirements as described above.

As of December 31, 2021 and 2020, the Bank qualified as a “well capitalized” institution. See Note 15 “Regulatory Matters” of the Consolidated Financial Statements filed herewith for further details.

Prompt Corrective Action

Under the Federal Deposit Insurance Act (“FDIA”), the federal bank regulatory agencies must take "prompt corrective action" against undercapitalized U.S. depository institutions. The capital-based regulatory framework contains five categories of compliance with regulatory capital requirements, including "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized," and depository institutions are subjected to differential regulation corresponding to the capital category within which the institution falls.

As of December 31, 2021, a depository institution was deemed to be "well capitalized" if the banking institution had a total risk-based capital ratio of 10.0% or greater, a tier 1 risk-based capital ratio of 8.0% or greater, a CET1 risk-based capital ratio of 6.5% and a leverage ratio of 5.0% or greater, and the institution was not subject to an order, written agreement, capital directive, or prompt corrective action directive to meet and maintain a specific level for any capital measure. Under certain circumstances, a well-capitalized, adequately capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category if it’s determined that the institution is in an unsafe or unsound condition or is engaging in an unsafe or unsound practice. The degree of regulatory scrutiny of a financial institution will increase, and the permissible activities of the institution will decrease, as it moves downward through the capital categories. A banking institution that is undercapitalized is required to submit a capital restoration plan. Failure to meet capital guidelines could subject the institution to a variety of enforcement remedies by federal bank regulatory agencies, including: termination of deposit insurance by the FDIC, restrictions on certain business activities, and appointment of the FDIC as conservator or receiver, depending upon the severity of the capital deficiency.

Commercial Real Estate Concentration Guidelines

The federal banking regulators have implemented guidelines to address increased concentrations in commercial real estate loans. These guidelines describe the criteria regulatory agencies will use as indicators to identify institutions potentially exposed to unacceptably high levels of commercial real estate concentration risk. An institution that has (i) experienced rapid growth in commercial real estate lending, (ii) notable exposure to a specific type of commercial real estate, (iii) total reported loans for construction, land development, and other land representing 100% or more of total capital, or (iv) total commercial real estate (including construction) loans representing 300% or more of total capital and the outstanding balance of the institutions commercial real estate portfolio has increased by 50% or more in the prior 36 months, may be identified for further supervisory analysis of a potential concentration risk.

As of December 31, 2021, our ratio of construction loans to total capital was 30%, and therefore, we were under the 100% threshold set forth in clause (iii) in the paragraph above. With respect to clause (iv) in the paragraph above, as of December 31, 2021, our ratio of total commercial real estate loans to total capital was 298%, but the outstanding balance of our commercial real estate portfolio has not increased by 50% or more in the prior 36 months. As a result, we are not deemed to have a concentration in commercial real estate lending under applicable regulatory guidelines.

Payment of Dividends

The ability of the board of directors of an insured depository institution to declare a cash dividend or other distribution with respect to capital stock is subject to statutory and regulatory restrictions that limit the amount available for such distribution depending upon earnings, financial condition and cash needs of the institution, as well as general business conditions. Insured depository institutions are also prohibited from paying management fees to any controlling persons or other affiliates or, with certain limited exceptions, making capital distributions, including dividends, if after such transaction the institution would be less than adequately capitalized. Under Florida law, we may generally declare a dividend from retained net profits which accrued prior to the preceding two years, but we must, before the declaration of a dividend on our common stock, carry 20% of our net profits for such preceding period as is covered by the dividend to our surplus fund, until the same shall at least equal the amount of our common stock and preferred stock then issued and outstanding. Under Florida law, we are prohibited from declaring a dividend at any time at which our net income from the current year combined with the retained net income from the preceding two years is a loss or which would cause our capital accounts to fall below the minimum amount required by law, regulation, order, or any written agreement with a state or federal regulatory agency.

In addition, because we are a BHC, we are dependent upon the payment of dividends by the Bank as our principal source of funds to pay dividends in the future, if any, and to make other payments. It is the policy of the Federal Reserve Board that BHCs should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. The policy provides that a BHC should not pay cash dividends at a level that undermines the BHC's ability to serve as a source of strength to its banking subsidiaries.

Incentive Compensation

Guidelines adopted by the federal banking agencies pursuant to the FDIA prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder.

In June 2010, the federal banking agencies jointly adopted the Guidance on Sound Incentive Compensation Policies, or GSICP. The GSICP intended to ensure that banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. This guidance, which covers all employees that have the ability to expose the organization to material amounts of risk, either individually or as part of a group, is based upon a set of key principles relating to a banking organization's incentive compensation arrangements. Specifically, incentive compensation arrangements should (i) provide employee incentives that appropriately balance risk in a manner that does not encourage employees to expose their organizations to imprudent risk, (ii) be compatible with effective controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Any deficiencies in our compensation practices could lead to supervisory or enforcement actions by the FDIC.

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, such as us, having at least $1.0 billion in total assets 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. In addition, these regulators must establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based compensation arrangements. The federal banking agencies proposed such regulations in April 2011 and issued a second proposed rule in April 2016. The second proposed rule would apply to all banks with at least $1.0 billion in average total consolidated assets. Final regulations have not been adopted as of the date hereof. If adopted, these or other similar regulations would impose limitations on the manner in which we may structure compensation for our executives and other employees that could go beyond the requirements of GSICP. The scope and content of the federal banking agencies' policies on incentive compensation are continuing to develop and are likely to continue evolving, but the timeframe for finalization of such policies is not known at this time.

Limits on Transactions with Affiliates and Insiders

Insured depository institutions are subject to restrictions on their ability to conduct transactions with affiliates and other related parties. Section 23A of the Federal Reserve Act imposes quantitative limits, qualitative requirements, and collateral requirements on certain loan transactions by an insured depository institution with, or for the benefit of, its affiliates. Transactions covered by Section 23A include loans, extensions of credit, investment in securities issued by an affiliate, and acquisitions of assets from an affiliate. Section 23B of the Federal Reserve Act requires that most types of transactions by an insured depository institution with, or for the benefit of, an affiliate be on terms at least as favorable to the insured depository institution as if the transaction were conducted between the insured depository institution and an unaffiliated third party.

An affiliate of a bank is any entity that controls, is controlled by or is under common control with the bank. In a holding company context, the parent bank holding company, such as USCB Financial Holdings, Inc., and any companies that are controlled by such parent holding company (excluding subsidiaries of the bank) are affiliates of the bank.

Loans to executive officers and directors of an insured depository institution or any of its affiliates 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, which we refer to as 10% shareholders, or to any political or campaign committee the funds or services of which will benefit those executive officers, directors, or 10% shareholders or which is controlled by those executive officers, directors or 10% shareholders, are subject to Sections 22(g) and 22(h) of the Federal Reserve Act and the corresponding regulations (Regulation O) and Section 13(k) of the Exchange Act (as applied to us through FDIC regulations) 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).

FDIC Deposit Insurance

The FDIC is an independent federal agency that insures the deposits of federally insured depository institutions up to applicable limits. The FDIC also has certain regulatory, examination and enforcement powers with respect to FDIC-insured institutions. The deposits are insured by the FDIC up to applicable limits. As a general matter, the maximum deposit insurance amount which an insured bank may offer is $250 thousand per depositor.

Additionally, FDIC-insured depository institutions are required to pay deposit insurance assessments to the FDIC. The amount of a particular institution's deposit insurance assessment is based on that institution's risk classification under an FDIC risk-based assessment system. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators.

Under the current system, deposit insurance assessments are based on a bank’s assessment base, which is defined as average total assets minus average tangible equity. For established small institutions, such as the Bank, the FDIC sets deposit assessment rates based on the Financial Ratios Method, which takes into account several ratios that reflect leverage, asset quality, and earnings at each individual institution and then applies a pricing multiplier that is the same for all institutions. An institution’s rate must be within a certain minimum and a certain maximum range, and the range varies based on the institution’s composite CAMELS rating. The deposit insurance assessment is calculated by multiplying the bank’s assessment base by the total base assessment rate.

Under the FDIA, the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

Depositor Preference

The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. Insured and uninsured depositors will have priority in payment ahead of unsecured, non-deposit creditors, including the Company, with respect to any extensions of credit they may have made to such insured depository institution.

Overdraft Fee Regulation

The Electronic Fund Transfer Act prohibits financial institutions from charging consumers fees for paying overdrafts on automated teller machines, or ATMs, and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service for those types of transactions. If a consumer does not opt in, any ATM transaction or debit that overdraws

the consumer's account will be denied. Overdrafts on the payment of checks and regular electronic bill payments are not covered by this new rule. Before opting in, the consumer must be provided with a notice that explains the financial institution's overdraft services, including the fees associated with the service, and the consumer's choices with respect to participating in the overdraft service offering. Financial institutions must provide consumers who do not opt in with the same account terms, conditions and features (including pricing) that they provide to consumers who do opt in.

Federal Home Loan Bank System

We are a member of the FHLB of Atlanta, which is one of 11 regional FHLBs. Each FHLB serves as a quasi-reserve bank for its members within its assigned region. It is funded primarily from funds deposited by member institutions and proceeds from the sale of consolidated obligations of the FHLB system. A FHLB makes loans to members (i.e., advances) in accordance with policies and procedures established by the Board of Trustees of the FHLB.

As a member of the FHLB of Atlanta, we are required to own capital stock in the FHLB in an amount at least equal to 0.09% (or 9 basis points), which is subject to annual adjustments, of the Bank's total assets at the end of each calendar year (up to a maximum of $15.0 million), plus 4.25% of its outstanding advances (borrowings) from the FHLB of Atlanta under the activity-based stock ownership requirement.

Anti-Money Laundering Regulation

As a financial institution, the Bank must maintain anti-money laundering programs that include established internal policies, procedures and controls, a designated compliance officer, an ongoing employee training program, and testing of the program by an independent audit function in accordance with the Bank Secrecy Act of 1970, as amended, and the regulations issued by the Department of the Treasury in 31 CFR Chapter X, FDIC Rule 326.8 and the Florida Control of Money Laundering and Terrorist Financing in Financial Institutions Act. Financial institutions are prohibited from entering into certain specified financial transactions and account relationships and must meet enhanced standards for due diligence and "knowing your customer" in their dealings with foreign financial institutions, foreign customers and other high risk or sanctioned customers. Financial institutions must also take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report transactions that meet certain dollar amount thresholds as well as any suspicious transactions. Certain laws, such as the USA PATRIOT Act, enacted in 2001 and renewed through 2019, as described below, provide law enforcement authorities with increased access to financial information maintained by banks.

Anti-money laundering obligations have been substantially strengthened as a result of the USA PATRIOT Act. Bank regulators routinely examine institutions for compliance with these obligations, and this area has become a particular focus of the regulators in recent years. In addition, the regulators are required to consider compliance with the USA PATRIOT Act in connection with the regulatory review of certain applications. In recent years, regulators have expressed concern over banking institutions' compliance with anti-money laundering requirements and, in some cases, have delayed approval of their expansionary proposals because of deficiencies in such institutions' anti-money laundering programs. The regulators and other governmental authorities have been active in imposing "cease and desist" orders and significant civil money penalty sanctions against institutions found to be in violation of the anti-money laundering regulations.

The Office of Foreign Assets Control

The Office of Foreign Assets Control (the "OFAC") is responsible for helping to ensure that U.S. entities do not engage in transactions with "enemies" of the United States, as defined by various Executive Orders and Acts of Congress. OFAC publishes lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts; owned or controlled by, or acting on behalf of target countries; and narcotics traffickers. Such persons are referred to as "sanctioned" persons.

If a bank finds a name on any transaction, account or wire transfer that is on an OFAC list, it must freeze the account and/or block the transaction or wire transfer. We utilize an outside vendor to oversee the daily monitoring and surveillance of our accounts and the filing of any notifications. We also monitor high-risk OFAC areas such as new accounts, wire transfers and customer files. These checks are performed using software that is updated each time a modification is made to the lists provided by OFAC and other agencies of Specially Designated Nationals and Blocked Persons.

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Consumer Laws and Regulations

Our activities are subject to a variety of federal and state statutes and regulations designed to protect consumers in transactions with banks. Interest and other charges collected or contracted for by us are subject to state usury laws and federal laws concerning interest rates. Our loan operations are also subject to federal laws applicable to credit transactions, such as:

- the Truth-In-Lending Act, or TILA, and Regulation Z, governing disclosures of credit and servicing terms to consumer borrowers and including substantial requirements for mortgage lending and servicing, as mandated by the Dodd-Frank Act
- the Home Mortgage Disclosure Act of 1975 and Regulation C, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the communities they serve;
- the Equal Credit Opportunity Act and Regulation B, prohibiting discrimination on the basis of race, color, religion, or other prohibited factors in extending credit;
- the Fair Credit Reporting Act of 1978, as amended by the Fair and Accurate Credit Transactions Act, and Regulation V, as well as the rules and regulations of the FDIC governing the use and provision of information to credit reporting agencies, certain identity theft protections and certain credit and other disclosures;
- the Fair Debt Collection Practices Act and Regulation F, governing the manner in which consumer debts may be collected by collection agencies; and
- the Real Estate Settlement Procedures Act, or RESPA, and Regulation X, which governs aspects of the settlement process for residential mortgage loans.

Our deposit operations are also subject to federal laws, such as:

- the FDIA, which, among other things, limits the amount of deposit insurance available per depositor to $250 thousand and imposes other limits on deposit-taking;
- the Right to Financial Privacy Act, which imposes a duty to maintain the confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- the Electronic Funds Transfer Act and Regulation E, which governs automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of ATMs and other electronic banking services; and
- the Truth in Savings Act and Regulation DD, which requires depository institutions to provide disclosures so that consumers can make meaningful comparisons about depository institutions and accounts.

These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with clients when taking deposits or making loans to such clients. We must comply with the applicable provisions of these consumer protection laws and regulations as part of both our ongoing client relations and our regulatory compliance obligations.

Financial Privacy and Cybersecurity

Banking organizations are subject to many federal and state laws and regulations governing the collection, use and protection of customer information. Under the privacy protection provisions of the Gramm-Leach-Bliley Act of 1999 and related regulations, we are limited in our ability to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal customer information to nonaffiliated third parties. Federal banking agencies, including the FDIC, have adopted guidelines for establishing information security standards and cybersecurity programs for implementing safeguards. These guidelines, along with related regulatory guidance, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial services.

In addition to federal laws and regulations, we are subject to state laws governing customer privacy and cybersecurity. The Florida Information Protection Act of 2014 requires notification to the Florida Department of Legal Affairs of any breach involving personal information that affects more than 500 people as well as requiring notification of affected individuals of any such breach. The Act also requires us to take reasonable measures to protect and secure data in electronic form containing personal information and take all reasonable measures to dispose, or arrange for the disposal, of customer records containing personal information within our custody or control when the records are no longer to be retained. We incur significant costs and expenses in order to address compliance with the federal and state customer privacy and cybersecurity laws and regulations, and we expect such costs and expenses will continue into the future.

Consumer Financial Protection Bureau

The Consumer Financial Protection Bureau ("CFPB") is an independent regulatory authority housed within the Federal Reserve. The CFPB has broad authority to regulate the offering and provision of consumer financial products and to prevent institutions subject to its authority from engaging in "unfair and deceptive or abusive acts or practices" with respect to their offering of consumer financial products or services. The CFPB has the authority to supervise and examine depository institutions with more than $10.0 billion in assets for compliance with federal consumer laws. The authority to supervise and examine depository institutions with $10.0 billion or less in assets, such as our Bank, for compliance with federal consumer laws remains largely with those institutions' primary regulators. However, the CFPB may participate in examinations of these smaller institutions on a "sampling basis" and may refer potential enforcement actions against such institutions to their primary regulators. As such, the CFPB may participate in examinations of our Bank. In addition, states are permitted to adopt consumer protection laws and regulations that are stricter than the regulations promulgated by the CFPB, and state attorneys general are permitted to enforce consumer protection rules adopted by the CFPB against certain institutions.

The Volcker Rule

The Dodd-Frank Act prohibits (subject to certain exceptions) us and our affiliates from engaging in short term proprietary trading in securities and derivatives and from investing in and/or sponsoring certain investment companies defined in the rule as "covered funds" (including not only hedge funds, commodity pools and private equity funds, but also a range of asset securitization structures that do not meet exemptive criteria in the final rules). This statutory provision is commonly called the "Volcker Rule." At December 31, 2021, we are not subject to the Volcker Rule because of our asset size, which is below the $10.0 billion in assets Volcker Rule threshold.

Community Reinvestment Act and Fair Lending Requirements

We are subject to certain fair lending requirements and reporting obligations involving home mortgage lending operations. We are also subject to certain requirements and reporting obligations under the federal Community Reinvestment Act ("CRA"). The CRA and its corresponding regulations are intended to encourage banks to help meet the credit needs of the communities they serve, including low- and moderate-income neighborhoods, consistent with safe and sound banking practices.

Accordingly, the CRA generally requires federal banking agencies to evaluate the record of a financial institution in meeting applicable CRA requirements. The CRA further requires the agencies to take into account our record of meeting community credit needs when evaluating applications for, among other things, new banking centers or mergers. We are also subject to analogous state CRA requirements in Florida and certain other states in which we may establish banking centers. In connection with their assessments of CRA performance, the FDIC and FOFR assign a rating of "outstanding," "satisfactory," "needs to improve," or "substantial noncompliance." The Bank received a "satisfactory" CRA Assessment Rating from both regulatory agencies in our most recent CRA examinations. In addition to substantive penalties and corrective measures that may be required for a violation of certain fair lending laws, the federal banking agencies may take compliance with such laws and CRA into account when regulating and supervising other activities of the bank, including in acting on expansionary proposals such as when a bank submits an application to establish bank centers, merge with another bank, or acquire the assets and assume the liabilities of another bank. An unsatisfactory CRA and/or fair lending record could substantially delay or block any such transaction. The regulatory agency's assessment of the institution's record is made available to the public at www.ffiec.gov/craratings .

Call Reports and Examination Cycle

All banking institutions, regardless of size, submit a quarterly call report to their primary federal bank regulator that includes data used by federal banking agencies to monitor the condition, performance, and risk profile of individual institutions and the industry as a whole. In June 2019, the federal banking agencies issued a final rule to permit insured depository institutions with total assets of less than $5.0 billion that do not engage in certain complex or international activities to file the most streamlined version of the quarterly call report, and to reduce data reportable on certain streamlined call report submissions.

Effect of Governmental Monetary Policies

The commercial banking business is affected not only by general economic conditions, but also by the monetary policies of the Federal Reserve. Changes in the discount rate on member bank borrowing, availability of borrowing at the "discount window," open market operations, changes in the Fed Funds target interest rate, the imposition of changes in reserve requirements against member banks' deposits and assets of foreign banking centers and the imposition of and changes in reserve requirements against certain borrowings by banks and their affiliates are some of the instruments of monetary policy

available to the Federal Reserve. These monetary policies are used in varying combinations to influence overall growth and distributions of bank loans, investments and deposits, which may affect interest rates charged on loans or paid on deposits. The monetary policies of the Federal Reserve have had a significant effect on the operating results of commercial banks and are expected to continue to do so in the future. The Federal Reserve's policies are primarily influenced by the dual mandate of price stability and full employment in the U.S., and to a lesser degree by short-term and long-term changes in the international trade balance and in the fiscal policies of the U.S. government. Future changes in monetary policy and the effect of such changes on our business and earnings in the future cannot be predicted.

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 or interpreted. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of proposed legislation has in the past and may in the future affect the regulatory structure under which we operate and may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital or modify our business strategy, or limit our ability to pursue business opportunities in an efficient manner. Our business, financial condition, results of operations or prospects may be adversely affected, perhaps materially, as a result of any such new legislation or regulations.

The CARES Act and Initiatives Related to COVID-19

On March 27, 2020, the CARES Act was signed into law and provided for approximately $2.2 trillion in direct economic relief in response to the public health and economic impacts of COVID-19. Many of the CARES Act's programs are, and remain, dependent upon the direct involvement of financial institutions like us. These programs have been implemented through rules and guidance adopted by federal departments and agencies, including the U.S. Department of Treasury, the Federal Reserve and other federal bank regulatory authorities, including those with direct supervisory jurisdiction over us. Furthermore, as the COVID-19 pandemic evolves, federal regulatory authorities continue to issue additional guidance with respect to the implementation, life cycle, and eligibility requirements for the various CARES Act programs, as well as industry-specific recovery procedures for COVID-19. In addition, it is possible that Congress will enact supplementary COVID-19 response legislation, including amendments to the CARES Act or new bills comparable in scope to the CARES Act. We continue to assess the impact of the CARES Act, the Consolidated Appropriations Act, 2021 and the potential impact of new COVID-19 legislation and other statutes, regulations and supervisory guidance related to the COVID-19 pandemic.

A principal provision of the CARES Act amended the SBA's loan program to create a guaranteed, unsecured loan program, the Paycheck Protection Program, or PPP, to fund operational costs of eligible businesses, organizations and self-employed persons impacted by COVID-19. These loans are fully guaranteed by the SBA and are eligible to be forgiven if certain conditions are satisfied. Additionally, loan payments will also be deferred for the first six months of the loan term. The PPP commenced on April 3, 2020 and was available to qualified borrowers through August 8, 2020. No collateral or personal guarantees were required. On December 27, 2020, President Trump signed the Consolidated Appropriations Act, 2021 into law which included the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, or the HHSB Act. Among other things, the HHSB Act renewed the PPP, allocating $284.5 billion for both new first time PPP loans under the existing PPP and the expansion of existing PPP loans for certain qualified, existing PPP borrowers. In addition to extending and amending the PPP, the HHSB Act also creates a new grant program for "shuttered venue operators." As of December 31, 2021, we had 414 active PPP loans remaining totaling $42.4 million in outstanding principal balances.

The CARES Act, as extended by certain provisions of the Consolidated Appropriations Act, 2021, permits banks to suspend requirements under generally accepted accounting principles ("GAAP") for loan modifications to borrowers affected by COVID-19 that may otherwise be characterized as troubled debt restructurings and suspend any determination related thereto if (i) the borrower was not more than 30 days past due as of December 31, 2019, (ii) the modifications are related to COVID-19, and (iii) the modification occurs between March 1, 2020 and the earlier of 60 days after the date of termination of the national emergency or January 1, 2022. Federal bank regulatory authorities also issued guidance to encourage banks to make loan modifications for borrowers affected by COVID-19. As of December 31, 2021, there were no loans in our portfolio in deferral status associated with the COVID-19 pandemic.

See Note 3 "Loans" of the Consolidated Financial Statements filed herewith for further details.

Available Information

Our website address is www.uscentury.com. Our electronic filings with the FDIC and the SEC (including all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and if applicable, amendments to those reports) are available free of charge on the website as soon as reasonably practicable after they are electronically filed with, or furnished to, the FDIC or SEC. The information posted on our website is not incorporated into this Annual Report. In addition, the FDIC and the SEC maintains a website that contains reports and other information that is filed.

Item 1A. Risk Factors

This section contains a description of the material risk and uncertainties identified by management that could, individually or in combination, harm our business, results of operations, liquidity and financial condition. The risks described below are not all inclusive. We may face other risks that are not presently known, or that we presently deem immaterial.

Summary of Risk Factors

Our business is subject to a number of risks that could cause actual results to differ materially from those indicated by forward-looking statements made in this Form 10-K or presented elsewhere from time to time. These risks are discussed more fully in this Item 1A and include, without limitation, the following:

Risks Related to our Business and Operations

- Our business operations and lending activities are concentrated in South Florida, and we are more sensitive to adverse changes in the local economy than our more geographically diversified competitors.
- The small- to medium-sized businesses to which we lend may have fewer resources to weather adverse business developments, which may impair a borrower's ability to repay a loan.
- The ongoing COVID-19 pandemic has adversely impacted and could continue to adversely impact us.
- Changes in U.S. trade policies and other global political factors beyond our control may adversely impact us.
- Our lending business is subject to credit risk, which could lead to unexpected losses.
- The potential for the replacement or discontinuation of London Inter-bank Offered Rate, or LIBOR, as a benchmark interest rate could present operational problems and result in market disruption.
- Natural disasters and severe weather events in Florida could have a material adverse impact on us.
- Our business is subject to interest rate risk.
- Our allowance for credit losses may not be sufficient to absorb potential losses in our loan portfolio.
- Our commercial loan portfolio may expose us to increased credit risk.
- Our SBA lending program depends on our status as a participant in the SBA's Preferred Lenders Program, and we face specific risks associated with originating SBA loans and selling the guaranteed portion thereof.
- The SBA may not honor its guarantees if we do not originate loans in compliance with SBA guidelines.
- Global banking is an important part of our business, which creates increased BSA/AML risk.
- We may not recover all amounts that are contractually owed to us by our borrowers.
- Non-performing assets take significant time to resolve and adversely affect us.
- We engage in lending secured by real estate and may foreclose on the collateral and own the underlying real estate, subjecting us to the costs and potential risks associated with the ownership of real property and other risks.
- We are subject to certain operational risks, such as fraud and data processing system failures and errors.
- We are subject to liquidity risk, which could adversely affect our financial condition and results of operations.
- We have several large depositor relationships, the loss of which could adversely affect us.
- The value of our securities in our investment portfolio may decline in the future.
- We may not effectively execute on our expansion strategy.

- New lines of business, products, product enhancements or services may subject us to additional risk.
- Additional capital we need may not be available on terms acceptable to us or may dilute our shareholders.
- Our strategy to grow through mergers or acquisitions may not be successful or, if successful, may produce risks in successfully integrating and managing the merged companies or acquisitions and may dilute our shareholders.
- We may lose one or more of our key personnel or fail to attract and retain other highly qualified personnel.
- Damage to our reputation could significantly harm our businesses.
- We face strong competition and must respond to rapid technological changes to remain competitive.
- A failure, interruption, or breach in the security of our or our contracted vendors' systems could adversely affect us.
- We rely on other companies to provide key components of our business infrastructure.
- Litigation and regulatory actions could subject us to significant liabilities or restrictions.
- Certain of our directors may have conflicts of interest in presenting business opportunities to us.

Risks Related to Our Tax, Accounting and Regulatory Compliance

- We may be unable to recognize the benefits of deferred tax assets.
- The accuracy of our financial statements could be affected by our judgments, assumptions or estimates.
- As a new public company, we may not create an effective internal control environment.
- We operate in a highly regulated environment.
- Our participation in the SBA PPP loan program exposes us to noncompliance risk and litigation risk.
- We face a risk of noncompliance with the Bank Secrecy Act and other anti-money laundering laws.
- We are subject to capital adequacy requirements that may become more stringent.
- We are periodically subject to examination and scrutiny by a number of banking agencies.
- We are subject to numerous laws and regulations of certain regulatory agencies designed to protect consumers.

Risks Related to Our Class A Common Stock

- We do not anticipate paying dividends on our common stock.
- The market price and trading volume of our Class A common stock may be volatile.
- There are significant restrictions in our Articles of Incorporation that restrict the ability to sell our capital stock.
- We are an emerging growth company and have decided to take advantage of certain exemptions from various reporting and other requirements applicable to emerging growth companies.
- We have existing investors that own a significant amount of our common stock whose individual interests may differ from yours.
- Provisions in our governing documents and Florida law may have an anti-takeover effect and there are substantial regulatory limitations on changes of control of the Company.

Risks Related to our Business and Operations

Our business operations and lending activities are concentrated in South Florida, and we are more sensitive to adverse changes in the local economy than our more geographically diversified competitors.

Unlike many of our larger competitors that maintain significant operations located outside of our market area, most of our customers are concentrated in South Florida. In addition, we have a high concentration of loans secured by real estate located in South Florida. Therefore, our success depends upon the general economic conditions in South Florida, which may differ from the economic conditions in other areas of the U.S. or the U.S. generally.

Our real estate collateral provides an alternate source of repayment in the event of default by the borrower; however, the value of the collateral may decline during the time the credit is outstanding. The concentration of our loans in the South Florida area subjects us to risk that a downturn in the local economy or recession in this area could result in a decrease in loan originations and increases in delinquencies and foreclosures, which would have a greater negative effect on us than if our lending were more geographically diversified. If we are required to liquidate our real estate collateral securing a loan during a period of reduced real estate values to satisfy the debt, our earnings and capital could be adversely affected. Moreover, since a large portion of our portfolio is secured by properties located in South Florida, the occurrence of a natural disaster, such as a hurricane, or a man-made disaster could result in a decline in loan originations, a decline in the value or destruction of mortgaged properties and an increase in the risk of delinquencies, foreclosures or loss on loans originated by us. We may suffer further losses due to the decline in the value of the properties underlying our mortgage loans, which would have an adverse impact on our results of operations and financial condition.

A downturn in the local economy generally may lead to loan losses that are not offset by operations in other markets; it may also reduce the ability of our customers to grow or maintain their deposits with us. For these reasons, any regional or local economic downturn that affects South Florida, or existing or prospective borrowers or depositors in South Florida, could have a material adverse effect on our business, financial condition and results of operations.

In addition, there are continuing concerns related to, among other things, the level of U.S. government debt and fiscal actions that may be taken to address that debt, price fluctuations of key natural resources, inflation, the potential resurgence of economic and political tensions with China, the Russian invasion of Ukraine and increasing oil prices due to Russian supply disruptions, each of which may have a destabilizing effect on financial markets and economic activity. Economic pressure on consumers and overall economic uncertainty may result in changes in consumer and business spending, borrowing and saving habits. These economic conditions and/or other negative developments in the domestic or international credit markets or economies may significantly affect the markets in which we do business, the value of our loans and investments, and our ongoing operations, costs and profitability.

The small- to medium-sized businesses to which we lend may have fewer resources to weather adverse business developments, which may impair a borrower's ability to repay a loan.

We target our business development and marketing strategies primarily to serve the banking and financial services needs of small- to medium-sized businesses, or SMBs, and the owners and operators of those businesses. SMBs generally have fewer financial resources in terms of capital or borrowing capacity than larger entities, frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete, and may experience substantial volatility in operating results, any of which, individually or in the aggregate, may impair their ability as a borrower to repay a loan. These factors may impact SMBs significantly more as a result of the effects of the COVID-19 pandemic. In addition, the success of SMBs often depends on the management skills, talents and efforts of a small group of key people, and the death, disability or resignation of one or more of these individuals could have an adverse impact on the business and its ability to repay its loan. If general economic conditions negatively impact the markets in which we operate or any of our borrowers otherwise are affected by adverse business developments, our SMB borrowers may be disproportionately affected and their ability to repay outstanding loans may be negatively affected, which could have a material adverse effect on our business, financial condition and results of operations.

The ongoing COVID-19 pandemic and resulting substantial disruption to global and domestic economies has adversely impacted, and could continue to adversely impact, our business operations, asset valuations, and financial results.

The ongoing COVID-19 pandemic has created global and domestic economic and financial disruptions that have adversely affected, and could continue to adversely affect, our business operations, asset valuations and financial results. The pandemic has negatively impacted the global and domestic economies, disrupted supply chains, lowered certain equity market valuations in certain sectors, and created significant volatility and disruption in financial markets. Certain large, medium and small businesses within certain industries have been particularly hard hit both in the U.S. and internationally, including the aviation industry, the travel, hotel and hospitality industry, the restaurant industry, property management industry and the retail industry. In addition, the pandemic has resulted in remote working environments, travel restrictions, business entry requirements, and proposed return-to-office vaccination and testing requirements. Should the negative economic impacts of COVID-19 persist or worsen, this could have a continued adverse impact on our business, financial condition and results of operations, as these circumstances continue to impact our core SMB customers. Additionally, an expected recovery from the impacts of COVID-19 may not occur as fast as anticipated, and any such recovery may not yield the same benefits to us as other financial institutions or other companies in other industries.

Because there have been no comparable recent global pandemics or similar disruptions that resulted in a similar global impact, the full extent to which the COVID-19 pandemic will impact our business operations, asset valuations and financial results will depend on future developments which remain uncertain and cannot be predicted at this time. These include the scope and duration of the pandemic, including the introduction of new strains of the virus, the efficacy and distribution of, and participation in, vaccination programs, the continued effectiveness of our business continuity plan, the direct and indirect impact of the pandemic on our employees, customers and third-party service providers, as well as other market participants, and the effectiveness of actions taken by governmental authorities and other third parties in response to the pandemic. If the pandemic continues to spread, morph or otherwise results in a continuation or worsening of the current economic and commercial environments, our business, financial condition, results of operations, cash flows, and ability to pay dividends, as well as our regulatory capital and liquidity ratios could be materially adversely affected.

Changes in U.S. trade policies and other global political factors beyond our control, including the imposition of tariffs, retaliatory tariffs, or other sanctions, may adversely impact our business, financial condition and results of operations.

There have been, and may be in the future, changes with respect to U.S. and international trade policies, legislation, treaties and tariffs, embargoes, sanctions and other trade restrictions. Tariffs, retaliatory tariffs or other trade restrictions on products and materials that customers import or export, or a trade war or other related governmental actions related to tariffs, international trade agreements or policies or other trade restrictions have the potential to negatively impact our customers' costs, demand for our products, or the U.S. economy or certain sectors thereof and, thus, could adversely impact our business, financial condition and results of operations. As a result of Russia's invasion of Ukraine, the U.S. has imposed, and is likely to impose material additional, financial and economic sanctions and export controls against certain Russian organizations and/or individuals, with similar actions either implemented or planned by the European Union ("EU") and the U.K. and other jurisdictions. The U.S., the U.K., and the EU each imposed packages of financial and economic sanctions that, in various ways, constrain transactions with numerous Russian entities and individuals; transactions in Russian sovereign debt; and investment, trade, and financing to, from, or in certain regions of Ukraine. Moreover, actions by Russia, and any further measures taken by the U.S. or its allies, could have negative impacts on regional and global financial markets and economic conditions. To the extent changes in the global political environment, including Russia's invasion of Ukraine and the escalating tensions between Russia and the U.S., NATO, the EU and the UK, have a negative impact on us or on the markets in which we operate, our business, results of operations and financial condition could be materially and adversely impacted.

Our lending business is subject to credit risk, which could lead to unexpected losses.

Our primary business involves making loans to customers. The business of lending is inherently risky because the principal or interest on the loan may not be repaid timely or at all or the value of any collateral securing the loan may be insufficient to cover our outstanding exposure. These risks may be affected by the strength or weakness of the particular borrower's business sector and local, regional and national market and economic conditions. Many of our loans are made to SMBs that may be less able to withstand competitive, economic and financial pressures than larger borrowers. Our risk management practices, such as monitoring the concentration of our loans within specific industries in which we lend and concentrations with individual borrowers or related borrowers, and our credit approval practices, may not adequately reduce credit risk. In addition, there are risks inherent in making any loan, including risks relating to proper loan underwriting, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers, including the risk that a borrower may not provide information to us about their business in a timely manner, may present inaccurate

or incomplete information to us, may lack a U.S. credit history, or may leave the U.S. without fulfilling their loan obligations, leaving us with little recourse to them personally, and/or risks relating to the value of collateral. In order to manage credit risk successfully, we must, among other things, maintain disciplined and prudent underwriting standards and ensure that our lenders follow those standards. The weakening of these standards for any reason, such as an attempt to attract higher yielding loans, a lack of discipline or diligence by our employees in underwriting and monitoring loans, the inability of our employees to adequately adapt policies and procedures to changes in economic or any other conditions affecting borrowers and the quality of our loan portfolio, may result in loan defaults, foreclosures and additional charge-offs and may necessitate that we significantly increase our allowance for credit losses, each of which could adversely affect our net income. A failure to effectively manage credit risk associated with our loan portfolio could lead to unexpected losses and have a material adverse effect on our business, financial condition and results of operations.

The potential for the replacement or discontinuation of London Inter-bank Offered Rate, or LIBOR, as a benchmark interest rate and a transition to an alternative reference interest rate could present operational problems and result in market disruption.

In 2017, the Financial Conduct Authority announced that after 2021 it will 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, 2021; but, the publication of the remaining LIBOR offered rates will continue until June 30, 2023. Given consumer protection, litigation, and reputation risks, the bank regulatory agencies have indicated that entering into new contracts that use LIBOR as a reference rate after December 31, 2021 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, 2021.

There is uncertainty as to what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may be on the markets for LIBOR-indexed financial instruments. In response, the Board of Governors of the Federal Reserve System, or the Federal Reserve, based on the recommendations of the New York Federal Reserve's Alternative Reference Rate Committee, has begun publishing SOFR, which is intended to replace LIBOR, and has encouraged banks to transition away from LIBOR as soon as practicable. Although SOFR appears to be the preferred replacement rate for LIBOR, there are conceptual and technical differences between LIBOR and SOFR that remain unresolved at this time. Accordingly, it is unclear if other benchmarks may emerge or if other rates will be adopted outside of the United States. The replacement of LIBOR also may result in economic mismatches between different categories of instruments that now consistently rely on the LIBOR benchmark. Markets are slowly developing in response to these new rates, and questions around liquidity in these rates and how to appropriately adjust these rates to eliminate any economic value transfer at the time of transition remain a significant concern.

Certain of our financial products are tied to LIBOR. Inconsistent approaches to a transition from LIBOR to an alternative rate among different market participants and for different financial products may cause market disruption and operational problems, which could adversely affect us, including by exposing us to increased interest rate risk and associated costs, including, but not limited to, creating the possibility of disagreements with counterparties.

Natural disasters and severe weather events in Florida could have a material adverse impact on our business, financial condition and operations.

Our operations and our customer base are primarily located in South Florida. This region is vulnerable to natural disasters and severe weather events or acts of God, such as hurricanes or tropical storms, which can have a material adverse impact on our loan portfolio, our overall business, financial condition and operations, cause widespread property damage and have the potential to significantly depress the local economies in which we operate. Future adverse weather events in Florida could potentially result in extensive and costly property damage to businesses and residences, depress the value of property serving as collateral for our loans, force the relocation of residents, and significantly disrupt economic activity in the region.

We cannot predict the extent of damage that may result from such adverse weather events, which will depend on a variety of factors that are beyond our control, including, but not limited to, the severity and duration of the event, the timing and level of government responsiveness, the pace of economic recovery and availability of insurance to cover losses. In addition, the nature, frequency and severity of these adverse weather events and other natural disasters may be exacerbated by climate change. If a significant adverse weather event or other natural disaster were to occur, it could have a materially adverse impact on our financial condition, results of operations and our business, as well as potentially increase our exposure to credit and liquidity risks.

Our business is subject to interest rate risk, and variations in interest rates may materially and adversely affect our financial performance.

Changes in the interest rate environment may reduce our profits. It is expected that we will continue to realize income from the differential or "spread" between the interest earned on loans, securities and other interest-earning assets, and the interest paid on deposits, borrowings and other interest-bearing liabilities. Net interest spreads are affected, in part, by the difference between the maturities and repricing characteristics of interest-earning assets and interest-bearing liabilities. Changes in market interest rates generally affect loan volume, loan yields, funding sources and funding costs. Our net interest spread depends on many factors that are partly or completely out of our control, including competition, general economic conditions, and federal economic monetary and fiscal policies, and in particular, the Federal Reserve's policy determinations with respect to interest rates. After steadily increasing the target federal funds rate in 2017 and 2018, the Federal Reserve in 2019 decreased the target federal funds rate by 75 basis points, and in response to the COVID-19 pandemic in March 2020, effected an additional 150 basis point decrease to a range of 0.00% to 0.25% as of March 31, 2020 where it had remained until the Federal Reserve increased the target federal funds rate by 25 basis points to a range of 0.25% to 0.50% in March 2022. A prolonged low interest rate environment could negatively impact our net interest margin as assets reprice that are not subject to interest rate floors. The Federal Reserve Board has signaled that further increases in rates are coming but the exact timing and extent remain unknown and are largely subject to economic conditions.

While an increase in interest rates may increase our loan yield, it may adversely affect the ability of certain borrowers with variable rate loans to pay the contractual interest and principal due to us. Following an increase in interest rates, our ability to maintain a positive net interest spread is dependent on our ability to increase our loan offering rates, replace loans that mature and repay or that prepay before maturity with new originations at higher rates, minimize increases on our deposit rates, and maintain an acceptable level and composition of funding. We cannot provide assurances that we will be able to increase our loan offering rates and continue to originate loans due to the competitive landscape in which we operate. Additionally, we cannot provide assurances that we can minimize the increases in our deposit rates while maintaining an acceptable level of deposits. Finally, we cannot provide any assurances that we can maintain our current levels of noninterest-bearing deposits as customers may seek higher-yielding products when interest rates increase.

Accordingly, changes in levels of interest rates could materially and adversely affect our net interest margin, asset quality, loan origination volume, average loan portfolio balance, liquidity, and overall profitability.

Our allowance for credit losses may not be sufficient to absorb potential losses in our loan portfolio.

We maintain an allowance for credit losses that represents management's judgment of probable losses and risks inherent in our loan portfolio. The level of the allowance reflects management's continuing evaluation of general economic conditions, present political and regulatory conditions, diversification and seasoning of the loan portfolio, historic loss experience, identified credit problems, delinquency levels and adequacy of collateral. Determining the appropriate level of our allowance for credit losses involves a degree of subjective judgment and requires management to make significant estimates of and assumptions regarding current credit risks and future trends, all of which may undergo material changes.

Inaccurate management assumptions, deterioration of economic conditions affecting borrowers, new negative information regarding existing loans, identification of additional problem loans or deterioration of existing problem loans, and other factors (including third-party review and analysis), both within and outside of our control, may require us to increase our allowance for credit losses. In addition, our regulators, as an integral part of their periodic examinations, review our methodology for calculating, and the adequacy of, our allowance for credit losses and may direct us to make additions to the allowance based on their judgments about information available to them at the time of their examination. Further, if actual charge-offs in future periods exceed the amounts allocated to our allowance for credit losses, we may need additional provisions for credit losses to restore the adequacy of our allowance for credit losses. Finally, the measure of our allowance for credit losses depends on the adoption and interpretation of accounting standards. The Financial Accounting Standards Board, or FASB, issued a new credit impairment model, the Current Expected Credit Loss, or CECL model, which is expected to become applicable to us on January 1, 2023 after the FASB elected to delay implementation for smaller reporting companies. CECL will require financial institutions to estimate and develop a provision for credit losses over the lifetime of the loan at origination, as opposed to reserving for incurred or probable losses up to the balance sheet date. Under the CECL model, expected credit deterioration would be reflected in the income statement in the period of origination or acquisition of a loan, with changes in expected credit losses due to further credit deterioration or improvement reflected in the periods in which the expectation changes. Accordingly, implementation of the CECL model could require financial institutions, like us, to increase our allowances for credit losses from levels in place prior to the implementation of CECL. Moreover, the CECL model may create more volatility in our level of allowance for credit losses. If we are required to materially increase our level of allowance for credit losses for any reason, such increase could adversely affect our business, prospects, cash flow, liquidity, financial condition and results of operations.

Our commercial loan portfolio may expose us to increased credit risk.

Commercial business and real estate loans generally have a higher risk of loss because loan balances are typically larger than residential real estate and consumer loans and repayment is usually dependent on cash flows from the borrower's business or the property securing the loan. Our commercial business loans are primarily made to small business and middle market customers. These loans typically involve repayment that depends upon income generated, or expected to be generated, by the property securing the loan and/or by the cash flow generated by the business borrower and may be adversely affected by changes in the economy or local market conditions. These loans expose a lender to the risk of having to liquidate the collateral securing these loans at times when there may be significant fluctuation of commercial real estate values or to the risk of inadequate cash flows to service the commercial loans. Unexpected deterioration in the credit quality of our commercial business and/or real estate loan portfolio could require us to increase our allowance for credit losses, which would reduce our profitability and could have an adverse effect on our business, financial condition, and results of operations.

Commercial construction loans generally have a higher risk of loss due to the assumptions used to estimate the value of property at completion and the cost of the project, including interest. It can be difficult to accurately evaluate the total funds required to complete a project, and construction lending often involves the disbursement of substantial funds with repayment dependent, in large part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan from sources other than the subject project. If the assumptions and estimates are inaccurate, the value of completed property may fall below the related loan amount. If we are forced to foreclose on a project prior to completion, we may be unable to recover the entire unpaid portion of the loan, which would lead to losses. In addition, we may be required to fund additional amounts to complete a project, incur taxes, maintenance and compliance costs for a foreclosed property and may have to hold the property for an indeterminate period of time, any of which could adversely affect our business, prospects, cash flow, liquidity, financial condition and results of operations.

Our SBA lending program is dependent upon the federal government and our status as a participant in the SBA's Preferred Lenders Program, and we face specific risks associated with originating SBA loans and selling the guaranteed portion thereof.

We have been approved by the SBA to participate in the SBA's Preferred Lenders Program. As an SBA Preferred Lender, we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender's Preferred Lender status. If we lose our status as an SBA Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders, which could adversely affect our business, financial condition and results of operations.

We generally sell the guaranteed portion of our SBA 7(a) loans in the secondary market. These sales have resulted in both premium income for us at the time of sale and created a stream of future servicing income. There can be no assurance that we will be able to continue originating these loans, that a secondary market for these loans will continue to exist or that we will continue to realize premiums upon the sale of the guaranteed portion of these loans. When we sell the guaranteed portion of our SBA 7(a) loans, we incur credit risk on the non-guaranteed portion of the loans, and if a customer defaults on the non-guaranteed portion of a loan, we share any loss and recovery related to the loan pro-rata with the SBA.

The laws, regulations and standard operating procedures that are applicable to SBA loan products may change in the future. We cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies, especially our organization, changes in the laws, regulations and procedures applicable to SBA loans could adversely affect our ability to operate profitably. In addition, the aggregate amount of SBA 7(a) and 504 loan guarantees by the SBA must be approved each fiscal year by the federal government. We cannot predict the amount of SBA 7(a) loan guarantees in any given fiscal year. If the federal government were to reduce the amount of SBA loan guarantees, such reduction could adversely impact our SBA lending program, including making and selling the guaranteed portion of fewer SBA 7(a) and 504 loans. In addition, any default by the U.S. government on its obligations or any prolonged government shutdown could, among other things, impede our ability to originate SBA loans or sell such loans in the secondary market, which could materially and adversely affect our business, financial condition and results of operations.

The SBA may not honor its guarantees if we do not originate loans in compliance with SBA guidelines .

SBA lending programs typically guarantee 75.0% of the principal on an underlying loan. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was

originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us notwithstanding that a portion of the loan was guaranteed by the SBA, which could adversely affect our business, financial condition and results of operations. While we follow the SBA's underwriting guidelines, our ability to do so depends on the knowledge and diligence of our employees and the effectiveness of controls we have established. If our employees do not follow the SBA guidelines in originating loans and if our loan review and audit programs fail to identify and rectify such failures, the SBA may reduce or, in some cases, refuse to honor its guarantee obligations and we may incur losses as a result.

Global banking is an important part of our business, which creates increased BSA/AML risk.

As our business model includes correspondent services to banks in Latin America and the Caribbean, these cross-border correspondent banking relationships pose unique risks because they create situations in which a U.S. financial institution will be handling funds from a financial institution in Latin America and the Caribbean whose customers may not be transparent to us. Moreover, many foreign financial institutions, including in Latin America and the Caribbean where our correspondent banking services are located, are not subject to the same or similar regulatory guidelines as U.S. banks. Accordingly, these foreign institutions may pose higher money laundering risk to their respective U.S. bank correspondent(s). Because of the large amount of funds, multiple transactions, and our potential lack of familiarity with a foreign correspondent financial institution's customers, these customers may be able to more easily conceal the source and use of illicit funds. Consequently, we may have a higher risk of non-compliance with the BSA and other AML rules and regulations due to our correspondent banking relationships with foreign financial institutions. Additionally, international private banking places additional pressure on our policies, procedures and systems for complying with the Bank Secrecy Act of 1970, as amended, or BSA, and other anti-money laundering, or AML, statutes and regulations. Our failure to strictly adhere to the terms and requirements of our OFAC license or our failure to adequately manage our BSA/AML compliance risk in light of our correspondent banking relationship with foreign financial institutions and international private banking could result in regulatory or other actions being taken against us, which could significantly increase our compliance costs and materially and adversely affect our results of operations.

We may not recover all amounts that are contractually owed to us by our borrowers.

We are dependent on the collection of loan principal, interest, and fees to partially fund our operations. A shortfall in collections and proceeds may impair our ability to fund our operations or to repay our existing debt.

When we lend funds, commit to fund a loan or enter into a letter of credit or other credit-related contract with a counterparty, we incur credit risk. The credit quality of our portfolio can have a significant impact on our earnings. We expect to experience charge-offs and delinquencies on our loans in the future. Many borrowers have been negatively impacted by the COVID-19 pandemic and related economic consequences, and may continue to be similarly or more severely affected in the future. Our customers' actual operating results may be worse than our underwriting contemplated when we originated the loans, and in these circumstances, we could incur substantial impairment or loss of the value on these loans. We may fail to identify problems because our customer did not report them in a timely manner or, even if the customer did report the problem, we may fail to address it quickly enough or at all, or some loans, due to market circumstances, may not be able to be fully rehabilitated. Even if customers provide us with full and accurate disclosure of all material information concerning their businesses, we may misinterpret or incorrectly analyze this information. Mistakes may cause us to make loans that we otherwise would not have made or to fund advances that we otherwise would not have funded, either of which could result in losses on loans, or necessitate that we significantly increase our allowance for loan and lease losses. As a result, we could suffer loan losses and have non-performing loans, which could have a material adverse effect on our net earnings and results of operations and financial condition, to the extent the losses exceed our allowance for loan and lease losses.

Some of our loans are secured by a lien on specified collateral of the borrower and we may not obtain or properly perfect our liens or the value of the collateral securing any particular loan may not be sufficient to protect us from suffering a partial or complete loss if the loan becomes non-performing and we proceed to foreclose on or repossess the collateral. With respect to loans that we originate for condominium or homeowners' associations, or the Associations, these loans are primarily secured by and rely upon the cash flow received by the Associations from payments received from their property owners, as well as cash on hand. These Associations rely upon payments received from their property owners in order to perform on these loans and for the loan collateral. Accordingly, our ability to recover amounts on non-performing loans made to Associations is dependent upon the Association having sufficient cash on hand for repayment of the loan and/or having the ability to impose assessments on its property owners, some of whom may not have the ability to pay such assessments. In such events, we could suffer loan losses, which could have a material adverse effect on our net earnings, allowance for loan and lease losses, financial condition, and results of operations.

Non-performing assets take significant time to resolve and adversely affect our results of operations and financial condition, and could result in further losses in the future.

Our non-performing assets adversely affect our net income in various ways. We do not record interest income on nonaccrual loans or OREO, thereby adversely affecting our net income and returns on assets and equity, increasing our loan administration costs and adversely affecting our efficiency ratio. When we take collateral in foreclosure and similar proceedings, we are required to mark the collateral to its then-fair market value, which may result in a loss. These non-performing loans and OREO also increase our risk profile and the level of capital our regulators believe is appropriate for us to maintain in light of such risks. The resolution of non-performing assets requires significant time commitments from management and can be detrimental to the performance of their other responsibilities. If we experience increases in non-performing loans and non-performing assets, our net interest income may be negatively impacted and our loan administration costs could increase, each of which could have an adverse effect on our net income and related ratios, such as return on assets and equity.

We engage in lending secured by real estate and may foreclose on the collateral and own the underlying real estate, subjecting us to the costs and potential risks associated with the ownership of real property, or consumer protection initiatives or changes in state or federal law may substantially raise the cost of foreclosure or prevent us from foreclosing at all.

Since we originate loans secured by real estate, we may have to foreclose on the collateral property to recover our investment and may thereafter own and operate such property, in which case we would be exposed to the risks inherent in the ownership of real estate. The amount that we, as a mortgagee, may realize after a foreclosure depends on factors outside of our control, including, but not limited to, general or local economic conditions, environmental cleanup liabilities, various assessments relating to the ownership of the property, interest rates, real estate tax rates, operating expenses of the mortgaged properties, our ability to obtain and maintain adequate occupancy of the properties, zoning laws, governmental and regulatory rules, and natural disasters. Our inability to manage the amount of costs or size of the risks associated with the ownership of real estate, or write-downs in the value of OREO, could have an adverse effect on our business, financial condition, and results of operations.

Additionally, consumer protection initiatives or changes in state or federal law may substantially increase the time and expenses associated with the residential foreclosure process or prevent us from foreclosing at all. A number of states in recent years have either considered or adopted foreclosure reform laws that make it substantially more difficult and expensive for lenders to foreclose on residential properties in default. Furthermore, federal regulators have prosecuted a number of mortgage servicing companies for alleged consumer law violations. If new state or federal laws or regulations are ultimately enacted that significantly raise the cost of residential foreclosures or raise outright barriers, they could have an adverse effect on our business, financial condition, and results of operations.

We are exposed to risk of environmental liability when we take title to property.

In the course of our business, we may foreclose on and take title to real estate. As a result, we could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we become subject to significant environmental liabilities, our business, financial condition and results of operations could be adversely affecte d.

We are subject to certain operational risks, including, but not limited to, customer, employee or third-party fraud and data processing system failures and errors.

Employee errors and employee or customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

We have implemented a system of internal controls designed to mitigate operational risks, including data processing system failures and errors and customer or employee fraud, as well as insurance coverage designed to protect us from material losses associated with these risks, including losses resulting from any associated business interruption. If our

internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could adversely affect our business, prospects, cash flow, liquidity, financial condition and results of operations.

When we originate loans, we rely heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information, equipment pricing and valuation and employment and income documentation, in deciding which loans we will originate, as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to funding, the value of the loan may be significantly lower than expected, or we may fund a loan that we would not have funded or on terms that do not comply with our general underwriting standards. Whether a misrepresentation is made by the applicant, the borrower, one of our employees or another third party, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentations are often difficult to locate, and it is often difficult to recover any of the resulting monetary losses we may suffer, which could adversely affect our business, financial condition and results of operations.

We are subject to liquidity risk, which could adversely affect our financial condition and results of operations.

Effective liquidity management is essential for the operation of our business. Although we have implemented strategies to maintain sufficient and diverse sources of funding to accommodate planned, as well as unanticipated, liquidity needs (including changes in assets, liabilities, and off-balance sheet commitments under various economic conditions), an inability to raise funds through deposits, borrowings, the sale of investment securities and other sources could have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market disruption, a decrease in the borrowing capacity assigned to our pledged assets by our secured creditors, competition from other financial institutions which could drive up the costs of deposits or adverse regulatory action against us. Deterioration in economic conditions and the loss of confidence in financial institutions may increase our cost of funding and limit our access to some of our customary sources of liquidity, including, but not limited to, inter-bank borrowings and borrowings from the Federal Home Loan Bank of Atlanta, or the FHLB, and the Federal Reserve Bank of Atlanta. Our ability to acquire deposits or borrow could also be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry generally as a result of conditions faced by banking organizations in the domestic and international credit markets. Any decline in available funding or cost of liquidity could adversely impact our ability to originate loans, invest in securities, meet our expenses or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could, in turn, have an adverse effect on our business, financial condition, and results of operations.

We have several large depositor relationships, the loss of which could force us to fund our business through more expensive and less stable sources.

Withdrawals of deposits by any one of our largest depositors could force us to rely more heavily on more expensive and less stable funding sources. Consequently, the occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

The value of our securities in our investment portfolio may decline in the future.

The fair market value of our investment securities may be adversely affected by general economic and market conditions, including changes in interest rates, credit spreads, and the occurrence of any events adversely affecting the issuer of particular securities in our investments portfolio or any given market segment or industry in which we are invested. Any of these factors, among others, could cause OTTI and realized and/or unrealized losses in future periods and declines in other comprehensive income, which could have an adverse effect on our business, financial condition and results of operations. The process for determining whether impairment of a security is OTTI usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer, any collateral underlying the security and our intent and ability to hold the security for a sufficient period of time to allow for any anticipated recovery in fair value, in order to assess the probability of receiving all contractual principal and interest payments on the security. Our failure to correctly and timely assess any impairments or losses with respect to our securities could have an adverse effect on our business, financial condition and results of operations.

We may not effectively execute on our expansion strategy, which may adversely affect our ability to maintain our historical growth and earnings trends.

Our primary expansion strategy focuses on organic growth, supplemented by acquisitions of financial institutions and banking teams; however, we may not be able to successfully execute on these aspects of our expansion strategy, which may cause our future growth rate to decline below our recent historical levels, or may prevent us from growing at all. More specifically, we may not be able to generate sufficient new loans and deposits within acceptable risk and expense tolerances or obtain the personnel or funding necessary for additional growth. Various factors, such as economic conditions and competition with other financial institutions, may impede or restrict the growth of our operations. Further, we may be unable to attract and retain experienced bankers, which could adversely affect our growth. The success of our strategy also depends on our ability to manage our growth effectively, which in turn depends on a number of factors, including our ability to adapt our credit, operational, technology, risk management, internal controls and governance infrastructure to accommodate expanded operations. Even if we are successful in continuing our growth, such growth may not offer the same levels of potential profitability, and we may not be successful in controlling costs and maintaining asset quality in the face of that growth. Accordingly, our inability to maintain growth or to effectively manage growth could have an adverse effect on our business, financial condition and results of operations.

New lines of business, products, product enhancements or services may subject us to additional risk.

From time to time, we may implement new lines of business or offer new products and product enhancements as well as new services within our existing lines of business. There are substantial risks and uncertainties associated with these efforts. In developing, implementing or marketing new lines of business, products, product enhancements or services, we may invest significant time and resources. We may underestimate the appropriate level of resources or expertise necessary to make new lines of business or products successful or to realize their expected benefits. We may not achieve the milestones set in initial timetables for the development and introduction of new lines of business, products, product enhancements or services, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the ultimate implementation of a new line of business or offerings of new products, product enhancements or services. Any new line of business, product, product enhancement or service could have a significant impact on the effectiveness of our system of internal controls. We may also decide to discontinue businesses or products, due to lack of customer acceptance or unprofitability. Failure to successfully develop and implement new lines of business or offerings of new products, product enhancements or services could have an adverse effect on our business, financial condition and results of operations and could subject us to new and unanticipated operational, credit, regulatory and reputational risks, among other risks.

Our business needs and future growth may require us to raise additional capital and that capital may not be available on terms acceptable to us or may be dilutive to existing shareholders.

We believe that we have sufficient capital to meet our capital needs for our current growth plans. However, we expect that we will need to raise additional capital, in the form of debt or equity securities, in the future to have sufficient capital resources to meet our longer-term growth plans, and/or if the quality of our assets or earnings were to deteriorate significantly. In addition, we are required by federal regulatory authorities to maintain adequate levels of capital to support our operations.

Our ability to raise capital will depend on, among other things, conditions in the capital markets, which are outside of our control, and our financial performance. Accordingly, we cannot provide assurance that such capital will be available on terms acceptable to us or at all. Any occurrence that limits our access to capital may adversely affect our capital costs and our ability to raise capital. Further, if we need to raise capital in the future, we 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. Any inability to raise capital on acceptable terms when needed may cause us to either issue additional shares of common stock or other securities on less than desirable terms or reduce our rate of growth until market conditions become more favorable. If any of such events occur, they could have a material adverse effect on our business, financial condition and results of operations and could be dilutive to both tangible book value and our share price.

In addition, an inability to raise capital when needed may subject us to increased regulatory supervision and the imposition of restrictions on our growth and business. These restrictions could negatively affect our ability to operate or further expand our operations through loan growth, acquisitions or the establishment of additional branches. These restrictions may also result in increases in operating expenses and reductions in revenues that could have a material adverse effect on our financial condition, results of operations and our share price.

We may grow through mergers or acquisitions, a strategy that may not be successful or, if successful, may produce risks in successfully integrating and managing the merged companies or acquisitions and may dilute our shareholders.

As part of our growth strategy, we may pursue mergers and acquisitions of banks and non-bank financial services companies within or outside our principal market areas that fit within the mission-driven values of our franchise and that we believe support our business and make financial and strategic sense. We may have difficulty identifying suitable acquisition candidates or executing on acquisitions that we pursue, and we may not realize the anticipated benefits of any transactions we complete. Additionally, for any opportunistic acquisition we were to consider, we expect to face significant competition from numerous other financial services institutions, many of which will have greater financial resources than we do. Accordingly, attractive opportunistic acquisitions may not be available to us. There can be no assurance that we will be successful in identifying or completing any future acquisitions.

Mergers and acquisitions involve numerous risks, any of which could harm our business, including:

- the possibility that expected benefits may not materialize in the time frame expected or at all, or may be more costly to achieve, or that the acquired business will not perform to our expectations;
- time, expense and difficulties in integrating the operations, management, products and services, technologies, existing contracts, accounting processes and personnel of the target and realizing the anticipated synergies of the combined businesses;
- incurring the time and expense associated with identifying and evaluating potential acquisitions and merger partners and negotiating potential transactions, resulting in management's attention being diverted from the operation of our existing business;
- difficulties in supporting and transitioning customers of the target and disruption of our ongoing banking business;
- the price we pay or other resources that we devote may exceed the value we realize, or the value we could have realized if we had allocated the purchase consideration or other resources to another opportunity;
- entering new markets or areas in which we have limited or no experience;
- the possibility that our culture is disrupted as a result of an acquisition;
- potential loss of key personnel and customers from either our business or the target's business;
- assumption of unanticipated problems, claims or other liabilities of the acquired business;
- an inability to realize expected synergies or returns on investment;
- the possibility of regulatory approval for the acquisition being delayed, impeded, restrictively conditioned or denied due to existing or new regulatory issues surrounding us, the target institution or the proposed combined entity and the possibility that any such issues associated with the target institution, of which we may or may not be aware at the time of the acquisition, could adversely impact the combined entity after completion of the acquisition;
- the possibility that the acquisition may not be timely completed, if at all;
- the need to raise capital; and
- inability to generate sufficient revenue to offset acquisition costs.

Our acquisition activities could require us to use a substantial amount of cash, other liquid assets, and/or incur debt. Also, if we finance acquisitions by issuing equity securities, our existing shareholders' ownership may be diluted, which could negatively affect the market price of our Class A common stock. Additionally, if the goodwill recorded in connection with our potential future acquisitions were determined to be impaired, then we would be required to recognize a charge against our earnings, which could materially and adversely affect our results of operations during the period in which the impairment was recognized. Acquisitions may also involve the payment of a premium over book and market values and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction.

As a result, we may not achieve the anticipated benefits of any such merger or acquisition, and we may incur costs in excess of what we anticipate. Our failure to successfully evaluate and execute mergers, acquisitions or investments or otherwise adequately address and manage the risks associated with such transactions could have a material adverse effect on our business, results of operations and financial condition, including short-term and long-term liquidity.

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business.

Our future success will, to some extent, depend on the continued service of our directors, executive officers and senior management team. The loss of the services of any of these individuals could have a significant adverse effect on our business. In particular, we believe that retaining Luis de la Aguilera, our President and Chief Executive Officer, Robert Anderson, our Chief Financial Officer, and Benigno Pazos, our Chief Credit Officer, is important to our continuing success. Although we have entered into employment and other agreements with certain members of our executive and senior management team, including Mr. de la Aguilera and Mr. Anderson, no assurance can be given that these individuals will continue to be employed by us. The loss of any of these individuals could negatively affect our ability to achieve our growth strategy and could have a material adverse effect on our business and results of operations.

We also need to continue to attract and retain other senior management and to recruit qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. We may be unable to attract or retain qualified management and other key personnel in the future due to the intense competition for qualified personnel among companies in the financial services business and related businesses. The loss of the services of any senior management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, results of operations, financial condition and prospects. Additionally, to attract and retain personnel with appropriate skills and knowledge to support our business, we may offer a variety of benefits, which may reduce our earnings or adversely affect our business, results of operations, financial condition or prospects.

Damage to our reputation could significantly harm our businesses.

Our ability to attract and retain customers and highly-skilled management and employees is impacted by our reputation. A negative public opinion of us and our business can result from any number of activities, including our lending practices, corporate governance and regulatory compliance, acquisitions, customer complaints and actions taken by community organizations in response to these activities. Furthermore, negative publicity regarding us as an employer could have an adverse impact on our reputation, especially with respect to matters of diversity, pay equity and workplace harassment. Significant harm to our reputation could also arise as a result of regulatory or governmental actions, litigation and the activities of our customers, other participants in the financial services industry or our contractual counterparties, such as our service providers and vendors. The potential harm is heightened given increased attention to how corporations address environmental, social and governance issues. In addition, a cybersecurity event affecting us or our customers' data could have a negative impact on our reputation and customer confidence in us and our cybersecurity practices. Damage to our reputation could also adversely affect our credit ratings and access to the capital markets. Additionally, whereas negative public opinion once was primarily driven by adverse news coverage in traditional media, the widespread use of social media platforms by virtually every segment of society facilitates the rapid dissemination of information or misinformation, which magnifies the potential harm to our reputation.

We face strong competition from financial services companies and other companies that offer banking services, which could materially and adversely affect our business.

The financial services industry has become even more competitive as a result of legislative, regulatory and technological changes and continued banking consolidation, which may increase as a result of current economic, market and political conditions. We face substantial competition in all phases of our operations from a variety of competitors, including local banks, regional banks, community banks and, more recently, financial technology, or "fintech" companies. Many of our competitors offer the same banking services that we offer and our success depends on our ability to adapt our products and services to evolving industry standards and customer requirements. Increased competition in our market may result in reduced new loan and lease production and/or decreased deposit balances or less favorable terms on loans and leases and/or deposit accounts. We also face competition from many other types of financial institutions, including without limitation, non-bank specialty lenders, insurance companies, private investment funds, investment banks, and other financial intermediaries. Should competition in the financial services industry intensify, our ability to market our products and services may be adversely affected. If we are unable to attract and retain banking customers, we may be unable to grow or maintain the levels of our loans and deposits and our results of operations and financial condition may be adversely affected as a result. Ultimately, we may not be able to compete successfully against current and future competitors.

We must respond to rapid technological changes to remain competitive.

We will have to respond to future technological changes, which are occurring at a rapid pace in the financial services industry. We expect that new technologies and business processes applicable to the banking industry will continue to emerge, and these new technologies and business processes may be better than those we currently use. Because the pace of technological change is high and our industry is intensely competitive, our future success will depend, in part, upon our

ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. We may not be able to implement new technology-driven products and services effectively or be successful in marketing these products and services to our customers. Failure to keep pace successfully with technological change affecting the financial services industry could harm our ability to compete effectively and could have an adverse effect on our business, financial condition and results of operations. As these technologies improve in the future, we may be required to make significant capital expenditures in order to remain competitive, which may increase our overall expenses and have an adverse effect on our business, financial condition and results of operations.

A failure, interruption, or breach in the security of our systems, or those of our contracted vendors, could disrupt our business, result in the disclosure of confidential information, damage our reputation, and create significant financial and legal exposure.

Although we devote significant resources to maintain and regularly update our systems and processes that are designed to protect the security of our computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to us and our customers, there is no assurance that all of our security measures will provide absolute security. Many financial institutions, including us, have been subjected to attempts to infiltrate the security of their websites or other systems, some involving sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, including through the introduction of computer viruses or malware, cyber-attacks and other means. We have been targeted by individuals and groups using phishing campaigns, pretext calling, malicious code and viruses and expect to be subject to such attacks in the future. While we have not experienced a material cyber-incident or security breach that has been successful in compromising our data or systems to date, we can never be certain that all of our systems are entirely free from vulnerability to breaches of security or other technological difficulties or failures.

Despite efforts to ensure the integrity and security of our systems, it is possible that we may not be able to anticipate, detect or recognize threats to our systems or to implement effective preventive measures against all efforts to breach our security inside or outside our business, especially because the techniques used to attack our systems change frequently or are not recognized until launched, and because cyber-attacks can originate from a wide variety of sources, including individuals or groups who are associated with external service providers or who are or may be involved in organized crime or linked to terrorist organizations or hostile foreign governments. Those parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of our systems to disclose sensitive information in order to gain access to our data or that of our customers or clients. Similar to other companies, our risks and exposures related to cybersecurity attacks have increased as a result of the COVID-19 pandemic, the related increased reliance on remote working and increase in digital operations. Such risks and exposures are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats and the expanding use of technology, as our web-based product offerings grow and we expand internal usage of web-based applications.

A successful penetration or circumvention of the security of our systems, including those of our third-party vendors, could cause serious negative consequences, including significant disruption of our operations, misappropriation of confidential information, or damage to computers or systems, and may result in violations of applicable privacy and other laws, financial loss, loss of confidence in our security measures, customer dissatisfaction, increased insurance premiums, significant litigation exposure and harm to our reputation, all of which could have a material adverse effect on our business, financial condition, results of operations, and future prospects.

We rely on other companies to provide key components of our business infrastructure and our operations could be interrupted if our third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.

Third parties provide key components of our business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. While we have selected these third-party vendors carefully, performing upfront due diligence and ongoing monitoring activities, we do not control their actions. Any problems caused by these third parties, including those resulting from disruptions in services provided by a vendor (including as a result of a cyber-attack, other information security event or a natural disaster), financial or operational difficulties for the vendor, issues at third-party vendors to our vendors, failure of a vendor to handle current or higher volumes, failure of a vendor to provide services for any reason, poor performance of services, failure to comply with applicable laws and regulations, or fraud or misconduct on the part of employees of any of our vendors, could adversely affect our ability to deliver products and services to our customers, our reputation and our ability to conduct our business, which could adversely affect our business, prospects, cash flow, liquidity, financial condition and results of operations. In certain situations, replacing these third-party vendors could also create significant delay, expense, and operational difficulties, which could also adversely affect our business. Accordingly, use of such third parties creates an unavoidable

and inherent risk to our business operations. Such risk is generally expected to remain elevated until the COVID-19 pandemic subsides and may remain elevated thereafter, as many of our vendors have also been, and may further be, affected by increased reliance on remote work environments, market volatility and other factors that increase their risks of business disruption or that may otherwise affect their ability to perform under the terms of any agreements with us or provide essential services.

Our operations could be interrupted or materially impacted if any of our third-party service providers fail to comply with banking regulations and other applicable laws. The Federal Reserve, FDIC, the Florida Office of Financial Regulation, or the FOFR, and other regulators expect financial institutions to be responsible for all aspects of their performance, including aspects that they delegate to third parties. Accordingly, we will be responsible for deficiencies in our oversight and control of our third party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third party vendors or other ongoing third party business relationships or that such third parties have not performed appropriately, we could be subject to remedial and/or enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect our business, financial condition or results of operations.

Litigation and regulatory actions, including possible enforcement actions, could subject us to significant fines, penalties, judgments or other requirements resulting in increased expenses or restrictions on our business activities.

In the normal course of business, from time to time, we have in the past and may in the future be named as a defendant in various legal actions arising in connection with our current and/or prior business activities. Legal actions could include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. Further, in the future our regulators may impose consent orders, civil money penalties, matters requiring attention, or similar types of supervisory penalties or criticism. We may also, from time to time, be the subject of subpoenas, requests for information, reviews, investigations and proceedings (both formal and informal) by governmental agencies regarding our current and/or prior business activities. Any such legal or regulatory actions may subject us to substantial compensatory or punitive damages, significant fines, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. Our involvement in any such matters, whether tangential or otherwise and even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention away from the operation of our business. Further, any settlement, consent order or adverse judgment in connection with any formal or informal proceeding or investigation by government agencies may result in litigation, investigations or proceedings as other litigants and government agencies begin independent reviews of the same activities. As a result, the outcome of legal and regulatory actions could have an adverse effect on our business, results of operations and results of operations.

Certain of our directors may have conflicts of interest in determining whether to present business opportunities to us or another entity with which they are, or may become, affiliated.

Certain of our directors are or may become subject to fiduciary obligations in connection with their service on the boards of directors of other corporations, including financial institutions. A director's association with other financial institutions, which give rise to fiduciary or contractual obligations to such institutions, may create conflicts of interest. To the extent that any of our directors become aware of acquisition opportunities that may be suitable for entities other than us to which they have fiduciary or contractual obligations, or they are presented with such opportunities in their capacities as fiduciaries to such entities, they may honor such obligations to such other entities. You should assume that to the extent any of our directors become aware of an opportunity that may be suitable both for us and another entity to which such person has a fiduciary obligation or contractual obligation to present such opportunity as set forth above, he or she may first give the opportunity to such other entity or entities and may give such opportunity to us only to the extent such other entity or entities reject or are unable to pursue such opportunity. In addition, you should assume that to the extent any of our directors become aware of an acquisition opportunity that does not fall within the above parameters, but that may otherwise be suitable for us, he or she may not present such opportunity to us.

Pursuant to an agreement between us and our Significant Investors (as defined herein), each of the Significant Investors have the right to nominate one director to serve on our Board, including Board committees, and to designate one non-voting Board observer. The directors and Board observers designated by the Significant Investors have the right to, and have no duty not to, engage in the same or similar business activities or lines of business as us. In the event that a director or Board observer designated by a Significant Investor acquires knowledge of a potential transaction or matter that may be a corporate opportunity for us, such person shall have no duty to communicate or present such corporate opportunity to us and shall not be liable to us or our shareholders for breach of any duty by reason of the fact that such person or a

related investment fund thereof, directly or indirectly, pursues or acquires such opportunity for itself, directs such opportunity to another person, or does not present such opportunity to us.

Risks Related to Our Tax, Accounting and Regulatory Compliance

Our ability to recognize the benefits of deferred tax assets is dependent on future cash flows and taxable income and may be materially impaired upon significant changes in ownership of our common stock.

We recognize the expected future tax benefit from deferred tax assets when it is more likely than not that the tax benefit will be realized. Otherwise, a valuation allowance is applied against deferred tax assets, reducing the value of such assets. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. Estimates of future taxable income are based on forecasted income from operations and the application of existing tax laws in each jurisdiction. The improved risk profile of the Bank is a key component used in the determination of our ability to realize the expected future benefit of our deferred tax assets. To the extent that future taxable income differs significantly from estimates as a result of the interest rate environment and loan growth capabilities or other factors, our ability to realize the net deferred tax assets could be negatively affected.

Subject to certain exceptions, our Class A common stock is subject to transfer restrictions as set forth in our Articles of Incorporation that are designed to preserve our deferred tax assets. Notwithstanding these protective provisions, the Articles of Incorporation include an exception that allows our Significant Investors the right to effect any transfer that would otherwise be prohibited, which transfer could result in the loss of the deferred tax assets.

Additionally, significant future issuances of common stock or common stock equivalents, or changes in the direct or indirect ownership of our common stock or common stock equivalents, could cause an ownership change and could limit our ability to utilize our net operating loss carryforwards and other tax attributes pursuant to Section 382 and Section 383 of the Internal Revenue Code. Future changes in tax law or changes in ownership structure could limit our ability to utilize our recorded net deferred tax assets.

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

The preparation of our financial statements and related disclosures in conformity with GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet which may result in our reporting materially different results than would have been reported under a different alternative. Certain accounting policies are critical or significant to presenting our financial condition and results of operations. Our critical accounting policies, which are included in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K, describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that we consider critical because they require judgments, assumptions and estimates that materially affect our consolidated financial statements and related disclosures. As a result, if future events or regulatory views concerning such analyses differ significantly from the judgments, assumptions and estimates in our critical accounting policies, those events or assumptions could have a material impact on our consolidated financial statements and related disclosures, in each case resulting in our need to revise or restate prior period financial statements, cause damage to our reputation and the price of our Class A common stock and adversely affect our business, prospects, cash flow, liquidity, financial condition and results of operations.

As a new public company, we may not efficiently or effectively create an effective internal control environment, and any future failure to maintain effective internal control over financial reporting could impair the reliability of our financial statements, which in turn could harm our business, impair investor confidence in the accuracy and completeness of our financial reports and our access to the capital markets, cause the price of our Class A common stock to decline and subject us to regulatory penalties.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on that system of internal control. Our internal control over financial reporting consists of a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. As a public company, we are required to comply with SEC regulations, including the Sarbanes-Oxley Act and other rules that govern public companies that we previously were not required to comply with as a private company. In particular, we will be required to certify our compliance with Section 404 of the Sarbanes-Oxley Act beginning with our second annual report on Form 10-K, which will require us to annually

furnish a report by management on the effectiveness of our internal control over financial reporting. When evaluating our internal controls over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. We are in the process of reviewing our formal policies, processes and practices related to financial reporting and to the identification of key financial reporting risks, assessment of their potential impact and linkage of those risks to specific areas and controls within our organization.

If we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented, or amended from time to time, we may not be able to ensure that we will be able to conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. We cannot be certain as to the timing of completion of our evaluation, testing, and any remediation actions or the impact of the same on our operations. If we fail to adequately comply with the requirements of Section 404 of the Sarbanes-Oxley Act, we may be subject to adverse regulatory consequences and there could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. In addition, we may be required to incur costs in improving our internal control system and hiring additional personnel. Any such action could negatively affect our business, financial condition, results of operations, and the price of our Class A common stock may decline.

While we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To prepare for eventual compliance with the auditor attestation requirement of Section 404 of Sarbanes-Oxley once we no longer qualify as an emerging growth company, we are currently engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and continue to refine our reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed time frame or at all, that our internal control over financial reporting is effective as required by Section 404 of Sarbanes-Oxley. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

We operate in a highly regulated environment, and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, could adversely affect us.

We operate in a highly regulated industry and we are subject to examination, supervision and comprehensive regulation by various federal and state agencies, including the Federal Reserve, the FDIC and the FOFR. As such, we are subject to extensive regulation, supervision and legal requirements that govern almost all aspects of our operations. These laws and regulations are not intended to protect our shareholders. Rather, these laws and regulations are intended to protect customers, depositors, the Deposit Insurance Fund, or DIF, and the overall financial health and stability of the United States banking system. These laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities and investments in which we can engage, regulate and restrict our lending activities, require us to provide certain banking services broadly within the communities in which we operate, determine the locations of our branch offices and impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than GAAP would require. We are also subject to capitalization guidelines established by our regulators, which require us to maintain adequate capital to support our business. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional operating costs. Further, we must obtain approval from our regulators before engaging in many activities, and our regulators have the ability to compel us to, or restrict us from, taking certain actions entirely. There can be no assurance that any regulatory approvals we may require or otherwise seek will be obtained.

Regulations affecting banks and other financial institutions are undergoing continuous review and frequently change, and the ultimate effect of such changes cannot be predicted. Changes to the legal and regulatory framework governing our operations, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and the Economic Growth, Regulatory Relief and Consumer Protection Act, or the Regulatory Relief Act, have significantly revised the laws and regulations under which we operate. Such regulations and laws may be modified or repealed at any time, and new legislation may be enacted that will affect us and our subsidiaries.

Our failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, enforcement actions and fines and other penalties, any of which could adversely affect our results of operations, regulatory capital levels and the price of our securities. Further, any new laws, rules and regulations, such as were imposed under the Dodd-Frank Act or the Regulatory

Relief Act, could make compliance more difficult or expensive or otherwise adversely affect our business, prospects, cash flow, liquidity, financial condition and results of operations.

Our participation in the SBA PPP loan program exposes us to risks related to noncompliance with the PPP, as well as litigation risk related to our administration of the PPP loan program, which could have a material adverse impact on our business, financial condition, and results of operations.

We are a participating lender in the PPP, a loan program administered through the SBA, that was created to help eligible businesses, organizations and self-employed persons fund their operational costs during the COVID-19 pandemic. Under this program, the SBA guarantees 100% of the amounts loaned under the PPP.

The PPP opened on April 3, 2020; however, because of the short window between the passing of the CARES Act and the opening of the PPP, there was some ambiguity in the laws, rules and guidance regarding the operation of the PPP. Subsequent rounds of legislation and associated agency guidance have not provided needed clarity and in certain instances have potentially created additional inconsistencies and ambiguities. Accordingly, we are exposed to risks relating to noncompliance with the PPP.

Additionally, since the launch of the PPP, several larger banks have been subject to litigation regarding the process and procedures that such banks used in processing applications for the PPP, as well as litigation regarding the alleged nonpayment of fees that may be due to certain agents who facilitated PPP loan applications. We may be exposed to the risk of PPP-related litigation, from both customers and non-customers that approached us regarding PPP loans, regarding our process and procedures used in processing applications for the PPP. If any such litigation is filed against us and is not resolved in a manner favorable to us, it may result in significant financial liability or adversely affect our reputation. Regardless of outcome, litigation can be costly and distracting. Any financial liability, litigation costs or reputational damage caused by PPP-related litigation could have a material adverse impact on our business, financial condition and results of operations.

PPP loans are fixed, low interest rate loans that are guaranteed by the SBA and subject to numerous other regulatory requirements, and a borrower may apply to have all or a portion of the loan forgiven. If PPP borrowers fail to qualify for loan forgiveness, we face a heightened risk of holding these loans at unfavorable interest rates for an extended period of time. While the PPP loans are guaranteed by the SBA, various regulatory requirements will apply to our ability to seek recourse under the guarantees, and related procedures are currently subject to uncertainty.

In addition, we may be exposed to credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced, such as an issue with the eligibility of borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operations of the PPP. If a deficiency is identified, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from us.

We face a risk of noncompliance with the Bank Secrecy Act and other anti-money laundering statutes and regulations and corresponding enforcement proceedings.

The federal Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and to file suspicious activity and currency transaction reports, as appropriate. The federal Financial Crimes Enforcement Network, or FinCEN, established by the U.S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. Additionally, South Florida has been designated as a “High Intensity Financial Crime Area,” or HIFCA, by FinCEN and a “High Intensity Drug Trafficking Area,” or HIDTA, by the Office of National Drug Control Policy. The HIFCA program is intended to concentrate law enforcement efforts to combat money laundering efforts in higher-risk areas. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control, or OFAC. Federal and state bank regulators have for many years focused on compliance with Bank Secrecy Act and anti-money laundering regulations. In order to comply with regulations, guidelines and examination procedures in this area, we have dedicated significant resources to our anti-money laundering program, especially due to the regulatory focus on financial and other institutions located in South Florida. Our business includes supporting our customers, including foreign financial institutions, with respect to their international banking needs and our policies, procedures and systems have been designed to address federal and state anti-money laundering compliance. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we may acquire are deficient, we would be subject to liability, including fines, and regulatory actions that are deemed necessary in order to remediate such deficiencies and

prevent the recurrence thereof. In recent years, sanctions that the regulators have imposed on banks that have not complied with all anti-money laundering requirements have been especially severe. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to capital adequacy requirements and may become subject to more stringent capital requirements, which could adversely affect our financial condition and operations.

In July 2013, the federal banking agencies published new regulatory capital rules based on the international standards, known as Basel III, that were developed by the Basel Committee on Banking Supervision. The new rules raised the risk-based capital requirements and revised the methods for calculating risk-weighted assets, usually resulting in higher risk weights. The new rules now apply to us.

The Basel III rules increased capital requirements and included two new capital measurements, a risk-based common equity Tier 1 ratio and a capital conservation buffer. Common Equity Tier 1 (CET1) capital is a subset of Tier 1 capital and is limited to common equity (plus related surplus), retained earnings, accumulated other comprehensive income and certain other items. Other instruments that have historically qualified for Tier 1 treatment, including noncumulative perpetual preferred stock, are consigned to a category known as Additional Tier 1 capital and must be phased out of CETI over a period of nine years beginning in 2014. In order to be a “well-capitalized” depository institution under the new regime, an institution must maintain a CET1 capital ratio of 7.0% or more; a Tier 1 capital ratio of 8.5% or more; a total capital ratio of 10.5% or more; and a leverage ratio of 4% or more. Institutions must also maintain a capital conservation buffer consisting of common equity Tier 1 capital. In addition to the higher required capital ratios and the new deductions and adjustments, the final rules increased the risk weights for certain assets, meaning that we will have to hold more capital against these assets. We will also be required to hold capital against short-term commitments that are not unconditionally cancellable.

While we currently meet these new requirements of the Basel III-based capital requirements, we may fail to do so in the future. The failure to meet applicable regulatory capital requirements could result in one or more of our regulators placing limitations or conditions on our activities, including our growth initiatives, or restricting the commencement of new activities, and could affect customer and investor confidence, our costs of funds and level of required deposit insurance assessments to the FDIC, our ability to pay dividends on our capital stock, our ability to make acquisitions, and our business, results of operations and financial condition, generally.

In addition, in the current economic and regulatory environment, including the COVID-19 pandemic, bank regulators may impose capital requirements that are more stringent than those required by applicable existing regulations. The application of more stringent capital requirements for us could, among other things, result in lower returns on equity, require the raising of additional capital, and result in regulatory actions if we were to be unable to comply with such requirements. Implementation of changes to asset risk weightings for risk-based capital calculations, items included or deducted in calculating regulatory capital or additional capital conservation buffers, could result in management modifying our business strategy and could limit our ability to make distributions, including paying dividends.

We are periodically subject to examination and scrutiny by a number of banking agencies and, depending upon the findings and determinations of these agencies, we may be required to make adjustments to our business that could adversely affect us.

As part of the bank regulatory process, the Federal Reserve, the FDIC and the FOFR periodically conduct examinations of our business, including compliance with applicable laws and regulations. If, as a result of an examination, one of these banking agencies were to determine that the financial condition, capital resources, asset quality, asset concentration, earnings prospects, management, liquidity sensitivity to market risk, risk management and internal controls or other aspects of any of our operations has become unsatisfactory, or that we or our management are in violation of any law or regulation, the banking agency could take a number of different remedial or punitive actions as it deems appropriate. These actions include the power to prohibit the continuation of "unsafe or unsound" practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order or enforcement that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to change the asset composition of our loan or securities portfolios or balance sheet, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance and force us to terminate our business operations. If we become subject to such regulatory actions, our business, financial condition, results of operations and reputation may be negatively impacted.

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

The CRA directs all insured depository institutions to help meet the credit needs of the local communities in which they operate branches, including low- and moderate-income neighborhoods. Each institution is examined periodically by its primary federal regulator, which assesses the institution's CRA performance. The Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The U.S. Department of Justice, the Federal Reserve, and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to our performance under the CRA, fair lending or consumer lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, customer restitution, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have an adverse effect on our business, financial condition and results of operations.

Risks Related to Our Class A Common Stock

We do not anticipate paying dividends on our common stock, and our future ability to pay dividends is subject to restrictions.

We currently do not intend to pay any cash dividends on our common stock in the foreseeable future. Holders of our Class A common stock are only entitled to receive cash dividends when, as and if declared by our Board out of funds legally available for dividends. The Company is a bank holding company that conducts substantially all of its operations through the Bank, which is a legal entity separate and distinct from the Company. As a result, our ability to pay dividends on our common stock will substantially depend upon the receipt of dividends and other distributions from the Bank, the profitability of which is subject to the fluctuating cost and availability of money, changes in interest rates and economic conditions in general. There are numerous laws and banking regulations and guidance that limit the Bank's ability to pay dividends to us and our ability to pay dividends on our common stock.

The market price and trading volume of our Class A common stock may be volatile, which could result in rapid and substantial losses for our shareholders.

The market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume on our Class A common stock may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our Class A common stock will not fluctuate or decline significantly in the future. Some, but certainly not all, of the factors that could negatively affect the price of our Class A common stock, or result in fluctuations in the price or trading volume of our Class A common stock, include:

- general market conditions;
- domestic and international economic factors unrelated to our performance;
- variations in our quarterly operating results or failure to meet the market's earnings expectations;
- publication of research reports about us or the financial services industry in general;
- the failure of securities analysts to cover our Class A common stock after this offering;
- additions or departures of our key personnel;
- future sales of our Class A common stock;
- adverse market reactions to any indebtedness we may incur or securities we may issue in the future;
- actions by our shareholders;
- the expiration of contractual lock-up agreements;
- the operating and securities price performance of companies that investors consider to be comparable to us;
- changes or proposed changes in laws or regulations affecting our business; and
- actual or potential litigation and governmental investigations.

In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of the Class A common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our Class A common stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

There are significant restrictions in our Articles of Incorporation that restrict the ability to sell our capital stock to shareholders that would own 4.95% or more of our stock, excluding our Significant Investors.

Because the continued availability of our "deferred tax assets" depends, in part, on the value of our stock owned by shareholders owning 5% or more of our stock, our Articles of Incorporation, except as otherwise may be approved by the Board or except for transfers by our Significant Investors, prohibits any direct or indirect transfer of stock or options to acquire stock to any person who, as a result of the transfer, would own 4.95% or more of our stock, as long as the Company continues to have "deferred tax assets." Such restrictions may limit the ability to transfer our stock.

Because we are an emerging growth company and because we have decided to take advantage of certain exemptions from various reporting and other requirements applicable to emerging growth companies, our Class A common stock could be less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act. For as long as we remain an emerging growth company, we will have the option to take advantage of certain exemptions from various reporting and other requirements that are applicable to other public companies that are not emerging growth companies, including:

- we may present only two years of audited financial statements and only two years of related management’s discussion and analysis of financial condition and results of operations
- we may provide less than five years of selected historical financial information;
- we are exempt from the requirements to obtain an attestation and report from our auditors on management’s assessment of our internal control over financial reporting under the Sarbanes-Oxley Act;
- we are permitted to have less extensive disclosure about our executive compensation arrangements; and
- we are not required to give our shareholders non-binding advisory votes on executive compensation or golden parachute arrangements.

We may continue to take advantage of some or all of the reduced regulatory and reporting requirements that will be available to us as long as we continue to qualify as an emerging growth company. We will remain an emerging growth company until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion, (ii) the date that the market value of our Class A common stock that is held by non-affiliates exceeds $700 million as of the last business day of June 30 of that year, (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt, or (iv) the end of fiscal year following the fifth anniversary of the completion of our IPO.

It is possible that some investors could find our Class A common stock less attractive if we choose to rely on these exemptions. If some investors find our Class A common stock less attractive, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

Because we have elected to use the extended transition period for complying with new or revised accounting standards for an “emerging growth company,” our financial statements may not be comparable to companies that comply with these accounting standards as of the public company effective dates.

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 7(a)(2)(B) of the Securities Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with these accounting standards as of the public company effective dates. Because our financial statements may not be comparable to companies that comply with public company effective dates, investors may have difficulty evaluating or comparing our business, performance or prospects in comparison to other public companies, which may have a negative impact on the value and liquidity of our Class A common stock. We cannot predict if investors will find our Class A common stock less attractive because we plan to rely on this exemption. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

We have existing investors that own a significant amount of our common stock whose individual interests may differ from yours.

A significant percentage of our Class A common stock is currently held by a few institutional investors, including Patriot Financial Partners II, L.P. and Patriot Financial Partners Parallel II, L.P. (collectively, "Patriot"), and Priam Capital Fund II, LP ("Priam," and together with Patriot, the "Significant Investors"). Patriot and Priam own approximately 22.44% and 22.44%, respectively, of our outstanding Class A common stock. In addition, Patriot and Priam are each entitled to nominate a director to our Board and have certain subscription rights to purchase new equity securities that we issued in the future,

in each case as long as certain equity ownership criteria are met. Patriot and Priam also have certain registration rights, including demand registration rights, and information rights. Although Patriot and Priam are independent of each other, these institutional investors will continue to have a significant level of influence over us because of their level of Class A common stock ownership and their right to representation on our Board. For example, Patriot and Priam will have a greater ability than our other shareholders to influence the election of directors and the potential outcome of other matters submitted to a vote of our shareholders, including mergers and other acquisition transactions, amendments to our Articles of Incorporation and Amended and Restated Bylaws, and other extraordinary corporate matters. The interests of these investors could conflict with the interests of our other shareholders, and any future transfer by these investors of their shares of Class A common stock to other investors who have different business objectives could adversely affect our business, results of operations, financial condition, prospects or the market value of our Class A common stock.

Provisions in our governing documents and Florida law may have an anti-takeover effect and there are substantial regulatory limitations on changes of control of the Company.

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

Our governing documents include provisions that:

- empower our Board, without shareholder approval, to issue our preferred stock, the terms of which, including voting power, are to be set by our Board;
- provide that directors may be removed from office only for cause and only upon a majority vote of the shares of our Bank with voting power;
- prohibit holders of our Class A common stock to take action by written consent in lieu of a shareholder meeting;
- require holders of at least 10% of our Class A common stock to call a special meeting;
- do not provide for cumulative voting in elections of our directors;
- provide that our Board has the authority to amend our Amended and Restated Bylaws;
- require shareholders that wish to bring business before annual or special meetings of shareholders, or to nominate candidates for election as directors at our annual meeting of shareholders, to provide timely notice of their intent in writing and satisfy disclosure requirements; and
- enable our Board to increase, between annual meetings, the number of persons serving as directors and to fill the vacancies created as a result of the increase until the next meeting of shareholders by a majority vote of the directors present at a meeting of directors.

In addition, certain provisions of Florida law may delay, discourage, or prevent an attempted acquisition or change in control. Furthermore, banking laws impose notice, approval, and ongoing regulatory requirements on any shareholder or other party that seeks to acquire direct or indirect "control" of a bank holding company, which includes the Change in Bank Control Act. These laws could delay or prevent an acquisition. Also, for preservation and continued availability of our "deferred tax assets," our Articles of Incorporation prohibits any direct or indirect transfer of stock or options to acquire stock to any person who, as a result of the transfer, would own 4.95% or more of our stock, as long as we continue to have "deferred tax assets," subject to limited exceptions as provided in our Articles of Incorporation. Because of the requirements to overcome this restriction, this provision of the Articles of Incorporation could have an anti-takeover effect and may delay, make more difficult or prevent an attempted acquisition that you may favor.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's corporate offices are headquartered at 2301 N.W. 87th Avenue, Miami, Florida 33172. The Company, through the Bank, operates 10 banking centers in South Florida within Miami-Dade and Broward counties. From the 10 banking centers, nine of these locations are leased and one is owned. The banking center that is owned is located at 3999 Sheridan St, Hollywood, FL 33021. Management believes that each of these locations are in good condition and adequate to meet our present and foreseeable needs, subject to possible future expansion.

See Note 4 "Leases" and Note 5 "Premises and Equipment" to the Consolidated Financial Statements included in this Form 10-K for additional information.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

In July 2021, the Bank's Class A common stock began trading on the Nasdaq Stock Market under ticker symbol "USCB". The listing of our Class A common stock on the Nasdaq Stock Market has resulted in a more active trading market for our Class A common stock. However, we cannot assure that a liquid trading market for our Class A common stock will be sustained.

Effective December 30, 2021, the bank holding company, or the Company, acquired all issued and outstanding shares of Class A common stock of the Bank. Each of the outstanding shares of the Bank's common stock formerly held by its shareholders was converted into and exchanged for one newly issued share of the Company's common stock. The ticker symbol "USCB" remained the same.

Prior to our listing on the Nasdaq Stock Market there was not an established public trading market for the Class A common shares. The following table shows the quarterly high and low closing prices of our Class A common stock traded on the Nasdaq Stock Market since going public on July 23, 2021:

	Stock Price	
	High	Low
Quarter Ended:		
September 30, 2021	$ 13.91	$ 10.57
December 31, 2021	$ 15.89	$ 12.30

As of December 31, 2021, our Class B common stock is not listed or traded on any stock exchange.

Holders

As of January 31, 2022, the Company's Class A common shares were held by approximately 529 shareholders.

Dividends

As a bank holding company, the Company's ability to declare and pay dividends depends on various federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends.

Because we are a bank holding company and currently do not engage directly in business activities of a material nature, our ability to pay dividends to our shareholders depends, in large part, upon our receipt of dividends from the Bank, which is also subject to numerous limitations on the payment of dividends under federal banking laws, regulations and policies.

The principal source of revenue with which to pay dividends on common shares are dividends the Bank may declare and pay out of funds legally available for payment of dividends. As a Florida corporation, we are only permitted to pay dividends to shareholders if, after giving effect to the dividend, (i) the Company is able to pay its debts as they become due in the ordinary course of business and (ii) the Company's assets exceeds the sum of Company's (a) liabilities plus (b) the amount that would be needed for the Company to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the dividend, if any.

Securities Authorized for Issuance Under Equity Compensation Plans

See Note 9 "Equity Based and Other Compensation Plans" to the Consolidated Financial Statements herein for additional information required.

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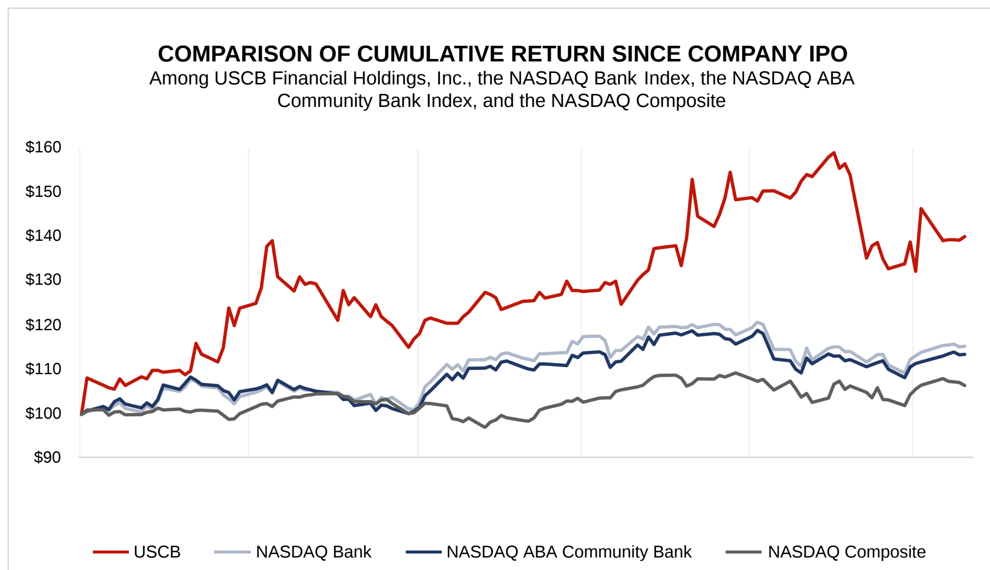
Stock Price Performance

The graph below compares the cumulative total return to stockholders of our Class A common stock between July 23, 2021 (the date the Bank's Class A common stock commenced trading on the Nasdaq Stock Market) and December 31, 2021, with the cumulative total return of (a) the Nasdaq Bank Index (b) the NASDAQ ABA Community Bank Index, and (c) the Nasdaq Composite Index over the same period. This graph assumes the investment of $100 in our Class A common stock at the closing sale price of $10.82 per share on July 23, 2021, and assumes the reinvestment of dividends, if any.

The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not indicative of, nor is it intended to forecast, the potential future performance of our common stock.



	07/23/2021		09/30/2021		12/31/2021	
USCB Financial Holdings, Inc. (USCB)	$	100	$	122	$	140
NASDAQ Bank (BANK)	$	100	$	110	$	115
NASDAQ ABA Community Bank (QABA)	$	100	$	108	$	114
NASDAQ Composite (IXIC)	$	100	$	98	$	107

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by Issuer and Other Affiliates

As of December 31, 2021, the Company nor any of its affiliates purchased any Class A common shares of the Company.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations analyzes the consolidated financial condition and results of operations of the Company and the Bank, its wholly owned subsidiary, for the years ended December 31, 2021 and 2020. This discussion and analysis are best read in conjunction with the Consolidated Financial Statements and related footnotes of our Company presented in Item 8 "Financial Statements and Supplementary Data" of this Annual Report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Forward-Looking Statements" and Item 1A "Risk Factors" of this Annual Report.

Throughout this document, references to "we," "us," "our," and "the Company" refer to USCB Financial Holdings, Inc.

Forward-Looking Statements

This Annual Report on Form 10-K contains statements that are not historical in nature are intended to be, and are hereby identified as, forward-looking statements for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. The words "may," "will," "anticipate," "should," "would," "believe," "contemplate," "expect," "aim," "plan," "estimate," "continue," and "intend," as well as other similar words and expressions of the future, are intended to identify forward-looking statements. These forward-looking statements include statements related to our projected growth, anticipated future financial performance, and management's long-term performance goals, as well as statements relating to the anticipated effects on results of operations and financial condition from expected developments or events, or business and growth strategies, including anticipated internal growth.

These forward-looking statements involve significant risks and uncertainties that could cause our actual results to differ materially from those anticipated in such statements. Potential risks and uncertainties include, but are not limited to:

- the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
- the COVID-19 pandemic and its impact on us, our employees, customers and third-party service providers, and the ultimate extent of the impacts of the pandemic and related government stimulus programs;
- our ability to successfully manage interest rate risk, credit risk, liquidity risk, and other risks inherent to our industry;
- the accuracy of our financial statement estimates and assumptions, including the estimates used for our credit loss reserve and deferred tax asset valuation allowance;
- the efficiency and effectiveness of our internal control environment;
- our ability to comply with the extensive laws and regulations to which we are subject, including the laws for each jurisdiction where we operate;
- legislative or regulatory changes and changes in accounting principles, policies, practices or guidelines, including the effects of the forthcoming implementation of the Current Expected Credit Losses ("CECL") standard;
- the effects of our lack of a diversified loan portfolio and concentration in the South Florida market, including the risks of geographic, depositor, and industry concentrations, including our concentration in loans secured by real estate;
- the concentration of ownership of our Class A common stock;
- fluctuations in the price of our Class A common stock;
- our ability to fund or access the capital markets at attractive rates and terms and manage our growth, both organic growth as well as growth through other means, such as future acquisitions;
- inflation, interest rate, unemployment rate, market, and monetary fluctuations;
- increased competition and its effect on pricing of our products and services as well as our margins;
- the effectiveness of our risk management strategies, including operational risks, including, but not limited to, client, employee, or third-party fraud and security breaches; and
- other risks described this Form 10-K and other filings we make with the Securities and Exchange Commission ("SEC").

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations. Therefore, you are cautioned not to place undue reliance on any forward-looking statements. Further, forward-looking statements included in this presentation are made only as of the date hereof, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, unless required to do so under the federal securities laws. You should also review the risk factors described in the reports the Company filed or will file with the SEC and, for periods prior to the completion of the bank holding company reorganization, the Bank filed with the FDIC.

Non-GAAP Financial Measures

This Annual Report on Form 10-K includes financial information determined by methods other than in accordance with generally accepted accounting principles ("GAAP"). This financial information includes certain operating performance measures. Management has included these non-GAAP measures because it believes these measures may provide useful supplemental information for evaluating the Company's underlying performance trends. Further, management uses these measures in managing and evaluating the Company's business and intends to refer to them in discussions about our operations and performance. Operating performance measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP, and are not necessarily comparable to non-GAAP measures that may be presented by other companies. To the extent applicable, reconciliations of these non-GAAP measures to the most directly comparable GAAP measures can be found in the 'Non-GAAP Reconciliation Tables' included in this annual report.

Overview

For the year ended December 31, 2021, the Company reported net income of $21.1 million compared with net income of $10.8 million for the year ended December 31, 2020, representing a 94.8% increase. The results from 2021 included closing our initial public offering of the Class A common stock and the simplification of the Bank's capital structure.

In evaluating our financial performance, we consider the level of and trends in net interest income, the net interest margin, the cost of deposits, levels and composition of non-interest income and non-interest expense, performance ratios, asset quality ratios, regulatory capital ratios, and any significant event or transaction.

The following significant highlights are of note for the year ended December 31, 2021:

- Net interest income after provision for credit losses totaled $52.7 million, an increase of $12.3 million or 30.5%, compared to $40.3 million at December 31, 2020.
- Net interest margin ("NIM") remained the same at 3.26% for the years ended December 31, 2021 and 2020. The yield on earning assets decreased to 3.52% in 2021, compared to 3.93% in 2020. The yield on earning assets was negatively impacted by certain floating rate investment securities, loans with variable rate pricing features, and new loans originated in the lower interest rate environment, including PPP loans which carry a rate of 1.0%.
- NIM, excluding PPP loans, was 3.16% and 3.30% for the years ended December 31, 2021 and 2020, respectively.
- Total assets grew to $1.9 billion, an increase of $352.2 million or 23.5%, compared to December 31, 2020.
- Loans grew to $1.2 billion, an increase of $151.6 million or 14.6%, compared to December 31, 2020.
- The cost of interest-bearing liabilities decreased to 0.45% in 2021 from 1.07% in 2020 as a result of the continued downward repricing of deposits and continued improvement in deposit mix.
- Return on average assets for the year ended December 31, 2021 was 1.24% compared to 0.76% in 2020.
- Return on average stockholders' equity for the year ended December 31, 2021 was 11.45% compared to 6.54% in 2020.
- Nonperforming assets totaled $1.2 million, a decrease of $0.4 million or 24.6%, compared to $1.6 million at December 31, 2020.
- The Company maintained its strong capital position. As of December 31, 2021, the Bank was well-capitalized, with a total risk-based capital ratio of 14.92%, a tier 1 risk-based capital ratio of 13.70%, a common equity tier 1 capital ratio of 13.70%, and a leverage ratio of 9.55%. As of December 31, 2021 and 2020, all of our regulatory capital ratios exceeded the thresholds to be well-capitalized under the applicable bank regulatory requirements.
- In April 2021, the Bank repurchased all of its issued and outstanding Class E preferred shares at the liquidation value of $7.5 million along with declared dividends approved by the Board of Directors (the "Board") with the goal to simplify its capital structure.

- In July 2021, the Bank completed the initial public offering of 4,600,000 shares of Class A common stock, which included an additional 600,000 shares in connection with the exercise in full of the underwriters' option to purchase additional shares. In a continuation effort to simplify the Company's capital structure, an exchange and redemption of then outstanding Class C and Class D preferred shares was also completed.
- In December 2021, the Bank entered into agreements with the Class B shareholders to exchange all outstanding Class B non-voting common stock for Class A voting common stock.
- The Company became the parent bank holding company of the Bank effective December 28, 2021. Each share of the Bank was exchanged for one share of the Company, making the Bank a wholly owned subsidiary of the Company. Shares of the Company continue to trade under ticker symbol "USCB" on the Nasdaq Stock Market.

Critical Accounting Policies and Estimates

The consolidated financial statements are prepared based on the application of U.S. GAAP, the most significant of which are described in Note 1 "Summary of Significant Accounting Policies" to our Consolidated Financial Statements. To prepare financial statements in conformity with GAAP, management makes estimates, assumptions, and judgments based on available information. These estimates, assumptions, and judgments affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements and, as this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the financial statements. In particular, management has identified accounting policies that, due to the estimates, assumptions and judgments inherent in those policies, are critical in understanding our financial statements. Management has presented the application of these policies to the audit and risk committee of our Board.

Allowance for Credit Losses

The allowance for credit losses ("ACL") is a valuation allowance that is established through charges to earnings in the form of a provision for credit losses. The amount of the ACL is affected by the following: (i) charge-offs of loans that decrease the allowance; (ii) subsequent recoveries on loans previously charged off that increase the allowance; and (iii) provisions for credit losses charged to income that increase the allowance. Management considers the policies related to the ACL as the most critical to the financial statement presentation. The total ACL includes activity related to allowances calculated in accordance with Accounting Standards Codification ("ASC") 310, Receivables, and ASC 450, Contingencies.

Throughout the year, management estimates the probable incurred losses in the loan portfolio to determine if the ACL is adequate to absorb such losses. The ACL consists of specific and general components. The specific component relates to loans that are individually classified as impaired. We follow a loan review program to evaluate the credit risk in the loan portfolio. Loans that have been identified as impaired are reviewed on a quarterly basis in order to determine whether a specific reserve is required. The general component covers non-impaired loans and is based on industry and our specific historical loan loss experience, volume, growth and composition of the loan portfolio, the evaluation of our loan portfolio through our internal loan review process, general current economic conditions both internal and external to us that may affect the borrower's ability to pay, value of collateral and other qualitative relevant risk factors. Based on a review of these estimates, we adjust the ACL to a level determined by management to be adequate. Estimates of credit losses are inherently subjective as they involve an exercise of judgment.

The CARES Act, as amended by the Consolidated Appropriations Act, 2021, specified that COVID-19 related loan modifications executed between March 1, 2020 and the earlier of (i) 60 days after the date of termination of the national emergency declared by President Trump and (ii) January 1, 2022, on loans that were current as of December 31, 2019, are not TDRs. Additionally, under guidance from the federal banking agencies, other short-term modifications made on a good faith basis in response to COVID-19 to borrowers that were current prior to any relief are not TDRs under ASC Subtopic 310-40, "Troubled Debt Restructurings by Creditors." These modifications include short-term (i.e., up to six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. The Company's charge-off policy is to continuously review all impaired loans to monitor the Company's ability to collect them in full at the applicable maturity date and/or in accordance with terms of any restructurings. For loans which are collateral dependent, or deemed to be uncollectible, any shortfall in the fair value of the collateral relative to the recorded investment in the loan is charged off. The amount charged-off conforms to the amount necessary to comply with GAAP.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss

and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Management is required to assess whether a valuation allowance should be established on the net deferred tax assets based on the consideration of all available evidence using a more likely than not standard. In its evaluation, management considers taxable loss carry-back availability, expectation of sufficient taxable income, trends in earnings, the future reversal of temporary differences, and available tax planning strategies.

The Company recognizes positions taken or expected to be taken in a tax return in accordance with existing accounting guidance on income taxes which prescribes a recognition threshold and measurement process. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other operating non-interest expense, respectively.

Segment Reporting

Management monitors the revenue streams for all its various products and services. The identifiable segments are not material and operations are managed and financial performance is evaluated on an overall Company-wide basis. Accordingly, all the financial service operations are considered by management to be aggregated in one reportable operating segment.

Results of Operations

General

The following tables present selected balance sheet, income statement, and profitability ratios for the dates indicated (in thousands, except ratios):

	As of December 31,	
	2021	2020
Consolidated Balance Sheets:		
Total assets	$ 1,853,939	$ 1,501,742
Total loans [1]	$ 1,190,081	$ 1,038,504
Total deposits	$ 1,590,379	$ 1,273,402
Total stockholders' equity	$ 203,897	$ 171,001

(1) Loan amounts include deferred fees/costs.

	Years Ended December 31,	
	2021	2020
Consolidated Statements of Operations:		
Net interest income before provision for credit losses	$ 52,496	$ 43,597
Total non-interest income	$ 10,698	$ 6,097
Total non-interest expense	$ 35,677	$ 33,036
Net income	$ 21,077	$ 10,820
Net income (loss) available to common stockholders	$ (70,585)	$ 7,693
Profitability:		
Efficiency ratio	56.31%	71.13%
Net interest margin	3.26%	3.26%

The Company's results of operations depend substantially on net interest income and non-interest income. Other factors contributing to the results of operations include our provision for credit losses, non-interest expenses, and provision for income taxes.

Net income for the year ended December 31, 2021 was $21.1 million, compared with net income of $10.8 million for the same period in 2020. The Company reported net loss per diluted share for the year ended December 31, 2021 of $6.72 compared to net income per diluted share for the same period in 2020 of $1.50 and $0.30 for Class A and Class B common stock, respectively, after adjusted to reflect the 1 for 5 reverse stock split on Class A common stock. The net loss per diluted share for the year ended December 31, 2021 was attributable to the one-time reduction in net income available to common stockholders for the exchange and redemption of the Class C and Class D preferred shares. During third quarter of 2021,

the Company completed an exchange of then outstanding preferred shares for Class A common shares and thereafter redeemed the remaining outstanding preferred shares, at a liquidation value that exceeded book value, causing a one-time reduction in net income available to common stockholders of $89.6 million. At December 31, 2021, there were no issued and outstanding preferred shares.

Operating net income per diluted share (non-GAAP) for the year ended December 31, 2021 was $1.81 compared to operating net income per diluted share (non-GAAP) for the same period in 2020 of $1.50 and $0.30 for Class A and Class B, respectively. Operating net income per diluted share (non-GAAP) for the year ended December 31, 2021 excludes the $89.6 million one-time accounting impact of the exchange and redemption of the preferred shares. The operating net income per diluted share for the year ended December 31, 2020 was adjusted to reflect the 1 for 5 reverse stock split on Class A common stock. To see a reconciliation of non-GAAP measures to GAAP measures refer to section below “Reconciliation and Management Explanation of Non-GAAP Financial Measures”.

Net Interest Income

Net interest income is the difference between interest earned on interest earning assets and interest incurred on interest-bearing liabilities and is the primary driver of core earnings. Interest income is generated from interest and dividends on interest-earning assets, including loans, investment securities and other short-term investments. Interest expense is incurred from interest paid on interest-bearing liabilities, including interest-bearing deposits, FHLB advances and other borrowings.

To evaluate net interest income, we measure and monitor (i) yields on loans and other interest-earning assets, (ii) the costs of deposits and other funding sources, (iii) net interest spread, and (iv) net interest margin. Net interest spread is equal to the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is equal to the annualized net interest income divided by average interest-earning assets. Because non-interest-bearing sources of funds, such as non-interest-bearing deposits and stockholders’ equity, also fund interest-earning assets, net interest margin includes the benefit of these non-interest-bearing sources.

Changes in the market interest rates and interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets and interest-bearing and non-interest-bearing liabilities, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. Our asset liability committee (“ALCO”) has in place asset-liability management techniques to manage major factors that affect net interest income and net interest margin.

The following table contains information related to average balance sheet, average yields on assets, and average costs of liabilities for the periods indicated (in thousands):

	Years Ended December 31,					
	2021			2020		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Assets						
Interest-earning assets:						
Loans [1]	$ 1,116,142	$ 48,730	4.37 %	$ 1,026,905	$ 47,078	4.58 %
Investment securities [2]	403,677	7,886	1.95 %	201,073	5,248	2.61 %
Other interest earnings assets	92,430	106	0.11 %	110,898	307	0.28 %
Total interest-earning assets	1,612,249	56,722	3.52 %	1,338,876	52,633	3.93 %
Non-interest earning assets	89,409			90,059		
Total assets	$ 1,701,658			$ 1,428,935		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 52,379	59	0.11 %	$ 46,819	158	0.34 %
Saving and money market deposits	619,810	2,082	0.34 %	473,028	3,095	0.65 %
Time deposits	235,127	1,531	0.65 %	276,462	4,709	1.70 %
Total interest-bearing deposits	907,316	3,672	0.40 %	796,309	7,962	1.00 %
Borrowings and repurchase agreements	36,000	554	1.54 %	51,362	1,074	2.09 %
Total interest-bearing liabilities	943,316	4,226	0.45 %	847,671	9,036	1.07 %
Non-interest bearing demand deposits	547,116			390,467		
Other non-interest-bearing liabilities	27,142			25,281		
Total liabilities	1,517,574			1,263,419		
Stockholders' equity	184,084			165,516		
Total liabilities and stockholders' equity	$ 1,701,658			$ 1,428,935		
Net interest income		$ 52,496			$ 43,597	
Net interest spread [3]			3.07 %			2.86 %
Net interest margin [4]			3.26 %			3.26 %

(1) Average loan balances include non-accrual loans. Interest income on loans includes accretion of deferred loan fees, net of deferred loan costs.
(2) At fair value except for securities held to maturity.
(3) Net interest spread is the average yield on total interest-earning assets minus the average rate on total interest-bearing liabilities.
(4) Net interest margin is the ratio of net interest income to total interest-earning assets.

Net interest income before the provision for credit losses was $52.5 million for the year ended December 31, 2021, an increase of $8.9 million or 20.4%, from $43.6 million for the year ended December 31, 2020. This increase was primarily attributable to higher income from investment securities and loan fees as well as lower costs for interest-bearing liabilities because of lower interest rate benchmarks.

Included with loan interest income are PPP fees totaling $3.6 million and $2.3 million for the year ended December 31, 2021 and 2020, respectively. PPP loan fees are recognized upon forgiveness.

The net interest margin remained the same at 3.26% for the years ended December 31, 2021 and 2020. The overall and individual yields for interest-bearing assets and interest-bearing liabilities both decreased in 2021 compared to 2020.

Provision for Credit Losses

The allowance for credit losses (“ACL”) represents probable incurred losses in our portfolio. We maintain an adequate ACL that can mitigate probable losses incurred in the loan portfolio. The ACL is increased by the provision for credit losses and is decreased by charge-offs, net of recoveries on prior loan charge-offs. There are multiple credit quality metrics that we use to base our determination of the amount of the ACL and corresponding provision for credit losses. These credit metrics evaluate the credit quality and level of credit risk inherent in our loan portfolio, assess non-performing loans and charge-offs levels, considers statistical trends and economic conditions and other applicable factors.

Provision for credit loss for the year ended December 31, 2021, was a net reduction of $160 thousand compared to $3.3 million in provision expense for the same period in 2020. The primary driver of the decrease was the improvement of

the credit risk associated with the COVID-19 pandemic. The ACL as a percentage of total loans was 1.27% at December 31, 2021 compared to 1.45% at December 31, 2020.

See “Allowance for Credit Losses” below for further discussion on how the ACL is calculated.

Non-Interest Income

Net interest income and other types of recurring non-interest income are generated from our operations. Our services and products generate service charges and fees, mainly from our depository accounts. We also generate income from gain on sale of loans though our swap and SBA programs. In addition, we own insurance on several employees and generate income on the increase in the cash surrender value of these policies.

The following table presents the components of non-interest income for the dates indicated (in thousands):

	Years Ended December 31,	
	2021	2020
Service fees	$ 3,609	$ 3,266
Gain on sale of securities available for sale, net	214	434
Gain on sale of loans held for sale, net	1,626	839
Gain on sale of premises and equipment, net	983	-
Loan settlement	2,500	-
Other non-interest income	1,766	1,558
Total non-interest income	$ 10,698	$ 6,097

Non-interest income for the year ended December 31, 2021 increased $4.6 million or 75.5%, compared to the same period in 2020. This increase was primarily driven by the default interest recovery of a prior lending customer for $2.5 million and a gain on the sale of a previously owned building for $983 thousand as well as higher deposit service fees and gain on sales of loans due to increased activity in our SBA program. Further, the default interest recovery of $2.5 million was for a loan that was originated in 2008 and subsequently went through many iterations of credit collection. This payment reflects the final payment and settlement of lien judgments against the customer.

Non-Interest Expense

The following table presents the components of non-interest expense for the dates indicated (in thousands):

	Years Ended December 31,	
	2021	2020
Salaries and employee benefits	$ 21,438	$ 19,204
Occupancy	5,257	5,656
Regulatory assessment and fees	783	691
Consulting and legal fees	1,454	1,045
Network and information technology services	1,466	1,536
Other operating	5,279	4,904
Total non-interest expense	$ 35,677	$ 33,036

Non-interest expense for the year ended December 31, 2021 increased $2.6 million or 8.0%, compared to the same period in 2020. The increase is primarily due to an increase in salaries and employee benefit costs of $2.2 million for the year ended December 31, 2021, compared to the same period in 2020. The headcount of full-time equivalent employees increased from 179 at December 31, 2020 to 187 at December 31, 2021. Further, consulting and legal fees and other operating expenses increased $0.4 million or 39.1% and $0.4 million or 7.6%, respectively, during the year ended December 31, 2021 compared to the same period in 2020 due to our operations as a publicly traded company and the formation of a bank holding company. The increase in salaries and employee benefits, consulting and legal fees, and other operating costs has enabled us to support recent growth and has provided us with the necessary technology and required professionals to execute our growth strategy.

Provision for Income Tax

Fluctuations in the effective tax rate reflect the effect of the differences in the inclusion or deductibility of certain income and expenses for income tax purposes. Therefore, future decisions on the investments we choose will affect our effective

tax rate. Surrender value of bank-owned life insurance policies for key employees, purchasing municipal bonds, and overall taxable income will be important elements in determining our effective tax rate.

Income tax expense for the year ended December 31, 2021 was $6.6 million, compared to $2.6 million for the year ended December 31, 2020. The effective tax rate for the year ended December 31, 2021 was 23.8% and for the year ended December 31, 2020 was 19.3%.

For a further discussion on income taxes, see Note 6 “Income Taxes” to the Consolidated Financial Statements in this Form 10-K.

Rate/Volume Analysis

The table below sets forth information regarding changes in interest income and interest expense for the periods indicated (in thousands). For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in rate (changes in rate multiplied by old volume); (ii) changes in volume (changes in volume multiplied by old rate); and (iii) changes in rate-volume (change in rate multiplied by change in volume). Changes in rate-volume are proportionately allocated between rate and volume variance.

	Years Ended 2021 vs. 2020 Increase (decrease) due to change in			Years Ended 2020 vs. 2019 Increase (decrease) due to change in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
Interest-earning assets:						
Loans [(1)]	$ 4,091	$ (2,439)	$ 1,652	$ 4,573	$ (2,229)	$ 2,344
Investment securities [(2)]	5,288	(2,650)	2,638	397	(596)	(199)
Other interest earnings assets	(51)	(150)	(201)	1,412	(1,866)	(454)
Total increase (decrease) in interest income	9,328	(5,239)	4,089	6,382	(4,691)	1,691
Interest-bearing liabilities:						
Interest-bearing demand deposits	19	(118)	(99)	$3	(6.00)	(3)
Saving and money market deposits	960	(1,973)	(1,013)	692	(2,738)	(2,046)
Time deposits	(704)	(2,474)	(3,178)	1,106	(1,242)	(136)
Borrowings and repurchase agreements	(321)	(199)	(520)	(952)	(81)	(1,033)
Total increase (decrease) in interest expense	(46)	(4,764)	(4,810)	849	(4,067)	(3,218)
Increase (decrease) in net interest income	$ 9,374	$ (475)	$ 8,899	$ 5,533	$ (624)	$ 4,909

(1) Average loan balances include non-accrual loans. Interest income on loans includes accretion of deferred loan fees, net of deferred loan costs.
(2) At fair value except for securities held to maturity.

Both average yields on interest earning assets and average rates paid on interest bearing liabilities have been declining over the periods presented, reflecting the macro interest rate environment and ongoing initiatives to reduce the cost and improve the mix of deposits.

Analysis of Financial Condition

Total assets at December 31, 2021, were $1.9 billion, an increase of $352.2 million, or 23.5%, over total assets of $1.5 billion at December 31, 2020. Total loans increased $151.6 million, or 14.6%, to $1.2 billion at December 31, 2021 compared to $1.0 billion at December 31, 2020. The increase in loans includes purchased loans totaling $129.5 million including deferred fees. Total deposits increased by $317.0 million, or 24.9%, to $1.6 billion at December 31, 2021 compared to December 31, 2020.

Investment Securities

The investment portfolio is used and managed to provide liquidity through cash flows, marketability and, if necessary, collateral for borrowings. The investment portfolio is also used as a tool to manage interest rate risk and the Company’s capital market risk exposure. The philosophy of the portfolio is to maximize the Company’s profitability taking into consideration the Company’s risk appetite and tolerance, manage the assets composition and diversification, and maintain adequate risk-based capital ratios.

The investment portfolio is managed in accordance with the Asset and Liability Management (“ALM”) policy, which includes an investment guideline, approved by the Board. Such policy is reviewed at least annually or more frequently if deemed necessary, depending on market conditions and/or unexpected events. The investment portfolio composition is

subject to change depending on the funding and liquidity needs of the Company, and the interest risk management objective directed by the ALCO. The portfolio of investments can be used to modify the duration of the balance sheet. The allocation of cash into securities takes into consideration anticipated future cash flows (uses and sources) and all available sources of credit.

Our investment portfolio consists primarily of securities issued by U.S. government-sponsored agencies, agency mortgage-backed securities, collateralized mortgage obligation securities, municipal securities, and other debt securities, all with varying contractual maturities and coupons. Due to the optionality embedded in these securities, the final maturities do not necessarily represent the expected life of the portfolio. Some of these securities will be called or paid down depending on capital market conditions and expectations. The investment portfolio is regularly reviewed by the Chief Financial Officer, Treasurer, or ALCO of the Company to ensure an appropriate risk and return profile as well as for adherence to the investment policy.

As of December 31, 2021, the investment portfolio consisted of available-for-sale (“AFS”) and held-to-maturity (“HTM”) debt securities. During the third quarter of 2021, there were 28 investment securities that were transferred from AFS to HTM with an amortized cost basis and fair value amount of $67.6 million and $68.7 million, respectively. On the date of transfer, these securities had a total net unrealized gain of $1.1 million. The transfer of debt securities from the AFS to HTM category were made at fair value at the date of transfer. The unrealized gain or loss at the date of transfer is retained in accumulated other comprehensive income and in the carrying value of the HTM securities. Such amounts are amortized over the remaining life of the security. There was no impact to net income on the date of transfer.

The book value of the AFS securities is adjusted monthly for unrealized gain or loss as a valuation allowance, and any gain or loss is reported on an after-tax basis as a component of other comprehensive income in stockholders’ equity. Periodically, we may need to assess whether there have been any events or unexpected economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis (“OTTI”). If the impairment is deemed to be permanent, an analysis would be made considering many factors, including the severity and duration of the impairment, the severity of the event, our intent and ability to hold the security for a period of time sufficient for a recovery in value, recent events specific to the issuer or industry, any related credit events, and for debt securities, external credit ratings and recent downgrades related to deterioration of credit quality. Securities on which there is an unrealized loss that is deemed to be OTTI are written down to fair value, with the write-down recorded as a realized loss under line item “Gain (loss) on sale of securities available-for-sale, net” of the Consolidated Statements of Operations. As of December 31, 2021, there are no securities which management has classified as OTTI. For further discussion of our analysis on impaired investment securities for OTTI, see Note 2 “Investment Securities” to the Consolidated Financial Statements in this Form 10-K.

AFS and HTM investment securities increased $189.9 million or 56.8% to $524.2 million at December 31, 2021 from $334.3 million at December 31, 2020. Investment securities increased over the past year due to higher than expected cash balances. Management reinvested idle cash balances into high credit quality investments to increase the Company’s profitability and modify the Company’s balance sheet duration according to the ALM policy. As of December 31, 2021, corporate bond securities with a market value of $20.4 million were pledged to secure public deposits. As of December 31, 2021, the Company did not have any tax-exempt securities in the portfolio.

The following table presents the amortized cost and fair value of investment securities for the dates indicated (in thousands):

	December 31, 2021		December 31, 2020	
Available-for-sale:	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
U.S. Government Agency - SBA	$ -	$ -	$ 1,488	$ 1,552
U.S. Government Agency	10,564	10,520	20,196	20,032
Collateralized mortgage obligations	160,506	156,829	104,426	104,650
Mortgage-backed securities - Residential	120,643	118,842	80,110	81,301
Mortgage-backed securities - Commercial	49,905	50,117	45,802	48,331
Municipal securities	25,164	24,276	24,230	24,211
Bank subordinated debt securities	27,003	28,408	24,004	24,630
Corporate bonds	12,068	12,550	27,733	29,615
	$ 405,853	$ 401,542	$ 327,989	$ 334,322
Held-to-maturity:				
U.S. Government Agency - SBA	$ 12,004	$ 11,641	$ -	$ -
U.S. Government Agency	22,501	22,263	-	-
Collateralized mortgage obligations	44,820	43,799	-	-
Mortgage-backed securities - Residential	26,920	26,352	-	-
Mortgage-backed securities - Commercial	3,103	3,013	-	-
Corporate bonds	13,310	13,089	-	-
	$ 122,658	$ 120,157	$ -	$ -

The following table shows the weighted average yields, categorized by contractual maturity, for investment securities as of December 31, 2021 (in thousands, except ratios):

	Within 1 year		After 1 year through 5 years		After 5 years through 10 years		After 10 years		Total	
	Amortized Cost	**Yield**	**Amortized Cost**	**Yield**	**Amortized Cost**	**Yield**	**Amortized Cost**	**Yield**	**Amortized Cost**	**Yield**
Available-for-sale:										
U.S. Government Agency	$ -	0.00 %	$ -	0.00 %	$ -	0.00 %	$ 10,564	1.74%	$ 10,564	0.00 %
Collateralized mortgage obligations	-	0.00 %	-	0.00 %	-	0.00 %	160,506	1.32%	160,506	1.32%
MBS - Residential	-	0.00 %	-	0.00 %	1,002	0.00 %	119,641	2.26%	120,643	1.38%
MBS - Commercial	-	0.00 %	-	0.00 %	-	0.00 %	49,905	2.82%	49,905	2.82%
Municipal securities	-	0.00 %	-	0.00 %	1,000	2.05%	24,164	1.38%	25,164	1.73%
Bank subordinated debt securities	-	0.00 %	-	0.00 %	26,003	4.98%	1,000	6.13%	27,003	5.02%
Corporate bonds	1,992	3.39%	5,983	4.24%	4,093	2.54%	-	0.00 %	12,068	3.52%
	$ 1,992		$ 5,983		$ 32,098		$ 365,780		$ 405,853	1.87%
Held-to-maturity:										
U.S. Government Agency - SBA	$ -	0.00 %	$ -	0.00 %	$ 3,953	1.58%	$ 8,051	1.58%	$ 12,004	1.58%
U.S. Government Agency	-	0.00 %	2,982	0.64%	19,519	1.26%	-	0.00 %	22,501	1.18%
Collateralized mortgage obligations	-	0.00 %	-	0.00 %	-	0.00 %	44,820	1.46%	44,820	1.46%
MBS - Residential	-	0.00 %	2,836	2.98%	9,264	1.61%	14,820	1.62%	26,920	1.76%
MBS - Commercial	-	0.00 %	-	0.00 %	3,103	1.61%	-	0.00 %	3,103	1.61%
Corporate bonds	2,017	3.07%	11,293	2.71%	-	0.00 %	-	0.00 %	13,310	2.76%
	$ 2,017		$ 17,111		$ 35,839		$ 67,691		$ 122,658	1.62%

Loans

Loans are the largest category of interest-earning assets on the Consolidated Balance Sheets, and usually provides higher yields than the rest of the interest-earning assets. Higher yields typically carry inherent credit and liquidity risks in comparison to lower yield assets. The Company manages and mitigates such risks in accordance with the credit and ALM policies, risk tolerance and balance sheet composition.

The following table shows the loan portfolio composition as of the dates indicated (in thousands):

	December 31, 2021		December 31, 2020	
	Total	Percent of Total	Total	Percent of Total
Residential Real Estate	$ 201,359	16.9 %	$ 232,754	22.3 %
Commercial Real Estate	704,988	59.2 %	606,425	58.2 %
Commercial and Industrial	146,592	12.3 %	157,330	15.1 %
Foreign Banks	59,491	5.0 %	38,999	3.7 %
Consumer and Other	79,229	6.6 %	5,507	0.5 %
Total gross loans	1,191,659	100.0 %	1,041,015	99.8 %
Less: Unearned income	1,578		2,511	
Total loans net of unearned income	1,190,081		1,038,504	
Less: Allowance for credit losses	15,057		15,086	
Total net loans	$ 1,175,024		$ 1,023,418	

Total gross loans increased by $150.6 million or 14.5% at December 31, 2021 compared to the same period in 2020. The most significant growth was in the commercial real estate and consumer and other loan pools, offset by a decline in the residential real estate and commercial and industrial loan pools. Consumer and other loans increased because of two yacht loan portfolios that were purchased for $93.7 million, including deferred fees, for the year ended December 31, 2021. Commercial and industrial loans decreased because of continuing PPP loan forgiveness as expected.

The loan portfolio has continued to experience growth in the past two years. Since our inception, the primary focus has been on commercial real estate lending, representing approximately 59.2% of the total gross loan portfolio as of December 31, 2021. In the past, we supplemented our core commercial growth with the origination of 1-4 family residential loans and the acquisition of 1-4 family residential loan portfolios to further diversify our loan portfolio. However, we have determined not to further pursue this line of business and are focused on growing our commercial portfolio.

Other than the previous mentioned shifts, we do not expect any significant changes over the foreseeable future in the composition of our loan portfolio or in our emphasis on commercial real estate lending. Our loan growth strategy since inception has been reflective of the market in which we operate and of our strategic plan as approved by the Board.

Most of the commercial real estate exposure represents loans to commercial businesses secured by owner-occupied real estate. The growth experienced over the last couple of years is primarily due to implementation of our relationship-based banking model and the success of our relationship managers in competing for new business in a highly competitive metropolitan area. Many of our larger loan clients have lengthy relationships with members of our senior management team or our relationship managers that date back to former institutions.

From a liquidity perspective, our loan portfolio provides us with additional liquidity due to repayments or unexpected prepayments. The following table shows maturities and sensitivity to interest rate changes for the loan portfolio at December 31, 2021 (in thousands):

	Due in 1 year or less	Due in 1 to 5 years	Due after 5 to 15 years	Due after 15 years	Total
Residential Real Estate	$ 7,745	$ 18,350	$ 83,595	$ 91,669	$ 201,359
Commercial Real Estate	24,279	163,931	513,333	3,445	704,988
Commercial and Industrial	15,263	67,833	31,336	32,160	146,592
Foreign Banks	59,491	-	-	-	59,491
Consumer and Other	2,005	3,465	2,505	71,254	79,229
Total gross loans	$ 108,783	$ 253,579	$ 630,769	$ 198,528	$ 1,191,659
Interest rate sensitivity:					
Fixed interest rates	$ 82,940	$ 170,406	$ 136,429	$ 78,859	$ 468,634
Floating or adjustable rates	25,843	83,173	494,340	119,669	723,025
Total gross loans	$ 108,783	$ 253,579	$ 630,769	$ 198,528	$ 1,191,659

The information presented in the table above is based upon the contractual maturities of the individual loans, which may be subject to renewal at their contractual maturity. Renewals will depend on approval by our credit department and balance sheet composition at the time of the analysis, as well as any modification of terms at the loan's maturity. Additionally,

maturity concentrations, loan duration, prepayment speeds and other interest rate sensitivity measures are discussed, reviewed, and analyzed by the ALCO. Decisions on term rate modifications are discussed as well.

As of December 31, 2021, approximately 60.7% of the loans have adjustable/variable rates and 39.3% of the loans have fixed rates. The adjustable/variable loans re-price to different benchmarks and tenors in different periods of time. By contractual characteristics, there are no material concentrations on anniversary repricing. Additionally, it is important to note that most of our loans have interest rate floors. This embedded option protects the Company from a decrease in interest rates and positions us to gain in the scenario of higher interest rates.

Asset Quality

Our asset quality grading analysis estimates the capability of the borrower to repay the contractual obligation of the loan agreement as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans. Internal credit risk grades are evaluated at least annually, or more frequently if deemed necessary. Internal credit risk ratings may change based on management's assessment of the results from the annual review, portfolio monitoring and other developments observed with borrowers.

The internal credit risk grades used by the Company to assess the credit worthiness of a loan are shown below:

Pass – Loans indicate different levels of satisfactory financial condition and performance.

Special Mention – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligator or of the collateral pledged, if any. Loans so classified 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.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified at substandard, with the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible.

Loan credit exposures by internally assigned grades are as follows for the dates indicated (in thousands):

	December 31, 2021				
	Pass	Special Mention	Substandard	Doubtful	Total
Residential Real Estate	$ 196,778	$ -	$ 4,581	$ -	$ 201,359
Commercial Real Estate	703,349	1,222	417	-	704,988
Commercial and Industrial	146,039	-	553	-	146,592
Foreign Banks	59,491	-	-	-	59,491
Consumer and Other	79,005	-	224	-	79,229
	$ 1,184,662	$ 1,222	$ 5,775	$ -	$ 1,191,659

	December 31, 2020				
	Pass	Special Mention	Substandard	Doubtful	Total
Residential Real Estate	$ 225,861	$ -	$ 6,893	$ -	$ 232,754
Commercial Real Estate	605,180	-	1,245	-	606,425
Commercial and Industrial	157,097	-	233	-	157,330
Foreign Banks	38,999	-	-	-	38,999
Consumer and Other	5,229	-	278	-	5,507
	$ 1,032,366	$ -	$ 8,649	$ -	$ 1,041,015

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Non-Performing Assets

The following table presents non-performing assets as of December 31, 2021 and 2020 (in thousands, except ratios):

	2021	2020
Non-accrual loans, less non-accrual TDR loans	$ 1,190	$ 303
Non-accrual TDRs	-	1,275
Loans past due over 90 days and still accruing	-	-
Total non-performing loans	1,190	1,578
Other real estate owned	-	-
Total non-performing assets	$ 1,190	$ 1,578
Asset quality ratios:		
Allowance for credit losses to total loans	1.27%	1.45%
Allowance for credit losses to non-performing loans	1265%	956%
Non-performing loans to total loans	0.10%	0.15%

Non-performing assets include all loans categorized as non-accrual or restructured, impaired securities, non-accrual TDRs, other real estate owned ("OREO") and other repossessed assets. Problem loans for which the collection or liquidation in full is reasonably uncertain are placed on a non-accrual status. This determination is based on current existing facts concerning collateral values and the paying capacity of the borrower. When the collection of the full contractual balance is unlikely, the loan is placed on non-accrual to avoid overstating the Company's income for a loan with increased credit risk.

If the principal or interest on a commercial loan becomes due and unpaid for 90 days or more, the loan is placed on non-accrual status as of the date it becomes 90 days past due and remains in non-accrual status until it meets the criteria for restoration to accrual status. Residential loans, on the other hand, are placed on non-accrual status when the principal or interest becomes due and unpaid for 120 days or more and remains in non-accrual status until it meets the criteria for restoration to accrual status. Restoring a loan to accrual status is possible when the borrower resumes payment of all principal and interest payments for a period of six months and the Company has a documented expectation of repayment of the remaining contractual principal and interest or the loan becomes secured and in the process of collection.

A TDR is a debtor that is experiencing financial difficulties and the Company grants a concession. This determination is performed during the annual review process or whenever problems are surfacing regarding the client's ability to repay in accordance with the original terms of the loan or line of credit. In general, a borrower that can obtain funds from sources other than the Company at market interest rates at or near those for non-troubled debt is not involved in a troubled debt restructuring. The concessions are given to the debtor in various forms, including interest rate reductions, principal forgiveness, extension of maturity date, waiver, or deferral of payments and other concessions intended to minimize potential losses.

The following tables present performing and non-performing TDRs for the dates indicated (in thousands):

	December 31, 2021		
	Accruing	Non-Accruing	Total
Residential Real Estate	$ 7,815	$ -	$ 7,815
Commercial Real Estate	696	-	696
Commercial and Industrial	141	-	141
Consumer and Other	224	-	224
	$ 8,876	$ -	$ 8,876

	December 31, 2020		
	Accruing	Non-Accruing	Total
Residential Real Estate	$ 8,884	$ 777	$ 9,661
Commercial Real Estate	733	-	733
Commercial and Industrial	179	23	202
Consumer and Other	278	-	278
	$ 10,074	$ 800	$ 10,874

The Company had allocated $360 thousand and $453 thousand of specific allowance for TDR loans at December 31, 2021 and 2020, respectively. There was no commitment to lend additional funds to these TDR customers.

Charge-offs on TDR loans for the years ended December 31, 2021 and 2020 was $18 thousand and $153 thousand, respectively. There were no defaults on TDR loans at December 31, 2021 and 2020 within the prior 12 months. The Company did not have any new TDR loans for the year ended December 31, 2021.

The Company provided financial relief to borrowers impacted by COVID-19 and provided modifications to include interest only deferral or principal and interest deferral. These modifications are excluded from TDR, classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators.

For further discussion on non-performing loans, see Note 3 "Loans" to the Consolidated Financial Statements of this Form 10-K.

Allowance for Credit Losses

In determining the balance of the allowance account, loans are pooled by product segments with similar risk characteristics and management evaluates the ACL on each segment and on a regular basis to maintain the allowance at an adequate level based on factors which, in management's judgment, deserve current recognition in estimating credit losses. Such factors include changes in prevailing economic conditions, historical loss experience, delinquency trends, changes in the composition and size of the loan portfolio and the overall credit worthiness of the borrowers.

Additionally, qualitative adjustments are made to the ACL when, based on management's judgment, there are factors impacting the allowance estimate not considered by the quantitative calculations.

The following table presents ACL and net charge-offs to average loans by type for the periods indicated (in thousands):

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Foreign Banks	Consumer and Other	Total
December 31, 2021:						
Beginning balance	$ 3,408	$ 9,453	$ 1,689	$ 348	$ 188	$ 15,086
Provision for credit losses	(919)	(695)	955	109	390	(160)
Recoveries	238	-	149	-	5	392
Charge-offs	(229)	-	(18)	-	(14)	(261)
Ending Balance	$ 2,498	$ 8,758	$ 2,775	$ 457	$ 569	$ 15,057
Average loans	$ 212,867	$ 654,723	$ 153,763	$ 52,187	$ 42,602	$ 1,116,142
Net charge-offs to average loans	- %	- %	(0.08)%	- %	0.02%	(0.01)%
December 31, 2020:						
Beginning balance	$ 3,749	$ 6,591	$ 1,214	$ 332	$ 112	$ 11,998
Provision for credit losses	(36)	2,861	321	16	88	3,250
Recoveries	168	1	307	-	18	494
Charge-offs	(473)	-	(153)	-	(30)	(656)
Ending Balance	$ 3,408	$ 9,453	$ 1,689	$ 348	$ 188	$ 15,086
Average loans	$ 258,728	$ 596,022	$ 122,177	$ 43,433	$ 6,545	$ 1,026,905
Net charge-offs to average loans	0.12%	- %	(0.13)%	- %	0.18%	0.02%

Bank-Owned Life Insurance

At December 31, 2021, the combined cash surrender value of all bank-owned life insurance ("BOLI") policies was $41.7 million. Changes in cash surrender value are recorded in non-interest income on the Consolidated Statements of Operations. In 2021, the Company maintained BOLI policies with five insurance carriers. The Company is the beneficiary of these policies.

Deposits

Customer deposits are the primary funding source for the Bank's growth. Through our network of banking centers, we offer a competitive array of deposit accounts and treasury management services designed to meet our customers' business needs. Our primary deposit customers are SMBs, and the personal business of owners and operators of these SMBs, as well as the retail/consumer relationships of the employees of these businesses. Our focus on quality and customer service

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has created a strong brand recognition within our depositors, which reflects in the composition of our deposits; most of our funding sources are core deposits.

Additionally, our personal and private banking management line of business is focused on the needs of the owners and operators of our business customers, offering a suite of checking, savings, money market and time deposit accounts, and utilizing superior client service to build and expand client relationships. A unique aspect of our business model is our ability to offer correspondent services to banks in Central America and the Caribbean.

The following table presents the daily average balance and average rate paid on deposits by category as of December 31, 2021 and 2020 (in thousands, except ratios):

	2021		2020	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Non-interest-bearing deposits	$ 547,116	0.00 %	$ 390,467	0.00 %
Interest-bearing transaction accounts	52,379	0.11 %	46,819	0.34 %
Saving and money market deposits	619,810	0.34 %	473,028	0.65 %
Time deposits	235,127	0.65 %	276,462	1.70 %
Total deposits	$ 1,454,432	0.25 %	$ 1,186,777	0.67 %

Total average deposits at December 31, 2021 was $1.5 billion, an increase of $267.7 million, or 22.6% over total average deposits of $1.2 billion for the same period in 2020. Our focus on demand deposits has resulted in an increase in average balances of $156.6 million, or 40.1%, in non-interest bearing demand deposits and an increase of $146.8 million, or 31.0%, in saving and money market deposits when comparing the average balances for the years ended December 31, 2021 and 2020.

The uninsured deposits are estimated based on the FDIC deposit insurance limit of $250 thousand for all deposit accounts at the Bank per account holder. Total estimated uninsured deposits were $897.8 million and $606.1 million at December 31, 2021 and 2020, respectively. Time deposits with balances of $250 thousand or more totaled $119.4 million and $104.1 million at December 31, 2021 and 2020, respectively.

The following table shows scheduled maturities of uninsured time deposits as of December 31, 2021 (in thousands):

Three months or less	$ 28,707
Over three through six months	7,948
Over six though twelve months	42,106
Over twelve months	24,094
	$ 102,855

Borrowings

As a member of the FHLB, we are eligible for advances with various terms and conditions. This accessibility of additional funding allows us to efficiently and timely meet both expected and unexpected outgoing cash flows and collateral needs without adversely affecting either daily operations or the financial condition of the Company.

As of December 31, 2021 and 2020, there was $36.0 million of fixed rate advances from the FHLB outstanding with a weighted average rate of 1.52%. Most of the advances are due in the first two quarters of 2025.

The following table presents the FHLB fixed rate advances as of December 31, 2021 (in thousands):

Interest Rate	Type of Rate	Maturity Date	Amount
0.81%	Fixed	August 17, 2023	$ 5,000
1.04%	Fixed	July 30, 2024	5,000
2.05%	Fixed	March 27, 2025	10,000
1.91%	Fixed	March 28, 2025	5,000
1.81%	Fixed	April 17, 2025	5,000
1.07%	Fixed	July 18, 2025	6,000
			$ 36,000

We have also established Fed Funds lines of credit with our upstream correspondent banks to manage temporary fluctuations in our daily cash balances. As of December 31, 2021, there were no outstanding balances with the Fed Funds line of credit.

Off-Balance Sheet Arrangements

We engage in various financial transactions in our operations that, under GAAP, may not be included on the balance sheet. To meet the financing needs of our customers we may include commitments to extend credit and standby letters of credit. To a varying degree, such commitments involve elements of credit, market, and interest rate risk in excess of the amount recognized in the balance sheet. We use more conservative credit and collateral policies in making these credit commitments as we do for on-balance sheet items. We are not aware of any accounting loss to be incurred by funding these commitments; however, we maintain an allowance for off-balance sheet credit risk which is recorded under other liabilities on the Consolidated Balance Sheets.

Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements. The following table presents lending related commitments outstanding as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Commitments to grant loans and unfunded lines of credit	$ 134,877	$ 107,553
Standby and commercial letters of credit	6,420	1,813
Total	$ 141,297	$ 109,366

Commitments to extend credit are agreements to lend funds to a client, as long as there is no violation of any condition established in the contract, for a specific purpose. Commitments generally have variable interest rates, 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 fully drawn, the total commitment amounts disclosed above do not necessarily represent future cash requirements.

Unfunded lines of credit represent unused portions of credit facilities to our current borrowers that represent no change in credit risk in our portfolio. Lines of credit generally have variable interest rates. The maximum potential amount of future payments we could be required to make is represented by the contractual amount of the commitment, less the amount of any advances made.

Letters of credit are conditional commitments issued by us to guarantee the performance of a client to a third party. In the event of nonperformance by the client in accordance with the terms of the agreement with the third party, we would be required to fund the commitment. If the commitment is funded, we would be entitled to seek recovery from the client from the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash or marketable securities.

Asset and Liability Management Committee

The asset and liability management committee of our Company, or ALCO, consists of members of senior management and our Board. Senior management is responsible for ensuring in a timely manner that Board approved strategies, policies, and procedures for managing and mitigating risks are appropriately executed within the designated lines of authority and responsibility.

ALCO oversees the establishment, approval, implementation, and review of interest rate risk, management, and mitigation strategies, ALM related policies, ALCO procedures and risk tolerances and appetite.

While some degree of IRR (“Internal Rate of Return”) is inherent to the banking business, our ALCO has established sound risk management practices in place to identify, measure, monitor and mitigate IRR exposures.

When assessing the scope of IRR exposure and impact on the consolidated balance sheet, cash flows and income statement, management considers both earnings and economic impacts. Asset price variations, deposits volatility and reduced earnings or outright losses could adversely affect the Company’s liquidity, performance, and capital adequacy.

Income simulations are used to assess the impact of changing rates on earnings under different rates scenarios and time horizons. These simulations utilize both instantaneous and parallel changes in the level of interest rates, as well as non-parallel changes such as changing slopes (flat and steeping) and twists of the yield curve, Static simulation models are based on current exposures and assume a constant balance sheet with no new growth. Dynamic simulation analysis is also

utilized to have a more comprehensive assessment on IRR. This simulation relies on detailed assumptions outlined in our budget and strategic plan, and in assumptions regarding changes in existing lines of business, new business, management strategies and client expected behavior.

To have a more complete picture of IRR, the Company also evaluates the economic value of equity, or EVE. This assessment will allow us to measure the degree to which the economic values will change under different interest rate scenarios (parallel and non-parallel). The economic-value approach focuses on a longer-term time horizon and captures all future cash flows expected from existing assets and liabilities. The economic value model utilizes a static approach in that the analysis does not incorporate new business; rather, the analysis shows a snapshot in time of the risk inherent in the balance sheet.

Market and Interest Rate Risk Management

According to our ALCO model, as of December 31, 2021, we were an asset sensitive company. This indicates that our assets generally reprice faster than our liabilities, which results in a favorable impact to net interest income when market interest rates increase. Many assumptions are used to calculate the impact of interest rate variations on our net interest income, such as asset prepayment speeds, non-maturity deposit price sensitivity, pricing correlations, deposit truncations and decay rates, and key rate drivers.

Because of the inherent use of these estimates and assumptions in the model, our actual results may, and most likely will, differ from static measures results. In addition, static measures like EVEs do not include actions that management may undertake to manage the risks in response to anticipated changes in interest rates or client deposit behavior. As part of our ALM strategy and policy, management has the ability to modify the balance sheet to either increase asset duration and decrease liability duration to reduce asset sensitivity, or to decrease asset duration and increase liability duration in order to increase asset sensitivity.

According to our model, as of December 31, 2021, the NIM will remain fairly stable for static rate scenarios (-400 basis points: +400 basis points). For the static forecast for year one, the estimated NIM will decrease from 3.09% base case scenario to 3.08% under a +400-basis points scenario. Additionally, utilizing an economic value of equity, or EVE, approach, we analyze the risk to capital from the effects of various interest rate scenarios through a long-term discounted cash flow model. This measures the difference between the economic value of our assets and the economic value of our liabilities, which is a proxy for our liquidation value. According to our balance sheet composition, and as expected, our model stipulates that an increase of rates will have a negative impact on the EVE. Results and analysis are presented quarterly to the Board, and strategies are defined.

Additionally, in the last couple of quarters we have been reducing our asset sensitivity by extending asset duration. This has reduced our NII volatility for the first and second year and has helped us to maintain the NII in accordance with ALCO expectations.

Liquidity

Liquidity is defined as a Company's capacity to meet its cash and collateral obligations at a reasonable cost. Maintaining an adequate level of liquidity depends on the Company's ability to efficiently meet both expected and unexpected cash flow and collateral needs without adversely affecting either daily operations or the financial condition of the Company.

Liquidity risk is the risk that we will be unable to meet our short-term and long-term obligations as they become due because of an inability to liquidate assets or obtain relatively adequate funding. The Company's obligations, and the funding sources used to meet them, depend significantly on our business mix, balance sheet structure and composition, credit quality of our assets and the cash flow profiles of our on- and off-balance sheet obligations.

In managing inflows and outflows, management regularly monitors situations that can give rise to increased liquidity risk. These include funding mismatches, market constraints on the ability to convert assets (particularly investments) into cash or in accessing sources of funds (i.e., market liquidity), and contingent liquidity events.

Changes in macroeconomic conditions or exposure to credit, market, operational, legal and reputational risks, including cybersecurity risk could also affect the Company's liquidity risk profile unexpectedly and are considered in the assessment of liquidity and ALM framework.

Management has established a comprehensive and holistic management process for identifying, measuring, monitoring and mitigating liquidity risk. Due to its critical importance to the viability of the Company, liquidity risk management is integrated into our risk management processes and ALM policy.

Critical elements of our liquidity risk management include: effective corporate governance consisting of oversight by the Board and active involvement by senior management; appropriate strategies, policies, procedures, and limits used to identify and mitigate liquidity risk; comprehensive liquidity risk measurement and monitoring systems (including assessments of the current and prospective cash flows or sources and uses of funds) that are commensurate with the complexity and business activities of the Company; active management of intraday liquidity and collateral; an appropriately diverse mix of existing and potential future funding sources; adequate levels of highly liquid marketable securities free of legal, regulatory, or operational impediments, that can be used to meet liquidity needs in stressful situations; comprehensive contingency funding plans that sufficiently address potential adverse liquidity events and emergency cash flow requirements; and internal controls and internal audit processes sufficient to determine the adequacy of the institution's liquidity risk management process.

We expect funds to be available from several basic banking activity sources, including the core deposit base, the repayment and maturity of loans and investment security cash flows. Other potential funding sources include federal funds purchased, brokered certificates of deposit, listing certificates of deposit, Fed funds lines and borrowings from the FHLB. Accordingly, our liquidity resources were at sufficient levels to fund loans and meet other cash needs as necessary. We do not expect liquidity resources to be compromised at this time.

Capital Adequacy

As of December 31, 2021, the Bank was well capitalized under the FDIC's prompt corrective action framework. Additionally, we follow the capital conservation buffer framework, and according to our actual ratios the Bank exceeds the capital conversation buffer in all capital ratios as of December 31, 2021. The following table presents the capital ratios for both the Bank and the Company at December 31, 2021 and 2020 (in thousands, except ratios):

	Actual		Minimum Capital Requirements		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2021:						
Total risk-based capital	$ 186,735	14.92 %	$ 100,125	8.00 %	$ 125,157	10.00 %
Tier 1 risk-based capital	$ 171,484	13.70 %	$ 75,094	6.00 %	$ 100,125	8.00 %
Common equity tier 1 capital	$ 171,484	13.70 %	$ 56,321	4.50 %	$ 81,352	6.50 %
Leverage ratio	$ 171,484	9.55 %	$ 71,825	4.00 %	$ 89,781	5.00 %
December 31, 2020:						
Total risk-based capital	$ 139,326	14.24 %	$ 78,260	8.00 %	$ 97,825	10.00 %
Tier 1 risk-based capital	$ 127,061	12.99 %	$ 58,695	6.00 %	$ 78,260	8.00 %
Common equity tier 1 capital	$ 94,984	9.71 %	$ 44,021	4.50 %	$ 63,587	6.50 %
Leverage ratio	$ 127,061	8.61 %	$ 59,053	4.00 %	$ 73,817	5.00 %

Impact of Inflation

Our Consolidated Financial Statements and related notes have been prepared in accordance with U.S. GAAP, which require the measurement of financial position and operating results in terms of historical dollars, without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of operations. Unlike most industrial companies, nearly all our assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation. Periods of high inflation are often accompanied by relatively higher interest rates, and periods of low inflation are accompanied by relatively lower interest rates. As market interest rates rise or fall in relation to the rates earned on loans and investments, the value of these assets decreases or increases respectively. Inflation can also impact core non-interest expenses associated with delivering the Company's services.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are discussed in Note 1 "Summary of Significant Accounting Policies" to the Consolidated Financial Statements of this Form 10-K.

Reconciliation and Management Explanation of Non-GAAP Financial Measures

Management has included these non-GAAP measures because it believes these measures may provide useful supplemental information for evaluating the Company's underlying performance trends. Further, management uses these measures in managing and evaluating the Company's business and intends to refer to them in discussions about our operations and performance. Operating performance measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP, and are not necessarily comparable to non-GAAP measures that may be presented by other companies. The following table reconciles the non-GAAP financial measurement of operating net income available to common stockholders for the periods presented (in thousands, except per share data):

	As of and for the years ended December 31,	
	2021	**2020**
Pre-Tax Pre-Provision ("PTPP") Income:		
Net income	$ 21,077	$ 10,820
Plus: Provision for income taxes	6,600	2,588
Plus: Provision for (recovery of) credit losses	(160)	3,250
PTPP income	$ 27,517	$ 16,658
PTPP Return on Average Assets:		
PTPP income	$ 27,517	$ 16,658
Average assets	$ 1,701,658	$ 1,428,935
PTPP return on average assets	1.62%	1.17%
Operating Net Income:		
Net income	$ 21,077	$ 10,820
Less: Net gains on sale of securities	214	434
Less: Tax effect on sale of securities	(52)	(106)
Operating net income	$ 20,915	$ 10,492
Operating PTPP Income:		
PTPP income	$ 27,517	$ 16,658
Less: Net gains on sale of securities	214	434
Operating PTPP Income	$ 27,303	$ 16,224
Operating PTPP Return on Average Assets:		
Operating PTPP income	$ 27,303	$ 16,224
Average assets	$ 1,701,658	$ 1,428,935
Operating PTPP Return on average assets	1.60%	1.14%
Operating Return on Average Asset:		
Operating net income	$ 20,915	$ 10,492
Average assets	$ 1,701,658	$ 1,428,935
Operating return on average assets	1.23%	0.73%

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	Years Ended December 31,	
	2021	2020
Operating Net Income Available to Common Stockholders:		
Net income (GAAP)	$ 21,077	$ 10,820
Less: Preferred dividends	2,077	3,127
Less: Exchange and redemption of preferred shares	89,585	-
Net income (loss) available to common stockholders (GAAP)	(70,585)	7,693
Add back: Exchange and redemption of preferred shares	89,585	-
Operating net income avail. to common stock (non-GAAP)[1]	$ 19,000	$ 7,693
Allocation of operating net income per common stock class:		
Class A common stock	$ 19,000	$ 5,851
Class B common stock	$ -	$ 1,842
Weighted average shares outstanding:		
Class A common stock		
Basic	10,507,530	3,887,480
Diluted	10,507,530	3,911,290
Class B common stock		
Basic	-	6,121,052
Diluted	-	6,121,052
Diluted EPS:[1][2]		
Class A common stock		
Net income (loss) per diluted share (GAAP)	$ (6.72)	$ 1.50
Add back: Exchange and redemption of preferred shares	8.53	-
Operating net income per diluted share (non-GAAP)	$ 1.81	$ 1.50
Class B common stock		
Net income per diluted share (GAAP)	$ -	$ 0.30
Add back: Exchange and redemption of preferred shares	-	-
Operating net income per diluted share (non-GAAP)	$ -	$ 0.30

(1) The Company believes these non-GAAP measurements are a key indicator of the ongoing earnings power of the Company.
(2) During the year ended December 31, 2021, the Company entered into agreements with the Class B shareholders to exchange all outstanding Class B non-voting stock for Class A voting common stock on a 1 for 5 reverse stock split As such, there are no issued and outstanding shares of Class B common stock at December 31, 2021.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this item.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors of USCB Financial Holdings, Inc.
Doral, Florida

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of USCB Financial Holdings, Inc. (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as 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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Financial Statement Consistency

As discussed in Note 1 to the consolidated financial statements, the stockholders of U.S. Century Bank exchanged their Class A common shares of U.S. Century Bank for shares of USCB Financial Holdings, Inc. on a 1 share for 1 share basis during the year ended December 31, 2021. Stockholders of U.S. Century Bank became stockholders of USCB Financial Holdings, Inc., and USCB Financial Holdings, Inc. became the sole stockholder of U.S. Century Bank. The consolidated financial statements as of and for the year ended December 31, 2020, do not include USCB Financial Holdings, Inc. The 2020 financial statements of U.S. Century Bank are presented with the 2021 consolidated financial statements of USCB Financial Holdings, Inc. since U.S. Century Bank's assets, liabilities, and operations comprise substantially all of the consolidated assets, liabilities, and operations. Our opinion is not modified with respect to this matter.

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 the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. 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/ Crowe LLP
Crowe LLP

We have served as the Company's auditor since 2017.

Fort Lauderdale, Florida
March 24, 2022

USCB FINANCIAL HOLDINGS, INC.
Consolidated Balance Sheets
(Dollars in thousands, except share and per share data)

	December 31, 2021	December 31, 2020
ASSETS:		
Cash and due from banks	$ 6,477	$ 9,828
Interest-bearing deposits in banks	39,751	37,906
Total cash and cash equivalents	46,228	47,734
Investment securities held to maturity (fair value $120,157)	122,658	-
Investment securities available for sale, at fair value	401,542	334,322
Federal Home Loan Bank stock, at cost	2,100	2,711
Loans held for investment, net of allowance of $15,057 and $15,086, respectively	1,175,024	1,023,418
Accrued interest receivable	5,975	5,547
Premises and equipment, net	5,278	6,347
Bank owned life insurance	41,720	25,961
Deferred tax asset, net	34,929	39,159
Lease right-of-use asset	14,185	14,513
Other assets	4,300	2,030
Total assets	$ 1,853,939	$ 1,501,742
LIABILITIES:		
Deposits:		
Demand	$ 605,425	$ $442,467
Money market and savings accounts	703,856	527,373
Interest-bearing checking accounts	55,878	45,132
Time deposits over $250,000	119,401	104,140
Time deposits $250,000 or less	105,819	154,290
Total deposits	1,590,379	1,273,402
Federal Home Loan Bank advances	36,000	36,000
Lease liability	14,185	14,513
Accrued interest and other liabilities	9,478	6,826
Total liabilities	1,650,042	1,330,741
Commitments and contingencies (See Note 10 and 18)		
STOCKHOLDERS' EQUITY:		
Preferred stock - Class C; $1.00 par value; $1,000 per share liquidation preference; 52,748 shares authorized; 0 and 52,748 issued and outstanding as of December 31, 2021 and 2020	-	12,325
Preferred stock - Class D; $1.00 par value; $5.00 per share liquidation preference; 12,309,480 shares authorized; 0 and 12,290,631 issued and outstanding as of December 31, 2021 and 2020	-	12,291
Preferred stock - Class E; $1.00 par value; $1,000 per share liquidation preference; 3,185,024 shares authorized; 0 and 7,500 issued and outstanding as of December 31, 2021 and 2020	-	7,461
Common stock - Class A Voting; $1.00 par value; 45,000,000 shares authorized; 19,991,753 and 3,889,469 issued and outstanding as of December 31, 2021 and 2020[1]	19,992	3,889
Common stock - Class B Non-voting; $1.00 par value; 8,000,000 shares authorized; 0 and 6,121,052 issued and outstanding as of December 31, 2021 and 2020	-	6,121
Additional paid-in capital on common stock[1]	310,666	177,755
Accumulated deficit	(124,245)	(53,622)
Accumulated other comprehensive income (loss)	(2,516)	4,781
Total stockholders' equity	203,897	171,001
Total liabilities and stockholders' equity	$ 1,853,939	$ 1,501,742

(1) Class A common stock outstanding and additional paid-in-capital for December 31, 2020 were adjusted to reflect the 1 for 5 reverse stock split. See Note 13 "Stockholders' Equity" for further discussion on the stock split.

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

USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Operations
(Dollars in thousands, except per share data)

	Years Ended December 31,	
	2021	**2020**
Interest income:		
Loans, including fees	$ 48,730	$ 47,078
Investment securities	7,886	5,248
Interest-bearing deposits in financial institutions	106	307
Total interest income	56,722	52,633
Interest expense:		
Interest-bearing deposits	59	158
Savings and money markets accounts	2,082	3,095
Time deposits	1,531	4,709
Federal Home Loan Bank advances	554	1,074
Total interest expense	4,226	9,036
Net interest income before provision for credit losses	52,496	43,597
Provision for credit losses	(160)	3,250
Net interest income after provision for credit losses	52,656	40,347
Non-interest income:		
Service fees	3,609	3,266
Gain on sale of securities available for sale, net	214	434
Gain on sale of loans held for sale, net	1,626	839
Gain on sale of premises and equipment, net	983	-
Loan settlement	2,500	-
Other non-interest income	1,766	1,558
Total non-interest income	10,698	6,097
Non-interest expense:		
Salaries and employee benefits	21,438	19,204
Occupancy	5,257	5,656
Regulatory assessment and fees	783	691
Consulting and legal fees	1,454	1,045
Network and information technology services	1,466	1,536
Other operating	5,279	4,904
Total non-interest expense	35,677	33,036
Net income before income tax expense	27,677	13,408
Income tax expense	6,600	2,588
Net income	21,077	10,820
Less: Preferred stock dividend	2,077	3,127
Less: Exchange and redemption of preferred shares	89,585	-
Net income (loss) available to common stockholders	$ (70,585)	$ 7,693
Per share information:[1]		
Class A common stock[2]		
Net income (loss) per share, basic	$ (6.72)	$ 1.51
Net income (loss) per share, diluted	$ (6.72)	$ 1.50
Class B common stock		
Net income per share, basic	$ -	$ 0.30
Net income per share, diluted	$ -	$ 0.30

(1) See Note 14 "Earnings per Share" for information on the allocation of income available to common stockholders.

(2) For the year ended December 31, 2020, the common stock outstanding, weighted average shares and net income per share for the Class A common stock were adjusted to reflect the 1 for 5 reverse stock split that occurred in June of 2021.

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

USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Comprehensive Income
(Dollars in thousands)

	Years Ended December 31,	
	2021	2020
Net income	$ 21,077	$ 10,820
Other comprehensive income (loss):		
Unrealized gain (loss) on investment securities	(9,561)	4,175
Amortization of net unrealized gains on securities transferred from available-for-sale to held-to-maturity	108	-
Reclassification adjustment for gain included in net income	(214)	(434)
Tax effect	2,370	(917)
Total other comprehensive income (loss), net of tax	(7,297)	2,824
Total comprehensive income	$ 13,780	$ 13,644

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

USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Changes in Stockholders' Equity
(Dollars in thousands, except per share data)

	Preferred Stock		Common Stock					
	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital on Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at January 1, 2021	12,350,879	$ 32,077	25,568,147	$ 25,568	$ 162,197	$ (53,622)	$ 4,781	$ 171,001
Reverse stock split 1 for 5 Common A	-	-	(15,557,626)	(15,558)	15,558	-	-	-
Adjusted balance at January 1, 2021	12,350,879	32,077	10,010,521	10,010	177,755	(53,622)	4,781	171,001
Net income	-	-	-	-	-	21,077	-	21,077
Other comprehensive loss	-	-	-	-	-	-	(7,297)	(7,297)
Dividends - preferred stock	-	-	-	-	-	(2,077)	-	(2,077)
Issuance of Class A common stock, net of offering costs of $6,174	-	-	4,600,000	4,600	35,226	-	-	39,826
Exchange of preferred stock	(11,109,025)	(22,154)	10,278,072	10,279	92,501	(80,626)	-	-
Redemption of preferred stock	(1,241,854)	(9,923)	-	-	-	(8,997)	-	(18,920)
Exchange of Class B to Class A common stock	-	-	(4,896,840)	(4,897)	4,897	-	-	-
Stock based compensation	-	-	-	-	287	-	-	287
Balance at December 31, 2021	-	$ -	19,991,753	$ 19,992	$ 310,666	$ (124,245)	$ (2,516)	$ 203,897
Balance at January 1, 2020[1]	12,350,879	$ 32,077	10,008,521	$ 10,008	$ 177,555	$ (61,315)	$ 1,957	$ 160,282
Net income	-	-	-	-	-	10,820	-	10,820
Other comprehensive income	-	-	-	-	-	-	2,824	2,824
Dividends - preferred stock	-	-	-	-	-	(3,127)	-	(3,127)
Stock based compensation	-	-	-	-	187	-	-	187
Exercise of stock options	-	-	2,000	2	13	-	-	15
Balance at December 31, 2020	12,350,879	$ 32,077	10,010,521	$ 10,010	$ 177,755	$ (53,622)	$ 4,781	$ 171,001

(1) Common stock shares, par value, and additional paid-incapital for common stock for 2020 was adjusted to reflect the 1 for 5 reverse stock split. See Note 13 "Stockholders' Equity" for further details.

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

USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Years Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Net income	$ 21,077	$ 10,820
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	(160)	3,250
Depreciation and amortization	1,033	1,272
Amortization of premiums on securities, net	596	358
Accretion of deferred loan fees, net	(3,754)	(2,661)
Stock based compensation	287	187
Gain on sale of available for sale securities	(214)	(434)
Gain on sale of loans held for sale	(1,626)	(839)
Gain on sale of premises and equipment, net	(983)	-
Increase in cash surrender value of bank owned life insurance	(759)	(712)
Decrease in deferred tax asset	6,600	2,588
Net change in operating assets and liabilities:		
Accrued interest receivable	(428)	(1,998)
Other assets	(2,270)	473
Accrued interest and other liabilities	2,652	798
Net cash provided by operating activities	22,051	13,102
Cash flows from investing activities:		
Purchase of investment securities held to maturity	(57,917)	-
Proceeds from maturities and pay-downs of investment securities held to maturity	3,736	-
Purchase of investment securities available for sale	(258,767)	(253,993)
Proceeds from maturities and pay-downs of investment securities available for sale	61,047	48,441
Proceeds from sales of investment securities available for sale	48,940	55,169
Proceeds from call of investment securities available for sale	3,034	2,140
Net increase in loans held for investment	(33,515)	(42,527)
Purchase of loans held for investment	(129,531)	-
Additions to premises and equipment	(633)	(347)
Proceeds from the sale of loans held for sale	16,980	9,295
Proceeds from the sale of property	1,652	-
Proceeds from the redemption of Federal Home Loan Bank stock	611	4,972
Purchase of Federal Home Loan Bank stock	-	(1,926)
Purchase of bank owned life insurance	(15,000)	-
Net cash used in investment activities	(359,363)	(178,776)

(Continued)

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

USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Cash Flows (Continued)
(Dollars in thousands)

	Years Ended December 31,	
	2021	2020
Cash flows from financing activities:		
Proceeds from issuance of Class A common stock, net	39,826	15
Cash dividends paid	(2,077)	(3,127)
Redemption of Preferred stock Class C	(5,275)	-
Redemption of Preferred stock Class D	(6,145)	-
Redemption of Preferred stock Class E	(7,500)	-
Net increase in deposits	316,977	255,779
Proceeds from Federal Home Loan Bank advances	-	79,000
Repayments on Federal Home Loan Bank advances	-	(154,000)
Net cash provided by financing activities	335,806	177,667
Net increase (decrease) in cash and cash equivalents	(1,506)	11,993
Cash and cash equivalents at beginning of year	47,734	35,741
Cash and cash equivalents at end of year	$ 46,228	$ 47,734
Supplemental disclosure of cash flow information:		
Interest paid	$ 4,286	$ 8,844
Supplemental schedule of non-cash investing and financing activities:		
Transfer of loans held for investment to loans held for sale	$ 15,354	$ 8,456
Transfer of investment securities from available-for-sale to held-to-maturity	$ 68,667	$ -
Transfer of premises and equipment to assets held for sale	$ 652	$ -
Lease liability arising from obtaining right-of-use assets	$ 328	$ -
Exchange of Preferred C for Class A common stock	$ 47,473	$ -
Exchange of Preferred D for Class A common stock	$ 55,308	$ -
Exchange of Class B common stock for Class A common stock	$ 4,897	$ -

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

USCB Financial Holdings, Inc., a Florida corporation incorporated in 2021, is a bank holding company with one wholly owned subsidiary, U.S. Century Bank (the "Bank"), together referred to as "the Company". The Bank, established in 2002, is a Florida state-chartered, non-member financial institution providing financial services through its banking centers located in South Florida.

In December 2021, USCB Financial Holdings, Inc. acquired all issued and outstanding shares of the Class A common stock of the Bank. Each of the outstanding shares of the Bank's common stock, par value $1.00 per share, formerly held by its shareholders were converted into and exchanged for one newly issued share of the Company's common stock, par value $1.00 per share.

The Company's 2015 Option Plan has a 10-year life that will terminate in 2025. In July 2020, the shareholders of the Company approved to amend the 2015 Option plan authorizing the issuance of an additional 3,000,000 shares of common stock and extending the life of the plan 5 additional years, terminating in 2030. The approved shares after being adjusted to reflect the 1 for 5 reverse stock split totaled 1,000,000 shares. In December 2021, during the same time of the bank holding company formation, the shareholders of the Company approved to amend the 2015 Option plan authorizing the issuance of an additional 1,400,000 shares of common stock.

The Company's Consolidated Financial Statements consist of USCB Financial Holdings, Inc. and U.S. Century Bank as of and for the year ended December 31, 2021 compared to only U.S. Century Bank as of and for the year ended December 31, 2020.

Principles of Consolidation

Intercompany transactions and balances are eliminated in consolidation. The Consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

Initial Public Offering and Exchange and Redemption of Shares

On July 27, 2021, the Company completed an initial public offering (the "IPO") and its Class A voting common shares began trading on the Nasdaq Stock Market under ticker symbol "USCB". Following the IPO, the Company completed an exchange of then outstanding preferred shares for Class A common shares and thereafter redeemed the remaining outstanding preferred shares.

In December 2021, the Company reached agreements with the Class B common shareholders to receive Class A voting common stock in exchange for all outstanding Class B non-voting common stock in a 1 for 5 reverse stock split. As of December 31, 2021, there were no issued and outstanding preferred shares or Class B common shares. See Note 13 "Stockholders' Equity" for further information about the IPO and the exchange and redemption of shares.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions based on available information that affect the amounts reported in the financial statements and the disclosures provided.

The coronavirus ("COVID-19") pandemic has negatively affected many of the Company's clients and could still impair their ability to fulfill their financial obligations. The Company's business is dependent upon the willingness and ability of its associates and customers to conduct banking and other financial transactions. While we believe conditions have improved as of December 31, 2021, if there is a resurgence in the virus, the Company could experience further adverse effects on its business, financial condition, results of operations and cash flows. While it is not possible to know the full extent of the impact the COVID-19 pandemic will have on the Company's future operations, the Company continues to communicate with its associates and customers to understand their challenges, which allows us to respond to their needs and issues as they arise.

While there was not a material impact to the Company's Consolidated Financial Statements as of and for the year ended December 31, 2021, future increases in the allowance for credit losses ("ACL") may be required because of the potential economic downturn that a resurgence in the virus may cause and those ACL increases can be material. It is difficult to

quantify the impact that COVID-19 will have on the estimates and assumptions used to prepare the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers investments with a maturity of 90 days or less from its original purchase date to be cash equivalents. For the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, amounts due from banks, and interest-bearing deposits in banks.

Restricted Cash

The Company may be required to maintain funds at other banks to satisfy a loan participation agreement. The Company reports restricted cash within cash and cash equivalents.

Interest-Bearing Deposits in Other Financial Institutions

Interest-bearing deposits in other financial institutions consist of Federal Reserve Bank, Federal Home Loan Bank and other accounts.

Investment Securities

Debt securities are recorded at fair value except for those securities which the Company has the positive intent and ability to hold to maturity. Management determines the appropriate classification of its securities at the time of purchase and accounts for them on a trade date basis.

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held-to-maturity or trading are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Equity investments must be classified as trading and recorded at fair value with changes in fair value included in earnings.

Purchase premiums and discounts are amortized or accreted over the estimated life of the related available-for-sale or held-to-maturity security as an adjustment to yield using the effective interest method. Prepayments of principal are considered in determining the estimated life of the security. Such amortization and accretion are included in interest income in the Consolidated Statements of Operations. Dividend and interest income are recognized when earned. Gains and losses on the sale of securities are recorded on trade date and are determined on a specific identification basis.

Declines in the fair value of available-for-sale debt securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. In determining whether other-than-temporary impairment exists, management considers several factors in their analysis including (i) severity and duration of the impairment, (ii) credit rating of security including any downgrade, (iii) intent to sell the security, or if it is more likely than not that it will be required to sell the security before recovery, (iv) whether there have been any payment defaults and (v) underlying guarantor of the securities.

Federal Home Loan Bank (FHLB) Stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted asset, and periodically evaluated for impairment based on ultimate recovery of par value. As of December 31, 2021 and 2020, FHLB stock amounted to $2.1 million and $2.7 million, respectively, with no impairment deemed necessary. Both cash and stock dividends are reported as interest income.

Loans Held for Investment and Allowance for Credit Losses

Loans held for investment (“loans”) are reported at their outstanding principal balance net of charge-offs, deferred loan fees, unearned income and the ACL. Interest income is generally recognized when income is earned using the interest method. Loan origination and commitment fees and the costs associated with the origination of loans are deferred and amortized, using the interest method or the straight-line method, over the life of the related loan.

If the principal or interest on a commercial loan becomes due and unpaid for 90 days or more, the loan is placed on non-accrual status as of the date it becomes 90 days past due and remains in non-accrual status until it meets the criteria for restoration to accrual status. Residential loans, on the other hand, are placed on non-accrual status when the principal or interest becomes due and unpaid for 120 days or more and remains in non-accrual status until it meets the criteria for restoration to accrual status. Restoring a loan to accrual status is possible when the borrower resumes payment of all principal and interest payments for a period of six months and the Company has a documented expectation of repayment of the remaining contractual principal and interest or the loan becomes secured and in the process of collection. All interest accrued but not collected for loans that are placed on nonaccrual status is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, under which cash collections are applied to unpaid principal, which may change as conditions dictate.

The Company has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date on the borrower's statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status.

The Company provides for loan losses through a provision for credit losses charged to operations. When management believes that a loan or a portion of the loan balance is uncollectible, that amount is charged against the ACL. Subsequent recoveries, if any, are credited to the ACL.

The ACL reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. Management uses a disciplined process and methodology to establish the ACL each quarter. To determine the total ACL, the Company estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The ACL consists of the amount applicable to the following segments:

- Residential real estate
- Commercial real estate
- Commercial and industrial
- Foreign banks
- Other loans (secured and unsecured consumer loans)

Residential real estate loans are underwritten following the policies of the Company which includes a review of the borrower’s credit, capacity and the collateral securing the loan. The borrower’s ability to repay involves an analysis of factors including: current income, employment status, monthly payment of loan, current debt obligations, monthly debt to income ratio and credit history. The Company relies on appraisals in determining the value of the property. Risk is mitigated by this analysis and the diversity of the residential portfolio.

Commercial real estate loans are secured by liens on commercial properties, land, construction and multifamily housing. Underwriting of commercial loans will analyze the key market and business factors to arrive at a decision on the credit worthiness of the borrower. The analysis may include the capacity of the borrower, income generated by property for debt service, other sources of repayment, sensitivity analysis to fluctuations in market conditions including vacancy and rental rates in geographic location and loan to value. Land and construction analysis will include the time to develop, sell or lease the property. Appraisals are used to determine the value of the underlying collateral. Risk is mitigated as the properties securing the commercial real estate loans are diverse in type, location, and loan structure.

Commercial and industrial loans are secured by the business assets of the company and may include equipment, inventory, and receivables. The loans are underwritten based on the income capacity of the business, the ability to service the debt based on operating cash flows, the credit worthiness of the borrower, other sources of repayment and collateral. The Company mitigates the risk in the commercial portfolio through industry diversification.

Foreign Banks loans are short term loans with international correspondent banking institutions primarily domiciled in Latin America. Most of these loans are for trade capital and have a life of less than one year. The Company’s credit review includes a credit analysis, peer comparison and current country risk overview. Annual re-evaluation of the risk rating of the borrower and country and a review of authorized signer within the Company. The risk is mitigated as these loans are short term, have limited exposure, and are geographically dispersed.

Other loans are secured and unsecured consumer loans including personal loans, overdrafts and deposit account collateralized loans. Repayment of these loans are primarily from the personal income of the borrowers. Loans are underwritten based on the credit worthiness of the borrower. The risk on these loans is mitigated by small loan balances.

In determining the balance of the ACL, loans are pooled by product segments with similar risk characteristics and management evaluates the ACL on each segment and as a whole to maintain the allowance at an adequate level based on factors which, in management's judgment, deserve current recognition in estimating credit losses. Such factors include changes in prevailing economic conditions, historical loss experience, delinquency trends, changes in the composition and size of the loan portfolio and the overall credit worthiness of the borrowers.

The ACL consists of general and specific components. The following is how management determines the balance of the general component for the ACL account for each segment of the loans as described above.

The loan segments are primarily grouped by collateral type with similar risk characteristics and a historical loss rate is determined based on a ten year look back period. The Company applies time weights to consider various stages of a credit cycle.

The ACL calculation is based on the Company's own net loss experience adjusted for certain qualitative and environmental factors. To estimate the impact of non-recurrent losses, management has developed a statistical study that tracks historical non-recurring losses at a loan level. This analysis is used to estimate an adjusted loss rate for each loan pool. Management believes the effect of these losses results in a loss rate that is more consistent with the behavior of the loan portfolio in the normal course of business.

Qualitative factors are applied to historical loss rates based on management's experience and assessment. The following are the factors used to adjust the historical loss rates:

- Loan quality review
- Lending and credit management /staff expertise and practices
- Economic and business conditions
- Lending and credit underwriting policies and procedures
- Problem loan levels and trends
- Collateral concentrations
- Large obligor concentration
- New loan volumes
- Combined loan to value ("CLTV") qualitative adjustment for substandard accrual loan segment

Changes in these factors could result in material adjustments to the ACL. The losses the Company may ultimately incur could differ materially from the amounts estimated in arriving at the ACL.

In addition to the ACL, the Company also estimates probable losses related to financial instruments with off-balance sheet risk, such as letters of credit and unfunded loan commitments, and records these estimates in other liabilities on the Consolidated Balance Sheets with the offset recorded in non-interest expense on the Consolidated Statements of Operations. Financial instruments with off-balance sheet risk are subject to review on an aggregate basis. Past loss experience and any other pertinent information is reviewed, resulting in the estimation of the reserve for financial instruments with off-balance sheet risk.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement or when the loan is designated as a Troubled Debt Restructuring ("TDR"). Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable fair value, or the fair value of the collateral, if the loan is collateral dependent. If management determines that the value of the impaired loan is less than the recorded investment in the loan (outstanding principal balance plus accrued interest, net of previous charge-offs, and net of deferred loan fees or cost), impairment is recognized through an allowance estimate or a charge-off to the ACL.

In situations where, due to a borrower's financial difficulties, management grants a concession for other than an insignificant period of time to the borrower that would not otherwise be granted, the loan is classified as a TDR.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed by the President of the United States. The CARES Act has certain provisions which encourage financial institutions to prudently work with borrowers impacted by COVID-19. Under these provisions, modifications deemed to be COVID-19 related would not be

considered a TDR if the loan was not more than 30 days past due as of December 31, 2019. The deferral would need to be executed March 1, 2020 and the earlier of 60 days after the date of termination of the COVID-19 national emergency or December 31, 2020. Additional legislation was passed in December of 2020 that extended the TDR relief to January 1, 2022. Banking regulators issued similar guidance clarifying that a COVID-19 related modification should not be considered a TDR if the borrower was current on payments at the time the underlying loan modification program was implemented and considered short-term. See Note 3 “Loans” for additional disclosures of loans that were modified and not considered TDR.

In addition to the allowance for the pooled portfolios, management has developed a separate allowance for loans that are identified as impaired through a TDR. These loans are excluded from the general component of the ACL, and a separate reserve is provided under the accounting guidance for loan impairment. Residential loans whose terms have been modified in a TDR are also individually analyzed for estimated impairment.

The Company's charge-off policy is to review all impaired loans on a quarterly basis in order to monitor the Company's ability to collect them in full at maturity date and/or in accordance with terms of any restructurings. For loans which are collateral dependent, or deemed to be uncollectible, any shortfall in the fair value of the collateral relative to the recorded investment in the loan is charged off.

Concentration of Credit Risks

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted and any collateral or security proved to be insufficient to cover the loss. Concentrations of credit risk (whether on or off-balance sheet) arising from financial instruments exist in relation to certain groups of customers. A group concentration arises when a number of counterparties have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Company does not have a significant exposure to any individual customer or counterparty.

Most of the Company's business activity is with customers located within its primary market area, which is generally the State of Florida. The Company's loan portfolio is concentrated largely in real estate and commercial loans in South Florida. Many of the Company's loan customers are engaged in real estate development. Circumstances, which negatively impact the South Florida real estate industry or the South Florida economy, in general, could adversely impact the Company's loan portfolio.

At December 31, 2021 and 2020, the Company had a concentration of risk with loans outstanding to the Company's top ten lending relationships totaling $156.4 million and $141.5 million, respectively. At December 31, 2021 and 2020, this concentration represented 13.1% and 13.6%, respectively, of the net loans outstanding.

At December 31, 2021, the Company also had a concentration of risk with loans outstanding totaling $47.9 million to foreign banks located in Ecuador, Honduras, and El Salvador. At December 31, 2020, the Company also had a concentration of risk with loans outstanding totaling $38.8 million to foreign banks located in Ecuador, Honduras, and El Salvador. These banks maintained deposits with right of offset totaling $28.9 million and $18.2 million at December 31, 2021 and 2020, respectively.

At various times during the year, the Company has maintained deposits with other financial institutions. The exposure to the Company from these transactions is solely dependent upon daily balances and the financial strength of the respective institution.

Premises and Equipment, net

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful life of the asset. Leasehold improvements are amortized over the remaining term of the applicable leases or their useful lives, whichever is shorter. Estimated useful lives of these assets were as follows:

Building	40 years
Furniture, fixtures and equipment	3 to 25 years
Computer hardware and software	3 to 5 years
Leasehold improvements	Shorter of life or term of lease

Maintenance and repairs are charged to expense as incurred while improvements and betterments are capitalized. When items are retired or are otherwise disposed of, the related costs and accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are credited or charged to income.

Other Real Estate Owned

Other real estate owned (“OREO”) consists of real estate property acquired through, or in lieu of, foreclosure that are held for sale and are initially recorded at the fair value of the property less estimated selling costs at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Subsequent write-downs are recognized as a valuation allowance with the offset recorded in the Consolidated Statements of Operations. Carrying costs are charged to other real estate owned expenses in the accompanying Consolidated Statements of Operation. Gains or losses on sale of OREO are recognized when consideration has been exchanged, all closing conditions have been met and permanent financing has been arranged.

Bank Owned Life Insurance

Bank owned life insurance (“BOLI”) is carried at the amount that could be realized under the contract at the balance sheet date, which is typically cash surrender value. Changes in cash surrender value are recorded in non-interest income. At December 31, 2021, the Company maintained BOLI policies with five insurance carriers with a combined cash surrender value of $41.7 million. These policies cover certain present and former executives and officers, the Company is the beneficiary of these policies.

Employee 401(k) Plan

The Company has an employee 401(k) plan covering substantially all eligible employees. Employee 401(k) plan expense is the amount of matching contributions.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Management is required to assess whether a valuation allowance should be established on the net deferred tax asset based on the consideration of all available evidence using a more likely than not standard. In its evaluation, Management considers taxable loss carry-back availability, expectation of sufficient taxable income, trends in earnings, the future reversal of temporary differences, and available tax planning strategies.

The Company recognizes positions taken or expected to be taken in a tax return in accordance with existing accounting guidance on income taxes which prescribes a recognition threshold and measurement process. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other operating noninterest expense, respectively.

Impairment of Long-Lived Assets

The Company's long-lived assets, such as premises and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the Consolidated Balance Sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the Consolidated Balance Sheets.

Transfer of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from the Company - put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Comprehensive Income (Loss)

Under GAAP, certain changes in assets and liabilities, such as unrealized holding gains and losses on securities available-for-sale, are excluded from current period earnings and reported as a separate component of the stockholders' equity section of the Consolidated Balance Sheets, such items, along with net income (loss), are components of comprehensive income (loss). Additionally, any unrealized gains or losses on transfers of investment securities from available-for-sale to held-to-maturity are recorded to accumulated other comprehensive income on the date of transfer and amortized over the remaining life of each security. The amortization of the unrealized gain or loss on transferred securities is reported as a component of comprehensive income (loss). See Note 2 "Investment Securities" for further discussion.

Advertising Costs

Advertising costs are expensed as incurred.

Earnings per Common Share

Basic earnings per common share is net income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share included the effect of additional potential common shares issuable under vested stock options. Basic and diluted earnings per share are updated to reflect the effect of stock splits as occurred. See Note 14 "Earnings Per Share" for additional information on earnings per common share. See Note 13 "Stockholders' Equity" for further discussion on stock splits.

Interest Income

Interest income is recognized as earned, based upon the principal amount outstanding, on an accrual basis.

Operating Segments

While the Company monitors the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company wide basis. Operating results of the individual products are not used to make resource allocations or performance decisions by Company management.

Stock-Based Compensation

Stock based compensation accounting guidance requires that the compensation cost relating to share-based payment transactions be recognized in the accompanying Consolidated Financial Statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock-based compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

The stock-based compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recog nized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the normal course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. In the opinion

of management, none of these actions, either individually or in the aggregate, is expected to have a material adverse effect on the Company's Consolidated Financial Statements. See Note 18 "Loss Contingencies" for further details.

Dividend Restrictions

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

Fair Value Measurements

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 12 "Fair Value Measurements". Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Derivative Instruments

Derivative financial instruments are carried at fair value and reflect the estimated amount that would have been received to terminate these contracts at the reporting date based upon pricing or valuation models applied to current market information.

The Company enters into interest rate swaps to provide commercial loan clients the ability to swap from a variable interest rate to a fixed rate. The Company enter into a floating-rate loan with a customer with a separately issued swap agreement allowing the customer to convert floating payments of the loan into a fixed interest rate. To mitigate risk, the Company will enter into a matching agreement with a third party to offset the exposure on the customer agreement. These swaps are not considered to be qualified hedging transactions and the unmatched unrealized gain or loss is recorded in other noninterest income.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized in an amount that reflects the consideration the Company expects to receive for the services the Company provides to its customers. The main revenue earned by the Company from loans and investment securities are excluded from the accounting standard update "Revenue from Contracts with Customers". Deposit and service charge fees, consisting of primarily monthly maintenance fees, wire fees, ATM interchange fees and other transaction-based fees, are the most significant types of revenue within the accounting standard update. Revenue is recognized when the service provided by the Company is complete. The aggregate amount of revenue within the scope of this standard that is received from sources other than deposit service charges and fees in not material.

Cash Flow Statement

The Company reports the net activity rather than gross activity in the Consolidated Statements of Cash Flows. The net cash flows are reported for loans held for investment, accrued interest receivable, deferred tax asset, other assets, customer deposits, accrued interest payable, other liabilities, and proceeds from issuance of Class A common shares.

Reclassifications

Certain amounts in the Consolidated Financial Statements have been reclassified to conform to the current presentation. Reclassifications had no impact on the net income or stockholders' equity of the Company.

Recently Issued Accounting Standards – Not Yet Adopted

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326); Measurement of Credit Losses on Financial Instruments. This accounting standard update ("ASU" or "Update") on accounting for current expected credit losses on financial instruments ("CECL") will replace the current probable incurred loss impairment methodology under U.S. GAAP with a methodology that reflects the expected credit losses. The Update is intended to provide financial statement users with more decision-useful information about expected credit losses. This Update is applicable to the Company on a modified retrospective basis for interim and annual periods in fiscal years beginning after December 15, 2022. Early adoption is permitted for fiscal years beginning after December 15, 2019, including interim periods within those

fiscal years. The Company expects to adopt this ASU on January 1, 2023. The impact of adoption on the Company's financial statements will depend on the composition of the loan and investment securities portfolio as of January 1, 2023, general economic conditions, and other factors that are not known at this time. Although management is in the process of evaluating the impact of adoption of this ASU on its consolidated financial statements, management does believe that this ASU will lead to significant changes in accounting policies and disclosures related to, and the methods used in estimating, the ACL. To date, the Company has executed a detailed implementation plan through the adoption date, implemented a software solution to assist with the CECL estimation process, and has completed a data gap analysis.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In January 2021, the FASB clarified the scope of this guidance with ASU 2021-01 which provides optional guidance for a limited period of time to ease the burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. This ASU is effective March 12, 2020 through December 31, 2022. The Company is evaluating the impact of this ASU and has not yet determined whether LIBOR transition and this ASU will have material effects on our business operations and consolidated financial statements.

2. INVESTMENT SECURITIES

The following tables present a summary of the amortized cost, unrealized or unrecognized gains and losses, and fair value of investment securities at the dates indicated (in thousands):

	December 31, 2021			
Available-for-sale:	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. Government Agency - SBA	$ 10,564	$ 6	$ (50)	$ 10,520
Collateralized mortgage obligations	160,506	22	(3,699)	156,829
Mortgage-backed securities - Residential	120,643	228	(2,029)	118,842
Mortgage-backed securities - Commercial	49,905	820	(608)	50,117
Municipal securities	25,164	6	(894)	24,276
Bank subordinated debt securities	27,003	1,418	(13)	28,408
Corporate bonds	12,068	482	-	12,550
	$ 405,853	$ 2,982	$ (7,293)	$ 401,542
Held-to-maturity:				
U.S. Government Agency - SBA	$ 12,004	$ -	$ (363)	$ 11,641
U.S. Government Agency	22,501	14	(252)	22,263
Collateralized mortgage obligations	44,820	-	(1,021)	43,799
Mortgage-backed securities - Residential	26,920	-	(568)	26,352
Mortgage-backed securities - Commercial	3,103	-	(90)	3,013
Corporate bonds	13,310	-	(221)	13,089
	$ 122,658	$ 14	$ (2,515)	$ 120,157

	December 31, 2020			
Available-for-sale:	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. Government Agency -SBA	$ 1,488	$ 64	$ -	$ 1,552
U.S. Government Agency	20,196	4	(168)	20,032
Collateralized mortgage obligations	104,426	386	(162)	104,650
Mortgage-backed securities - Residential	80,110	1,368	(177)	81,301
Mortgage-backed securities - Commercial	45,802	2,549	(20)	48,331
Municipal securities	24,230	39	(58)	24,211
Bank subordinated debt securities	24,004	631	(5)	24,630
Corporate bonds	27,733	1,882	-	29,615
	$ 327,989	$ 6,923	$ (590)	$ 334,322

For the year ended December 31, 2021, there were 28 investment securities that were transferred from available-for-sale (“AFS”) to held-to-maturity (“HTM”) with an amortized cost basis and fair value amount of $67.6 million and $68.7 million, respectively. On the date of transfer, these securities had a total net unrealized gain of $ 1.1 million with no impact to net income.

Transfers of debt securities into the HTM category from the AFS category are made at fair value at the date of transfer. The unrealized gain or loss at the date of transfer is retained in accumulated other comprehensive income (“AOCI”) and in the carrying value of the held-to-maturity securities. Such amounts are amortized over the remaining life of the security. As of December 31, 2021, total amortization out of AOCI for the net unrealized gains on securities transferred from AFS to HTM was $108 thousand.

The following table presents the proceeds, realized gross gains and realized gross losses on sales and calls of AFS debt securities for the years ended December 31, 2021 and 2020 (in thousands):

Available-for-sale:	**2021**	**2020**
Proceeds from sales and call of securities	$ 51,974	$ 57,309
Gross Gains	$ 545	$ 862
Gross Losses	(331)	(428)
Net realized gains	$ 214	$ 434

The amortized cost and fair value of investment securities, by contractual maturity, are shown below for the date indicated (in thousands). Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Available-for-sale		**Held-to-maturity**	
December 31, 2021:	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due within one year	$ 1,992	$ 2,036	$ 2,017	$ 2,013
Due after one year through five years	5,983	6,288	11,293	11,076
Due after five years through ten years	31,096	32,512	-	-
Due after ten years	25,164	24,398	-	-
U.S. Government Agency - SBA	10,564	10,520	12,004	11,641
U.S. Government Agency	-	-	22,501	22,263
Collateralized mortgage obligations	160,506	156,829	44,820	43,799
Mortgage-backed securities - Residential	120,643	118,842	26,920	26,352
Mortgage-backed securities - Commercial	49,905	50,117	3,103	3,013
	$ 405,853	$ 401,542	$ 122,658	$ 120,157

At December 31, 2021 and 2020, there were no securities to any one issuer, in an amount greater than 10% of total stockholders’ equity other than the United States Government and Government Agencies. All the collateralized mortgage obligations and mortgage-backed securities are issued by United States sponsored entities at December 31, 2021 and 2020.

Information pertaining to investment securities with gross unrealized losses, aggregated by investment category and length of time that those individual securities have been in a continuous loss position, are presented as of the following dates (in thousands):

	December 31, 2021					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Agency - SBA	$ 19,165	$ (146)	$ -	$ -	$ 19,165	$ (146)
U.S. Government Agency	6,786	(108)	15,477	(516)	22,263	(624)
Collateralized mortgage obligations	155,668	(3,223)	38,459	(1,497)	194,127	(4,720)
Mortgage-backed securities - Residential	88,772	(1,178)	37,373	(1,274)	126,145	(2,452)
Mortgage-backed securities - Commercial	25,289	(318)	7,507	(309)	32,796	(627)
Municipal securities	11,292	(395)	11,978	(499)	23,270	(894)
Bank subordinated debt securities	4,487	(13)	-	-	4,487	(13)
	$ 311,459	$ (5,381)	$ 110,794	$ (4,095)	$ 422,253	$ (9,476)

	December 31, 2020					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Agency - SBA	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Government Agency	14,030	(168)	-	-	14,030	(168)
Collateralized mortgage obligations	49,185	(162)	-	-	49,185	(162)
Mortgage-backed securities -	41,611	(177)	-	-	41,611	(177)
Mortgage-backed securities -	8,219	(20)	-	-	8,219	(20)
Municipal securities	3,878	(58)	-	-	3,878	(58)
Bank subordinated debt securities	995	(5)	-	-	995	(5)
	$ 117,918	$ (590)	$ -	$ -	$ 117,918	$ (590)

The unrealized losses associated with $66.4 million of investment securities transferred from the AFS portfolio to the HTM portfolio during the third quarter of 2021 represent unrealized losses since the date of purchase, independent of the impact associated with changes in the cost basis upon transfer between portfolios.

The Company performs a review of the investments that have an unrealized loss to determine whether there have been any changes in the economic circumstance of the security issuer to indicate that the unrealized loss is impaired on an other-than-temporary ("OTTI") basis. Management considers several factors in their analysis including (i) severity and duration of the impairment, (ii) credit rating of the security including any downgrade, (iii) intent to sell the security, or if it is more likely than not that it will be required to sell the security before recovery, (iv) whether there have been any payment defaults and (v) underlying guarantor of the securities.

The Company does not consider these investments to be OTTI as the decline in market value is attributable to changes in market interest rates and not credit quality, and because the Company does not intend to sell the investments before recovery of their amortized cost basis, which may be maturity, and it is more likely than not that the Company will not be required to sell the securities before maturity.

As of December 31, 2021, the Company maintains a master repurchase agreement with a public banking institution for up to $20.0 million fully guaranteed with investment securities upon withdrawal. Any amounts borrowed would be at a variable interest rate based on prevailing rates at the time funding is requested. At December 31, 2021, the Company did not have any securities pledged under this agreement.

In 2018, the Company became a Qualified Public Depositor ("QPD") with the State of Florida. As a QPD, the Company has the authority to legally maintain public deposits from cities, municipalities, and the State of Florida. These public deposits are secured by securities pledged to the State of Florida at a ratio of 25% of the outstanding uninsured deposits. The Company must also maintain a minimum amount of pledged securities to be in the program.

At December 31, 2021, the Company had eleven Corporate Bonds with a fair value of $20.4 million pledged to the State of Florida under the public funds program. The Company held a total of $37.3 million in public funds at December 31, 2021.

At December 31, 2020, the Company had four Corporate Bonds with a fair value of $7.8 million pledged to the State of Florida under the public funds program. The Company held a total of $14.1 million in public funds at December 31, 2020.

3. LOANS

The following table is a summary of the distribution of loans held for investment by type (in thousands):

	December 31, 2021		December 31, 2020	
	Total	Percent of Total	Total	Percent of Total
Residential Real Estate	$ 201,359	16.9 %	$ 232,754	22.3 %
Commercial Real Estate	704,988	59.2 %	606,425	58.2 %
Commercial and Industrial	146,592	12.3 %	157,330	15.1 %
Foreign Banks	59,491	5.0 %	38,999	3.7 %
Consumer and Other	79,229	6.6 %	5,507	0.5 %
Total gross loans	1,191,659	100.0 %	1,041,015	99.8 %
Less: Unearned income	1,578		2,511	
Total loans net of unearned income	1,190,081		1,038,504	
Less: Allowance for credit losses	15,057		15,086	
Total net loans	$ 1,175,024		$ 1,023,418	

At December 31, 2021 and 2020, the Company had $185.1 million and $250.7 million, respectively, of commercial real estate and residential mortgage loans pledged as collateral on lines of credit with the FHLB and the Federal Reserve Bank of Atlanta. At December 31, 2021 and 2020, the Company had one loan for $1.2 million and $0 million, respectively, in the process of foreclosure.

The Company was a participant of the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") loans. These loans were designed to provide a direct incentive for small businesses to keep their workers on payroll and had to be used towards payroll cost, mortgage interest, rent, utilities and other costs related to COVID-19. These loans are forgivable under specific criteria as determined by the SBA. The Company had PPP loans of $42.4 million at December 31, 2021 and $104.8 million at December 31, 2020, which are categorized as commercial and industrial loans. These PPP loans had deferred loan fees of $1.5 million at December 31, 2021 and $1.8 million at December 31, 2020.

The Company recognized $4.5 million and $3.1 million in PPP loan fees and interest income for the years ended December 31, 2021 and 2020, respectively, which is reported under loans, including fees within the Consolidated Statements of Operations.

The Company segments the portfolio by pools grouping loans that share similar risk characteristics and employing collateral type and lien position to group loans according to risk. The Company determines historical loss rates for each loan pool based on its own loss experience. In estimating credit losses, the Company also considers qualitative and environmental factors that may cause estimated credit losses for the loan portfolio to differ from historical losses.

Changes in the allowance for credit losses for the years ended December 31, 2021 and 2020 are as follows (in thousands):

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Foreign Banks	Consumer and Other	Total
December 31, 2021:						
Beginning balance	$ 3,408	$ 9,453	$ 1,689	$ 348	$ 188	$ 15,086
Provision for credit losses	(919)	(695)	955	109	390	(160)
Recoveries	238	-	149	-	5	392
Charge-offs	(229)	-	(18)	-	(14)	(261)
Ending Balance	$ 2,498	$ 8,758	$ 2,775	$ 457	$ 569	$ 15,057
December 31, 2020:						
Beginning balance	$ 3,749	$ 6,591	$ 1,214	$ 332	$ 112	$ 11,998
Provision for credit losses	(36)	2,861	321	16	88	3,250
Recoveries	168	1	307	-	18	494
Charge-offs	(473)	-	(153)	-	(30)	(656)
Ending Balance	$ 3,408	$ 9,453	$ 1,689	$ 348	$ 188	$ 15,086

Allowance for credit losses and the outstanding balances in loans as of December 31, 2021 and 2020 are as follows (in thousands):

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Foreign Banks	Consumer and Other	Total
December 31, 2021:						
Allowance for credit losses:						
Individually evaluated for impairment	$ 178	$ -	$ 71	$ -	$ 111	$ 360
Collectively evaluated for impairment	2,320	8,758	2,704	457	458	14,697
Balances, end of period	$ 2,498	$ 8,758	$ 2,775	$ 457	$ 569	$ 15,057
Loans:						
Individually evaluated for impairment	$ 9,006	$ 696	$ 141	$ -	$ 224	$ 10,067
Collectively evaluated for impairment	192,353	704,292	146,451	59,491	79,005	1,181,592
Balances, end of period	$ 201,359	$ 704,988	$ 146,592	$ 59,491	$ 79,229	$ 1,191,659
December 31, 2020:						
Allowance for credit losses:						
Individually evaluated for impairment	$ 220	$ -	$ 108	$ -	$ 125	$ 453
Collectively evaluated for impairment	3,188	9,453	1,581	348	63	14,633
Balances, end of period	$ 3,408	$ 9,453	$ 1,689	$ 348	$ 188	$ 15,086
Loans:						
Individually evaluated for impairment	$ 10,439	$ 733	$ 202	$ -	$ 278	$ 11,652
Collectively evaluated for impairment	222,315	605,692	157,128	38,999	5,229	1,029,363
Balances, end of period	$ 232,754	$ 606,425	$ 157,330	$ 38,999	$ 5,507	$ 1,041,015

Credit Quality Indicators

The Company grades loans based on the estimated capability of the borrower to repay the contractual obligation of the loan agreement based on relevant information which may include: current financial information on the borrower, historical payment experience, credit documentation and other current economic trends. Internal credit risk grades are evaluated periodically.

The Company's internally assigned credit risk grades are as follows:

Pass – Loans indicate different levels of satisfactory financial condition and performance.

Special Mention – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligator or of the collateral pledged, if any. Loans so classified 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.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified at substandard, with the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible.

Loan credit exposures by internally assigned grades are presented below for the periods indicated (in thousands):

	As of December 31, 2021				
	Pass	Special Mention	Substandard	Doubtful	Total Loans
Residential real estate:					
Home equity line of credit ("HELOC") and other	$ 701	$ -	$ -	$ -	$ 701
1-4 family residential	130,840	-	4,581	-	135,421
Condo residential	65,237	-	-	-	65,237
	196,778	-	4,581	-	201,359
Commercial real estate:					
Land and construction	24,581	-	-	-	24,581
Multi family residential	127,489	-	-	-	127,489
Condo commercial	41,983	-	417	-	42,400
Commercial property	509,189	1,222	-	-	510,411
Leasehold improvements	107	-	-	-	107
	703,349	1,222	417	-	704,988
Commercial and industrial: (1)					
Secured	97,605	-	536	-	98,141
Unsecured	48,434	-	17	-	48,451
	146,039	-	553	-	146,592
Foreign banks	59,491	-	-	-	59,491
Consumer and other loans	79,005	-	224	-	79,229
Total	$ 1,184,662	$ 1,222	$ 5,775	$ -	$ 1,191,659

(1) All outstanding PPP loans were internally graded pass.

	As of December 31, 2020				
	Pass	Special Mention	Substandard	Doubtful	Total Loans
Residential real estate:					
Home equity line of credit ("HELOC") and other	$ 905	$ -	$ -	$ -	$ 905
1-4 family residential	151,940	-	6,748	-	158,688
Condo residential	73,016	-	145	-	73,161
	225,861	-	6,893	-	232,754
Commercial real estate:					
Land and construction	37,348	-	-	-	37,348
Multi family residential	111,047	-	-	-	111,047
Condo commercial	37,171	-	442	-	37,613
Commercial property	415,967	-	803	-	416,770
Leasehold improvements	3,647	-	-	-	3,647
	605,180	-	1,245	-	606,425
Commercial and industrial: (1)					
Secured	44,255	-	202	-	44,457
Unsecured	112,842	-	31	-	112,873
	157,097	-	233	-	157,330
Foreign banks	38,999	-	-	-	38,999
Consumer and other loans	5,229	-	278	-	5,507
Total	$ 1,032,366	$ -	$ 8,649	$ -	$ 1,041,015

(1) All outstanding PPP loans were internally graded pass.

Loan Aging

The Company also considers the performance of loans in grading and in evaluating the credit quality of the loan portfolio. The Company analyzes credit quality and loan grades based on payment performance and the aging status of the loan. The following table include an aging analysis of accruing loans and total non-accruing loans as of December 31, 2021 and 2020 (in thousands):

	Accruing					
As of December 31, 2021:	**Current**	**Past Due 30-89 Days**	**Past Due > 90 Days and Still Accruing**	**Total Accruing**	**Non-Accrual**	**Total Loans**
Residential real estate:						
Home equity line of credit and other	$ 701	$ -	$ -	$ 701	$ -	$ 701
1-4 family residential	133,942	289	-	134,231	1,190	135,421
Condo residential	64,243	994	-	65,237	-	65,237
	198,886	1,283	-	200,169	1,190	201,359
Commercial real estate:						
Land and construction	24,581	-	-	24,581	-	24,581
Multi family residential	127,053	436	-	127,489	-	127,489
Condo commercial	42,400	-	-	42,400	-	42,400
Commercial property	510,411	-	-	510,411	-	510,411
Leasehold improvements	107	-	-	107	-	107
	704,552	436	-	704,988	-	704,988
Commercial and industrial:						
Secured	98,141	-	-	98,141	-	98,141
Unsecured	48,041	410	-	48,451	-	48,451
	146,182	410	-	146,592	-	146,592
Foreign banks	59,491	-	-	59,491	-	59,491
Consumer and other	78,969	260	-	79,229	-	79,229
Total	$ 1,188,080	$ 2,389	$ -	$ 1,190,469	$ 1,190	$ 1,191,659

	Accruing					
As of December 31, 2020:	Current	Past Due 30-89 Days	Past Due > 90 Days and Still Accruing	Total Accruing	Non-Accrual	Total Loans
Residential real estate:						
Home equity line of credit and other	$ 905	$ -	$ -	$ 905	$ -	$ 905
1-4 family residential	154,779	2,354	-	157,133	1,555	158,688
Condo residential	72,625	536	-	73,161	-	73,161
	228,309	2,890	-	231,199	1,555	232,754
Commercial real estate:						
Land and construction	37,348	-	-	37,348	-	37,348
Multi family residential	111,047	-	-	111,047	-	111,047
Condo commercial	37,475	138	-	37,613	-	37,613
Commercial property	416,770	-	-	416,770	-	416,770
Leasehold improvements	3,647	-	-	3,647	-	3,647
	606,287	138	-	606,425	-	606,425
Commercial and industrial:						
Secured	44,378	56	-	44,434	23	44,457
Unsecured	112,873	-	-	112,873	-	112,873
	157,251	56	-	157,307	23	157,330
Foreign banks	38,999	-	-	38,999	-	38,999
Consumer and other	5,198	309	-	5,507	-	5,507
Total	$ 1,036,044	$ 3,393	$ -	$ 1,039,437	$ 1,578	$ 1,041,015

There was no interest income recognized attributable to nonaccrual loans outstanding at December 31, 2021 and 2020. Interest income on these loans for the years ended December 31, 2021 and 2020, would have been approximately $5 thousand and $47 thousand, respectively, had these loans performed in accordance with their original terms.

There were no loans over 90 days past due and accruing as of December 31, 2021 and 2020.

Impaired Loans

The following table includes the unpaid principal balances for impaired loans with the associated allowance amount, if applicable, on the basis of impairment methodology for the dates indicated (in thousands):

	December 31, 2021			December 31, 2020		
	Unpaid Principal Balance	Net Investment Balance	Valuation Allowance	Unpaid Principal Balance	Net Investment Balance	Valuation Allowance
Impaired Loans with No Specific Allowance:						
Residential real estate	$ 5,021	$ 5,035	$ -	$ 5,100	$ 5,093	$ -
Commercial real estate	696	695	-	733	732	-
	5,717	5,730	-	5,833	5,825	-
Impaired Loans with Specific Allowance:						
Residential real estate	3,985	3,950	178	5,339	5,302	220
Commercial and industrial	141	141	71	202	202	108
Consumer and other	224	224	111	278	278	125
	4,350	4,315	360	5,819	5,782	453
Total	$ 10,067	$ 10,045	$ 360	$ 11,652	$ 11,607	$ 453

Net investment balance is the unpaid principal balance of the loan adjusted for the remaining net deferred loan fees.

The following table presents the average recorded investment balance on impaired loans as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Residential real estate	$ 8,791	$ 6,869
Commercial real estate	714	1,722
Commercial and industrial	178	230
Consumer and other	254	56
Total	$ 9,937	$ 8,877

Interest income recognized on impaired loans for the years ended December 31, 2021 and 2020 was $415 thousand and $446 thousand, respectively.

Troubled Debt Restructuring

A troubled debt restructuring ("TDR") occurs when the Company has agreed to a loan modification in the form of a concession for a borrower who is experiencing financial difficulty.

The following table presents performing and non-performing TDRs for the dates indicated (in thousands):

	December 31, 2021			December 31, 2020		
	Accrual Status	Non-Accrual Status	Total TDRs	Accrual Status	Non-Accrual Status	Total TDRs
Residential real estate	$ 7,815	$ -	$ 7,815	$ 8,884	$ 777	$ 9,661
Commercial real estate	696	-	696	733	-	733
Commercial and industrial	141	-	141	179	23	202
Consumer and other	224	-	224	278	-	278
Total	$ 8,876	$ -	$ 8,876	$ 10,074	$ 800	$ 10,874

The Company had allocated $360 thousand and $453 thousand of specific allowance for TDR loans at December 31, 2021 and 2020, respectively. Charge-offs on TDR loans for the years ended December 31, 2021 and 2020 was $18 thousand and $153 thousand, respectively. There was no commitment to lend additional funds to these TDR customers.

The Company did not have any new TDR loans for the year ended December 31, 2021. For the year ended December 31, 2020, the Company had the following new TDR loans (in thousands, except number of loans):

	Recorded Investment Prior to Modification		Recorded Investment After Modification	
	Number of Loans	Total Modifications	Number of Loans	Total Modifications
Residential real estate	6	$ 5,679	6	$ 5,679
Commercial real estate	1	451	1	451
Commercial and industrial	2	255	2	255
Consumer and other	1	279	1	275
	10	$ 6,664	10	$ 6,660

Modifications to loans can be made for rate, term, payment, conversion of loan to interest only for a limited time or a combination to include more than one type of modification.

As of December 31, 2021 and 2020, there were no defaults on loans which were modified as a TDR within the prior 12 months.

CARES Act Modifications

The Company provided financial relief to borrowers impacted by COVID-19 and provided modifications to include interest only deferral or principal and interest deferral. These modifications are excluded from TDR classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators.

During the year ended December 31, 2020, the Company had modified 132 loans with outstanding balances of $185.9 million. At December 31, 2020, two modified loans totaling $777 thousand were classified as non-accrual and two modified loans totaling $1.4 million were past due.

During the year ended December 31, 2021, the Company did not modify any new loans to borrowers impacted by COVID-19. At December 31, 2021, there was one loan past due for $289 thousand that was modified in 2020.

4. LEASES

The Company enters into leases in the normal course of business primarily for banking centers and back-office operations. As of December 31, 2021, the Company leased nine of the ten banking centers and the headquarter building. The Company is obligated under non-cancelable operating leases for these premises with expiration dates ranging from 2022 to 2036, many of these leases have extension clauses which the Company could exercise which would extend these dates.

The Company has classified all leases as operating leases. Lease expense for operating leases are recognized on a straight-line basis over the lease term. Right-of-use ("ROU") assets represent the right to use the underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. The Company elected the short-term lease recognition exemption for all leases that qualify, meaning those with terms under 12 months. ROU assets or lease liabilities are not to be recognized for short-term leases.

ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. In the Company's Consolidated Balance Sheets, ROU assets are reported under other assets while lease liabilities are classified under accrued interest and other liabilities.

As most of the Company's leases do not provide an implicit rate, the incremental borrowing rate based on the information available at commencement date is used. The Company's incremental borrowing rate is based on the FHLB advance rate matching or nearing the lease term.

The following table presents the ROU assets and lease liabilities as of December 31, 2021 and 2020 (in thousands):

	2021	2020
ROU assets:		
Operating leases	$ 14,185	$ 14,513
Lease liabilities:		
Operating leases	$ 14,185	$ 14,513

The weighted average remaining lease term and weighted average discount rate as of December 31, 2021 and 2020:

	2021	2020
Weighted average remaining lease term (in years):		
Operating leases	8.28	9.13
Weighted average discount rate:		
Operating leases	2.32%	2.49 %

Future lease payment obligations and a reconciliation to lease liability as of December 31, 2021 (in thousands):

2022	$ 2,837
2023	2,471
2024	2,540
2025	2,606
2026	1,675
Thereafter	3,968
Total future minimum lease payments	16,097
Less: interest component	(1,912)
Total lease liability	$ 14,185

5. PREMISES AND EQUIPMENT

A summary of premises and equipment are presented below as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Land	$ 972	$ 1,372
Building	1,947	2,625
Furniture, fixtures and equipment	8,726	9,080
Computer hardware and software	4,552	4,471
Leasehold improvements	9,921	9,650
Premises and equipment, gross	26,118	27,198
Accumulated depreciation and amortization	(20,840)	(20,851)
Premises and equipment, net	$ 5,278	$ 6,347

Depreciation and amortization expense was $1.0 million and $1.3 million for the years ended December 31, 2021 and 2020, respectively. During 2021, the Company eliminated $0.6 million in assets due to the sale of one banking center and relocation of another banking center. The depreciation on these assets was $0.6 million with the remaining amount recognized as an immaterial loss. The Company eliminated $0.5 million in assets which were fully depreciated in 2020.

6. INCOME TAXES

The Company's provision for income taxes is presented in the following table for the years ended December 31, 2021 and 2020 (in thousands):

	2021	2020
Current:		
Federal	$ -	$ -
State	-	-
Total current	-	-
Deferred:		
Federal	5,314	2,074
State	1,286	514
Total deferred	6,600	2,588
Total tax expense	$ 6,600	$ 2,588

The actual income tax expense for the years ended December 31, 2021 and 2020 differs from the statutory tax expense for the year (computed by applying the U.S. federal corporate tax rate of 21% for 2021 and 2020 to income before provision for income taxes) as follows (in thousands):

	2021	2020
Federal taxes at statutory rate	$ 5,812	$ 2,815
State income taxes, net of federal tax benefit	969	469
Bank owned life insurance	(186)	(174)
Other, net	5	(522)
Total tax expense	$ 6,600	$ 2,588

The following table presents the deferred tax assets and deferred tax liabilities as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Deferred tax assets:		
Net operating loss	$ 28,819	$ 35,506
Allowance for credit losses	3,816	3,824
Lease liability	3,595	3,617
Unrealized loss on available for sale securities	817	-
Deferred loan fees	400	636
Depreciable property	361	285
Stock option compensation	241	169
Accruals	600	349
Other, net	2	7
Deferred tax asset	38,651	44,393
Deferred tax liability:		
Unrealized gain on available for sale securities	-	(1,553)
Lease right of use asset	(3,595)	(3,617)
Deferred expenses	(127)	(64)
Deferred tax liability	(3,722)	(5,234)
Net deferred tax asset	$ 34,929	$ 39,159

The Company has approximately $109.5 million of Federal and $132.2 million of State net operating loss carryforwards expiring in various amounts from 2031 to 2036. Their utilization is limited to future taxable earnings of the Company.

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Company files income tax returns. The Company is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2018.

For the years ended December 31, 2021 and 2020, the Company did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. Additionally, no interest or penalties were recorded as a result of tax uncertainties.

7. DEPOSITS

The following table presents deposits by type at December 31, 2021 and 2020 (in thousands):

	2021	2020
Non-interest bearing deposits	$ 605,425	$ 442,467
Interest-bearing transaction accounts	55,878	45,132
Saving and money market deposits	703,856	527,373
Time deposits	225,220	258,430
Total deposits	$ 1,590,379	$ 1,273,402

Time deposits exceeding the FDIC insurance limit of $250 thousand at December 31, 2021 and 2020 were approximately $119.4 million and $104.1 million, respectively.

At December 31, 2021, the scheduled maturities of time deposits were (in thousands):

2022	$ 184,495
2023	15,111
2024	4,164
2025	1,172
2026	20,271
Thereafter	7
	$ 225,220

At December 31, 2021 and 2020, the aggregate amount of demand deposits reclassified to loans as overdrafts was $247 thousand and $224 thousand, respectively.

8. BORROWINGS

Borrowed funds consist of fixed rate advances from the FHLB. At December 31, 2021 and 2020, FHLB advances were $36.0 million.

The following table presents the fixed interest rates and expected maturities of the FHLB advances at both December 31, 2021 and 2020 (in thousands):

Interest Rate	Type of Rate	Maturity Date	Amount
0.81%	Fixed	August 17, 2023	$ 5,000
1.04%	Fixed	July 30, 2024	5,000
2.05%	Fixed	March 27, 2025	10,000
1.91%	Fixed	March 28, 2025	5,000
1.81%	Fixed	April 17, 2025	5,000
1.07%	Fixed	July 18, 2025	6,000
			$ 36,000

The FHLB holds a blanket lien on the Company's loan portfolio that may be pledged as collateral for outstanding advances, subject to eligibility under the borrowing agreement. The Company may also choose to assign cash balances held at the FHLB as additional collateral. See Note 3 “Loans” for further discussion on pledged loans.

9. EQUITY BASED AND OTHER COMPENSATION PLANS

Employee 401(k) Plan

The Company has an employee 401(k) plan (the “Plan”) covering substantially all eligible employees. The Plan includes a provision that the employer may contribute to the accounts of eligible employees for whom a salary deferral is made. There was $296 thousand and $282 thousand of Company contributions to the Plan during the years ended December 31, 2021 and 2020, respectively, and are included under salaries and employee benefits in the Consolidated Statements of Operations.

Stock-Based Compensation

Stock option balances, weighted average exercise price, and weighted average fair value of options granted for the years ended December 31, 2021 and 2020 were adjusted to reflect the 1 for 5 reverse stock split on Class A common stock. Stock options are only exercisable to Class A common stock. See Note 13 “Stockholders’ Equity” for further discussion on stock split.

In 2015, the Company's shareholders approved the 2015 Equity Incentive Plan (the “2015 Option Plan”), which authorized grants of options to purchase up to 2,000,000 shares of common stock. The 2015 Option Plan provided that vesting schedules will be determined upon issuance of options by the Board of Directors or compensation committee. Options granted under the 2015 Option Plan have a 10-year life, in no event shall an option be exercisable after the expiration of 10 years from the grant date. The 2015 Option Plan has a 10-year life and will terminate in 2025. In July 2020, the shareholders of the Company approved to amend the 2015 Option plan authorizing the issuance of an additional 3,000,000 shares of common stock and extending the life of the plan 5 additional years, terminating in 2030. The approved shares after being adjusted to reflect the 1 for 5 reverse stock split totaled 1,000,000 shares. In December 2021, the shareholders of the Company approved to amend the 2015 Option plan authorizing the issuance of an additional 1,400,000 shares of common stock.

At December 31, 2021, there were 1,401,667 shares available for grant under the 2015 Option Plan. At December 31, 2020, there were 621,667 shares available for grant under the 2015 Option Plan after the 1 for 5 reverse stock split.

The Company recognizes compensation expense based on the estimated grant date fair value method using the Black-Scholes option pricing model and accounts for this expense using a prorated straight-line amortization method over the vesting period of the option. Stock based compensation expense is based on awards that the Company expects will ultimately vest, reduced by estimated forfeitures. Estimated forfeitures consider the voluntary termination trends as well as actual option forfeitures.

The compensation expense is reported under salaries and employee benefits in the accompanying Consolidated Statements of Operations. Compensation expense totaling $287 thousand was recognized for the year ended December 31, 2021 and $187 thousand for the year ended December 31, 2020. There was no related tax benefit for the years ended December 31, 2021 and 2020.

Unrecognized compensation cost remaining on stock-based compensation totaled $1.3 million and $0.1 million for the years ended December 31, 2021 and 2020.

Cash flows resulting from excess tax benefits are required to be classified as a part of cash flows from operating activities. Excess tax benefits are realized tax benefits from tax deductions for exercised options in excess of the deferred tax asset attributable to the compensation cost for such options.

The fair value of options granted was determined using the following weighted-average assumptions at December 31, 2021:

Assumption	2021
Risk-free interest rate	1.49%
Expected term	10 years
Expected stock price volatility	10%
Dividend yield	0%

The following table presents a summary of stock options for the years ended December 31, 2021 and 2020:

	Stock Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Years		Aggregate Intrinsic Value
Balance at January 1, 2021	339,667	$	9.37	7.1		
Granted	620,000	$	11.69			
Balance at December 31, 2021	959,667	$	10.87	8.4		
Exercisable at December 31, 2021	319,667	$	9.07	6.0	$	663
Balance at January 1, 2020[(1)]	365,667	$	9.30	8.5		
Exercised	(2,000)	$	7.50			
Forfeited	(24,000)	$	8.17			
Balance at December 31, 2020	339,667	$	9.37	7.1		
Exercisable at December 31, 2020	242,333	$	8.71	6.6	$	208

(1) Class A common stock outstanding and additional paid-in-capital for December 31, 2020 were adjusted to reflect the 1 for 5 reverse stock split. See Note 13 "Stockholders' Equity" for further discussion on the stock split.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the valuation of the Company's stock and the exercise price, multiplied by the number of options considered in-the-money) that would have been received by the option holders had all option holders exercised their options.

The weighted average fair value of options granted for the years ended December 31, 2021 and 2020 was $2.32 and $0.00, respectively.

10. OFF-BALANCE SHEET ARRANGEMENTS

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include unfunded commitments under lines of credit, commitments to extend credit, standby and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Company's Consolidated Balance Sheets. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for unused lines of credit, and standby letters of credit is represented by the contractual amount of these commitments.

A summary of the amounts of the Company's financial instruments with off-balance sheet risk are shown below at December 31, 2021 and 2020 (in thousands):

		2021		2020
Commitments to grant loans and unfunded lines of credit	$	134,877	$	107,553
Standby and commercial letters of credit		6,420		1,813
Total	$	141,297	$	109,366

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses.

Unfunded lines of credit and revolving credit lines are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Company is committed.

Standby and commercial letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit have fixed maturity dates and many of them expire without being drawn upon, they do not generally present a significant liquidity risk to the Company.

11. DERIVATIVES

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps do not represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

The Company enters into interest rate swaps with its loan customers. The Company had 18 and 15 interest rate swaps with loan customers with a notional amount of $39.2 million and $30.6 million at December 31, 2021 and 2020, respectively. These interest rate swaps have a maturity date between 2025 and 2051. The Company entered into corresponding and offsetting derivatives with third parties. The fair value of liability on these derivatives requires the Company to provide the counterparty with funds to be held as collateral which the Company reports as other assets under the Consolidated Balance Sheets. While these derivatives represent economic hedges, it does not qualify as hedges for accounting purposes.

The following table reflects the Company’s customer related interest rate swaps for the dates indicated (in thousands):

				Fair Value	
	Notional Amount	Collateral Amount	Balance Sheet Location	Asset	Liability
December 31, 2021:					
Derivatives not designated as hedging instruments:					
Interest rate swaps related to customer loans	$ 39,156	$ 1,260	Other assets/Other liabilities	$ 1,434	$ 1,434
December 31, 2020:					
Derivatives not designated as hedging instruments:					
Interest rate swaps related to customer loans	$ 30,611	$ 260	Other assets/Other liabilities	$ 500	$ 500

12. FAIR VALUE MEASUREMENTS

Determination of Fair Value

The Company uses fair value measurements to record fair-value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the fair value measurements accounting guidance, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value.

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Items Measured at Fair Value on a Recurring Basis

Investment securities: When instruments are traded in secondary markets and quoted market prices do not exist for such securities, management generally relies on prices obtained from independent vendors or third-party broker-dealers. Management reviews pricing methodologies provided by the vendors and third-party broker-dealers in order to determine if observable market information is being utilized. Securities measured with pricing provided by independent vendors or third-party broker-dealers are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow analyses utilizing inputs observable in the market where available.

Derivatives: The fair value of derivatives are measured with pricing provided by third-party participants and are classified within Level 2 of the hierarchy.

The following table represents the Company's assets measured at fair value on a recurring basis at December 31, 2021 and 2020 for each of the fair value hierarchy levels (in thousands):

	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities available for sale:								
U.S. Government Agency - SBA	$ -	$ 10,520	$ -	$ 10,520	$ -	$ 1,552	$ -	$ 1,552
U.S. Government Agency	-	-	-	-	-	20,032	-	20,032
Collateralized mortgage obligations	-	156,829	-	156,829	-	104,650	-	104,650
Mortgage-backed securities - Residential	-	118,842	-	118,842	-	81,301	-	81,301
Mortgage-backed securities - Commercial	-	50,117	-	50,117	-	48,331	-	48,331
Municipal Securities	-	24,276	-	24,276	-	24,211	-	24,211
Bank subordinated debt securities	-	28,408	-	28,408	-	24,630	-	24,630
Corporate Bond	-	12,550	-	12,550	-	29,615	-	29,615
Total	-	401,542	-	401,542	-	334,322	-	334,322
Derivative assets	-	1,434	-	1,434	-	500	-	500
Total assets at fair value	$ -	$ 402,976	$ -	$ 402,976	$ -	$ 334,822	$ -	$ 334,822
Derivative liabilities	$ -	$ 1,434	$ -	$ 1,434	$ -	$ 500	$ -	$ 500
Total liabilities at fair value	$ -	$ 1,434	$ -	$ 1,434	$ -	$ 500	$ -	$ 500

Items Measured at Fair Value on a Non-recurring Basis

Impaired Loans: At December 31, 2021 and 2020, in accordance with provisions of the loan impairment guidance, individual loans with a carrying amount of approximately $4.4 million and $5.8 million, respectively, were written down to their fair value of approximately $4.0 million and $5.4 million, respectively, resulting in an impairment charge of $360 thousand and $453 thousand, respectively, which was included in the allowance for credit losses at December 31, 2021 and 2020, respectively. Loans applicable to write-downs, or impaired loans, are estimated using the present value of expected cash flows or the appraised value of the underlying collateral discounted as necessary due to management's estimates of changes in economic conditions are considered a Level 3 valuation.

Other Real Estate: Other real estate owned are valued at the lesser of the third-party appraisals less management's estimate of the costs to sell or the carrying cost of the other real estate owned. Appraisals generally use the market approach valuation technique and use market observable data to formulate an opinion of the fair value of the properties. However, the appraiser uses professional judgment in determining the fair value of the property and the Company may also adjust the value for changes in market conditions subsequent to the valuation date when current appraisals are not available. As a consequence of the carrying cost or the third-party appraisal and adjustments therein, the fair values of the properties are considered a Level 3 valuation.

The following table represents the Company's assets measured at fair value on a non-recurring basis at December 31, 2021 and 2020 for each of the fair value hierarchy levels (in thousands):

	Level 1	Level 2	Level 3	Total
December 31, 2021:				
Impaired loans	$ -	$ -	$ 3,990	$ 3,990
December 31, 2020:				
Impaired loans	$ -	$ -	$ 5,366	$ 5,366

The following table presents quantified information about Level 3 fair value measurements for assets measured at fair value on a non-recurring basis at December 31, 2021 and 2020 (in thousands):

	Fair Value	Valuation Techniqu e(s)	Unobservable Input(s)
December 31, 2021:			
Residential real estate	$ 3,807	Sales comparison approach	Adj. for differences between comparable sales
Commercial and industrial	70	Discounted cash flow	Adj. for differences in net operating income expectations
Other	113	Discounted cash flow	Adj. for differences in net operating income expectations
Total impaired loans	$ 3,990		
December 31, 2020:			
Residential real estate	$ 5,119	Sales comparison approach	Adj. for differences between comparable sales
Commercial and industrial	94	Discounted cash flow	Adj. for differences in net operating income expectations
Other	153	Discounted cash flow	Adj. for differences in net operating income expectations
Total impaired loans	$ 5,366		

There were no financial liabilities measured at fair value on a non-recurring basis at December 31, 2021 and 2020.

Items Not Measured at Fair Value

The carrying amounts and estimated fair values of financial instruments not carried at fair value, at December 31, 2021 and 2020 are as follows (in thousands):

	Carrying Amount	Fair Value Hierarchy Level 1	Level 2	Level 3	Fair Value Amount
December 31, 2021:					
Financial Assets:					
Cash and due from banks	$ 6,477	$ 6,477	$ -	$ -	$ 6,477
Interest-bearing deposits in banks	$ 39,751	$ 39,751	$ -	$ -	$ 39,751
Investment securities held to maturity	$ 122,658	$ -	$ 120,157	$ -	$ 120,157
Loans held for investment, net	$ 1,175,024	$ -	$ -	$ 1,189,191	$ 1,189,191
Accrued interest receivable	$ 5,975	$ -	$ 1,222	$ 4,753	$ 5,975
Financial Liabilities:					
Demand Deposits	$ 605,425	$ 605,425	$ -	$ -	$ 605,425
Money market and savings accounts	$ 703,856	$ 703,856	$ -	$ -	$ 703,856
Interest-bearing checking accounts	$ 55,878	$ 55,878	$ -	$ -	$ 55,878
Time deposits	$ 225,220	$ -	$ -	$ 224,688	$ 224,688
FHLB advances	$ 36,000	$ -	$ 36,479	$ -	$ 36,479
Accrued interest payable	$ 96	$ -	$ 50	$ 46	$ 96
December 31, 2020:					
Financial Assets:					
Cash and due from banks	$ 9,828	$ 9,828	$ -	$ -	$ 9,828
Interest-bearing deposits in banks	$ 37,906	$ 37,906	$ -	$ -	$ 37,906
Loans held for investment, net	$ 1,023,418	$ -	$ -	$ 1,046,782	$ 1,046,782
Accrued interest receivable	$ 5,547	$ -	$ 874	$ 4,673	$ 5,547
Financial Liabilities:					
Demand Deposits	$ 442,467	$ 442,467	$ -	$ -	$ 442,467
Money market and savings accounts	$ 527,373	$ 527,373	$ -	$ -	$ 527,373
Interest-bearing checking accounts	$ 45,132	$ 45,132	$ -	$ -	$ 45,132
Time deposits	$ 258,430	$ -	$ -	$ 259,857	$ 259,857
FHLB advances	$ 36,000	$ -	$ 37,543	$ -	$ 37,543
Accrued interest payable	$ 156	$ -	$ 49	$ 107	$ 156

13. STOCKHOLDERS' EQUITY

Common Stock

The rights of the holders of Class A common stock and Class B common stock are the same, except for voting and conversion rights. Holders of Class A common stock are entitled to voting rights, while holders of Class B common stock have no voting rights. Shares of Class B common stock are convertible into shares of Class A common stock if sold or transferred.

On June 16, 2021, the Company effected a 1 for 5 reverse stock split of all the Class A common stock $1.00 par value. As of the effective date of June 16, 2021, each five shares of the Company's Class A common stock was combined into one fully paid share of Class A common stock. Any fractional shares resulting from this reverse stock split were rounded up to one whole share. The Company has adjusted the Class A common stock, earnings per share and stock options adjusted for this 1 for 5 reverse stock split for all periods here. The Class B common stock were not adjusted but if sold or exchanged would be converted at the 1 for 5 reverse stock split of 5 Class B common stock for 1 share of Class A common stock. Any dividends declared by the Board of Directors (the "Board") to include Class B common stock will also be paid as if converted. The 1 for 5 reverse stock split resulted in adjustments to Consolidated Balance Sheets, Consolidated Statements of Operations, and Consolidated Statements of Changes in Stockholders' Equity.

On July 27, 2021, the Company completed the Initial Public Offering ("IPO") of its Class A common stock, in which it issued and sold 4,600,000 shares of Class A common stock at a price of $10.00 per share. The Company received total net proceeds of $40.0 million after deducting underwriting discounts and expenses.

On December 21, 2021, the Company entered into agreements with the Class B shareholders to exchange all outstanding Class B non-voting common stock for Class A voting common stock at a ratio of 5 to 1. On the same day, a total of 6,121,052 shares of Class B common stock was exchanged for 1,224,212 shares of Class A common stock.

In December 2021, USCB Financial Holdings, Inc. (the "Company") acquired all the issued and outstanding shares of the Class A voting common stock of U.S. Century Bank (the "Bank"), which are the only issued and outstanding shares of the Bank's capital stock, in a share exchange (the "Reorganization") effected under the Florida Business Corporation Act. Each of the outstanding shares of the Bank's common stock, par value $1.00 per share, formerly held by its shareholders was converted into and exchanged for one newly issued share of the Company's common stock, par value $1.00 per share, and the Bank became the Company's wholly-owned subsidiary. Prior to filing the bank holding company formation, the Company had no material assets and had not conducted any business or operations except for activities related to our organization and the Reorganization.

In the Reorganization, each shareholder of the Bank received securities of the same class, having substantially the same designations, rights, powers, preferences, qualifications, limitations and restrictions, as those that the shareholder held in the Bank, and the Company's current shareholders own the same percentages of its common stock as they previously owned of the Bank's common stock.

Preferred Stock

On April 5, 2021, the Board authorized and approved the offer to repurchase all outstanding shares of Class E preferred stock at the liquidation value of $7.5 million along with declared dividends of $103 thousand. All Class E preferred stock shareholders approved the repurchase which the Company completed on April 26, 2021.

The Company offered the Class C and Class D preferred stockholders the ability to exchange their shares for Class A common stock. The offer to exchange was voluntary and the preferred stockholders were given the option to convert 90% of their preferred shares for Class A common stock with the remaining 10% to be redeemed in the form of cash. The exchange ratio for the shares of Class A common stock issued in the exchange transaction was based upon the IPO price for shares of Class A common stock.

During the year ended December 31, 2021, 47,473 shares of Class C preferred stock and 11,061,552 shares of Class D preferred stock converted into 10,278,072 shares of Class A common stock. The exchange of the Class C and Class D preferred shares had a total liquidation value of $102.8 million. The remaining unconverted shares of Class C preferred stock and Class D preferred stock totaling 1,234,354 shares were subsequently redeemed at liquidation value for $11.4 million.

The fair value of consideration on the exchange and redemption of the Class C and Class D preferred shares exceeded the book value causing a one-time reduction in net income available to common stockholders of $89.6 million. As of December 31, 2021, there were no preferred shares and no outstanding dividends to be paid.

Dividends

The Board approved the following dividend amounts on the preferred shares for the years ended December 31, 2021 and 2020 (in thousands):

	2021	2020
Preferred stock - Class C: Non-voting, Non-cumulative, Perpetual: $1.00 par value; $1,000 per share liquidation preference; annual dividend rate of 4% of liquidation preference paid quarterly. Quarterly dividend of $10.00 per share.	$ 1,494	$ 2,110
Preferred stock - Class D: Non-voting, Non-cumulative, Perpetual: $1.00 par value; $5.00 per share liquidation preference; annual dividend rate of 4% of par value paid quarterly. Quarterly dividend of $0.01 per share.	348	492
Preferred stock - Class E: Non-voting, partially cumulative, Perpetual: $1.00 par value; $1,000 per share liquidation preference; annual dividend rate of 7% of liquidation preferences paid quarterly. Quarterly dividend of $17.50 per share.	235	525
Total dividends paid	$ 2,077	$ 3,127

Declaration of dividends by the Board is required before dividend payments are made. The dividend payment dates for Class C and Class D preferred shares were set by the Board while the Class E preferred shares had a set dividend payment date on the fifteenth of February, May, August, and November.

No dividends were approved by the Board for the common stock classes for the years ended December 31, 2021 and 2020. Additionally, there were no dividends declared and unpaid at December 31, 2021 and 2020.

14. EARNINGS PER SHARE

Earnings per share ("EPS") for common stock is calculated using the two-class method required for participating securities. Basic EPS is calculated by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted EPS is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period and the weighted-average number of dilutive common stock equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, common stock equivalents include common stock options and are only included in the calculation of diluted EPS when their effect is dilutive.

In calculating EPS for the year ended December 31, 2021, net income available to common stockholders was not allocated between Class A and Class B common stock since there was no issued and outstanding Class B common stock at year-end.

In calculating EPS for the year ended December 31, 2020, net income available to common stockholders was allocated as if all the income for the period were distributed to common stockholders. The allocation was based on the outstanding shares per common share class to the total common shares outstanding during each period giving effect for the 1 for 5 reverse stock split. The Company's Articles of Incorporation require that the distribution of net income to Common B stockholders be adjusted to give effect for Class A stock splits. Therefore, the income allocated to Class B common shares was calculated based on their 20% per share equivalent to Class A common shares.

The following table reflects the calculation of net income (loss) available to common stockholders for the years ended December 31, 2021 and 2020 (in thousands):

	2021	2020
Net Income	$ 21,077	$ 10,820
Less: Preferred stock dividends	2,077	3,127
Less: Exchange and redemption of preferred shares	89,585	-
Net income (loss) available to common stockholders	$ (70,585)	$ 7,693

The following table reflects the calculation of basic and diluted earnings (loss) per common share class for the years ended December 31, 2021 and 2020 (in thousands, except per share amounts):

	2021		2020	
	Class A	Class B	Class A	Class B [(1)]
Basic EPS				
Numerator:				
Net income (loss) available to common shares before allocation	$ (70,585)	$ -	$ 7,693	$ 7,693
Multiply: % allocated on weighted avg. shares outstanding	100.0%	- %	76.1%	23.9%
Net income (loss) available to common shares after allocation	$ (70,585)	$ -	$ 5,854	$ 1,839
Denominator:				
Weighted average shares outstanding	10,507,530	-	3,887,480	6,121,052
Earnings (loss) per share, basic	$ (6.72)	$ -	$ 1.51	$ 0.30
Diluted EPS				
Numerator:				
Net income (loss) available to common shares before allocation	$ (70,585)	$ -	$ 7,693	$ 7,693
Multiply: % allocated on weighted avg. shares outstanding	100.0%	- %	76.1%	23.9%
Net income (loss) available to common shares after allocation	$ (70,585)	$ -	$ 5,854	$ 1,839
Denominator:				
Weighted average shares outstanding for basic EPS	10,507,530	-	3,887,480	6,121,052
Add: Dilutive effects of assumed exercises of stock options	-	-	23,810	-
Weighted avg. shares including dilutive potential common shares	10,507,530	-	3,911,290	6,121,052
Earnings (loss) per share, diluted	$ (6.72)	$ -	$ 1.50	$ 0.30
Anti-dilutive stock options excluded from diluted EPS	183,303	-	75,666	-

(1) Net income (loss) available to common shares between Class A and Class B common stock was allocated based on the weighted average number of shares outstanding. The allocation also assumes that Class B shares are converted to Class A which is equivalent to 0.20 per share of Class B or 1,224,212 shares of Class A shares.

For the year ended December 31, 2021, the Company was in a net loss position after adjusting for the exchange and redemption of the Class C and Class D preferred shares, making basic net loss per share the same as diluted net loss per share as the inclusion of all potential common shares outstanding would have been antidilutive.

See Note 13 “Stockholders’ Equity” for further discussion on the stock splits.

15. REGULATORY MATTERS

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

Based on changes to the Federal Reserve’s definition of a “Small Bank Holding Company” that increased the threshold to $3.0 billion in assets in August 2018, the Company is not currently subject to separate minimum capital measurements. At such time when the Company reaches the $3.0 billion asset level, it will be subject to capital measurements independent of the Bank.

The Bank has elected to permanently opt-out of the inclusion of accumulated other comprehensive income in the capital calculations, as permitted by the regulations. This opt-out will reduce the impact of market volatility on the Bank’s regulatory capital levels.

The Bank is subject to the rules of the Basel III regulatory capital framework and related Dodd-Frank Wall Street Reform and Consumer Protection Act. The rules include the implementation of a 2.5% capital conservation buffer that is added to the minimum requirements for capital adequacy purposes. Failure to maintain the required capital conservation buffer will limit the ability of the Bank to pay dividends, repurchase shares or pay discretionary bonuses. At December 31, 2021 and 2020, the capital ratios for the Bank were sufficient to meet the conservation buffer.

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, 2021 and 2020, the most recent notification from the regulatory authorities categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. Failure to meet statutorily mandated capital guidelines could subject the Bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting or renewing brokered deposits, limitations on the rates of interest that the Bank may pay on its deposits and other restrictions on its business. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since the notification that management believes have changed the Bank's category.

Actual and required capital amounts and ratios are presented below for both the Bank and the Company at December 31, 2021 and 2020 (in thousands, except ratios). The required amounts for capital adequacy shown do not include the capital conservation buffer previously discussed.

	Actual		Minimum Capital Requirements		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2021:						
Total risk-based capital	$ 186,735	14.92 %	$ 100,125	8.00 %	$ 125,157	10.00 %
Tier 1 risk-based capital	$ 171,484	13.70 %	$ 75,094	6.00 %	$ 100,125	8.00 %
Common equity tier 1 capital	$ 171,484	13.70 %	$ 56,321	4.50 %	$ 81,352	6.50 %
Leverage ratio	$ 171,484	9.55 %	$ 71,825	4.00 %	$ 89,781	5.00 %
December 31, 2020:						
Total risk-based capital	$ 139,326	14.24 %	$ 78,260	8.00 %	$ 97,825	10.00 %
Tier 1 risk-based capital	$ 127,061	12.99 %	$ 58,695	6.00 %	$ 78,260	8.00 %
Common equity tier 1 capital	$ 94,984	9.71 %	$ 44,021	4.50 %	$ 63,587	6.50 %
Leverage ratio	$ 127,061	8.61 %	$ 59,053	4.00 %	$ 73,817	5.00 %

As of December 31, 2021, there was no activity between the parent bank holding company and its subsidiaries to disclose on the statements of operations or statements of cash flows.

Effective December 28, 2021, the Company acquired the Bank in a merger and reorganization through the formation of a bank holding company. Pursuant to this transaction, all of the outstanding shares of the Bank's $1.00 par value common stock formerly held by its shareholders was converted into and exchanged for one newly issued share of the Company's par value common stock, and the Bank became a subsidiary of the Company. See Note 13 "Stockholders' Equity" for further details.

The Company is limited in the amount of cash dividends that it may pay. Payment of dividends is generally limited to the Company's net income of the current year combined with the Bank's retained income of the preceding two years, as defined by state banking regulations. However, for any dividend declaration, the Company must consider additional factors such as the amount of current period net income, liquidity, asset quality, capital adequacy and economic conditions at the Bank. It is likely that these factors would further limit the amount of dividends which the Company could declare. In addition, bank regulators have the authority to prohibit banks from paying dividends if they deem such payment to be an unsafe or unsound practice.

16. RELATED PARTY TRANSACTIONS

In the ordinary course of business, principal officers, directors, and affiliates may engage in transactions with the Company. The following table presents loans to and deposits from related parties included within the accompanying Consolidated Financial Statements at December 31, 2021 and 2020 (in thousands):

	2021	2020
Consolidated Balance Sheets:		
Loans held for investment, net	$ -	$ -
Deposits	$ 1,905	$ 1,793
Consolidated Statements of Operations:		
Interest income	$ -	$ -
Interest expense	$ 16	$ 23

17. PARENT COMPANY CONDENSED FINANCIAL INFORMATION

In December 2021, USCB Financial Holdings, Inc. was formed as the parent bank holding company of U.S. Century Bank. The condensed balance sheets are presented below for USCB Financial Holdings, Inc. at the dates indicated (in thousands):

	December 31, 2021	December 31, 2020
ASSETS:		
Investment in bank subsidiary	$ 203,897	$ -
Other assets	-	-
Total assets	$ 203,897	$ -
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Other liabilities	$ -	$ -
Stockholders' equity	203,897	-
Total liabilities and stockholders' equity	$ 203,897	$ -

At December 31, 2021, there was no activity between the parent bank holding company and its subsidiaries to disclose on the statements of operations or statements of cash flows.

18. LOSS CONTINGENCIES

Loss contingencies, including claims and legal actions may arise in the ordinary course of business. In the opinion of management, none of these actions, either individually or in the aggregate, is expected to have a material adverse effect on the Company's Consolidated Financial Statements.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events from January 1, 2022 through March 24, 2022, which is the date this Form 10-K was available to be issued.

Share Repurchase Program

On January 24, 2022, the Board approved a share repurchase program of up to 750,000 shares of Class A common stock. Under the repurchase program, the Company may purchase shares of Class A common stock on a discretionary basis from time to time through open market repurchases, privately negotiated transactions, or other means. The repurchase program has no expiration date and may be modified, suspended, or terminated at any time. Repurchases under this program will be funded from the Company's existing cash and cash equivalents or future cash flow.

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and its Chief Financial Officer, we evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2021. Based on that evaluation, management believes that the Company's disclosure controls and procedures were effective to collect, process, and disclose the information required to be disclosed in the reports filed or submitted under the Exchange Act within the required time periods as of the end of the period covered by this Report.

Management's Report on Internal Control over Financial Reporting

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 is incorporated by reference to the information that appears under the headings Board Meetings and Committees in our Proxy Statement for the 2022 Annual Meeting of Shareholders.

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference to the information that appears under the headings Executive Compensation in our Proxy Statement for the 2022 Annual Meeting of Shareholders.

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

The information required by Item 12 is incorporated by reference to the information that appears under the headings Beneficial Owners in our Proxy Statement for the 2022 Annual Meeting of Shareholders.

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

The information required by Item 13 is incorporated by reference to the information that appears under the headings Certain Relationships and Related Transactions, and Director Independence in our Proxy Statement for the 2022 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is incorporated by reference to the information that appears under the headings Ratification of Auditors in our Proxy Statement for the 2022 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) List of documents filed as part of this Annual Report:

1) *Financial Statements:*

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2021 and 2020
Consolidated Statements of Operations for the years ended December 31, 2021 and 2020
Consolidated Statements of Comprehensive Income for the years ended December 31, 2021 and 2020
Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2021 and 2020
Notes to Consolidated Financial Statements

2) *Financial Statement Schedules:*

Financial statement schedules are omitted as not required or not applicable or because the information is included in the Consolidated Financial Statements or notes thereto.

(b) List of Exhibits:

The exhibit list in the Exhibit Index is incorporated herein by reference as the list of exhibits required as part of this Annual Report.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Share Exchange, dated December 27, 2021, by and between U.S. Century Bank and USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
3.1	Articles of Incorporation of USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
3.2	Amended and Restated Bylaws of USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
4.1	Side Letter Agreement, dated December 30, 2021, between USCB Financial Holdings, Inc., U.S. Century Bank, Priam Capital Fund II, LP, Patriot Financial Partners II, L.P. and Patriot Financial Partners Parallel II, L.P. (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
4.2	Registration Rights Agreement, dated March 17, 2015, between U.S. Century Bank, Priam Capital Fund II, LP, Patriot Financial Partners II, L.P., Patriot Financial Partners Parallel II, L.P., and certain other shareholders of U.S. Century Bank (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
4.3	Assignment and Assumption of Agreement, dated December 30, 2021, between U.S. Century Bank and USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
4.4	Description of USCB Financial Holdings, Inc.'s securities.**
10.1	U.S. Century Bank Amended and Restated 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
10.2	Employment Agreement, dated April 16, 2016, between U.S. Century Bank and Luis de la Aguilera.*,**
10.3	Amendment, dated April 19, 2019, to the Employment Agreement between U.S. Century Bank and Luis de la Aguilera.*,**
10.4	Amendment, dated April 30, 2019, to the Employment Agreement between U.S. Century Bank and Luis de la Aguilera.*,**
10.5	Employment Agreement, dated September 11, 2020, between U.S. Century Bank and Robert Anderson.*,**
10.6	Change in Control Agreement, dated August 2, 2019, between U.S. Century Bank and Benigno Pazos.*,**
21.1	Subsidiaries of USCB Financial Holdings, Inc.**
23.1	Consent of Crowe LLP, Independent Registered Public Accounting Firm.**
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.**
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.**
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.***
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.***
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan or arrangement.
** Filed herwith.
*** Furnished hereby.

SIGNATURES

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

USCB FINANCIAL HOLDINGS, INC.

Date: March 24, 2022

By: /s/ Luis de la Aguilera
Luis de la Aguilera
President and Chief Executive Officer

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

Signature	Title	Date
/s/ Luis de la Aguilera Luis de la Aguilera	President, Chief Executive Officer, and Director (Principal Executive Officer)	March 24, 2022
/s/ Robert Anderson Robert Anderson	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 24, 2022
/s/ Aida Levitan Aida Levitan	Director	March 24, 2022
/s/ Howard Feinglass Howard Feinglass	Director	March 24, 2022
/s/ Kirk Wycoff Kirk Wycoff	Director	March 24, 2022
/s/ Ramon A. Abadin Ramon A. Abadin	Director	March 24, 2022
/s/ Bernardo B. Fernandez Bernardo B. Fernandez	Director	March 24, 2022
/s/ Ramon A. Rodriguez Ramon A. Rodriguez	Director	March 24, 2022

Exhibit 4.4

DESCRIPTION OF USCB FINANCIAL HOLDINGS, INC.'S SECURITIES

As of December 31, 2021, USCB Financial Holdings, Inc. (the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, namely its Class A common stock, $1.00 par value per share ("Class A Common Stock"). The following summary of the Class A Common Stock is based on and qualified by the Company's Articles of Incorporation (the "Articles of Incorporation"), the Company's Amended and Restated Bylaws (the "Bylaws") and the Side Letter Agreement (the "Side Letter Agreement") by and between the Company and the Large Investors (as defined herein). For a complete description of the terms and provisions of the Company's equity securities, including its common stock, refer to the Articles of Incorporation, the Bylaws and the Side Letter Agreement, all of which are filed as exhibits to this Annual Report on Form 10-K.

General

The Articles of Incorporation authorize a total of 68,600,000 shares of capital stock, $1.00 par value per share, consisting of (a) 53,000,000 shares of common stock, 45,000,000 of which are designated Class A Common Stock and 8,000,000 of which are designated Class B Non-Voting Common Stock, par value $1.00 per share ("Class B Common Stock" and together with the Class A Common Stock, the "Common Stock"), and (b) 15,600,000 shares of preferred stock, $1.00 par value per share.

Voting Rights

The Class A Common Stock has voting rights, and Class B Common Stock does not have voting rights except in limited circumstances. Holders of Class A Common Stock are entitled to one vote per share on all matters on which the holders are entitled to vote, except in the case of amendments to the Articles of Incorporation where such amendment relates solely to Class B Common Stock or any other series of the Company's preferred stock. The Company does not have any cumulative votes in the election of directors. Under the Bylaws, unless otherwise provided by law or the Articles of Incorporation, the holders of a majority of shares issued, outstanding, and entitled to vote, present in person or by proxy, will constitute a quorum to transact business, including the election of directors, except that when a specified item of business is required to be voted on by one or more designated classes or series of capital stock, a majority of the shares of each such class or series will constitute a quorum. Once a quorum is present, except as otherwise provided by law, the Articles of Incorporation, the Bylaws or in respect of the election of directors, all matters to be voted on by the Company's shareholders must be approved by a majority of shares constituting a quorum, and where a separate vote by class or series is required, a majority of the votes represented by the shares of the shareholders of such class or series present in person or by proxy and entitled to vote shall be the act of such class or series. The affirmative vote of the holders representing 66 2/3% of the then outstanding shares of Class A Common Stock is required to amend, alter or repeal, or adopt any provision as part of the Articles of Incorporation that is inconsistent with the purpose and intent of certain designated provisions of the Articles of Incorporation and the Bylaws including, among others, perpetual term, management of the Company, indemnification, transfer restrictions, board powers and number of directors.

The holders of Class B Common Stock have limited voting rights. In addition to any voting rights that may be required under Florida law, the consent of holders of Class B Common Stock representing a majority of the shares of Class B Common Stock present in person or by proxy and entitled to vote, voting as a separate class, is required to (a) amend the Articles of Incorporation in a manner that would significantly and adversely affect the rights of the holders of the Class B Common Stock in a manner that is different from the effect of such amendment on the Class A Common Stock or (b) liquidate, dissolve or wind-up the Company.

Dividends

Holders of Common Stock are entitled to receive such dividends as may from time to time be declared by the Company's Board of Directors (the "Board") out of funds legally available for such purposes. The Company can pay dividends on its Common Stock only if it has paid or provided for the payment of all dividends, if any, to which holders of its then outstanding preferred stock, are entitled. The Company's ability to pay dividends is also subject to applicable federal and state banking laws.

Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, holders of both Class A Common Stock and Class B Common Stock are entitled to share equally and ratably in our assets, if any, remaining after the payment of all the Company's debts and liabilities, and the satisfaction of the liquidation preferences of the holders of any then outstanding classes or series of preferred stock.

Preemptive Rights, Redemption or Other Rights

Pursuant to the Articles of Incorporation and the Bylaws, holders of Common Stock do not have preemptive rights or other rights to purchase, subscribe for or take any part of any shares of the Company's capital stock. The Large Investors (as defined herein), however, have certain contractual preemptive rights pursuant to the Side Letter Agreement. In addition, the Company does not have any sinking fund or redemption provisions in the Articles of Incorporation or the Bylaws applicable to its Common Stock.

Conversion

The Class A Common Stock does not have any conversion rights. Pursuant to the Articles of Incorporation, the Company's shares of Class B Common Stock may only be transferred (a) to an affiliate of the holder of Class B Common Stock, (b) to the Company, (c) pursuant to a widespread public distribution of the Common Stock (including a transfer to an underwriter for the purpose of conducting a widespread public distribution or pursuant to Rule 144 under the Securities Act), (d) if no transferee or group of associated transferees would receive 2% or more of any class of capital stock entitled to vote generally in the election of directors of the Company or (e) to a transferee that would control more than 50% of the capital stock entitled to vote generally in the election of directors of the Company without any transfer from the transferor. Immediately following a transfer of the type described in (c), (d) or (e) in the preceding sentence, each share of Class B Common Stock so transferred is automatically converted into 0.2 shares of Class A Common Stock (subject to adjustment as provided in the Articles of Incorporation). The Company must at all times reserve and keep available out of its authorized and unissued shares of Class A Common Stock such number of shares of Class A Common Stock that may be issuable upon conversion of all of the outstanding shares of Class B Common Stock.

Stockholder Meetings

Except as otherwise provided by law, the Board, or any one or more shareholders owning, in the aggregate, not less than ten percent of the issued and outstanding Class A Common Stock, may call a special meeting of shareholders at any time for any purpose not inconsistent with the Articles of Incorporation or the Bylaws.

Director Removal

Subject to the rights of holders of any class or series of preferred stock with respect to the election of directors, a director may be removed from office by the affirmative vote of holders of shares of capital stock issued and outstanding and entitled to vote in an election of directors representing at least a majority of the votes entitled to be cast thereon, and then, only for cause.

Anti-takeover Effects

Certain provisions of the Articles of Incorporation, the Bylaws, Florida and U.S. banking laws to which the Company is subject may have anti-takeover effects and may delay, defer, or prevent a tender offer or takeover attempt that a shareholder might consider to be in such shareholder's best interest, including those attempts that might result in a premium over the market price for the shares held by shareholders, and may make removal of management more difficult. The Articles of Incorporation and Bylaws include provisions that:

- empower the Board, without shareholder approval, to issue preferred stock, the terms of which, including voting power, are to be set by the Board;
- provide that directors may be removed from office only for cause and only upon a majority vote of the shares of capital stock entitled to vote in an election of directors;
- prohibit holders of Class A Common Stock from taking action by written consent in lieu of a shareholder meeting;
- require holders of at least 10% of the Company's Class A Common Stock in order to call a special meeting;
- do not provide for cumulative voting in elections of Company directors;
- provide that the Board has the authority to amend the Bylaws;
- require shareholders that wish to bring business before annual or special meetings of shareholders, or to nominate candidates for election as directors at an annual meeting of shareholders, to provide timely notice of their intent in writing and satisfy disclosure requirements; and
- enable the Board to increase, between annual meetings, the number of persons serving as directors and to fill the vacancies created as a result of the increase until the next meeting of shareholders by a majority vote of the directors present at a meeting of directors.

Additionally, the Articles of Incorporation prohibit any direct or indirect transfer of stock or options to acquire stock to any person who, as a result of the transfer, would own 4.95% or more of the Company's capital stock, as long as the

Company continues to have “deferred tax assets,” subject to limited exceptions as provided in the Articles of Incorporation. Also, certain provisions of Florida law may delay, discourage, or prevent an attempted acquisition or change in control. Furthermore, banking laws impose notice, approval, and ongoing regulatory requirements on any shareholder or other party that seeks to acquire direct or indirect “control” of a bank holding company, which includes the Change in Bank Control Act and the Bank Holding Company Act.

Preferred Stock

The Board is authorized, without shareholder approval and subject to any limitations prescribed by law, the Articles of Incorporation and the Bylaws, at any time or from time to time to (a) provide for the issuance of the shares of preferred stock in one or more classes or series, (b) determine the designation for any such classes or series of preferred stock, (c) establish the number of shares to be included in any such class or series, and (d) determine the terms, powers, preferences, qualifications, limitations, restrictions and relative, participating, optional or other special rights of the shares of such class or series of preferred stock, which include rights such as those with respect to dividends, liquidation preference, conversion, redemption, and/or voting.

Any issuance of preferred stock with voting rights or which is convertible into voting shares could adversely affect the voting power of the holders of Class A Common Stock. Any of aforementioned actions could have an anti-takeover effect.

Side Letter Agreement

Pursuant to the Side Letter Agreement between the Company, Priam Capital Fund II, LP (“Priam”), Patriot Financial Partners II, L.P. (“Patriot Financial”) and Patriot Financial Partners Parallel II, L.P. (“Patriot Financial Partners,” together with Patriot Financial and Priam, the “Large Investors”), the Company is required to maintain its Board at no less than five nor more than seven directors, and to cause one person nominated by each Large Investor to be elected or appointed to the Board, including filling any vacancy (the “Board Representative”), subject to satisfaction of all legal and governance requirements regarding such Board Representative’s service as a director. Such Board Representative rights last as long as each Large Investor beneficially owns shares of the Common Stock representing 50% or more of the common stock of the Bank (as defined below) purchased by the Large Investor in the recapitalization of U.S. Century Bank, the Company’s wholly-owned Florida state-chartered bank subsidiary (the “Bank”), in 2015 (the “2015 Recapitalization”), as adjusted from time to time as a result of changes in capitalization. Pursuant to the Side Letter Agreement, the Large Investors have the power to designate a Board observer to attend meetings in a nonvoting capacity in the event any applicable Board Representative is unable to attend such meetings or if the Large Investor does not have a Board Representative on the Board on the date of any meeting.

The Side Letter Agreement provides each Large Investor with matching stock rights for so long as each Large Investor beneficially owns shares of Common Stock representing 50% or more of the common stock of the Bank purchased by the Large Investor in the 2015 Recapitalization, as adjusted from time to time as a result of changes in capitalization. The matching stock rights permit each Large Investor to purchase new equity securities offered by the Company for the same price and on the same terms as such securities are proposed to be offered to others, subject to specified exceptions, procedural requirements and compliance with applicable bank regulatory ownership requirements as further described in the Side Letter Agreement. The Side Letter Agreement also provides customary information rights to the Large Investors.

Listing

Our Class A common stock is listed on The Nasdaq Global Market under ticker symbol “USCB”.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Computershare Trust Company, N.A.

Exhibit 10.2

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of the April 16, 2016 (the "Effective Date"), between U.S. Century Bank, a Florida-chartered commercial bank (the "Bank" or the "Employer"), and Luis de la Aguilera (the "Executive").

WITNESSETH

WHEREAS, the Bank desires to employ the Executive as Chief Executive Officer;

WHEREAS, the Employer desires to be ensured of the Executive's active participation in the business of the Employer; and

WHEREAS, the Executive is willing to serve the Bank on the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the mutual agreements herein contained, and upon the other terms and conditions hereinafter provided, the Employer and the Executive hereby agree as follows:

1. Definitions. The following words and terms shall have the meanings set forth below for the purposes of this Agreement:

(a) **Base Salary.** "Base Salary" shall have the meaning set forth in Section 3(a) hereof.

(b) **Cause.** Termination of the Executive's employment for "Cause" shall mean termination because of (i) willful misconduct (including but not limited to misappropriation of a material Bank business opportunity, material violation of a confidentiality or non-competition obligation, or abuse of drugs or alcohol that results in the Executive being materially adversely affected in the performance of his duties), or fraud by the Executive; (ii) conviction of (including a plea of guilty or nolo contendere to) a felony which has a material effect on the Bank or the Executive's performance hereunder; (iii) the failure to comply with any material obligation imposed upon the Executive pursuant to this Agreement, (iv) the failure to substantially meet by the end of the Initial Term the targets agreed to by the Executive and the Board set forth in Exhibit A hereto (as determined by the Board in good faith in its sole discretion); and (v) the entry into by the Bank with the Federal Deposit Insurance Corporation (the "FDIC") and/or the Office of Financial Regulation of the State of Florida (the "OFR") after December 31, 2016 of a new consent agreement, cease and desist order or written agreement if the consent order entered into as June 3, 2011 by the Bank with the FDIC and the OFR (the "Consent Order") has been terminated; provided, however, that if such failure under clause (i) or (iii) above is susceptible of cure, "Cause" shall be deemed to exist only after the failure has remained uncured for thirty (30) days following receipt by the Executive of written notice from the Bank of the failure). Notwithstanding the foregoing, if the Executive disagrees with the good faith determination of the Bank that there is no cure after the 30-day cure period, the Executive may request that such determination be submitted to binding arbitration in accordance with Section 20 hereof (with each party responsible for its own fees and costs). If the Executive makes such a request for

arbitration, the termination of the Executive shall not become effective unless and until it is upheld by a final decision issued through such arbitration process; provided, that the Bank shall have the right, in its sole discretion, to relieve the Executive of all or any portion of his duties during such arbitration period pending the arbitration decision so long as the Bank continues to pay and provide to the Executive on a timely basis the compensation and benefits that it would otherwise owe to the Executive during such period under this Agreement.

(c) **Change in Control.** "Change in Control" shall mean (except as provided below) the occurrence of an event described in (i), (ii), (iii) or (iv) below:

(i) Any person or group (within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than the Bank, an affiliate of the Bank or a trustee or other fiduciary holding securities under an employee benefit plan of the Bank or a corporation owned directly or indirectly by the stockholders of the Bank in substantially the same proportions as their ownership of stock of the Bank, becomes the beneficial owner (within the meaning of Rule 13(d)(3) under the Exchange Act), directly or indirectly (which shall include securities issuable upon conversion, exchange or otherwise) of securities representing 50% or more of the combined voting power of the Bank's then-outstanding securities entitled generally to vote for the election of directors;

(ii) Consummation of an agreement to merge or consolidate with another entity (other than a majority-controlled subsidiary of the Bank) unless the Bank's stockholders immediately before the merger or consolidation own more than 50% of the combined voting power of the resulting entity's voting securities (giving effect to the conversion or exchange of securities issued in the merger consolidation to the other entity that are convertible or exchangeable for voting securities) entitled generally to vote for the election of directors;

(iii) Consummation of an agreement (including, without limitation, an agreement of liquidation) to sell or otherwise dispose of all or substantially all of the business or assets of the Bank (or a subsidiary thereof); or

(iv) Individuals who, as of the date hereof, constitute the Board of Directors of the Bank (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election by the stockholders is approved by a vote of at least a majority of directors then constituting the Incumbent Board shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board.

Notwithstanding the foregoing, no event shall constitute a Change in Control unless such event shall also constitute a change in control as defined in Section 409A of the Code.

(d) **Code.** "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) **Date of Termination.** "Date of Termination" shall mean (i) if the Executive's employment is terminated for Cause, the date on which the Notice of Termination is given, and (ii) if the Executive's employment is terminated for any other reason, the date specified in such Notice of Termination.

(f) **Disability.** "Disability" shall mean the Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Employer.

(g) **Good Reason.** Termination by the Executive of the Executive's employment for "Good Reason" shall mean termination by the Executive based on:

(i) any material breach of this Agreement by the Bank Employer, including without limitation any of the following: (A) a material diminution in the Executive's base compensation, (B) a material diminution in the Executive's authority, duties or responsibilities, or (C) any requirement that the Executive report to a corporate officer or employee of the Bank instead of reporting directly to the Board of Directors, other than from time to time with respect to specified matters, a director of the Bank who is designated by a majority of the full Board of Directors of the Bank, or

(ii) change in excess of twenty-five (25) miles in the geographic location at which the Executive must perform his services under this Agreement;

provided, however, that prior to any termination of employment for Good Reason, the Executive must first provide written notice to the Bank within ninety (90) days of the initial existence of the condition, describing the existence of such condition, and the Bank shall thereafter have the right to remedy the condition within thirty (30) days of the date the Bank received the written notice from the Executive. If the Bank remedies the condition within such thirty (30) day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Bank does not remedy the condition within such thirty (30) day cure period, then the Executive may deliver a Notice of Termination for Good Reason at any time within sixty (60) days following the expiration of such cure period.

(h) **Notice of Termination.** Any purported termination of the Executive's employment by the Employer for any reason, including without limitation for Cause, Disability or Retirement, or by the Executive for any reason, including without limitation for Good Reason, shall be communicated by a written "Notice of Termination" to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a dated notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, (iii) specifies a Date of Termination, which shall be not less than thirty (30) nor more than ninety (90) days after such Notice of Termination is given, except in the case of the termination of the Executive's employment for Cause, which shall be effective immediately, and (iv) is given in the manner specified in Section 11 hereof.

(i) **Retirement.** "Retirement" shall mean the Executive's voluntary or involuntary termination of employment, as applicable, upon reaching at least age 65, but shall not include an involuntary termination for Cause.

2. Term of Employment.

(a) The Bank hereby employs the Executive as Chief Executive Officer and the Executive hereby accepts said employment and agrees to render such services to the Employer on the terms and conditions set forth in this Agreement. The term of employment under this Agreement shall be for three years beginning on the Effective Date (the "Initial Term"). Prior to the second annual anniversary of the Effective Date and each annual anniversary thereafter, the Board of Directors of the Bank shall consider and review (with appropriate corporate documentation thereof, and after taking into account all relevant factors, including the Executive's performance hereunder) a one-year extension of the term of this Agreement. If the Board of Directors approves such an extension, then the term of this Agreement shall be so extended as of the relevant annual anniversary of the Effective Date unless the Executive gives written notice to the Employer of the Executive's election not to extend the term, with such written notice to be given not less than thirty (30) days prior to any such relevant annual anniversary of the Effective Date; provided, however, that if the Bank is deemed to be in "troubled condition" as defined in 12 C.F.R. 303.101(c) (or any successor thereto) as of the applicable annual anniversary of the Effective Date, then the term of this Agreement shall not be extended unless and until the Employer shall have received all requisite regulatory approvals, non-objections or consents to such renewal pursuant to the provisions of 12 C.F.R. Part 359. If the Board of Directors elects not to extend the term, it shall give written notice of such decision to the Executive not less than thirty (30) days prior to any such annual anniversary of the Effective Date. If any party gives timely notice that the term will not be extended as of any annual anniversary of the Effective Date, then this Agreement and the rights and obligations provided herein shall terminate at the conclusion of its remaining term, except to the extent set forth in Section 7. References herein to the term of this Agreement shall refer both to the Initial Term and successive terms.

(b) During the term of this Agreement, the Executive shall perform such executive services for the Bank as may be consistent with his titles and from time to time assigned to him by the Bank's Board of Directors.

(c) The Executive represents and warrants that his entering into this Agreement, and his performance of his duties as Chief Executive Officer of the Bank, will not breach or give rise to any cause of action against the Executive or the Bank under the terms of any agreements between the Executive and any prior employer (a "Prior Agreement"). The Executive shall comply with any surviving terms of any Prior Agreement, including terms concerning competition, non-solicitation and confidentiality.

3. Compensation and Benefits.

(a) The Employer shall compensate and pay the Executive for his services during the term of this Agreement at a minimum base salary of $350,000 per year ("Base Salary"), which may be increased from time to time in such amounts as may be determined by the Board of Directors of the Employer and may not be decreased without the Executive's express written consent.

(b) For any calendar year, the Executive may earn a bonus of fifty percent (50%) of the Executive's Base Salary (upon achievement of target performance levels) for such calendar year ("Annual Bonus"), depending on the satisfaction of performance criteria for such calendar year,

which shall be determined as follows. No later than February 1st of each calendar year, the Executive shall submit to the Bank's Board of Directors proposed performance goals for the calendar year. No later than March 1st of each calendar year, the Board of Directors shall approve performance goals for the calendar year (either as presented by the Executive, or with reasonable modifications desired by the Board). Such approved performance goals shall indicate the manner in which the Executive's Annual Bonus (if any) will be determined upon partial satisfaction or excess satisfaction of one or more of the goals. **Notwithstanding anything to the contrary within this Agreement, it is acknowledged and agreed that no bonuses may be paid under this paragraph unless all legal prohibitions from the making of such payments are lifted or the Employer receives approval for the making of such payments from the FDIC and the OFR.**

(c) During the term of this Agreement, the Executive shall be entitled to participate in and receive the benefits of any pension or other retirement benefit plan, profit sharing, stock incentive, or other plans, benefits and privileges given to employees and executives of the Employer, to the extent commensurate with his then duties and responsibilities, as fixed by the Board of Directors of the Bank. The Bank shall not make any changes in such plans, benefits or privileges which would adversely affect the Executive's rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all executive officers of the Employer and does not result in a proportionately greater adverse change in the rights of or benefits to the Executive as compared with any other executive officer of the Employer. Nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to the Executive pursuant to Section 3(a) hereof.

(d) During the term of this Agreement, the Executive shall be entitled to four (4) weeks of paid annual vacation, on a calendar basis, to be taken at such time or times agreed upon by the Executive and the Chairman of the Board. The Executive shall not be entitled to receive any additional compensation from the Employer for failure to take a vacation, nor shall the Executive be able to accumulate unused vacation time from one year to the next, except to the extent authorized by the Board of Directors of the Bank.

(e) Subject to receipt of any required prior regulatory approval, the Board of Directors will grant to the Executive (pursuant to a written grant agreement) nonqualified options to purchase two hundred thousand (200,000) shares of common stock of the Bank, with an exercise price of one dollar and fifty cents ($1.50) per share (which is the current fair market value per share) (the "Option Grant"), such options to be designed in a manner to cause them to be exempt from Section 409A of the Internal Revenue Code under Section 1.409A-1(b)(5)(i)(A) of the United States Department of the Treasury Regulations. This grant shall be 25% vested after the first anniversary of the grant, and an additional 25% vested after each following anniversary of grant (until fully vested on the fourth anniversary of grant). Options may be exercised once they are vested, provided such exercise does not constitute an "ownership change" for the Bank within the meaning of Section 382 of the Code. In addition to the other vesting dates/events set forth in such grant, such Option Grant shall provide for accelerated vesting upon a Change in Control, provided that no accelerated vesting upon a Change in Control shall occur if at the time of the Change in Control any of the following is applicable: (i) the Bank is still subject to the Consent Order, as such order may be amended from time to time, or (ii) the Bank is deemed to be in "troubled condition" as defined in 12 C.F.R. §303.101(c) (or any successor thereto), unless prior to or in connection with the change in control, the Bank has received all requisite regulatory

approvals, non-objections or consents to such acceleration pursuant to the provisions of 12 C.F.R. Part 359. The other terms of the Option Grant award shall comply with the Bank's 2015 Equity Incentive Plan.

(f) Executive shall receive an automobile allowance at the rate of $750 per month during the term of this Agreement. This transportation allowance will serve to cover all transportation expenses of Executive in the South Florida area including, but not limited to, transportation, gas and car maintenance.

4. Expenses. The Employer shall reimburse the Executive or otherwise provide for or pay for all reasonable expenses incurred by the Executive in furtherance of or in connection with the business of the Employer, including, but not by way of limitation, traveling expenses, and all reasonable entertainment expenses, subject to such reasonable documentation and other limitations as may be established by the Board of Directors of the Bank. If such expenses are paid in the first instance by the Executive, the Employer shall reimburse the Executive therefor. Such reimbursement shall be paid promptly by the Bank and in any event no later than March 15th of the year immediately following the year in which such expenses were incurred.

5. Termination.

(a) The Employer shall have the right, at any time upon prior Notice of Termination, to terminate the Executive's employment hereunder for any reason, including, without limitation, termination for Cause, Disability or Retirement, and the Executive shall have the right, upon prior Notice of Termination, to terminate his employment hereunder for any reason.

(b) In the event that (i) the Executive's employment is terminated by the Employer for Cause or (ii) the Executive terminates his employment hereunder other than for Disability, Retirement, death or Good Reason, the Executive shall have no right pursuant to this Agreement to compensation or other benefits for any period after the applicable Date of Termination.

(c) In the event that the Executive's employment is terminated as a result of Disability or Retirement, the Executive shall have no right pursuant to this Agreement to compensation or other benefits for any period after the applicable Date of Termination.

(d) In the event that the Executive's employment is terminated due to death during the term of this Agreement, the Executive shall have no right pursuant to this Agreement for compensation or other benefits for any period after the applicable Date of Termination except to pay to the Executive's designated beneficiary (or estate or his personal representative, as the case may be, if no beneficiary has been designated) (i) that portion, if any, of the Base Salary that remains unpaid for the period prior to the date of his death, and (ii) a lump sum cash payment equal to one-half (1/2) of the Executive's Base Salary, plus continuation of medical and dental benefits for his then spouse and/or dependents at the Bank's expense for a period of six (6) months after the date of his death. Upon the Executive's death, he shall vest in any outstanding unvested options granted under the Option Award pursuant to Section 4(e) (and the terms of the awards granted under Section 4(e) shall so provide).

(e) In the event that prior to a Change in Control the Executive's employment is terminated by (i) the Employer for other than Cause, Disability, Retirement or the Executive's death during the term of this Agreement or (ii) the Executive for Good Reason during the term of this Agreement, then the Employer shall, in consideration of the Executive's agreements in Section 7 below and subject to the provisions of Sections 5(g), 5(h), 6, 18 and 19 hereof, if applicable, pay to the Executive a cash severance amount equal to the aggregate of (A) one (1) times the Executive's then current annual Base Salary and (B) the amount accrued with respect to the Annual Bonus for the year in which the termination occurs (the "Severance Payment"). The Severance Payment shall be paid in two installments. The first payment consisting of 50% of the Severance Payment will be paid in a lump sum thirty (30) days following the later of the Date of Termination or the expiration of the revocation period provided for in the general release to be executed by the Executive pursuant to Section 5(g) below with the remaining 50% of the Severance Payment to be paid in a lump sum within ten (10) days after the expiration of the Restricted Period as set forth in Section 7 hereof. In addition, the Executive shall receive continued medical and dental benefits as provided by the Bank from time to time for its employees, at the Bank's expense, for the period of time equal to the shorter of one (1) year or the maximum period of COBRA continuation coverage provided under Section 4980B(f) of the Code (with such coverage to be treated as COBRA coverage). With respect to the Bank's payment of Executive's COBRA expenses, the Bank will pay to the Executive an additional amount such that after payment by the Executive of all applicable local, state and federal income and payroll taxes imposed on him with respect to such additional amount, the Executive retains an amount equal to all applicable local, state and federal income and payroll taxes imposed upon him with respect to such COBRA payments. Such payment shall be made on or before March 15th following the close of the calendar year in which the COBRA payments were made. Except as provided herein, the Severance Payment shall be in lieu of, and not in addition to, any Base Salary or other compensation or benefits that would have been paid under Sections 3(a), 3(b), 3(c) and 3(d) above in the absence of a termination of employment, and the Executive shall have no rights pursuant to this Agreement to any Base Salary or other benefits for any period after the applicable Date of Termination. The Executive's right to severance under this Section 5(e) shall be subject to the prior receipt of any required regulatory approval or non-objection if, as of the date of termination of the Executive's employment, the Bank is deemed to be in "troubled condition" as defined in 12 C.F.R. 303.101(c) (or any successor thereto).

(f) In the event that concurrently with or within twelve (12) months subsequent to a Change in Control the Executive's employment is terminated by (i) the Employer for other than Cause, Disability, Retirement or the Executive's death during the term of this Agreement or (ii) the Executive for Good Reason during the term of this Agreement, then the Employer shall, in consideration of the Executive's agreements in Section 7 below and subject to the provisions of Sections 5(g), 5(h), 6, 18 and 19 hereof, if applicable, pay to the Executive a cash severance amount equal to the aggregate of (A) 1.99 times the Executive's then current annual Base Salary and (B) the amount accrued with respect to the Annual Bonus for the year in which the termination occurs (the "Enhanced Severance Payment"). The Enhanced Severance Payment shall be paid in two installments. The first payment consisting of 50% of the Enhanced Severance Payment will be paid in a lump sum thirty (30) days following the later of the Date of Termination or the expiration of the revocation period provided for in the general release to be executed by the Executive pursuant to Section 5(g) below with the remaining 50% of the Enhanced Severance Payment to be paid in a lump sum within ten (10) days after the expiration of the Restricted Period as set forth in Section 7 hereof. In addition, the Executive shall receive continued medical and dental benefits

as provided by the Bank from time to time for its employees, at the Bank's expense, for the period of time equal to the shorter of eighteen (18) months or the maximum period of COBRA continuation coverage provided under Section 4980B(f) of the Code (with such coverage to be treated as COBRA coverage). With respect to the Bank's payment of Executive's COBRA expenses, the Bank will pay to the Executive an additional amount such that after payment by the Executive of all applicable local, state and federal income and payroll taxes imposed on him with respect to such additional amount, the Executive retains an amount equal to all applicable local, state and federal income and payroll taxes imposed upon him with respect to such COBRA payments. Such payment shall be made on or before March 15th following the close of the calendar year in which the COBRA payments were made. Except as provided herein, the Enhanced Severance Payment shall be in lieu of, and not in addition to, any Base Salary or other compensation or benefits that would have been paid under Sections 3(a), 3(b), 3(c) and 3(d) above in the absence of a termination of employment, and the Executive shall have no rights pursuant to this Agreement to any Base Salary or other benefits for any period after the applicable Date of Termination. The Executive's right to severance under this Section 5(f) shall be subject to the prior receipt of any required regulatory approval or non-objection if, as of the date of termination of the Executive's employment, the Bank is deemed to be in "troubled condition" as defined in 12 C.F.R. 303.101(c) (or any successor thereto).

(g) The Executive's right to receive the severance benefits set forth in Sections 5(e) and 5(f) above shall be conditioned upon the Executive's execution of a general release which releases the Employer and their directors, officers and employees from any claims that the Executive may have under various laws and regulations and the expiration of any right the Executive may have to revoke such general release, with such revocation right not being exercised. If either the time period for paying the severance set forth in Sections 5(e) or 5(f), as applicable, or the time period that the Executive has to consider the terms of the general release (including any revocation period under such release) commences in one calendar year and ends in the succeeding calendar year, then the severance payment set forth in Sections 5(e) or 5(f), as applicable, above shall not be paid until the succeeding calendar year.

(h) If prior to the Executive's receipt of the Severance Payment or the Enhanced Severance Payment set forth in Sections 5(e) or 5(f), as applicable, respectively, above due to his termination of employment (including termination for Good Reason) while the Bank is (i) still subject to the Consent Order, as such order may be amended from time to time, or (ii) is deemed to be in "troubled condition" as defined in 12 C.F.R. §303.101(c) it is determined that the Executive (i) committed any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the Employer that has had or is likely to have a material adverse effect on the Employer, (ii) is substantially responsible for the insolvency of, the appointment of a conservator or receiver for, or the troubled condition, as defined by applicable regulations of the appropriate federal banking agency, of the Employer, (iii) has materially violated any applicable federal or state banking law or regulation that has had or is likely to have a material adverse effect on the Employer, or (iv) has violated or conspired to violate Sections 215, 656, 657, 1005, 1006, 1007, 1014, 1302 or 1344 of Title 18 of the United State Code, or Sections 1341 or 1343 of Title 18 affecting the Bank, then the Severance Payment or the Enhanced Severance Payment, as applicable, shall not be provided to the Executive. If it is determined after the Executive receives the Severance Payment or the Enhanced Severance Payment, as applicable, that any of the matters set forth in clauses (i) through (iv) of this Section 5(h) are applicable to the Executive, then the Executive shall promptly (and in any event within ten (10) business days following written notice

to the Executive) return an amount equal to the Severance Payment or the Enhanced Severance Payment, as applicable, to the Employer in immediately available funds.

6. Limitation of Benefits under Certain Circumstances. If the payment pursuant to Section 5(f) hereof, either alone or together with other payments and benefits which the Executive has the right to receive from the Employer, would constitute a "parachute payment" under Section 280G of the Code, then the amount payable by the Employer pursuant to Section 5(d) hereof shall be reduced by the minimum amount necessary to result in no portion of the amount payable by the Employer under Section 5(f) being non-deductible to the Employer pursuant to Section 280G of the Code and subject to the excise tax imposed under Section 4999 of the Code. The determination of any reduction in the amount payable pursuant to Section 5(d) shall be based upon the opinion of independent tax counsel selected by the Employer and paid for by the Employer. Such counsel shall promptly prepare the foregoing opinion, but in no event later than ten (10) days from the Date of Termination, and may use such actuaries as such counsel deems necessary or advisable for the purpose. Nothing contained herein shall result in a reduction of any payments or benefits to which the Executive may be entitled upon termination of employment under any circumstances other than as specified in this Section 6, or a reduction in the payment specified in Section 5(f) below zero.

7. Restrictive Covenants

(a) **Trade Secrets**. The Executive acknowledges that he has had, and will have, access to confidential information of the Bank (including, but not limited to, current and prospective confidential know-how, customer lists, marketing plans, business plans, financial and pricing information, and information regarding acquisitions, mergers and/or joint ventures) concerning the business, customers, contacts, prospects, and assets of the Bank that is unique, valuable and not generally known outside the Bank , and that was obtained from the Bank or which was learned as a result of the performance of services by the Executive on behalf of the Bank ("Trade Secrets"). Trade Secrets shall not include any information that: (i) is now, or hereafter becomes, through no act or failure to act on the part of the Executive that constitutes a breach of this Section 7, generally known or available to the public; (ii) is known to the Executive at the time such information was obtained from the Bank; (iii) is hereafter furnished without restriction on disclosure to the Executive by a third party, other than an employee or agent of the Bank, who is not under any obligation of confidentiality to the Bank or an Affiliate; (iv) is disclosed with the written approval of the Bank; or (v) is required to be disclosed or provided by law, court order, order of any regulatory agency having jurisdiction or similar compulsion, including pursuant to or in connection with any legal proceeding involving the parties hereto; provided however, that such disclosure shall be limited to the extent so required or compelled; and provided further, however, that if the Executive is required to disclose such confidential information, he shall give the Bank notice of such disclosure and cooperate in seeking suitable protections. Other than in the course of performing services for the Bank, the Executive will not, at any time, directly or indirectly use, divulge, furnish or make accessible to any person any Trade Secrets, but instead will keep all Trade Secrets strictly and absolutely confidential. The Executive will deliver promptly to the Bank , at the termination of his employment or at any other time at the request of the Employer, without retaining any copies, all documents and other materials in his possession relating, directly or indirectly, to any Trade Secrets.

(b) **Non-Competition**. If the Executive's employment is terminated during the term of this Agreement for Cause or without Cause, before or after a Change in Control, or the Executive terminates his employment hereunder other than for Disability during the term of the Agreement, then for a period of twelve (12) months after termination of employment (the "Restricted Period"), the Executive will not, directly or indirectly, (i) become a director, officer, employee, principal, agent, shareholder, consultant or independent contractor of any insured depository institution, trust company or parent holding company of any such institution or company or other entity engaging in the banking business which has an office in the State of Florida ("Competing Business"); (ii) as agent or principal, carrying on or engaging in any activities or negotiations with respect to the acquisition or disposition of a Competing Business; (iii) extending credit for the purpose of establishing or operating a Competing Business; (iv) lending or allowing the Executive's name or reputation to be used in a Competing Business; and (v) otherwise allowing the Executive's skill, knowledge or experience to be used in a Competing Business. Notwithstanding the foregoing, nothing in this Agreement shall prevent the Executive from owning for passive investment purposes not intended to circumvent this Agreement, less than five percent (5%) of the publicly traded voting securities of any company engaged in the banking, financial services or other business similar to or competitive with the Employer (so long as the Executive has no power to manage, operate, advise, consult with or control the competing enterprise and no power, alone or in conjunction with other affiliated parties, to select a director, manager, general partner, or similar governing official of the competing enterprise other than in connection with the normal and customary voting powers afforded the Executive in connection with any permissible equity ownership).

(c) **Non-Solicitation of Employees.** During the Restricted Period, without the written consent of the Bank, the Executive shall not, directly or indirectly, solicit, induce or hire, or attempt to solicit, induce or hire, any current employee of the Employer, or any individual who becomes an employee during the Restricted Period, to leave his or her employment with the Employer or join or become affiliated with any other business or entity, or in any way interfere with the employment relationship between any employee and the Employer.

(d) **Non-Solicitation of Customers**. During the Restricted Period, without the written consent of the Bank, the Executive shall not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any customer, any person being then solicited by the Bank to be a customer, lender, supplier, licensee, licensor or other business relation of the Employer to terminate its relationship or contract with the Employer, to cease doing business with the Employer, or in any way interfere with the relationship between any such customer, lender, supplier, licensee or business relation and the Employer (including making any negative or derogatory statements or communications concerning the Employer or its directors, officers or employees).

(e) **Intellectual Property**. Employee will disclose to Employer all work, products including ideas, inventions, literary property, music, lyrics, scripts, themes, slogans, titles, copy, art and any other relevant material which could reasonably be used by Employer or any of its clients (herein collectively called "Intellectual Property") which he may create any time during the term of employment, whether created during or after working hours. Employer and Employee agree that all Intellectual Property shall be deemed to be "works made for hire" and the sole property of Employer. Employee agrees to execute and deliver all documents which Employer

may deem necessary or advisable in order to confirm such ownership or to register Intellectual Property in the name of Employer or any of its clients in the United States and all foreign countries.

(f) **Non-Disparagement.** The Executive agrees that he shall not make, or cause to be made, any disparaging or critical remarks, comments or statements about or against the Bank or its subsidiaries or affiliates or any director, officer, employee or customer of any such entities at any time in the future, except for any statements by him made pursuant to lawful subpoena or legal process. Executive acknowledges that the Employer's reputation and image in the market is one of its principal assets and that Employer has expended substantial time, effort and money in building this reputation and image and that, accordingly, any action or comment by the Executive which is damaging to or in any way diminishes such image or reputation will cause Employer irreparable injury.

(g) **Irreparable Harm**. The Executive acknowledges that: (i) the Executive's compliance with Section 7 of this Agreement is necessary to preserve and protect the proprietary rights, Trade Secrets, and the goodwill of the Employer as a going concern, and (ii) any failure by the Executive to comply with the provisions of this Agreement will result in irreparable and continuing injury for which there will be no adequate remedy at law. In the event that the Executive fails to comply with the terms and conditions of this Agreement, the obligations of the Employer to pay the severance benefits set forth in Section 5 shall cease, and the Employer will be entitled, in addition to other relief that may be proper, to all types of equitable relief (including, but not limited to, the issuance of an injunction and/or temporary restraining order and the recoupment of any severance previously paid) that may be necessary to cause the Executive to comply with this Agreement, to restore to the Employer their property, and to make the Employer whole.

(h) **Survival.** The provisions set forth in this Section 7 shall survive termination of this Agreement.

(i) **Scope Limitations**. If the scope, period of time or area of restriction specified in this Section 7 are or would be judged to be unreasonable in any court proceeding, then the period of time, scope or area of restriction will be reduced or limited in the manner and to the extent necessary to make the restriction reasonable, so that the restriction may be enforced in those areas, during the period of time and in the scope that are or would be judged to be reasonable.

8. Mitigation; Exclusivity of Benefits.

(a) The Executive shall not be required to mitigate the amount of any benefits hereunder by seeking other employment or otherwise, nor shall the amount of any such benefits be reduced by any compensation earned by the Executive as a result of employment by another employer after the Date of Termination or otherwise.

(b) The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to the Executive upon a termination of employment with the Employer pursuant to employee benefit plans of the Employer or otherwise.

9. Withholding. All payments required to be made by the Employer hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax and other

payroll deductions as the Employer may reasonably determine should be withheld pursuant to any applicable law or regulation.

10. Assignability. The Bank may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any corporation, bank or other entity with or into which the Bank may hereafter merge or consolidate or to which the Bank may transfer all or substantially all of its respective assets, if in any such case said corporation, bank or other entity shall by operation of law or expressly in writing assume all obligations of the Employer hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or their rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder.

11. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Bank:
Chairman of the Board
U.S. Century Bank
2301 N.W. 87th Avenue
Doral, Florida 33172

To the Executive:
Luis de la Aguilera
At the address last appearing on
the personnel records of the Employer

12. Amendment; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer or officers as may be specifically designated by the Board of Directors of the Employer to sign on their behalf. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

13. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the substantive laws of the State of Florida.

14. Nature of Obligations. Nothing contained herein shall create or require the Employer to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that the Executive acquires a right to receive benefits from the Employer hereunder, such right shall be no greater than the right of any unsecured general creditor of the Employer.

15. Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

16. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

18. Regulatory Actions. The following provisions shall be applicable to the parties hereto or any successor thereto, and shall be controlling in the event of a conflict with any other provision of this Agreement, including without limitation Section 5 hereof.

(a) If the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Bank's affairs pursuant to notice served under Section 8(e)(3) or Section 8(g)(1) of the Federal Deposit Insurance Act ("FDIA")(12 U.S.C. §§1818(e)(3) and 1818(g)(1)), the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank will: (i) pay the Executive all or part of the compensation withheld while its obligations under this Agreement were suspended, and (ii) reinstate (in whole or in part) any of its obligations which were suspended.

(b) If the Executive is removed from office and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or Section 8(g)(1) of the FDIA (12 U.S.C. §§1818(e)(4) and (g)(1)), all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the Executive and the Bank as of the date of termination shall not be affected.

(c) If the Bank is in default, as defined in Section 3(x)(1) of the FDIA (12 U.S.C. §1813(x)(1)), all obligations under this Agreement shall terminate as of the date of default, but vested rights of the Executive and the Bank as of the date of termination shall not be affected.

19. Regulatory Prohibition. Notwithstanding any other provision of this Agreement to the contrary, any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the FDIA (12 U.S.C. §1828(k)) and 12 C.F.R. Part 359.

20. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration before a single arbitrator in accordance with the rules then existing under the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") conducted at the district office of the AAA located nearest to the home office of the Bank, and judgment upon the award rendered may be entered in any court having jurisdiction thereof, except to the extent that the parties may otherwise reach a mutual settlement of such issue. Each party to the arbitration shall bear its own expenses.

21. Entire Agreement. This Agreement embodies the entire agreement between the Employer and the Executive with respect to the matters agreed to herein. All prior agreements between the Employer and the Executive with respect to the matters agreed to herein are hereby superseded and shall have no force or effect.

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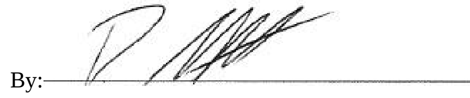
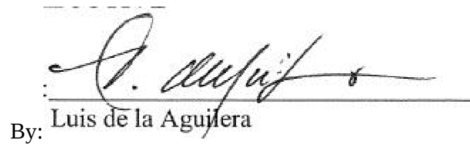
IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

U.S. CENTURY BANK



By:

EXECUTIVE



By: Luis de la Aguilera

Exhibit A

The financial targets constituting “Cause” under Section 1(b)(iv):

1. For the fiscal year ended December 31, 2017 and each fiscal year thereafter, the Bank fails to earn an annual return on average assets of in excess of .50%;
2. As of December 31, 2017 and each quarter thereafter, the Bank’s total nonperforming assets exceeds an average of 2.0% of total assets. For purposes of the calculation of the ratio of nonperforming assets, the Bank shall calculate the nonperforming asset ratio on a trailing nine-month basis using the nonperforming assets and total asset amounts for the quarter in question and the two prior quarters.

Exhibit 10.3

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement (“Amendment”) is made by and between Luis de la Aguilera (“EMPLOYEE”) and U.S. Century Bank (“EMPLOYER”), as follows. EMPLOYEE and EMPLOYER are referred to collectively in this Amendment as the “Parties.”

Recitals:

A. On April 16, 2016, EMPLOYEE and EMPLOYER entered into an Employment Agreement (the “Employment Agreement”) in connection with EMPLOYEE’s employment with EMPLOYER.

B. Paragraph 2(a) of the Employment Agreement provides that the Initial Term of the Agreement is for three years, or from April 16, 2016 through and including April 16, 2019 (“Initial Term Expiration Date”), unless extended in accordance with said Paragraph 2(a).

C. EMPLOYER and EMPLOYEE would like to extend the Initial Term Expiration Date.

Now Therefore, in consideration of the mutual covenants in this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties Hereby Agree as Follows:

1. Extension of Initial Term Expiration Date. The Parties agree that the Initial Term Expiration Date is extended to June 1, 2019.

2. Agreement Remains Effective. The Agreement remains in full force and effect and has been modified by this Amendment only as stated expressly in this Amendment.

3. Effective Date and Counterparts. This Agreement may be made effective by the execution and delivery, personally or by email, of separate identical counterpart documents, each of which shall be deemed to be an original and which, taken together, shall constitute one and the same instrument.

The Foregoing is Agreed to and Accepted By:

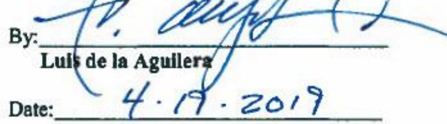
EMPLOYER (U.S. Century Bank):

By: [signature]

Print Name: Aida Levitan

Title: Chair

Date: 4/4/19


EMPLOYEE:

By: [signature]

Luis de la Aguilera

Date: 4·19·2019

Exhibit 10.4

AMENDMENT NO. 2
TO THE
U.S. CENTURY BANK
EMPLOYEE AGREEMENT

THIS AMENDMENT NO.2 (the "Amendment") to the Employment Agreement between U.S. Century Bank, a Florida-chartered commercial bank (the "Bank" or the "Employer"), and Luis de la Aguilera (the "Executive") dated April 16, 2016 (the "Agreement"), is hereby effective as of April 30, 2019 ("Amendment Effective Date").

WHEREAS, the Executive is presently employed as the Chief Executive Officer of the Bank;

WHEREAS, the Bank and the Executive previously entered into the Agreement, as amended pursuant to the terms of the First Amendment to the Agreement dated as of April 4, 2019;

WHEREAS, upon consideration, the Bank and the Executive wish to adopt certain mutually agreed revisions to the Agreement;

WHEREAS, the Bank desires to be ensured of the Executive's continued active participation in the business of the Employer under such revised terms; and

WHEREAS, the Executive is willing to serve the Employer on the terms and conditions set forth in the Agreement, as amended by this Amendment.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Employer and the Executive do hereby agree to amend the Agreement as follows:

1. Section 2(a) of the Agreement be and hereby is rescinded and deleted and replaced in its entirety by the following:

   (a) The Bank hereby employs the Executive as Chief Executive Officer and the Executive hereby accepts said employment and agrees to render such services to the Employer on the terms and conditions set forth in this Agreement. The term of employment under this Agreement shall be for a term ending April 30, 2022 (the "Initial Amended Term"). Prior to April 30, 2021 (the "Extension Anniversary Date") and each annual anniversary thereafter of the Extension Anniversary Date, the Board of Directors of the Bank shall consider and review (with appropriate corporate documentation thereof, and after taking into account all relevant factors, including the Executive's performance hereunder) a one-year extension of the term of this Agreement. If the Board of Directors approves such extension, then the term of this Agreement shall be so extended as of the relevant annual anniversary of the Extension Anniversary Date unless the Executive gives written notice to the Employer of the Executive's election not to extend the term, with such written notice to be given not less than thirty (30) days prior to any such relevant annual anniversary of the Extension Anniversary Date. If the Board of Directors elects not

to extend the term, it shall give written notice of such decision to the Executive not less than thirty (30) days prior to any such annual anniversary of the Extension Anniversary Date. If any party gives timely notice that the term will not be extended as of any annual anniversary of the Extension Anniversary Date, then this Agreement and the rights and obligations provided herein shall terminate at the conclusion of its remaining term, except to the extent set forth in Section 7. References herein to the term of this Agreement shall refer both to the Initial Amended Term and successive terms as the term of this Agreement is extended in accordance with the terms hereof.

2. Section 3(a) be and hereby is amended to delete the reference to “$350,000” and replace such reference with “$450,000”.

3. A new Section 3(g) is added which reads in its entirety as follows:

(g) The Board of Directors will grant to the Executive (pursuant to a written grant agreement) nonqualified stock options to purchase two hundred thousand (200,000) shares of common stock of the Bank, with an exercise price of two dollars and twenty-seven cents ($2.27) per share (which is the fair market value per share) (the “Option Grant”), with such options to be designed in a manner to cause them to be exempt from Section 409A of the Internal Revenue Code under Section 1.409A-1(b)(5)(i)(A) of the United States Department of the Treasury Regulations. This grant shall vest as follows: options covering 66,666 shares of common stock of the Bank shall vest on April 1, 2021; and options covering 66,667 shares of common stock of the Bank shall vest on April 1, 2022. Options may be exercised after they become vested and prior to the expiration of the options, provided such exercise does not constitute an “ownership change” for the Bank within the meaning of Section 382 of the Code. In addition to the other vesting dates/events set forth in such grant, such Option Grant shall provide for accelerated vesting upon a Change in Control. The other terms of the Option Grant award shall comply with the Bank’s 2015 Equity Incentive Plan.

4. Section 5(f) be and hereby is rescinded and deleted and is replaced in its entirety by the following:

(f) In the event that concurrently with or within twelve (12) months subsequent to a Change in Control the Executive's employment is terminated by (i) the Employer for other than Cause, Disability, Retirement or the Executive's death during the term of this Agreement or (ii) the Executive for Good Reason during the term of this Agreement, then the Employer shall, in consideration of the Executive's agreements in Section 7 below and subject to the provisions of Sections 5(g), 5(h), 6, 18 and 19 hereof, if applicable, pay to the Executive a Cash severance amount (the "Enhanced Severance Payment") equal to 2.99 times the Executive's "Highest Annual Compensation" (as such term is defined herein). For purposes hereof, "Highest Annual Compensation" shall mean the highest aggregate amount of Base Salary and cash bonus received by the Executive in a given calendar year from the Bank (excluding any deferred amounts) during the most recent three calendar years immediately preceding the year in which the Date of Termination occurs. The

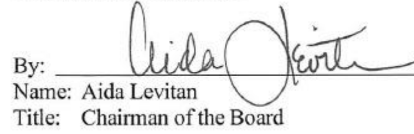
Enhanced Severance Payment shall be paid in two installments. The first payment consisting of 50% of the Enhanced Severance Payment will be paid in a lump sum thirty (30) days following the later of the Date of Termination or the expiration of the revocation period provided for in the general release to be executed by the Executive pursuant to Section 5(g) below, with the remaining 50% of the Enhanced Severance Payment to be paid in a lump sum within ten (10) days after the expiration of the Restricted Period as set forth in Section 7 hereof. In addition, the Executive shall receive continued medical and dental benefits as provided by the Bank from time to time for its employees, with the Bank paying 100% of the premiums for such coverage, for the period of time equal to the shorter of eighteen (18) months or the maximum period of COBRA continuation coverage provided under Section 4980B(f) of the Code (with such coverage to be treated as COBRA coverage). If the Bank's payment of COBRA premiums on behalf of the Executive is taxable to the Executive, then the Bank will pay to the Executive an additional amount such that after payment by the Executive of all applicable local, state and federal income and payroll taxes imposed on him with respect to such additional amount, the Executive retains an amount equal to all applicable local, state and federal income and payroll taxes imposed upon him with respect to the payment of such COBRA premiums. Such payment shall be made on or before March 15th following the close of the calendar year in which the COBRA premiums were paid. Except as provided herein, the Enhanced Severance Payment shall be in lieu of, and not in addition to, any Base Salary or other compensation or benefits that would have been paid under Sections 3(a), 3(b), 3(c) and 3(d) above in the absence of a termination of employment, and the Executive shall have no rights pursuant to this Agreement to any Base Salary or other benefits for any period after the applicable Date of Termination.

5. All other sections and provisions in the Agreement shall continue in full force and effect and are not affected by this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 2 to the Agreement as of the date first written above.

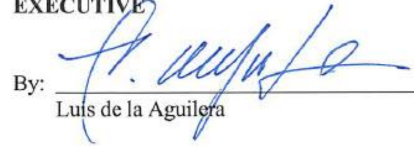
By: ______________________
Name: Jalal "Jay" Shehadeh
Title: Corporate Secretary

U.S. CENTURY BANK



By: ______________________
Name: Aida Levitan
Title: Chairman of the Board

EXECUTIVE



By: ______________________
Luis de la Aguilera

Exhibit 10.5

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of September 11, 2020 (the "Effective Date"), between U.S. Century Bank, a Florida-chartered commercial bank (the "Bank" or the "Employer"), and Robert Anderson (the "Executive").

WITNESSETH

WHEREAS, the Bank desires to employ the Executive as Executive Vice President and Chief Financial Officer;

WHEREAS, the Employer desires to be ensured of the Executive's active participation in the business of the Employer; and

WHEREAS, the Executive is willing to serve the Bank on the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the mutual agreements herein contained, and upon the other terms and conditions hereinafter provided, the Employer and the Executive hereby agree as follows:

1. Definitions. The following words and terms shall have the meanings set forth below for the purposes of this Agreement:

(a) **Base Salary.** "Base Salary" shall have the meaning set forth in Section 3(a) hereof.

(b) **Cause.** Termination of the Executive's employment for "Cause" shall mean termination because of (i) willful misconduct (including but not limited to misappropriation of a material Bank business opportunity, material violation of a confidentiality or non-competition obligation, or abuse of drugs or alcohol that results in the Executive being materially adversely affected in the performance of his duties), or fraud by the Executive; (ii) conviction of (including a plea of guilty or nolo contendere to) a felony which has a material effect on the Bank or the Executive's performance hereunder; and (iii) the failure to comply with any material obligation imposed upon the Executive pursuant to this Agreement; provided, however, that if such failure under clause (i) or (iii) above is susceptible of cure, "Cause" shall be deemed to exist only after the failure has remained uncured for thirty (30) days following receipt by the Executive of written notice from the Bank of the failure. Notwithstanding the foregoing, if the Executive disagrees with the good faith determination of the Bank that there is no cure after the 30-day cure period, the Executive may request that such determination be submitted to binding arbitration in accordance with Section 20 hereof (with each party responsible for its own fees and costs). If the Executive makes such a request for arbitration, the termination of the Executive shall not become effective unless and until it is upheld by a final decision issued through such arbitration process; provided, that the Bank shall have the right, in its sole discretion, to relieve the Executive of all or any portion of his duties during such arbitration period pending the arbitration decision so long as the Bank continues to pay and provide to the Executive on a timely basis the

compensation and benefits that it would otherwise owe to the Executive during such period under this Agreement.

(c) **Change in Control.** "Change in Control" shall mean (except as provided below) the occurrence of an event described in (i), (ii), (iii) or (iv) below:

(i) Any person or group (within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than the Bank, an affiliate of the Bank or a trustee or other fiduciary holding securities under an employee benefit plan of the Bank or a corporation owned directly or indirectly by the stockholders of the Bank in substantially the same proportions as their ownership of stock of the Bank, becomes the beneficial owner (within the meaning of Rule 13(d)(3) under the Exchange Act), directly or indirectly (which shall include securities issuable upon conversion, exchange or otherwise) of securities representing 50% or more of the combined voting power of the Bank's then-outstanding securities entitled generally to vote for the election of directors;

(ii) Consummation of an agreement to merge or consolidate with another entity (other than a majority-controlled subsidiary of the Bank) unless the Bank's stockholders immediately before the merger or consolidation own more than 50% of the combined voting power of the resulting entity's voting securities (giving effect to the conversion or exchange of securities issued in the merger consolidation to the other entity that are convertible or exchangeable for voting securities) entitled generally to vote for the election of directors;

(iii) Consummation of an agreement (including, without limitation, an agreement of liquidation) to sell or otherwise dispose of all or substantially all of the business or assets of the Bank (or a subsidiary thereof); or

(iv) Individuals who, as of the date hereof, constitute the Board of Directors of the Bank (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election by the stockholders is approved by a vote of at least a majority of directors then constituting the Incumbent Board shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board.

Notwithstanding the foregoing, no event shall constitute a Change in Control unless such event shall also constitute a change in control as defined in Section 409A of the Code, as such term is hereinafter defined.

(d) **Code.** "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) **Date of Termination.** "Date of Termination" shall mean (i) if the Executive's employment is terminated for Cause, the date on which the Notice of Termination is given, and (ii) if the Executive's employment is terminated for any other reason, the date specified in such Notice of Termination.

(f) **Disability.** "Disability" shall mean the Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not

less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Employer.

(g) **Good Reason.** Termination by the Executive of the Executive's employment for "Good Reason" shall mean termination by the Executive based on:

(i) any material breach of this Agreement by the Employer, including without limitation any of the following: (A) a material diminution in the Executive's base compensation, (B) a material diminution in the Executive's authority, duties or responsibilities, or (C) any requirement that the Executive report to a corporate officer or employee of the Bank instead of reporting directly to the President and Chief Executive Officer, other than from time to time with respect to specified matters, or

(ii) change in excess of twenty-five (25) miles in the geographic location at which the Executive must perform his services under this Agreement;

provided, however, that prior to any termination of employment for Good Reason, the Executive must first provide written notice to the Bank within ninety (90) days of the initial existence of the condition, describing the existence of such condition, and the Bank shall thereafter have the right to remedy the condition within thirty (30) days of the date the Bank received the written notice from the Executive. If the Bank remedies the condition within such thirty (30) day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Bank does not remedy the condition within such thirty (30) day cure period, then the Executive may deliver a Notice of Termination for Good Reason at any time within sixty (60) days following the expiration of such cure period.

(h) **Notice of Termination.** Any purported termination of the Executive's employment by the Employer for any reason, including without limitation for Cause, Disability or Retirement, or by the Executive for any reason, including without limitation for Good Reason, shall be communicated by a written "Notice of Termination" to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a dated notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, (iii) specifies a Date of Termination, which shall be not less than thirty (30) nor more than ninety (90) days after such Notice of Termination is given, except in the case of the termination of the Executive's employment for Cause, which shall be effective immediately, and (iv) is given in the manner specified in Section 11 hereof.

(i) **Retirement.** "Retirement" shall mean the Executive's voluntary or involuntary termination of employment, as applicable, upon reaching at least age 65, but shall not include an involuntary termination for Cause.

2. Term of Employment.

(a) The Bank hereby employs the Executive as Executive Vice President and Chief Financial Officer and the Executive hereby accepts said employment and agrees to render such services to the Employer on the terms and conditions set forth in this Agreement. The term of employment under this Agreement shall be for three years beginning on the Effective Date (the "Initial Term"). Not less than sixty (60) days prior to the second annual anniversary of the Effective Date and each annual anniversary thereafter, the Board of Directors of the Bank shall consider and review (with appropriate corporate documentation thereof, and after taking into account all relevant factors, including the Executive's performance hereunder) a one-year extension of the term of this Agreement. If the Board of Directors approves such an extension, then the term of this Agreement shall be so extended as of the relevant annual anniversary of the Effective Date unless the Executive gives written notice to the Employer of the Executive's election not to extend the term, with such written notice to be given not less than sixty (60) days prior to any such relevant annual anniversary of the Effective Date. If the Board of Directors elects not to extend the term, it shall give written notice of such decision to the Executive as soon as the decision is made but in no case no less than sixty (60) days prior to any such annual anniversary of the Effective Date. If any party gives timely notice that the term will not be extended as of any annual anniversary of the Effective Date, then this Agreement and the rights and obligations provided herein shall terminate at the conclusion of its remaining term, except to the extent set forth in Section 7. References herein to the term of this Agreement shall refer both to the Initial Term and successive terms.

(b) During the term of this Agreement, the Executive shall perform such executive services for the Bank as may be consistent with his titles and from time to time assigned to him by the Bank's Board of Directors and/or the President and Chief Executive Officer.

(c) The Executive represents and warrants that his entering into this Agreement, and his performance of his duties as Executive Vice President and Chief Executive Officer of the Bank, will not breach or give rise to any cause of action against the Executive or the Bank under the terms of any agreements between the Executive and any prior employer (a "Prior Agreement"). The Executive shall comply with any surviving terms of any Prior Agreement, including terms concerning competition, non-solicitation and confidentiality.

3. Compensation and Benefits.

(a) The Employer shall compensate and pay the Executive for his services during the term of this Agreement at a minimum base salary of $325,000 per year ("Base Salary"), which may be increased from time to time in such amounts as may be determined by the Board of Directors of the Employer and may not be decreased without the Executive's express written consent.

(b) The Bank shall pay Executive a sign-on bonus (the "Sign-On Bonus") in the amount of $100,000 in the first payroll period following the Effective Date; *provided, however,* that in the event that Executive resigns Executive's employment with the Bank without Good Reason or is terminated by the Bank for Cause within one (1) year following the Effective Date, Executive shall repay to the Bank within ten (10) days following Executive's final day of work the Sign-On Bonus,

pro-rated based on the number of calendar months remaining between the date that Executive's employment is terminated and the one (1) year anniversary of the Effective Date. For purposes of clarity, and by way of example only, if Executive resigns without Good Reason three months after the Effective Date, he shall be obligated to repay to the Bank $75,000 (i.e., seventy-five percent (75%)) of the Sign-On Bonus). The Bank shall deduct from the Sign-On Bonus all amounts required to be deducted or withheld under applicable law.

(c) In addition to his Base Salary, the Executive shall be entitled to receive during the term of this Agreement such bonus payments ("Bonus") as may be determined by the Board of Directors of the Employer. Notwithstanding anything to the contrary herein, for calendar year 2021, the Executive may earn a Bonus of up to fifty percent (50%) of the Executive's Base Salary, as outlined in the Bank's Management Annual Incentive Plan.

(d) During the term of this Agreement, the Executive shall be entitled to participate in and receive the benefits of any pension or other retirement benefit plan, profit sharing, stock incentive, or other plans, benefits and privileges given to employees and executives of the Employer, to the extent commensurate with his then duties and responsibilities, as fixed by the Board of Directors of the Bank. The Bank shall not make any changes in such plans, benefits or privileges which would adversely affect the Executive's rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all executive officers of the Employer and does not result in a proportionately greater adverse change in the rights of or benefits to the Executive as compared with any other executive officer of the Employer. Nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to the Executive pursuant to Section 3(a) hereof.

(e) During the term of this Agreement and beginning in the year of 2021, the Executive shall be entitled to four (4) weeks of paid annual vacation, on a calendar basis, to be taken at such time or times agreed upon by the Executive and the President and Chief Executive Officer. In addition, Executive shall be entitled to six (6) days of personal/sick leave per calendar year*; provided, however*, for calendar 2020, Executive shall be entitled to two (2) days for personal/sick leave for the remainder of such calendar year. The Executive shall not be entitled to receive any additional compensation from the Employer for failure to take a vacation or use his personal/sick leave, nor shall the Executive be able to accumulate unused vacation time or unused personal/sick leave from one year to the next, except to the extent authorized by the President and Chief Executive Officer.

(f) The Board of Directors will grant to the Executive (pursuant to a written grant agreement) non-qualified stock options to purchase one hundred and fifty thousand (150,000) shares of common stock of the Bank (the "Option Grant"), with an exercise price per share equal to the Fair Market Value, as such term is defined in the Bank's Amended and Restated 2015 Equity Incentive Plan (the "2015 Equity Incentive Plan"), with such options to be designed in a manner to cause them to be exempt from Section 409A of the Internal Revenue Code under Section 1.409A-1(b)(5)(i)(A) of the United States Department of the Treasury Regulations. This grant shall vest as follows: options covering 50,000 shares of common stock of the Bank shall vest on the first anniversary of the Effective Date; options covering 50,000 shares of common stock of the Bank shall vest on the second anniversary of the Effective Date; and options covering 50,000 shares of common stock of the Bank shall vest on the third anniversary of the Effective Date. Options may be exercised after they become vested and prior to the expiration of the term of the options, provided such exercise does not constitute an "ownership change" for the Bank within the meaning of Section 382 of the Code. In addition to the other vesting dates/events set forth in such grant, such Option Grant shall provide for accelerated vesting upon a Change in Control. The other terms

of the Option Grant award shall comply with the Bank's 2015 Equity Incentive Plan.

(g) Executive shall receive an automobile allowance at the rate of $750 per month during the term of this Agreement. This transportation allowance will serve to cover all transportation expenses of Executive in the South Florida area including, but not limited to, transportation, gas and car maintenance.

(h) Executive shall be reimbursed up to a maximum of $50,000 (the "Moving Allowance") for all reasonable and necessary out-of-pocket travel and other expenses incurred by the Executive moving to the Miami, Florida metropolitan area; *provided, however,* that in the event that Executive resigns Executive's employment with the Bank without Good Reason or is terminated by the Bank for Cause within one (1) year following the Effective Date, Executive shall repay to the Bank within ten (10) days following Executive'sfinal day of work the full amount of the Moving Allowance. At the Executive's option, the Executive may be reimbursed for such expenses or may cause the provider of such services to bill the Bank directly.

4. Expenses. The Employer shall reimburse the Executive or otherwise provide for or pay for all reasonable expenses incurred by the Executive in furtherance of or in connection with the business of the Employer, including, but not by way of limitation, travel expenses, and all reasonable entertainment expenses, subject to such reasonable documentation and other limitations as may be established by the Board of Directors of the Bank. If such expenses are paid in the first instance by the Executive, the Employer shall reimburse the Executive therefor. Such reimbursement shall be paid promptly by the Bank and in any event no later than March 15th of the year immediately following the year in which such expenses were incurred.

5. Termination.

(a) The Employer shall have the right, at any time upon prior Notice of Termination, to terminate the Executive's employment hereunder for any reason, including, without limitation, termination for Cause, Disability or Retirement, and the Executive shall have the right, upon prior Notice of Termination, to terminate his employment hereunder for any reason.

(b) In the event that (i) the Executive's employment is terminated by the Employer for Cause or (ii) the Executive terminates his employment hereunder other than for Disability, Retirement, death or Good Reason, the Executive shall have no right pursuant to this Agreement to compensation or other benefits for any period after the applicable Date of Termination.

(c) In the event that the Executive's employment is terminated as a result of Disability or Retirement, the Executive shall have no right pursuant to this Agreement to compensation or other benefits for any period after the applicable Date of Termination.

(d) In the event that the Executive's employment is terminated due to death during the term of this Agreement, the Executive shall have no right pursuant to this Agreement for compensation or other benefits for any period after the applicable Date of Termination except to pay to the Executive's designated beneficiary (or estate or his personal representative, as the case may be, if no beneficiary has been designated) (i) that portion, if any, of the Base Salary that remains unpaid for the period prior to the date of his death, and (ii) a lump sum cash payment equal to one-half (1/2) of the Executive's Base Salary, plus the continuation of medical and dental benefits for his then spouse and/or dependents at the Bank's expense for a period of six (6) months

after the date of his death. Upon the Executive's death, he shall vest in any outstanding unvested options granted under the Option Award pursuant to Section 3(f) (and the terms of the awards granted under Section 3(f) shall so provide).

(e) In the event that prior to a Change in Control the Executive's employment is terminated by (i) the Employer for other than Cause, Disability, Retirement or the Executive's death during the term of this Agreement or (ii) the Executive for Good Reason during the term of this Agreement, then the Employer shall, in consideration of the Executive's agreements in Section 7 below and subject to the provisions of Sections 5(g), 5(h), 6, 18 and 19 hereof, if applicable, pay to the Executive a cash severance amount equal to the aggregate of (A) one (1) times the Executive's then current annual Base Salary and (B) the amount accrued with respect to the Bonus for the year in which the termination occurs (the "Severance Payment"). The Severance Payment shall be paid in two installments. The first payment consisting of 50% of the Severance Payment will be paid in a lump sum thirty (30) days following the later of the Date of Termination or the expiration of the revocation period provided for in the general release to be executed by the Executive pursuant to Section 5(g) below with the remaining 50% of the Severance Payment to be paid in a lump sum within ten (10) days after the expiration of the Restricted Period as set forth in Section 7 hereof. In addition, the Executive shall receive continued medical and dental benefits as provided by the Bank from time to time for its employees, at the Bank's expense, for the period of time equal to the shorter of one (1) year or the maximum period of COBRA continuation coverage provided under Section 4980B(f) of the Code (with such coverage to be treated as COBRA coverage). With respect to the Bank's payment of Executive's COBRA expenses, the Bank will pay to the Executive an additional amount such that after payment by the Executive of all applicable local, state and federal income and payroll taxes imposed on him with respect to such additional amount, the Executive retains an amount equal to all applicable local, state and federal income and payroll taxes imposed upon him with respect to such COBRA payments. Such payment shall be made on or before March 15th following the close of the calendar year in which the COBRA payments were made. Except as provided herein, the Severance Payment shall be in lieu of, and not in addition to, any Base Salary or other compensation or benefits that would have been paid under Sections 3(a), 3(b), 3(c), 3(d) and 3(e) above in the absence of a termination of employment, and the Executive shall have no rights pursuant to this Agreement to any Base Salary or other benefits for any period after the applicable Date of Termination.

(f) In the event that concurrently with or within twelve (12) months subsequent to a Change in Control the Executive's employment is terminated by (i) the Employer for other than Cause, Disability, Retirement or the Executive's death during the term of this Agreement or (ii) the Executive for Good Reason during the term of this Agreement, then the Employer shall, in consideration of the Executive's agreements in Section 7 below and subject to the provisions of Sections 5(g), 5(h), 6, 18 and 19 hereof, if applicable, pay to the Executive a cash severance amount equal to two (2) times the Executive's then current annual Base Salary (the "Enhanced Severance Payment"). The Enhanced Severance Payment shall be paid in two installments. The first payment consisting of 50% of the Enhanced Severance Payment will be paid in a lump sum thirty (30) days following the later of the Date of Termination or the expiration of the revocation period provided for in the general release to be executed by the Executive pursuant to Section 5(g) below with the remaining 50% of the Enhanced Severance Payment to be paid in a lump sum within ten (10) days after the expiration of the Restricted Period as set forth in Section 7 hereof. In addition, the Executive shall receive continued medical and dental benefits as provided by the Bank from time to time for its employees, at the Bank's expense, for the period of time equal to the shorter

of eighteen (18) months or the maximum period of COBRA continuation coverage provided under Section 4980B(f) of the Code (with such coverage to be treated as COBRA coverage). With respect to the Bank's payment of Executive's COBRA expenses, the Bank will pay to the Executive an additional amount such that after payment by the Executive of all applicable local, state and federal income and payroll taxes imposed on him with respect to such additional amount, the Executive retains an amount equal to all applicable local, state and federal income and payroll taxes imposed upon him with respect to such COBRA payments. Such payment shall be made on or before March 15th following the close of the calendar year in which the COBRA payments were made. Except as provided herein, the Enhanced Severance Payment shall be in lieu of, and not in addition to, any Base Salary or other compensation or benefits that would have been paid under Sections 3(a), 3(b), 3(c), 3(d) and 3(e) above in the absence of a termination of employment, and the Executive shall have no rights pursuant to this Agreement to any Base Salary or other benefits for any period after the applicable Date of Termination.

(g) The Executive's right to receive the severance benefits set forth in Sections 5(e) and 5(f) above shall be conditioned upon the Executive's execution of a general release which releases the Employer and their directors, officers and employees from any claims that the Executive may have under various laws and regulations and the expiration of any right the Executive may have to revoke such general release, with such revocation right not being exercised. If either the time period for paying the severance set forth in Sections 5(e) or 5(f), as applicable, or the time period that the Executive has to consider the terms of the general release (including any revocation period under such release) commences in one calendar year and ends in the succeeding calendar year, then the severance payment set forth in Sections 5(e) or 5(f), as applicable, above shall not be paid until the succeeding calendar year.

(h) If, prior to the Executive's receipt of the Severance Payment or the Enhanced Severance Payment set forth in Sections 5(e) or 5(f), as applicable, respectively, above due to his termination of employment (including termination for Good Reason) and at such time the Bank is deemed to be in "troubled condition" as defined in 12 C.F.R. §303.101(c), it is determined that the Executive (i) committed any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the Employer that has had or is likely to have a material adverse effect on the Employer, (ii) is substantially responsible for the insolvency of, the appointment of a conservator or receiver for, or the troubled condition, as defined by applicable regulations of the appropriate federal banking agency, of the Employer, (iii) has materially violated any applicable federal or state banking law or regulation that has had or is likely to have a material adverse effect on the Employer, or (iv) has violated or conspired to violate Sections 215, 656, 657, 1005, 1006, 1007, 1014, 1302 or 1344 of Title 18 of the United State Code, or Sections 1341 or 1343 of Title 18 affecting the Bank, then the Severance Payment or the Enhanced Severance Payment, as applicable, shall not be provided to the Executive. If it is determined after the Executive receives the Severance Payment or the Enhanced Severance Payment, as applicable, that any of the matters set forth in clauses (i) through (iv) of this Section 5(h) are applicable to the Executive, then the Executive shall promptly (and in any event within ten (10) business days following written notice to the Executive) return an amount equal to the Severance Payment or the Enhanced Severance Payment, as applicable, to the Employer in immediately available funds.

6. Limitation of Benefits under Certain Circumstances. If the payment pursuant to Section 5(f) hereof, either alone or together with other payments and benefits which the Executive has the right to receive from the Employer, would constitute a "parachute payment"

under Section 280G of the Code, then the amount payable by the Employer pursuant to Section 5(d) hereof shall be reduced by the minimum amount necessary to result in no portion of the amount payable by the Employer under Section 5(f) being non-deductible to the Employer pursuant to Section 280G of the Code and subject to the excise tax imposed under Section 4999 of the Code. The determination of any reduction in the amount payable pursuant to Section 5(d) shall be based upon the opinion of independent tax counsel selected by the Employer and paid for by the Employer. Such counsel shall promptly prepare the foregoing opinion, but in no event later than ten (10) days from the Date of Termination, and may use such actuaries as such counsel deems necessary or advisable for the purpose. Nothing contained herein shall result in a reduction of any payments or benefits to which the Executive may be entitled upon termination of employment under any circumstances other than as specified in this Section 6, or a reduction in the payment specified in Section 5(f) below zero.

7. Restrictive Covenants

(a) **Trade Secrets**. The Executive acknowledges that he has had, and will have, access to confidential information of the Bank (including, but not limited to, current and prospective confidential know-how, customer lists, marketing plans, business plans, financial and pricing information, and information regarding acquisitions, mergers and/or joint ventures) concerning the business, customers, contacts, prospects, and assets of the Bank that is unique, valuable and not generally known outside the Bank, and that was obtained from the Bank or which was learned as a result of the performance of services by the Executive on behalf of the Bank (“Trade Secrets”). Trade Secrets shall not include any information that: (i) is now, or hereafter becomes, through no act or failure to act on the part of the Executive that constitutes a breach of this Section 7, generally known or available to the public; (ii) is known to the Executive at the time such information was obtained from the Bank; (iii) is hereafter furnished without restriction on disclosure to the Executive by a third party, other than an employee or agent of the Bank, who is not under any obligation of confidentiality to the Bank or an Affiliate; (iv) is disclosed with the written approval of the Bank; or (v) is required to be disclosed or provided by law, court order, order of any regulatory agency having jurisdiction or similar compulsion, including pursuant to or in connection with any legal proceeding involving the parties hereto; provided however, that such disclosure shall be limited to the extent so required or compelled; and provided further, however, that if the Executive is required to disclose such confidential information, he shall give the Bank notice of such disclosure and cooperate in seeking suitable protections. Other than in the course of performing services for the Bank, the Executive will not, at any time, directly or indirectly use, divulge, furnish or make accessible to any person any Trade Secrets, but instead will keep all Trade Secrets strictly and absolutely confidential. The Executive will deliver promptly to the Bank , at the termination of his employment or at any other time at the request of the Employer, without retaining any copies, all documents and other materials in his possession relating, directly or indirectly, to any Trade Secrets.

(b) **Non-Competition**. If the Executive’s employment is terminated during the term of this Agreement for Cause or without Cause, before or after a Change in Control, or the Executive terminates his employment hereunder other than for Disability during the term of the Agreement, then for a period of twelve (12) months after termination of employment (the “Restricted Period”), the Executive will not, directly or indirectly, (i) become a director, officer, employee, principal, agent, shareholder, consultant or independent contractor of any insured depository institution, trust company or parent holding company of any such institution or company or other entity engaging

in the banking business which has an office in the State of Florida (“Competing Business”); (ii) as agent or principal, carrying on or engaging in any activities or negotiations with respect to the acquisition or disposition of a Competing Business; (iii) extending credit for the purpose of establishing or operating a Competing Business; (iv) lending or allowing the Executive’s name or reputation to be used in a Competing Business; and (v) otherwise allowing the Executive’s skill, knowledge or experience to be used in a Competing Business. Notwithstanding the foregoing, nothing in this Agreement shall prevent the Executive from owning for passive investment purposes not intended to circumvent this Agreement, less than five percent (5%) of the publicly traded voting securities of any company engaged in the banking, financial services or other business similar to or competitive with the Employer (so long as the Executive has no power to manage, operate, advise, consult with or control the competing enterprise and no power, alone or in conjunction with other affiliated parties, to select a director, manager, general partner, or similar governing official of the competing enterprise other than in connection with the normal and customary voting powers afforded the Executive in connection with any permissible equity ownership).

(c) **Non-Solicitation of Employees.** During the Restricted Period, without the written consent of the Bank, the Executive shall not, directly or indirectly, solicit, induce or hire, or attempt to solicit, induce or hire, any current employee of the Employer, or any individual who becomes an employee during the Restricted Period, to leave his or her employment with the Employer or join or become affiliated with any other business or entity, or in any way interfere with the employment relationship between any employee and the Employer.

(d) **Non-Solicitation of Customers**. During the Restricted Period, without the written consent of the Bank, the Executive shall not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any customer, any person being then solicited by the Bank to be a customer, lender, supplier, licensee, licensor or other business relation of the Employer to terminate its relationship or contract with the Employer, to cease doing business with the Employer, or in any way interfere with the relationship between any such customer, lender, supplier, licensee or business relation and the Employer (including making any negative or derogatory statements or communications concerning the Employer or its directors, officers or employees).

(e) **Intellectual Property**. Executive will disclose to Employer all work, products including ideas, inventions, literary property, music, lyrics, scripts, themes, slogans, titles, copy, art and any other relevant material which could reasonably be used by Employer or any of its clients (herein collectively called “Intellectual Property”) which he may create any time during the term of employment, whether created during or after working hours. Employer and Executive agree that all Intellectual Property shall be deemed to be "works made for hire" and the sole property of Employer. Executive agrees to execute and deliver all documents which Employer may deem necessary or advisable in order to confirm such ownership or to register Intellectual Property in the name of Employer or any of its clients in the United States and all foreign countries.

(f) **Non-Disparagement.** The Executive agrees that he shall not make, or cause to be made, any disparaging or critical remarks, comments or statements about or against the Bank or its subsidiaries or affiliates or any director, officer, employee or customer of any such entities at any time in the future, except for any statements by him made pursuant to lawful subpoena or legal process. Executive acknowledges that the Employer’s reputation and image in the market is one

of its principal assets and that Employer has expended substantial time, effort and money in building this reputation and image and that, accordingly, any action or comment by the Executive which is damaging to or in any way diminishes such image or reputation will cause Employer irreparable injury.

(g) **Irreparable Harm**. The Executive acknowledges that: (i) the Executive's compliance with Section 7 of this Agreement is necessary to preserve and protect the proprietary rights, Trade Secrets, and the goodwill of the Employer as a going concern, and (ii) any failure by the Executive to comply with the provisions of this Agreement will result in irreparable and continuing injury for which there will be no adequate remedy at law. In the event that the Executive fails to comply with the terms and conditions of this Agreement, the obligations of the Employer to pay the severance benefits set forth in Section 5 shall cease, and the Employer will be entitled, in addition to other relief that may be proper, to all types of equitable relief (including, but not limited to, the issuance of an injunction and/or temporary restraining order and the recoupment of any severance previously paid) that may be necessary to cause the Executive to comply with this Agreement, to restore to the Employer their property, and to make the Employer whole.

(h) **Survival.** The provisions set forth in this Section 7 shall survive the termination of this Agreement.

(i) **Scope Limitations**. If the scope, period of time or area of restriction specified in this Section 7 are or would be judged to be unreasonable in any court proceeding, then the period of time, scope or area of restriction will be reduced or limited in the manner and to the extent necessary to make the restriction reasonable, so that the restriction may be enforced in those areas, during the period of time and in the scope that are or would be judged to be reasonable.

8. Mitigation; Exclusivity of Benefits.

(a) The Executive shall not be required to mitigate the amount of any benefits hereunder by seeking other employment or otherwise, nor shall the amount of any such benefits be reduced by any compensation earned by the Executive as a result of employment by another employer after the Date of Termination or otherwise.

(b) The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to the Executive upon a termination of employment with the Employer pursuant to employee benefit plans of the Employer or otherwise.

9. Withholding. All payments required to be made by the Employer hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Employer may reasonably determine should be withheld pursuant to any applicable law or regulation.

10. Assignability. The Bank may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any corporation, bank or other entity with or into which the Bank may hereafter merge or consolidate or to which the Bank may transfer all or substantially all of its assets, if in any such case said corporation, bank or other entity shall by operation of law or expressly in writing assume all obligations of the Employer hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or their rights and

obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder.

11. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Bank:	President and Chief Executive Officer U.S. Century Bank 2301 N.W. 87th Avenue Doral, Florida 33172
To the Executive:	Robert Anderson At the address last appearing on the personnel records of the Employer

12. Amendment; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer or officers as may be specifically designated by the Board of Directors of the Employer to sign on their behalf. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

13. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the substantive laws of the State of Florida.

14. Nature of Obligations. Nothing contained herein shall create or require the Employer to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that the Executive acquires a right to receive benefits from the Employer hereunder, such right shall be no greater than the right of any unsecured general creditor of the Employer.

15. Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

16. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

18. Regulatory Actions. The following provisions shall be applicable to the parties hereto or any successor thereto, and shall be controlling in the event of a conflict with any other provision of this Agreement, including without limitation Section 5 hereof.

(a) If the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Bank's affairs pursuant to notice served under Section 8(e)(3) or Section 8(g)(1) of the Federal Deposit Insurance Act ("FDIA")(12 U.S.C. §§1818(e)(3) and 1818(g)(1)), the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank will: (i) pay the Executive all or part of the compensation withheld while its obligations under this Agreement were suspended, and (ii) reinstate (in whole or in part) any of its obligations which were suspended.

(b) If the Executive is removed from office and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or Section 8(g)(1) of the FDIA (12 U.S.C. §§1818(e)(4) and (g)(1)), all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the Executive and the Bank as of the date of termination shall not be affected.

(c) If the Bank is in default, as defined in Section 3(x)(1) of the FDIA (12 U.S.C. §1813(x)(1)), all obligations under this Agreement shall terminate as of the date of default, but vested rights of the Executive and the Bank as of the date of termination shall not be affected.

19. Regulatory Prohibition. Notwithstanding any other provision of this Agreement to the contrary, any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the FDIA (12 U.S.C. §1828(k)) and 12 C.F.R. Part 359.

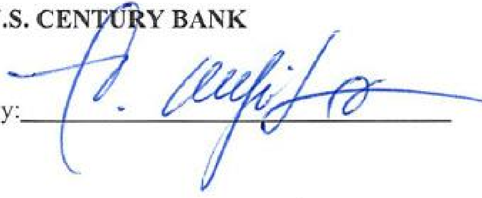
20. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration before a single arbitrator in accordance with the rules then existing under the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") conducted at the district office of the AAA located nearest to the home office of the Bank, and judgment upon the award rendered may be entered in any court having jurisdiction thereof, except to the extent that the parties may otherwise reach a mutual settlement of such issue. Each party to the arbitration shall bear its own expenses.

21. Entire Agreement. This Agreement embodies the entire agreement between the Employer and the Executive with respect to the matters agreed to herein. All prior agreements between the Employer and the Executive with respect to the matters agreed to herein are hereby superseded and shall have no force or effect.

[Signature page follows.]

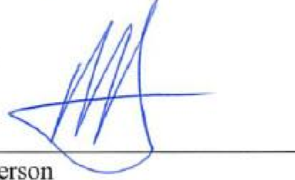
IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

U.S. CENTURY BANK



By:______________________________

EXECUTIVE



By:______________________________
Robert Anderson

Exhibit 10.6

CHANGE IN CONTROL AGREEMENT

THIS CHANGE IN CONTROL AGREEMENT ("CIC Agreement") is made by and between U.S. Century Bank, with Corporate Offices located at 2301 NW 87th Ave., Doral, FL 33172 (hereinafter called the "Bank" or the "Company"), its subsidiaries, divisions and associated and affiliated entities ("Affiliates") and Benigno Pazos ("Executive").

WHEREAS, as consideration for Executive's continued employment with the Bank as Chief Credit Officer, which is incorporated by reference in this Agreement), the parties hereto, intending to be legally bound, agree as follows:

1. Payment Upon Change in Control. In the event of a Change in Control (as defined herein) for the remaining term of Executive's employment with the Bank, the Company agrees to issue payment to Executive in the total amount of 1.5 times the Base Annual Salary of the Executive applicable for the one (1) year period prior to the Change in Control, to be paid within thirty (30) days of the consummation of the Change in Control. Bank's provision of this benefit to Executive is made without regard to whether, or for how long, Executive remains employed with the surviving company subsequent to the Change in Control.

2. Change in Control. "Change in Control shall mean the occurrence of an event described in (i), (ii), (iii), or (iv) below:

(i) Any person or group (within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than the Bank, an affiliate of the Bank or a trustee or other fiduciary holding securities under an employee benefit plan of the Bank or a corporation owned directly or indirectly by the stockholders of Bank in substantially the same proportions as their ownership of stock of the Bank, becomes the beneficial owner (within the meaning of Rule 13(d)(3) under the Exchange Act, directly or indirectly (which shall include securities issuable upon conversion, exchange or otherwise) or securities representing 50% or more of the combined voting power of the Bank's then-outstanding securities entitled to vote for the election of directors.

(ii) Consummation of an agreement to merge or consolidate with another entity (other than a majority-controlled subsidiary of the Bank) unless the Bank's stockholders immediately before the merger or consolidation own more than 50% of the combined voting power of the resulting entity's voting securities (giving effect to the conversion or exchange of securities issued in the merger consolidation to the other entity that are convertible or exchangeable for voting securities) entitled generally to vote for the election of directors.

(iii) Consummation of an agreement (including, without limitation, an agreement of liquidation) to sell or otherwise dispose of all or substantially all of the business or assets of the Bank (or a subsidiary thereof); or

(iv) Individuals who, as of the date hereof, constitute the Board of Directors of the Bank (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election by the stockholders is approved by a vote of at least a majority of directors then constituting the Incumbent Board shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board.

Notwithstanding the foregoing, no event shall constitute a Change in Control unless such event shall also constitute a change in control as defined in Section 409A of the Code.

3. Severability. Should any provision of this Agreement be declared or determined by any court of competent jurisdiction to be unenforceable or invalid for any reason, the validity of the remaining parts, terms or provisions of this Agreement shall not be affected thereby and the invalid or unenforceable part, term or provision shall be deemed not to be a part of this Agreement.

4. Applicable Law/Forum. This Agreement has been entered into in and shall be governed by and construed under the internal laws of the State of Florida, without regard to conflicts of laws principals. All suits, proceedings and other actions relating to, arising out of or in connection with this Agreement will be submitted solely to the in personam jurisdiction of the United States District Court for the Southern District of Florida ("Federal Court") or to the Circuit Court in Broward County or Miami-Dade County. Executive hereby waives any claims against or objections to such in personam jurisdiction and venue.

5. Notice. All notices and other communications hereunder shall be in writing and shall be deemed to have been given only if and when personally delivered or three (3) business days after mailing, postage prepaid, registered or certified mail, or when delivered (and receipted for) by an express delivery service, addressed in each case. As to notices provided to Bank, notices shall be sent to the Human Resources Department at the address of the Bank listed in the introductory paragraph of this Agreement. As to notices to Executive, notices shall be sent to address provided below. Executive and Bank may change the address for the giving of notices.

6. Complete Agreement. This Agreement represents the complete agreement between Executive and Bank regarding the subject matter of this Agreement. This Agreement is in no way dependent upon the performance of any other contract or agreement that may have been or may be entered into between Executive and Bank, and remains in effect during the pendency of this Agreement. As such, the breach or alleged breach of any other contract or agreement is no defense to enforcement of this Agreement.

7. Amendments in Writing. No amendment, modification, waiver, or other change to this Agreement, shall in any event be effective unless the same shall be in writing, specifically identifying this Agreement and the provision intended to be changed and signed by Bank and Executive, and each such change shall be effective only in the specific instance and for the specific purpose for which it is given. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by Bank and Bank.

8. Acknowledgment. Executive acknowledges that Executive has read this Agreement in full and completely understands all of its terms and obligations and enters into this Agreement freely and voluntarily, and after having the opportunity to consult with representatives of Executive's own choosing and that Executive's agreement is freely given.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first above mentioned.

U.S. CENTURY BANK	EMPLOYEE
By: [signature]	[signature]
Title: President & CEO	Print Name: Benigno Pazos
Dated: 8/2/2019	Dated: 8-2-2019
	Address: 10 Aragon Avenue #1208 Coral Gables, Fl. 33134

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Exhibit 21.1

SUBSIDIARY LIST

U.S. Century Bank, a Florida chartered banking corporation.

Exhibit 23.1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors of USCB Financial Holdings, Inc.
Doral, Florida

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of USCB Financial Holdings, Inc. (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as 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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Financial Statement Consistency

As discussed in Note 1 to the consolidated financial statements, the stockholders of U.S. Century Bank exchanged their Class A common shares of U.S. Century Bank for shares of USCB Financial Holdings, Inc. on a 1 share for 1 share basis during the year ended December 31, 2021. Stockholders of U.S. Century Bank became stockholders of USCB Financial Holdings, Inc., and USCB Financial Holdings, Inc. became the sole stockholder of U.S. Century Bank. The consolidated financial statements as of and for the year ended December 31, 2020, do not include USCB Financial Holdings, Inc. The 2020 financial statements of U.S. Century Bank are presented with the 2021 consolidated financial statements of USCB Financial Holdings, Inc. since U.S. Century Bank's assets, liabilities, and operations comprise substantially all of the consolidated assets, liabilities, and operations. Our opinion is not modified with respect to this matter.

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 the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. 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/ Crowe LLP
Crowe LLP

We have served as the Company's auditor since 2017.

Fort Lauderdale, Florida
March 24, 2022

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Luis de la Aguilera, certify that:

1. I have reviewed this Annual Report on Form 10-K of USCB Financial Holdings, 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 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 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) 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

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

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

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

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

/s/ Luis de la Aguilera

Luis de la Aguilera
President and Chief Executive Officer

Date: March 24, 2022

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert Anderson, certify that:

1. I have reviewed this Annual Report on Form 10-K of USCB Financial Holdings, 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 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 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) 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

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

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

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

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

/s/ Robert Anderson

Robert Anderson
Chief Financial Officer

Date: March 24, 2022

Exhibit 32.1

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of USCB Financial Holdings, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Luis de la Aguilera, as President and Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

/s/ Luis de la Aguilera

Luis de la Aguilera
President and Chief Executive Officer

Date: March 24, 2022

Exhibit 32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of USCB Financial Holdings, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert Anderson, as Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

/s/ Robert Anderson

Robert Anderson
Chief Financial Officer

Date: March 24, 2022